FORM 10-Q

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED FEBRUARY 29, 2004

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)

(918) 492-7272
(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 [x] No [ ]

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

Yes [x] No [ ]

At April 11, 2004, the registrant had units outstanding as follows:

Energy Transfer Partners, L.P.	27,919,974	Common Units
	7,721,542	Class D Units

FORM 10-Q

ENERGY TRANSFER PARTNERS, L.P.

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PART I - FINANCIAL INFORMATION

The financial statements presented herein for the three months and six months ended February 29, 2004 include the results of operations for Energy Transfer Company for the period from December 1, 2003 and September 1, 2003, respectively, through February 29, 2004, and for Heritage Propane Partners, L.P. (referenced herein as Predecessor Heritage) only for the period from January 20, 2004 to February 29, 2004. Thus, the results of operations do not represent the entire results of operations for Predecessor Heritage for the three and six months ended February 29, 2004, as they do not include the results of operations of Predecessor Heritage for the period prior to the Energy Transfer Transaction on January 20, 2004.

ITEM 1. FINANCIAL STATEMENTS

ENERGY TRANSFER PARTNERS, L.P. AND SUBSIDIARIES

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

	February 29, 2004 (see Note 2)	August 31, 2003 (Energy Transfer Company)	August 31, 2003 (Predecessor Heritage)
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	$ 110,601	$ 53,122	$ 7,117
Marketable securities	2,126	-	3,044
Accounts receivable, net of allowance for doubtful accounts	247,811	105,987	35,879
Accounts receivable from related companies	3,856	-	-
Inventories	37,576	3,947	45,274
Deposits paid to vendors	1,106	19,053	-
Exchanges receivable	1,597	1,373	-
Price risk management asset	3,311	928	-
Prepaid expenses and other	6,887	770	2,824
Total current assets	414,871	185,180	94,138
PROPERTY, PLANT AND EQUIPMENT, net	928,052	391,264	426,588
INVESTMENT IN AFFILIATES	7,902	6,844	8,694
GOODWILL	284,240	13,409	156,595
INTANGIBLES AND OTHER ASSETS, net	96,566	5,406	52,824
Total assets	$ 1,731,631	$ 602,103	$ 738,839
LIABILITIES AND PARTNERS' CAPITAL			
CURRENT LIABILITIES:			
Working capital facility	$ 65,488	$ -	$ 26,700
Accounts payable	230,219	114,198	43,690
Accounts payable to related companies	15,046	820	6,255
Exchanges payable	1,704	1,410	-
Accrued and other current liabilities	39,076	19,655	35,573
Price risk management liabilities	2,254	823	-
Income taxes payable	867	2,567	500
Current maturities of long-term debt	29,937	30,000	38,309
Total current liabilities	384,591	169,473	151,027
LONG-TERM DEBT, less current maturities	685,460	196,000	360,762
DEFERRED TAXES	112,325	55,385	-
OTHER NONCURRENT LIABILITIES	3,601	157	-
MINORITY INTERESTS	761	-	4,002
	1,186,738	421,015	515,791

ENERGY TRANSFER PARTNERS, L.P. AND SUBSIDIARIES

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

	February 29, 2004 (see Note 2)	August 31, 2003 (Energy Transfer Company)	August 31, 2003 (Predecessor Heritage)
COMMITMENTS AND CONTINGENCIES			
PARTNERS' CAPITAL:			
Common Unitholders (27,897,734 and 6,628,817 units authorized, issued and outstanding at February 29, 2004 and August 31, 2003, respectively)	312,856	180,896	221,207
Class C Unitholders (1,000,000 and 0 units authorized, issued and outstanding at February 29, 2004 and August 31, 2003, respectively)	-	-	-
Class D Unitholders (7,721,542 and 0 authorized, issued and outstanding at February 29, 2004 and August 31, 2003)	211,883	-	-
Treasury Units - Class E Unitholders (4,426,916 and 0 authorized, issued and outstanding at February 29, 2004 and August 31, 2003, respectively)	-	-	-
Special Units (3,742,515 and 0 authorized, issued and outstanding at February 29, 2004 and August 31, 2003)	-	-	-
General Partner	17,703	192	2,190
Accumulated other comprehensive income (loss)	2,451	-	(349)
Total partners' capital	544,893	181,088	223,048
Total liabilities and partners' capital	$ 1,731,631	$ 602,103	$ 738,839

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

ENERGY TRANSFER PARTNERS, L.P. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per unit and unit data)
(unaudited)

	Three Months Ended February 29, 2004 (see Note 2)	Three Months Ended February 28, 2003 (Energy Transfer Company)	Three Months Months Ended February 28, 2003 (Predecessor Heritage)	Six Months Ended February 29, 2004 (see Note 2)	Five Months Ended February 28, 2003 (Energy Transfer Company)	Six Months Ended February 28, 2003 (Predecessor Heritage)
REVENUES:						
Midstream and transportation	$ 488,291	$ 201,440	$ -	$ 903,277	$ 277,293	$ -
Affiliated - midstream	-	2,667	-	-	5,066	-
Propane	132,453	-	232,922	132,453	-	328,319
Other	8,543	-	16,887	8,543	-	34,950
Total revenues	629,287	204,107	249,809	1,044,273	282,359	363,269
COSTS AND EXPENSES:						
Cost of products sold	534,513	174,504	128,420	917,062	241,825	185,440
Operating expenses	27,470	5,452	45,237	32,910	7,548	78,630
Depreciation and amortization	9,472	2,811	9,447	13,619	4,461	18,713
Selling, general and administrative	6,381	4,286	4,320	11,261	5,873	7,177
Realized and unrealized (gains) losses on derivatives	(7,168)	4,828	-	(10,202)	6,693	-
Total costs and expenses	570,668	191,881	187,424	964,650	266,400	289,960
OPERATING INCOME	58,619	12,226	62,385	79,623	15,959	73,309
OTHER INCOME (EXPENSE):						
Interest, net	(8,895)	(3,542)	(9,317)	(12,647)	(4,951)	(18,613)
Equity in earnings of affiliates	180	71	970	327	1,443	1,183
Gain on disposal of assets	31	-	88	28	-	155
Other	227	36	(2,268)	233	68	(2,546)
INCOME BEFORE MINORITY INTERESTS AND INCOME TAXES	50,162	8,791	51,858	67,564	12,519	53,488
Minority interests	(175)	-	(821)	(175)	-	(947)
INCOME BEFORE INCOME TAXES	49,987	8,791	51,037	67,389	12,519	52,541
Income taxes	748	952	1,285	2,457	952	1,285
NET INCOME	49,239	7,839	49,752	64,932	11,567	51,256
GENERAL PARTNER'S INTEREST IN NET INCOME	2,304	157	723	2,617	231	956
LIMITED PARTNERS' INTEREST IN NET INCOME	$ 46,935	$ 7,682	$ 49,029	$ 62,315	$ 11,336	$ 50,300
BASIC NET INCOME PER LIMITED PARTNER UNIT	$ 2.38	$ 1.16	$ 3.03	$ 4.74	$ 1.71	$ 3.15
BASIC AVERAGE NUMBER OF UNITS OUTSTANDING	19,686,563	6,621,737	16,165,602	13,154,150	6,621,737	15,990,010
DILUTED NET INCOME PER LIMITED PARTNER UNIT	$ 2.38	$ 1.16	$ 3.03	$ 4.73	$ 1.71	$ 3.14
DILUTED AVERAGE NUMBER OF UNITS OUTSTANDING	19,711,458	6,621,737	16,207,002	13,178,848	6,621,737	16,026,860

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

ENERGY TRANSFER PARTNERS, L.P. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands, unaudited)

	Three Months Ended February 29, 2004 (see Note 2)	Three Months Ended February 28, 2003 (Energy Transfer Company)	Three Months Ended February 28, 2003 (Predecessor Heritage)	Six Months Ended February 29, 2004 (see Note 2)	Five Months Ended February 28, 2003 (Energy Transfer Company)	Six Months Ended February 28, 2003 (Predecessor Heritage)
Net income	$ 49,239	$ 7,839	$ 49,752	$ 64,932	$ 11,567	$ 51,256
Other comprehensive income						
Reclassification adjustment for gains on derivative instruments included in net income	(6,381)	-	(427)	(5,900)	-	(427)
Reclassification adjustment for losses on available-for-sale securities included in net income	-	-	2,376	-	-	2,376
Change in value of derivative instruments	9,729	-	957	8,730	-	957
Change in value of available-for-sale securities	(379)	-	(9)	(379)	-	(9)
Comprehensive income	$ 52,208	$ 7,839	$ 52,649	$ 67,383	$ 11,567	$ 54,153
RECONCILIATION OF ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)						
Balance, beginning of period	$ (518)	$ -	$ (3,652)	$ -	$ -	$ (3,652)
Current period reclassification to earnings	(6,381)	-	1,949	(5,900)	-	1,949
Current period change	9,350	-	948	8,351	-	948
Balance, end of period	$ 2,451	$ -	$ (755)	$ 2,451	$ -	$ (755)

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

ENERGY TRANSFER PARTNERS, L.P. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF PARTNERS' CAPITAL
(in thousands, except unit data)
(unaudited)

	Number of Units						
	Common	Class C	Class D	Class E Treasury	Special	Common	Class C
BALANCE, AUGUST 31, 2003	6,628,817	-	-		-	$ 180,896	$ -
Distribution to parent	-	-	-		-	(209,264)	-
Merger with Predecessor Heritage	16,495,833	1,000,000	7,721,542		3,742,515	116,236	-
Purchase of Treasury Units	-	-	-	(4,426,916)	-	-	-
Issuance of Common Units	9,200,000	-	-		-	334,835	-
Conversion of Class E units	(4,426,916)	-	-	4,426,916	-	(157,340)	-
General Partner capital contribution	-	-	-		-	(1,027)	-
Net change in accumulated other comprehensive income per accompanying statements	-	-	-		-	-	-
Net income	-	-	-		-	48,520	-
BALANCE, FEBRUARY 29, 2004	27,897,734	1,000,000	7,721,542	-	3,742,515	$ 312,856	$ -

	Class D	Class E Treasury	Special	General Partner	Accumulated Other Comprehensive Income	Total
BALANCE, AUGUST 31, 2003	$ -	$ -	$ -	$ 192	$ -	$ 181,088
Distribution to parent	-	-	-		-	(209,264)
Merger with Predecessor Heritage	198,372	-	-	(1,957)	-	312,651
Purchase of Treasury Units	-	(157,340)	-	-	-	(157,340)
Issuance of Common Units	-	-	-	-	-	334,835
Conversion of Class E units	-	157,340	-	-	-	-
General Partner capital contribution	(284)	-	-	16,851	-	15,540
Net change in accumulated other comprehensive income per accompanying statements	-	-	-	-	2,451	2,451
Net income	13,795	-	-	2,617	-	64,932
BALANCE, FEBRUARY 29, 2004	$ 211,883	$ -	$ -	$ 17,703	$ 2,451	$ 544,893

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

ENERGY TRANSFER PARTNERS, L.P. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Six Months Ended February 29, 2004 (see Note 2)	Five Months Ended February 28, 2003 (Energy Transfer Company)	Six Months Ended February 28, 2003 (Predecessor Heritage)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 64,932	$ 11,567	$ 51,256
Reconciliation of net income to net cash provided by operating activities-			
Depreciation and amortization	13,619	4,461	18,713
Provision for loss on accounts receivable	84	-	1,511
Loss on write down of marketable securities	-	-	2,400
Gain on disposal of assets	(28)	-	(155)
Deferred compensation on restricted units and long-term incentive plan	-	-	620
Undistributed earnings of affiliates	(474)	(1,443)	(1,183)
Deferred income taxes	(400)	(1,351)	-
Other, net	-	(82)	-
Minority interests	(213)	-	582
Changes in assets and liabilities, net of effect of acquisitions:			
Accounts receivable	(74,390)	(60,981)	(60,298)
Accounts receivable from related companies	(3,345)	(4,132)	-
Inventories	50,813	(44)	21,045
Deposits paid to vendors	17,947	(1,800)	-
Exchanges receivable	(224)	(1,938)	-
Prepaid and other expenses	799	-	3,568
Intangibles and other assets	(50)	12,360	(41)
Accounts payable	13,873	47,114	21,704
Accounts payable to related companies	1,524	-	1,160
Exchanges payable	294	987	-
Accrued and other current liabilites	(15,299)	112	(6,388)
Income taxes payable	(1,700)	827	500
Price risk management liabilities, net	1,878	4,193	-
Net cash provided by operating activities	69,640	9,850	54,994
CASH FLOWS FROM INVESTING ACTIVITIES:			
Cash paid for acquisitions, net of cash acquired	(165,577)	(332,148)	(21,170)
Capital expenditures	(45,086)	(3,567)	(16,510)
Proceeds from the sale of assets	353	10,056	2,078
Net cash used in investing activities	(210,310)	(325,659)	(35,602)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from borrowings	332,672	246,000	107,650
Principal payments on debt	(283,955)	(12,500)	(102,247)
Net proceeds from issuance of Common Units	334,835	-	-
Capital contribution from General Partner	15,540	108,723	-
Distributions to parent	(196,708)	-	-
Debt issuance costs	(4,235)	(6,462)	-
Unit distributions	-	-	(20,810)
Other	-	-	153
Net cash provided by/ (used) in financing activities	198,149	335,761	(15,254)
INCREASE IN CASH AND CASH EQUIVALENTS	57,479	19,952	4,138
CASH AND CASH EQUIVALENTS, beginning of period	53,122	-	4,596
CASH AND CASH EQUIVALENTS, end of period	$ 110,601	$ 19,952	$ 8,734

ENERGY TRANSFER PARTNERS, L.P. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Six Months Ended February 29, 2004 (see Note 2)	Five Months Ended February 28, 2003 (Energy Transfer Company)	Six Months Ended February 28, 2003 (Predecessor Heritage)
NONCASH FINANCING ACTIVITIES:			
Notes payable incurred on noncompete agreements	$ -	$ -	$ 772
Issuance of Common Units in connection with certain acquistions	$ -	$ -	$ 15,000
General Partner capital contribution	$ 1,311	$ -	$ -
Distributions payable to parent	$ 12,556	-	$ -
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid during the period for interest	$ 9,050	$ 2,943	$ 18,302
Cash paid during the period for income taxes	$ 4,157	$ 2,500	$ -

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

1. OPERATIONS AND ORGANIZATION:

ENERGY TRANSFER TRANSACTION

On January 20, 2004, Heritage Propane Partners, L.P., ("Heritage") and La Grange Energy, L.P. ("La Grange Energy") completed the series of transactions whereby La Grange Energy contributed its subsidiary, La Grange Acquisition, L.P. and its subsidiaries who conduct business under the assumed name of Energy Transfer Company, ("ETC") (the "ETC Transaction") to Heritage in exchange for cash of $300,000 less the amount of Energy Transfer Company debt in excess of $151,500, less ETC's accounts payable and other specified liabilities, plus agreed upon capital expenditures paid by La Grange Energy relating to the ETC business prior to closing, $433,909 of Heritage Common and Class D Units, and the repayment of the ETC debt of $151,500. In conjunction with the ETC Transaction and prior to the contribution of ETC to Heritage, ETC distributed its cash and accounts receivables to La Grange Energy and an affiliate of La Grange Energy contributed an office building to ETC. La Grange Energy also received 3,742,515 Special Units as consideration for certain assets described as the Bossier Pipeline. In the event the Bossier Pipeline does not become commercially operational by December 1, 2004, the Special Units will no longer be considered outstanding and will not be entitled to any rights afforded any other of Heritage's units. In accordance with Statement of Financial Accounting Standards No. 141, Business Combinations ("SFAS 141") no value has been recorded with respect to the Special Units.

Simultaneously with the ETC Transaction, La Grange Energy obtained control of Heritage by acquiring all of the interest in U.S. Propane, L.P., ("U.S. Propane") the General Partner of Heritage, and U.S. Propane, L.P.'s general partner, U.S. Propane, L.L.C., from subsidiaries of AGL Resources, Atmos Energy Corporation, TECO Energy, Inc. and Piedmont Natural Gas Company, Inc. for $30,000 (the "General Partner Transaction"). In conjunction with the General Partner Transaction, U.S. Propane L.P. contributed its 1.0101% General Partner interest in Heritage Operating, L.P. ("Heritage Operating") to Heritage in exchange for an additional 1% General Partner interest in Heritage. Simultaneously with these transactions, Heritage purchased the outstanding stock of Heritage Holdings, Inc. ("HHI") for $100,000.

Concurrent with the ETC Transaction, ETC borrowed $325,000 from financial institutions and Heritage raised $355,948 of gross proceeds through the sale of 9,200,000 Common Units at an offering price of $38.69 per unit. The net proceeds were used to finance the transaction and for general partnership purposes.

ACCOUNTING TREATMENT OF THE ENERGY TRANSFER TRANSACTION

The ETC Transaction was accounted for as a reverse acquisition in accordance with SFAS 141. Although Heritage is the surviving parent entity for legal purposes, ETC is the acquirer for accounting purposes. As a result, ETC's historical financial statements are now the historical financial statements of the registrant. The operations of Heritage prior to the ETC Transaction are referred to as Predecessor Heritage. The assets and liabilities of Predecessor Heritage have been recorded at fair value to the extent acquired by ETC through its acquisition of the General Partner and limited partner interests of Heritage of approximately 35.4%, determined in accordance with Emerging Issues Task Force (EITF) 90-13 Accounting for Simultaneous Common Control Mergers and SFAS 141. The assets and liabilities of Energy Transfer have been recorded at historical cost. Although the partners' capital accounts of ETC became the capital accounts of the Partnership, Predecessor Heritage's partnership structure and partnership units survive. Accordingly, the partners' capital accounts of ETC have been restated based on the general partner interests and units received by La Grange Energy in the ETC Transaction. The acquisition of Heritage Holdings by Heritage was accounted for as a capital transaction as the primary asset held by Heritage Holdings is 4,426,916 Common Units of Heritage. Following the acquisition of Heritage Holdings by Heritage, these Common Units were converted to Class E Units. The Class E Units are recorded as treasury units in the unaudited consolidated financial statements.

If the Bossier Pipeline becomes commercially operational prior to December 1, 2004, which entitles the Partnership or its subsidiaries to receive payment under the transportation contract, the Special Units will convert to Common

Units if the conversion is approved by the Common Unitholders. Costs incurred to construct the Bossier Pipeline are recorded at its historical cost. The issuance of the additional Common Units upon the conversion of the Special Units will adjust the percent of Heritage acquired by La Grange Energy in the ETC Transaction and will result in an additional fair value step-up being recorded in accordance with EITF 90-13. If the Special Units are converted to Common Units, ETC will have acquired approximately 41.5% of Heritage, and approximately $38,000 additional step-up in the fair value of the assets and liabilities of Heritage will be recorded.

The excess purchase price over Predecessor Heritage's cost was determined as follows:

Net book value of Predecessor Heritage at January 20, 2004	$ 238,944
Historical goodwill at January 20, 2004	(170,500)
Equity investment from public offering	355,948
Treasury Class E Unit purchase	(157,340)
	267,052
Percent of Heritage acquired by La Grange Energy	35.4%
Equity interest acquired	$ 94,536
Fair market value of Limited Partner Units	651,170
Purchase price of General Partner Interest	30,000
Equity investment from public offering	355,948
Treasury Class E Unit purchase	(157,340)
	879,778
Percent of Heritage acquired by La Grange Energy	35.4%
Fair value of equity acquired	311,441
Net book value of equity acquired	94,536
Excess purchase price over Predecessor Heritage cost	$ 216,905

The excess purchase price over Predecessor Heritage cost was allocated as follows:

Property, plant and equipment (25 year life)	$ 34,513
Customer lists (15 year life)	13,641
Trademarks	10,366
Goodwill	158,385
	$ 216,905

The purchase accounting allocations recorded as of February 29, 2004 are preliminary. However, management does not believe there will be material modifications to the purchase price allocations except when the Special Units are converted to Common Units upon completion of the Bossier pipeline project and approval of the Common Unitholders.

SUBSEQUENT DEVELOPMENTS

On February 12, 2004, the Board of Directors of Heritage's General Partner voted to change the name of Heritage to Energy Transfer Partners, L.P., and began trading on the New York Stock Exchange under the ticker symbol "ETP". The name change and new ticker symbol were effective March 1, 2004.

BUSINESS OPERATIONS

In order to simplify the obligations of Energy Transfer Partners, L.P. (the "Partnership") under the laws of several jurisdictions in which it conducts business, the Partnership's activities are conducted through two subsidiary operating partnerships, La Grange Acquisition, L.P. ("La Grange Acquisition"), a Texas limited partnership which is engaged in midstream natural gas operations, and Heritage Operating, L.P. ("Heritage Operating"), a Delaware limited partnership which is engaged in retail and wholesale propane operations (collectively the "Operating Partnerships"). The Partnership and the Operating Partnerships are collectively referred to in this report as "Energy Transfer."

La Grange Acquisition owns and operates approximately 4,500 miles of natural gas gathering and transportation pipelines with an aggregate throughput capacity of 2.5 billion cubic feet of natural gas per day, with natural gas treating and processing plants located in Texas, Oklahoma, and Louisiana. Its major asset groups consist of the Southeast Texas System, Elk City System and Oasis pipeline. The Southeast Texas System has a throughput capacity of 260 MMcf/d.

The system has 2,500 miles of pipeline with 1,050 wells connected, the La Grange processing plant, and 5 natural gas treating facilities. The Elk City System has a throughput capacity of 170 MMcf/d. The system has 315 miles of pipeline with 300 wells connected, the Elk City processing plant, and a treating facility. The 583 mile long Oasis pipeline, which connects the West Texas Waha Hub to the Katy Texas Tailgate, has a throughput capacity of 830 MMcf/d.

Heritage Operating sells propane and propane-related products to more than 650,000 active residential, commercial, industrial, and agricultural customers in 31 states. Heritage Operating is also a wholesale propane supplier in the United States and in Canada, the latter through its participation in MP Energy Partnership. MP Energy Partnership is a Canadian partnership in which the Partnership owns a 60% interest, engaged in lower-margin wholesale distribution and in supplying Heritage Operating's northern U.S. locations. Heritage Operating buys and sells financial instruments for its own account through its wholly owned subsidiary, Heritage Energy Resources, L.L.C. ("Resources").

The accompanying financial statements should be read in conjunction with the consolidated financial statements of Heritage Propane Partners, L.P. and subsidiaries ("Predecessor Heritage") as of August 31, 2003, and the notes thereto included in the registrant's Form 10-K filed with the Securities and Exchange Commission on November 26, 2003, the combined financial statements of ETC as of August 31, 2003, and the notes thereto included in the registrant's Prospectus Supplement on Form 424(b)(2) filed with the Securities and Exchange Commission on January 14, 2004. The accompanying financial statements include only normal recurring accruals and all adjustments that the Partnership considers necessary for a fair presentation. Due to the seasonal nature of the Partnership's propane business, the results of propane operations for interim periods are not necessarily indicative of the results to be expected from these operations for a full year.

2. PRESENTATION OF FINANCIAL INFORMATION:

The accompanying financial statements for the three and six month periods ended February 29, 2004 include the results of operations for ETC beginning September 1, 2003 and December 1, 2003, respectively, consolidated with the results of operations of Heritage Operating and HHI beginning January 20, 2004. The financial statements for the fiscal period including January 20, 2004 do not include the complete results of operations for both ETC and Predecessor Heritage for such periods, as they include the results of operations of Predecessor Heritage only for the period from January 20, 2004 to February 29, 2004. The financial statements of ETC are the financial statements of the registrant, as ETC was deemed the accounting acquirer. ETC was formed on October 1, 2002, and has an August 31, year-end. ETC's predecessor entities had a December 31 year-end. Accordingly, ETC's 11-month period ended August 31, 2003 was treated as a transition period under the rules of the Securities and Exchange Commission and therefore, only a five-month period is presented for the period ended February 28, 2003. The accompanying combined financial statements of ETC as of August 31, 2003 and the three and five months ended February 28, 2003 present the combined financial statements of La Grange Acquisition and subsidiaries after the elimination of significant intercompany balances and transactions.

During the eleven months ended August 31, 2003, ETC owned the Southeast Texas System and the Elk City System. From October 1, 2002 through December 27, 2002, ETC also owned a 50% equity interest in Oasis Pipe Line Company, which owns the Oasis pipeline. After December 27, 2002, ETC owned a 100% interest in Oasis Pipe Line Company. In addition, on December 27, 2002, an affiliate of La Grange Energy's general partner contributed to ETC its marketing business (ET Company I) and its investment in the Vantex System, the Rusk County Gathering System, the Whiskey Bay System and the Chalkley Transmission System.

The following unaudited pro forma consolidated results of operations are presented as if Oasis Pipe Line Company and ET Company I were wholly owned at the beginning of the periods presented and the transaction with Heritage and ETC had been made at the beginning of the periods presented.

	Three Months Ended February 29, 2004	Three Months Ended February 28, 2003	Six Months Ended February 29, 2004	Five Months Ended February 28, 2003
REVENUES:				
Midstream and transportation	$ 488,291	$ 225,672	$ 903,277	$ 337,964
Propane Operations	269,777	232,922	374,508	328,319
Other	19,120	16,887	38,115	34,949
Total revenues	777,188	475,481	1,315,900	701,232
COSTS AND EXPENSES:				
Cost of products sold -				
Midstream and Transportation	457,928	192,712	840,478	287,631
Propane Operations	153,581	123,552	214,680	175,731
Other	5,199	4,868	10,470	9,709
Operating expenses	51,903	51,361	95,384	87,796
Depreciation and amortization	15,759	13,641	30,174	25,840
Selling, general and administrative	13,268	9,070	21,315	14,361
Realized and unrealized (gains) losses on derivatives	(7,168)	4,828	(10,202)	6,693
Total costs and expenses	690,470	400,032	1,202,299	607,761
OPERATING INCOME	86,718	75,449	113,601	93,471
OTHER INCOME (EXPENSE)				
Interest, net	(14,424)	(13,873)	(27,284)	(25,504)
Equity in earnings of affiliates	457	(533)	823	1,054
Gain on disposal of assets	31	-	28	-
Other	206	(81)	168	(489)
INCOME BEFORE MINORITY INTERESTS AND INCOME TAXES	72,988	60,962	87,336	68,532
Minority interests	367	317	516	432
INCOME BEFORE INCOME TAXES	72,621	60,645	86,820	68,100
Income Taxes	1,841	3,777	4,722	6,173
NET INCOME	70,780	56,868	82,098	61,927
GENERAL PARTNER'S INTEREST IN NET INCOME	2,113	1,796	3,659	2,565
LIMITED PARTNERS' INTEREST IN NET INCOME	$ 68,667	$ 55,072	$ 78,439	$ 59,362
BASIC EARNINGS PER LIMITED PARTNER UNIT	$ 1.94	$ 1.65	$ 2.22	$ 1.79
BASIC AVERAGE NUMBER OF UNITS OUTSTANDING	35,478,745	33,340,069	35,296,097	35,161,396
DILUTED EARNINGS PER LIMITED PARTNER UNIT	$ 1.93	$ 1.65	$ 2.22	$ 1.79
DILUTED AVERAGE NUMBER OF UNITS OUTSTANDING	35,503,640	33,364,569	35,320,795	33,185,896

VOLUMES				
Midstream				
Natural gas MMBtu/d	968,000	432,000	946,000	412,000
NGLs bbls/d	12,600	10,200	13,800	12,400
Transportation				
Natural gas MMBtu/d	873,000	816,000	831,000	846,000
Propane operations (in gallons)	177,447	166,622	256,088	243,343
Retail propane	3,379	5,467	6,673	10,357
Domestic wholesale	23,006	25,358	35,175	42,553
Foreign wholesale				

The pro forma consolidated results of operations include adjustments to give effect to depreciation on the step-up of property, plant and equipment, amortization of customer lists, interest expense on acquisition debt, and certain other adjustments. The unaudited pro forma information is not necessarily indicative of the results of operations that would have occurred had the transactions been made at the beginning of the periods presented or the future results of the combined operations.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BALANCE SHEET DETAIL:

PRINCIPLES OF CONSOLIDATION

Prior to the merger with Heritage, Energy Transfer Company was the assumed name of a group of entities under common control consisting of La Grange Acquisition, L.P. and a series of its limited partner investees. La Grange Acquisition is a Texas limited partnership formed on October 1, 2002 and was 99.9% owned by its limited partner, La Grange Energy, L.P., and 0.1% owned by its general partner, LA GP, LLC. La Grange Acquisition is the 99.9% limited partner of ETC Gas Company, Ltd., ETC Texas Pipeline, Ltd., ETC Processing, Ltd., and ETC Marketing, Ltd. and a 99% limited partner of ETC Oasis Pipe Line, L.P. and ET Company I, Ltd. (collectively, the "Operating Companies"). The general partners of La Grange Acquisition, La Grange Energy, and the Operating Companies were ultimately owned and controlled by members of management, a private equity investor fund, and a group of institutional investors. La Grange Acquisition and the Operating Companies conducted business under the name Energy Transfer Company. The historical financial statements of Energy Transfer Company present the accounts of La Grange Acquisition and the Operating Companies (collectively "Energy Transfer Company" or "ETC") on a combined basis as entities under common control. The accompanying combined financial statements of ETC as of August 31, 2003 and the three and five months ended February 28, 2003, include the accounts of La Grange Acquisition and the Operating Companies after the elimination of significant intercompany balances and transactions. Further, La Grange Acquisition's limited partner investments in each of the Operating Companies were eliminated against the Operating Companies' limited partner's capital. From October 2002 through December 2002, ETC owned a 20% interest in the Nustar Joint Venture. Effective December 27, 2002, ETC owned a 50% interest in Vantex Gas Pipeline Company, LLC, and a 49.5% interest in Vantex Energy Services, Ltd. These investments are accounted for under the equity method. All significant intercompany transactions have been eliminated. Prior to December 27, 2002, when the remaining 50% of Oasis Pipe Line Company ("Oasis") capital stock was redeemed, ETC accounted for its 50% ownership in Oasis under the equity method. After December 27, 2002, Oasis became a wholly owned subsidiary of ETC. La Grange Acquisition and the Operating Companies were contributed by La Grange Energy to Heritage and, thus, after the January 2004 ETC Transaction, La Grange Acquisition, L.P. and the Operating Companies under La Grange Acquisition, became wholly owned subsidiaries of the Partnership.

Predecessor Heritage's financial statements include the accounts of its subsidiaries, including Heritage Operating and its subsidiaries. At August 31, 2003, Predecessor Heritage accounted for its 50% partnership interest in Bi-State Propane, ("Bi-State") a propane retailer in the states of Nevada and California, under the equity method. On December 24, 2003, Predecessor Heritage acquired the remaining 50% of Bi-State that it did not previously own, thereby making Bi-State a wholly owned subsidiary of Predecessor Heritage.

After the ETC Transaction, the consolidated financial statements of the registrant include the accounts of its subsidiaries, including the Operating Partnerships and HHI. A minority interest liability and minority interest expense is recorded for all partially owned subsidiaries. All significant intercompany transactions and accounts have been eliminated in consolidation.

For purposes of maintaining partner capital accounts, the Partnership Agreement of Energy Transfer Partners, L.P. (the "Partnership Agreement") specifies that items of income and loss shall generally be allocated among the partners in accordance with their percentage interests (see footnote 8). Normal allocations according to percentage interests are made, however, only after giving effect to any priority income allocations in an amount equal to the incentive distributions that are allocated 100% to the General Partner.

REVENUE RECOGNITION

Revenues for sales of natural gas, natural gas liquids ("NGLs") including propane, and propane appliances, parts, and fittings are recognized at the later of the time of delivery of the product to the customer or the time of sale or installation. Revenue from service labor, including transportation, treating, compression, and gas processing, is recognized upon completion of the service. Transportation capacity payments are recognized when earned in the period the capacity was made available. Tank rent is recognized ratably over the period it is earned.

SHIPPING AND HANDLING COSTS

In accordance with the Emerging Issues Task Force Issue 00-10, Accounting for Shipping and Handling Fees and Costs, the Partnership has classified all deductions from producer payments for natural gas, compression and treating, which can be considered handling costs, as revenue. The Partnership does not separately charge shipping and handling costs of propane to customers.

COSTS AND EXPENSES

Costs of products sold include actual cost of fuel sold adjusted for the effects of qualifying cash flow hedges, propane storage fees and inbound freight on propane, and the cost of appliances, parts, and fittings. Operating expenses include all costs incurred to provide products to customers, including compensation for operations personnel, insurance costs, vehicle maintenance, advertising costs, shipping and handling costs related to propane, purchasing costs, and plant operations. Selling, general and administrative expenses include all corporate expenses and compensation for corporate personnel.

CASH AND CASH EQUIVALENTS

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

MARKETABLE SECURITIES

Marketable securities owned by the Partnership are classified as available-for-sale securities and are reflected as a current asset on the consolidated balance sheet at their fair value. Unrealized holding losses of $379 for the three and six months ended February 29, 2004, and $0 for the three and six months ended February 28, 2003, respectively, and $9 for the three and six months ended February 28, 2003 for Predecessor Heritage were recorded through accumulated other comprehensive income based on the market value of the securities.

ACCOUNTS RECEIVABLE

The Partnership's midstream and transportation operations deal with counterparties that are typically either investment grade or are otherwise secured with a letter of credit or other form of security (corporate guaranty or prepayment). Management reviews midstream and transportation accounts receivable balances each week. Credit limits are assigned and monitored for all counterparties of the midstream and transportation operations. Bad debt expense related to these receivables is recognized at the time an account is deemed uncollectible. There were no bad debts recognized in the midstream and transportation accounts receivable during the three or six months ended February 29, 2004 or the three and five months ended February 28, 2003.

The Partnership grants credit to its customers for the purchase of propane and propane-related products. Also included in accounts receivable are trade accounts receivable arising from the Partnership's retail and wholesale propane operations and receivables arising from Resources' liquids marketing activities. Accounts receivable for

retail and wholesale propane and liquids marketing activities are recorded as amounts billed to customers less an allowance for doubtful accounts. The allowance for doubtful accounts is based on management's assessment of the realizability of customer accounts. Management's assessment is based on the overall creditworthiness of the Partnership's customers and any specific disputes. Accounts receivable consisted of the following:

	February 29, 2004	August 31, 2003 (Energy Transfer Company)	August 31, 2003 (Predecessor Heritage)
Accounts receivable midstream and transportation	$ 144,902	$ 105,987	$ -
Accounts receivable retail and wholesale propane	89,161	-	35,383
Accounts receivable liquids marketing	13,832	-	4,000
Less - allowance for doubtful accounts	84	-	3,504
Total, net	$ 247,811	$ 105,987	$ 35,879

The activity in the allowance for doubtful accounts consisted of the following:

	Six Months Ended February 29, 2004	Five Months Ended February 28, 2003 (Energy Transfer Company)	Six Months Ended February 28, 2003 (Predecessor Heritage)
Balance, beginning of the period	$ -	$ -	$ 2,504
Provision for loss on accounts receivable	84	-	1,511
Accounts receivable written off, net of recoveries	-	-	(511)
Balance, end of period	$ 84	$ -	$ 3,504

INVENTORIES

Inventories are valued at the lower of cost or market. The cost of propane inventories is determined using 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:

	February 29, 2004	August 31, 2003 (Energy Transfer Company)	August 31, 2003 (Predecessor Heritage)
Propane and other NGLs	$ 25,519	$ 1,876	$ 34,544
Appliances, parts and fittings and other	12,057	2,071	10,730
Total inventories	$ 37,576	$ 3,947	$ 45,274

DEPOSITS

Deposits are paid to vendors in the midstream and transportation business as pre-payments for natural gas deliveries in the following month. The Partnership makes pre-payments when the volume of business with a vendor exceeds the Partnership's credit limit, and/or when it is economically beneficial to do so. Deposits with vendors for gas purchases were $0 and $16,962 as of February 29, 2004 and August 31, 2003, respectively. The Partnership also has deposits with derivative counterparties of $1,106 and $2,091 as of February 29, 2004 and August 31, 2003, respectively.

Deposits are received from midstream and transportation customers as pre-payments for natural gas deliveries in the following month and deposits from propane customers as security for future propane use. Pre-payments and security deposits may also be required when customers exceed their credit limits or do not qualify for open credit. Deposits received from customers were $6,213 and $11,600 as of February 29, 2004 and August 31, 2003, respectively and are recorded as accrued and other current liabilities on the Partnership's consolidated balance sheets. Predecessor Heritage's deposits received from customers were $2,137 as of August 31, 2003.

EXCHANGES

Exchanges consist of natural gas and NGL delivery imbalances with others. These amounts turn over monthly and Management believes the cost approximates market value. Accordingly, these volumes are valued at market prices and are recorded as exchanges receivable or exchanges payable on the Partnership's consolidated balance sheets.

PROPERTY, PLANT AND EQUIPMENT

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

The Partnership reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. If such a review should indicate that the carrying amount of long-lived assets is not recoverable, the Partnership reduces the carrying amount of such assets to fair value. No impairment of long-lived assets was recorded during the periods presented.

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

	February 29, 2004	August 31, 2003 (Energy Transfer Company)	August 31, 2003 (Predecessor Heritage)
Land and improvements	$ 26,055	$ 992	$ 21,937
Buildings and improvements (10 to 30 years)	30,563	987	30,843
Pipelines and equipment (10 to 65 years)	401,613	382,517	-
Bulk storage, equipment and facilities (3 to 30 years)	47,072	-	43,340
Tanks and other equipment (5 to 30 years)	316,472	-	327,193
Vehicles (5 to 10 years)	48,637	-	76,239
Right of way (20 to 65 years)	4,923	4,057	-
Furniture and fixtures (3 to 10 years)	6,649	-	11,164
Linepack	5,176	5,176	-
Other (5 to 10 years)	5,942	3,675	3,578
	893,102	397,404	514,294
Less - Accumulated depreciation	(25,485)	(13,261)	(99,563)
	867,617	384,143	414,731
Plus - Construction work-in-process	60,435	7,121	11,857
Property, plant and equipment, net	$ 928,052	$ 391,264	$ 426,588

The Partnership accounts for expected future costs associated with its obligation to perform site reclamation and dismantle facilities of abandoned pipelines under Statement of Accounting Standards No. 143, Accounting for Asset Retirement Obligations, ("SFAS 143"). If a reasonable estimate of the fair value of an abandonment obligation can be made, SFAS 143 requires the Partnership to record a liability (an asset retirement obligation or ARO) on the consolidated balance sheets in other non-current liabilities and to capitalize the asset retirement cost in the period in

which the retirement obligation is incurred. In general, the amount of an ARO and the associated costs capitalized will be equal to the estimated future cost to satisfy the abandonment obligation using current prices after discounting the future cost back to the date that the abandonment obligation was incurred using the credit-adjusted risk-free rate for the Partnership. After recording these amounts, the ARO will be accreted to its future estimated value using the credit-adjusted risk-free rate and the additional capitalized costs will be depreciated on a straight line basis over the productive life of the related assets. The Partnership had an ARO of approximately $3,544 recorded in the consolidated balance sheet as of February 29, 2004. The Partnership acquired all of its operating assets subsequent to the effective date of SFAS 143; therefore there is no cumulative effect of adopting SFAS 143.

No assets are legally restricted for purposes of settling the Partnership's AROs. A reconciliation of the beginning and ending aggregate carrying amount of the Partnership's ARO for the six months ended February 29, 2004 is as follows:

Balance as of August 31, 2003	$ -
Liabilities incurred	3,500
Liabilities settled	-
Accretion expense	44
Revision in estimated abandonment costs	-
Balance as of February 29, 2004	$ 3,544

INTANGIBLES AND OTHER ASSETS

Intangibles and other assets are stated at cost net of amortization computed on the straight-line method. The Partnership eliminates from its balance sheet any fully amortized intangibles and the related accumulated amortization. Components and useful lives of intangibles and other assets were as follows:

	February 29, 2004		August 31, 2003		August 31, 2003	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
			(Energy Transfer Company)		(Predecessor Heritage)	
Amortized intangible assets -						
Noncompete agreements (5 to 15 years)	$ 27,667	$ (466)	$ -	$ -	$ 42,742	$ (15,893)
Customer lists (15 years)	40,454	(418)	-	-	28,378	(6,356)
Financing costs (3 to 15 years)	14,124	(4,175)	5,724	(2,464)	4,225	(1,995)
Consulting agreements (2 to 7 years)	132	(5)	-	-	517	(367)
Other (10 years)	478	(119)	477	(92)	-	-
Total	82,855	(5,183)	6,201	(2,556)	75,862	(24,611)
Unamortized intangible assets -						
Trademarks	17,827	-	-	-	1,309	-
Other assets	1,067	-	1,761	-	264	-
Total intangibles and other assets	$ 101,749	$ (5,183)	$ 7,962	$ (2,556)	$ 77,435	$ (24,611)

Aggregate amortization expense of intangible assets was $663 and $2,627 for the three and six months ended February 29, 2004, respectively and, $833 and $1,027 for the three and five months ended February 28, 2003, respectively. Predecessor Heritage's aggregate amortization expense was $1,909 and $3,946 for the three and six months ended February 28, 2003, respectively.

GOODWILL

Goodwill is associated with acquisitions made for the Partnership's midstream and domestic retail propane segments. There is no goodwill associated with the transportation segment. Of the $284,240 balance in goodwill, $16,500 is expected to be tax deductible. Goodwill is tested for impairment annually in accordance with Statement of Accounting Standards No. 142, Goodwill and Other Intangible Assets, ("SFAS 142"). The changes in the carrying amount of goodwill for the six months ended February 29, 2004 were as follows:

	Midstream	Retail Propane	Total
Balance as of August 31, 2003	$ 13,409	$ -	$ 13,409
Goodwill acquired during the year	-	270,831	270,831
Impairment losses	-	-	-
Balance as of February 29, 2004	$ 13,409	$ 270,831	$ 284,240

ACCRUED AND OTHER CURRENT LIABILITIES

Accrued and other current liabilities consisted of the following:

	February 29, 2004	August 31, 2003 (Energy Transfer Company)	August 31, 2003 (Predecessor Heritage)
Interest payable	$ 5,954	$ 1,014	$ 4,485
Wages, payroll taxes and employee benefits	11,788	2,702	4,932
Deferred tank rent	4,861	-	4,080
Customer deposits	6,213	11,600	2,137
Taxes other than income	4,019	2,460	2,405
Environmental	500	633	-
Advanced budget payments and unearned revenue	4,589	-	15,417
Other	1,152	1,246	2,117
Accrued and other current liabilities	$ 39,076	$ 19,655	$ 35,573

INCOME TAXES

Energy Transfer Partners is a limited partnership. As a result, The Partnership's earnings or losses 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 and the taxable income allocation requirements under the Partnership Agreement.

Oasis, HHI and certain other of the Partnership's subsidiaries are taxable corporations and follow the 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.

INCOME PER LIMITED PARTNER UNIT

Basic net income per limited partner unit is computed by dividing net income, after considering the General Partner's interest, by the weighted average number of Common and Class D Units outstanding. Diluted net income per limited partner unit is computed by dividing net income, after considering the General Partner's interest, by the weighted average number of Common and Class D Units outstanding and the weighted average number of restricted units ("Phantom Units") granted under the Restricted Unit Plan. A reconciliation of net income and weighted average units used in computing basic and diluted net income per unit is as follows:

	Three Months Ended February 29 2004	Three Months Ended February 28 2003 (Energy Transfer Company)	Three Months Ended February 28 2003 (Predecessor Heritage)	Six Months Ended February 29 2004	Five Months Ended February 28 2003 (Energy Transfer Company)	Six Months Ended February 28 2003 (Predecessor Heritage)
BASIC NET INCOME PER LIMITED PARTNER UNIT:						
Limited Partners' interest in net income	$ 46,935	$ 7,682	$ 49,029	$ 62,315	$ 11,336	$ 50,300
Weighted average limited partner units	19,686,563	6,621,737	16,165,602	13,154,150	6,621,737	15,990,010
Basic net income per limited partner unit	$ 2.38	$ 1.16	$ 3.03	$ 4.74	$ 1.71	$ 3.15
DILUTED NET INCOME PER LIMITED PARTNER UNIT:						
Limited partners' interest in net income	$ 46,935	$ 7,682	$ 49,029	$ 62,315	$ 11,336	$ 50,300
Weighted average limited partner units	19,686,563	6,621,737	16,165,602	13,154,150	6,621,737	15,990,010
Dilutive effect of phantom units	24,895	-	41,400	24,698	-	36,850
Weighted average limited partner units, assuming dilutive effect of phantom units	19,711,458	6,621,737	16,207,002	13,178,848	6,621,737	16,026,860
Diluted net income per limited partner unit	$ 2.38	$ 1.16	$ 3.03	$ 4.73	$ 1.71	$ 3.14

STOCK BASED COMPENSATION PLANS

The Partnership follows the fair value recognition provisions of Statement of Financial Accounting Standards No. 123 Accounting for Stock-based Compensation (SFAS 123).

RESTRICTED UNIT PLAN

The General Partner has adopted the Amended and Restated Restricted Unit Plan dated August 10, 2000, amended February 4, 2002 as the Second Amended and Restated Restricted Unit Plan (the "Restricted Unit Plan"), for certain directors and key employees of the General Partner and its affiliates. The Restricted Unit Plan covers rights to acquire 146,000 Common Units. The right to acquire the Common Units under the Restricted Unit Plan, including any forfeiture or lapse of rights is available for grant to key employees on such terms and conditions (including vesting conditions) as the Compensation Committee of the General Partner shall determine. Each director who is not a member of management or an owner of the General Partner automatically receives a Director's grant with respect to 500 Common Units on each September 1 that such person continues as a director. Newly elected directors who are not members of management or an owner of the General Partner are also entitled to receive a grant with respect to 2,000 Common Units upon election or appointment to the Board. Generally, the rights to acquire the Common Units will vest upon the later to occur of the three-year anniversary of the grant date, or on such terms as the Compensation Committee may establish, which may include the achievement of performance objectives. In the event of a "change of control" (as defined in the Restricted Unit Plan), all rights to acquire Common Units pursuant to the Restricted Unit Plan will immediately vest.

Pursuant to the ETC Transaction, the change of control provisions of the Restricted Unit Plan were triggered, resulting in the early vesting of 21,600 units by Predecessor Heritage. Individuals holding 4,500 grants waived their rights to early vesting under the change of control provisions. Compensation expense on the units that vested was recognized by Predecessor Heritage.

The issuance of the Common Units pursuant to the Restricted Unit Plan is intended to serve as a means of incentive compensation for performance and not primarily as an opportunity to participate in the equity appreciation in respect of the Common Units. Therefore, no consideration will be payable by the plan participants upon vesting and issuance of the Common Units. As of February 29, 2004, 6,500 restricted units were outstanding and 12,300 were available for grants to non-employee directors and key employees. There was no deferred compensation expense recognized for the three and six months ended February 29, 2004, or for the three and five months ended February 28, 2003.

LONG-TERM INCENTIVE PLAN

Effective September 1, 2000, Predecessor Heritage adopted a long-term incentive plan whereby Common Units were awarded based on achieving certain targeted levels of Distributed Cash (as defined in the Long Term Incentive Plan) per unit. Awards under the program were made starting in 2003 based upon the average of the prior three years' Distributed Cash per unit. A minimum of 250,000 Common Units and if certain targeted levels are achieved, a maximum of 500,000 Common Units will be awarded.

Pursuant to the Energy Transfer Transaction, the change of control provisions in each of the employment agreements of the participants in the plan triggered the minimum award, less any amounts previously earned and any amounts that had not been designated for award, resulting in the issuance of 150,018 units by Predecessor Heritage. Compensation expense on the units that vested was recognized by Predecessor Heritage and no deferred compensation expense was recognized for the three and six months ended February 29, 2004, or the three and five months ended February 28, 2003.

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. Some of the more significant estimates made by management include, but are not limited to, allowances for doubtful accounts, the fair value of derivative hedging instruments, price risk management assets and liabilities, useful lives for depreciation and amortization, purchase accounting allocations and subsequent realizability of intangible assets, the amount of the Partnership's ARO and general business and medical self-insurance reserves. Actual results could differ from those estimates.

RECLASSIFICATIONS

Certain prior period amounts have been reclassified to conform with the 2004 presentation. These reclassifications have no impact on net income or total partners' capital.

ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

The Partnership applies Financial Accounting Standards Board Statement 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 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. Generally, management has previously elected not to apply hedge accounting to these contracts, therefore, the net gain or loss arising from marking to market these derivative instruments was previously recognized in earnings as unrealized gains and losses on the statement of operations. However, in the quarter ended February 29, 2004, the Partnership designated various futures and certain associated basis contracts outstanding as cash flow hedging instruments in accordance with SFAS 133. The effective portion of the hedge gain or loss is initially reported as a component of other comprehensive income and is subsequently reclassified into earnings when the instrument settles. The ineffective portion of the gain or loss is reported in earnings immediately. As of February 29, 2004, these instruments had a net fair value of $2,737, which was recorded as price risk management assets and liabilities on the balance sheet through other comprehensive income. The Partnership reclassified into earnings gains of $7,004 and $6,961 for the three and six months ended February 29, 2004, respectively, that were previously reported in accumulated other comprehensive income (loss). The amount of hedge ineffectiveness recognized in income was a gain of $25 and a loss of $42 for the three and six months ended February 29, 2004, respectively. There were no such financial instruments for the three and five months ended February 28, 2003.

The Partnership also entered into an interest rate swap agreement for the purpose of mitigating the interest rate risk associated with the La Grange Acquisition Term Note. The interest rate swap agreement is used to manage a portion of the exposure to changing interest rates by converting floating rate debt to fixed rate debt. The swap had a fair value of $93 and $807 as of February 29, 2004 and August 31, 2003, respectively which is recorded as price risk management assets on the balance sheet. The Partnership reclassified into earnings through interest expense, losses of $623 and $1,061 for the three and six months ended February 29, 2004 that were previously reported in accumulated other comprehensive income (loss).

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 traditional accrual accounting.

The market prices used to value the financial derivative transactions reflect management's estimates considering various factors including closing exchange and over-the-counter quotations, and the time value of the underlying commitments. The values are adjusted to reflect the potential impact of liquidating a position in an orderly manner over a reasonable period of time under present market conditions.

RECENTLY ISSUED ACCOUNTING STANDARDS

In May 2003, the FASB issued Statement No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity (SFAS 150). SFAS 150 establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within the scope of SFAS 150 as a liability (or an asset in some circumstances). This statement is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The Partnership adopted the provisions of SFAS 150 as of September 1, 2003. The adoption did not have a material impact on the Partnership's consolidated financial position or results of operations.

In January 2003, the Financial Accounting Standards Board issued Financial Accounting Standards Board Interpretation No. 46, Consolidation of Variable Interest Entities (FIN 46). The interpretation was revised in December 2003. As revised, FIN 46 addresses consolidation of business enterprise of variable interest entities. FIN 46 was effective immediately for all variable interest entities created after January 31, 2003 and for the first fiscal year or interim period ending after March 15, 2004 for variable interest entities in which an enterprise holds a variable interest that it acquired before February 1, 2003. The implementation of FIN 46 did not have a significant impact on the Partnership's financial position or results of operations.

4. ACQUISITIONS:

In October 2002, La Grange Acquisition purchased certain operating assets from Aquila Gas Pipeline, primarily natural gas gathering, treating and processing assets in Texas and Oklahoma. The assets acquired and purchase price allocation were as follows:

Materials and supplies	$ 1,626
Other assets	194
Property, plant and equipment	213,374
Investment in Oasis	41,670
Investment in Nustar Joint Venture	9,600
Accrued expenses	(2,788)
Total	$ 263,676

At the closing of the acquisition of Aquila Gas Pipeline's assets, $5,000 was put into escrow until such time that proper consents and conveyance could be achieved related to a sales contract. It was later determined that it was unlikely that a proper conveyance could be achieved which resulted in the escrowed amount of $5,000 being returned to La Grange Acquisition during the period ended August 31, 2003. The return of the $5,000 purchase price reduced La Grange Acquisition's basis in property, plant and equipment.

On December 27, 2002, Oasis Pipe Line Company redeemed the remaining 50% of its capital stock owned by Dow Hydrocarbons Resources, Inc. for $87,000, and cancelled the stock. La Grange Acquisition, L.P. now owns 100% of the capital stock of Oasis Pipe Line Company.

Also, on December 27, 2002, ETC Holdings, LP, a limited partner of La Grange Energy, contributed ET Company I to the Partnership. The investment in the Vantex system was included in the assets contributed.

5. WORKING CAPITAL FACILITY AND LONG-TERM DEBT:

Long-term debt consists of the following:

	February 29, 2004	August 31, 2003 (Energy Transfer Company)	August 31, 2003 (Predecessor Heritage)
1996 8.55% Senior Secured Notes	$ 96,000	$ -	$ 96,000
1997 Medium Term Note Program:			
7.17% Series A Senior Secured Notes	12,000	-	12,000
7.26% Series B Senior Secured Notes	18,000	-	20,000
6.50% Series C Senior Secured Notes	2,143	-	2,143
2000 and 2001 Senior Secured Promissory Notes:			
8.47% Series A Senior Secured Notes	12,800	-	16,000
8.55% Series B Senior Secured Notes	32,000	-	32,000
8.59% Series C Senior Secured Notes	27,000	-	27,000
8.67% Series D Senior Secured Notes	58,000	-	58,000
8.75% Series E Senior Secured Notes	7,000	-	7,000
8.87% Series F Senior Secured Notes	40,000	-	40,000
7.21% Series G Senior Secured Notes	19,000	-	19,000
7.89% Series H Senior Secured Notes	8,000	-	8,000
7.99% Series I Senior Secured Notes	16,000	-	16,000
Term Loan Facility	325,000	226,000	-
		-	

Senior Revolving Acquisition Facility	21,228	-	24,700
Notes Payable on noncompete agreements with interest imputed at rates averaging 7.38%, due in installments through 2010, collateralized by a first security lien on certain assets of Heritage Operating	19,690	-	20,110
Other	1,536	-	1,118
Current maturities of long-term debt	(29,937)	(30,000)	(38,309)
	$ 685,460	$ 196,000	$ 360,762

Maturities of the Senior Secured Notes, the Medium Term Note Program and the Senior Secured Promissory Notes (the "Notes") are as follows:

1996 8.55% Senior Secured Notes:

mature at the rate of $12,000 on June 30 in each of the years 2002 to and including 2011. Interest is paid semi-annually.

1997 Medium Term Note Program:

Series A Notes: mature at the rate of $2,400 on November 19 in each of the years 2005 to and including 2009. Interest is paid semi-annually.

Series B Notes: mature at the rate of $2,000 on November 19 in each of the years 2003 to and including 2012. Interest is paid semi-annually.

Series C Notes: mature at the rate of $714 on March 13 in each of the years 2000 to and including 2003, $357 on March 13, 2004, $1,073 on March 13, 2005, and $357 in each of the years 2006 and 2007. Interest is paid semi-annually.

2000 and 2001 Senior Secured Promissory Notes:

Series A Notes: mature at the rate of $3,200 on August 15 in each of the years 2003 to and including 2007. Interest is paid quarterly.

Series B Notes: mature at the rate of $4,571 on August 15 in each of the years 2004 to and including 2010. Interest is paid quarterly.

Series C Notes: mature at the rate of $5,750 on August 15 in each of the years 2006 to and including 2007, $4,000 on August 15, 2008 and $5,750 on August 15, 2009 to and including 2010. Interest is paid quarterly.

Series D Notes: mature at the rate of $12,450 on August 15 in each of the years 2008 and 2009, $7,700 on August 15, 2010, $12,450 on August 15, 2011 and $12,950 on August 15, 2012. Interest is paid quarterly.

Series E Notes: mature at the rate of $1,000 on August 15 in each of the years 2009 to and including 2015. Interest is paid quarterly.

Series F Notes: mature at the rate of $3,636 on August 15 in each of the years 2010 to and including 2020. Interest is paid quarterly.

Series G Notes: mature at the rate of $3,800 on May 15 in each of the years 2004 to and including 2008. Interest is paid quarterly. $7.5 million of these notes were retired during the fiscal year ended August 31, 2003.

Series H Notes: mature at the rate of $727 on May 15 in each of the years 2006 to and including 2016. Interest is paid quarterly. $19.5 million of these notes were retired during the fiscal year ended August 31, 2003.

Series I Notes: mature in one payment of $16,000 on May 15, 2013. Interest is paid quarterly.

All receivables, contracts, equipment, inventory, general intangibles, cash concentration accounts, and the capital stock of Heritage Operating and its

subsidiaries secure the Senior Secured, Medium Term, and Senior Secured Promissory Notes. In addition to the stated interest rate for the Notes, the Partnership is required to pay an

additional 1% per annum on the outstanding balance of the Notes until such time the Notes achieve investment grade status.

Effective January 20, 2004, La Grange Acquisition entered into the Second Amended and Restated Credit Agreement. The terms of the Agreement are as follows:

A $325,000 Term Loan Facility that matures on January 18, 2008. Interest is paid quarterly and is based on the LIBOR rate plus 3% which was 4.10% at February 29, 2004. The Term Loan Facility is secured by substantially all of the La Grange Acquisition's assets.

A $175,000 Revolving Credit Facility is available through January 18, 2008. Amounts borrowed under the La Grange Acquisition Credit 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%. The facility is fully secured by substantially all of La Grange Acquisition's assets. As of February 29, 2004, there were no amounts outstanding under the Revolving Credit Facility, and $10,875 in letters of credit outstanding which reduce the amount available for borrowing under the Revolving Credit Facility. Letters of Credit under the Revolving Credit Facility may not exceed $40,000.

Effective December 31, 2003, Heritage Operating entered into the Second Amended and Restated Credit Agreement. The terms of the Agreement are as follows:

A $75,000 Senior Revolving Working Capital Facility is 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 amounts outstanding at February 29, 2004 were Eurodollar rate loans. The weighted average interest rate was 2.9738% for the amount outstanding at February 29, 2004. The maximum commitment fee payable on the unused portion of the facility is 0.50%. Heritage Operating 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. All receivables, contracts, equipment, inventory, general intangibles, cash concentration accounts, and the capital stock of Heritage Operating's subsidiaries secure the Senior Revolving Working Capital Facility. As of February 29, 2004, the Senior Revolving Working Capital Facility had a balance outstanding of $65,488. A $5,000 Letter of Credit issuance is available to Heritage Operating for up to 30 days prior to the maturity date of the Working Capital Facility. Letter of Credit Exposure plus the Working Capital Loan cannot exceed the $75,000 maximum Working Capital Facility. Heritage Operating had no outstanding Letters of Credit at February 29, 2004.

A $75,000 Senior Revolving Acquisition Facility is available through December 31, 2006, at which time the outstanding amount must be paid in full. Amounts borrowed under the Acquisition Credit Facility bear interest at a rate based on either a Eurodollar rate or a prime rate. The amounts outstanding at February 29, 2004 were Eurodollar rate loans. The weighted average interest rate was 2.9738% for the amount outstanding at February 29, 2004. The maximum commitment fee payable on the unused portion of the facility is 0.50%. All receivables, contracts, equipment, inventory, general intangibles, cash concentration accounts, and the capital stock of Heritage Operating's subsidiaries secure the Senior Revolving Acquisition Facility. As of February 29, 2004, the Senior Revolving Acquisition Facility had a balance outstanding of $21,228.

The agreements for each of the Senior Secured Notes, Medium Term Note Program, Senior Secured Promissory Notes, and the Operating Partnerships' bank credit facilities contain customary restrictive covenants applicable to the Operating Partnerships, including limitations on substantial disposition of assets, changes in ownership of the Operating Partnerships, the level of additional indebtedness and creation of liens. These covenants require the Operating Partnerships to maintain ratios of Consolidated Funded Indebtedness to Consolidated EBITDA (as these terms are similarly defined in the bank credit facilities and the Note Agreements) of not more than, 4.75 to 1 for Heritage Operating and 4.00 to 1 for La Grange Acquisition and Consolidated EBITDA to Consolidated Interest Expense (as these terms are similarly defined in the bank credit facilities and the Note Agreements) of not less than 2.25 to 1 for Heritage Operating and 2.75 to 1 for La Grange Acquisition. The Consolidated EBITDA used to determine these ratios is calculated in accordance with these debt agreements. For purposes of calculating the ratios

under the bank credit facilities and the Note Agreements, Consolidated EBITDA is based upon the Operating Partnerships' EBITDA, as adjusted for the most recent four quarterly periods, and modified to give pro forma effect for acquisitions and divestures made during the test period and is compared to Consolidated Funded Indebtedness as of the test date and the Consolidated Interest Expense for the most recent twelve months. These debt agreements also provide that the Operating Partnerships may declare, make, or incur a liability to make, restricted payments during each fiscal quarter, if: (a) the amount of such restricted payment, together with all other restricted payments during such quarter, do not exceed Available Cash with respect to the immediately preceding quarter; (b) no default or event of default exists before such restricted payments; and (c) each Operating Partnership's restricted payment is not greater than the product of each Operating Partnership's Percentage of Aggregate Available Cash multiplied by the Aggregate Partner Obligations (as these terms are similarly defined in the bank credit facilities and the Note Agreements). The debt agreements further provide that Heritage Operating's Available Cash is required to reflect a reserve equal to 50% of the interest to be paid on the notes and in addition, in the third, second and first quarters preceding a quarter in which a scheduled principal payment is to be made on the notes, Available Cash is required to reflect a reserve equal to 25%, 50%, and 75%, respectively, of the principal amount to be repaid on such payment dates.

Failure to comply with the various restrictive and affirmative covenants of the Operating Partnerships' bank credit facilities and the Note Agreements could negatively impact the Operating Partnerships' ability to incur additional debt and/or the Partnership's ability to pay distributions. The Operating Partnerships are required to measure these financial tests and covenants quarterly and were in compliance with all requirements, tests, limitations, and covenants related to the Senior Secured Notes, Medium Term Note Program and Senior Secured Promissory Notes, and the bank credit facilities at February 29, 2004.

6. INCOME TAXES:

The components of the deferred tax liability were as follows:

	February 29, 2004	August 31, 2003 (Energy Transfer Company)
Deferred Tax Liabilities-		
Property, plant and equipment	$ 112,627	$ 55,736
Other	(302)	(351)
	$ 112,325	$ 55,385

7. COMMITMENTS AND CONTINGENCIES:

COMMITMENTS

Certain property and equipment is leased under noncancelable leases, which require fixed monthly rental payments and expire at various dates through 2020. Rental expense under these leases totaled approximately $616 and $844 for the three and six months ended February 29, 2004, respectively, and $245 and $393 for the three and five months ended February 28, 2003, respectively, and has been included in operating expenses in the accompanying statements of operations. Predecessor Heritage's rental expense under these leases was approximately $754 and $1,470 for the three and six months ended February 28, 2003. Certain of these leases contain renewal options and also contain escalation clauses, which are accounted for on a straight-line basis over the minimum lease term. Fiscal year future minimum lease commitments for such leases are $3,912 in 2004; $3,751 in 2005; $1,731 in 2006; $940 in 2007; $532 in 2008 and $842 thereafter.

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 up to 39 million MMBtu per day. Long-term contracts total require delivery of up to 157 MMBtu per day. The long-term contracts run through July 2013.

The Partnership has entered into several propane purchase and supply commitments with varying terms as to quantities and prices, which expire at various dates through March 2004.

La Grange Acquisition in the normal course of business, purchases, processes and sells natural gas pursuant to long-term contracts. 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.

BOSSIER PIPELINE EXTENSION

The Partnership has signed long-term agreements with several parties committing firm transportation volumes into the new Bossier Pipeline system, which is currently under construction by the Partnership and will connect East Texas production into the Katy hub near Houston. Those commitments include an agreement with XTO Energy, Inc. to deliver approximately 200 MMcf/d of natural gas into the pipeline. The term of the XTO agreement runs nine years, beginning when the Bossier Pipeline extension becomes operational, currently scheduled to occur in mid-2004.

LITIGATION

On June 16, 2003, Guadalupe Power Partners, L.P. ("GPP") sought and obtained a Temporary Restraining Order against Oasis Pipe Line Company. In their pleadings, GPP alleged unspecified monetary damages for the period from February 25, 2003 to June 16, 2003 and sought to prevent Oasis Pipe Line Company from implementing flow control measures to reduce the flow of gas to their power plant at varying hourly rates. Oasis Pipe Line Company filed a counterclaim against GPP asking for damages and a declaration that the contract was terminated as a result of the breach by GPP. Oasis Pipe Line Company Texas, L.P. and GPP agreed to a "stand still" order and referred this dispute to binding arbitration. The arbitration panel was selected and discovery was conducted in advance of a hearing before the arbitration panel. The hearing before the panel commenced on December 9, 2003. The arbitration was completed with a ruling favorable to the Oasis Pipe Line Company Texas, L.P. on the contract issues involved, but with no damages awarded to either party.

The Partnership 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, would not have a significant effect on the financial position or results of operations of the Partnership. 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 February 29, 2004 and August 31, 2003, an accrual of $1,996 and $112, respectively, was recorded as accrued and other current liabilities on the Partnership's consolidated balance sheets. As of August 31, 2003, Predecessor Heritage had an accrual of $941 that was recorded as accrued and other current liabilities.

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.

In conjunction with the acquisition of the Texas and Oklahoma natural gas gathering and gas processing assets from Aquila Gas Pipeline, Aquila, Inc. agreed to indemnify La Grange Acquisition, for any environmental liabilities that arose from operations of the assets purchased prior to October 1, 2002. Aquila also agreed to indemnify the Partnership for 50% of any environmental liabilities that arose from operations of the Oasis Pipe Line Company assets purchased prior to October 1, 2002.

Petroleum-based contamination or environmental wastes are known to be located on or adjacent to six sites, on which the Partnership presently has, or formerly had, operations. These sites were evaluated at the time of their acquisition. In all cases, remediation operations have been or will be undertaken by others, and in all six cases, Predecessor Heritage obtained indemnification for expenses associated with any remediation from the former owners or related entities. The Partnership has not been named as a potentially responsible party at any of these sites, nor has the Partnership's operations contributed to the environmental issues at these sites. Accordingly, no amounts have been recorded in the Partnership's February 29, 2004 balance sheet. Additionally, no amount was recorded in Predecessor Heritage's August 31, 2003 balance sheet. Based on information currently available to the Partnership, such projects are not expected to have a material adverse effect on the Partnership's financial condition or results of operations.

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

Environmental exposures and liabilities are difficult to assess and estimate due to unknown factors such as the magnitude of possible contamination, the timing and extent of remediation, the determination of 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 February 29, 2004 and August 31, 2003, an accrual of $500 and $633 was recorded in the Partnership's balance sheet to cover any material environmental liabilities that were not covered by the environmental indemnifications.

8. PRICE RISK MANAGEMENT ASSETS AND LIABILITIES:

COMMODITY PRICE RISK

The Partnership is exposed to market risks related to the volatility of natural gas and NGL prices. To reduce the impact of this price volatility, the Partnership primarily uses derivative commodity instruments (futures and swaps) to manage its exposures to fluctuations in margins. The fair value of all derivatives that are designated and documented as cash flow hedges and determined to be effective are recorded through other comprehensive income until the settlement month. At the end of the settlement month, any gain or loss previously recorded in other comprehensive income (loss) is recognized in the income statement. Unrealized gains or losses on derivatives that do not meet the requirements for hedge accounting are recognized in the statement of operations. The Partnership's derivative instruments were as follows at February 29, 2004:

	Commodity	Notional Volume MMBTU	Maturity	Fair Value
Basis Swaps IFERC/Nymex	Gas	45,685,000	2004	$ (2,538)
Basis Swaps IFERC/Nymex	Gas	57,637,500	2004	3,563
				$ 1,025
Swing Swaps IFERC	Gas			
Swing Swaps IFERC	Gas	102,035,000	2004-2005	$ (2,334)
		64,340,000	2004-2005	2,057
				$ (277)
Futures Nymex	Gas	3,525,000	2004-2005	$ (232)
Futures Nymex	Gas	145,222,507	2004-2005	1,691
				$ 1,459

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 believes it is protected from the volatility in the energy commodities markets because it does not have unbalanced positions. Long-term physical contracts are tied to index prices. System gas, which is also tied to index prices, will provide the gas required by the Partnership's 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.

INTEREST RATE RISK

The Partnership is exposed to market risk for changes in interest rates related to its bank credit facilities. An interest rate swap agreement is used to manage a portion of the exposure related to LaGrange Acquisition's Term Loan Facility to changing interest rates by converting floating rate debt to fixed-rate debt. On October 9, 2002, La Grange Acquisition, L.P. entered into an interest rate swap agreement to manage its exposure to changes in interest rates. The interest rate swap has a notional value of $75 million and matures on October 9, 2005. Under the terms of the interest rate swap agreement, the Partnership will pay a fixed rate of 2.76% and will receive three-month LIBOR with quarterly settlement commencing on January 9, 2003. Management has elected to designate the swap as a hedge for accounting purposes. The value of the interest rate swap at February 29, 2004 and August 31, 2003 is an asset of $93 and $807, respectively.

The following represents gain (loss) on derivative activity:

	Three Months Ended February 29, 2004	Three Months Ended February 28, 2003 (Energy Transfer Company)	Six Months Ended February 29, 2004	Five Months Ended February 28, 2003 (Energy Transfer Company)
Realized and unrealized gain (loss) on derivative activities recognized in earnings	$ (7,168)	$ 4,828	$(10,202)	$ 6,693
Realized loss on interest rate swap included in interest expense	$ (623)	$ (242)	$ (1,061)	$ (350)

9. PARTNER'S CAPITAL:

UNITS

Common Units, Class D Units, Special Units, Class E Units and Class C Units represent limited partner interests in the Partnership that entitle the holders thereof to the rights and privileges specified in the Partnership Agreement, as amended. As of February 29, 2004, there were issued and outstanding 27,897,734 Common Units and 7,721,542 Class D Units representing, an aggregate 98% limited partner interest in the Partnership. Except as described below, the Common Units and Class D Units generally participate pro rata in the Partnership's income, gains, losses, deductions, credits, and distributions. There are also 4,426,916 Class E Units outstanding that are entitled to receive distributions in accordance with their terms, 3,742,515 Special Units outstanding that receive no distributions until the Bossier Pipeline becomes commercially operational, and 1,000,000 Class C Units outstanding that are entitled only to participate in distributions that are attributable to the net amount received by the Partnership in connection with the SCANA litigation (defined below).

No person is entitled to preemptive rights in respect of issuances of securities by the Partnership, except that U.S. Propane, has the right to purchase sufficient partnership securities to maintain its general partner equity interest in the Partnership.

Common Units. The Partnership's Common Units are registered under the Securities Act of 1933 and are listed for trading on the New York Stock Exchange. Each holder of a Common Unit is entitled to one vote per unit on all

matters presented to the Limited Partners for a vote except that holders of Common Units acquired by La Grange Energy in connection with the ETC Transaction will be entitled to vote upon the proposal to change the terms of the Class D Units and Special Units in the same proportion as the votes cast by the holders of the Common Units other than La Grange Energy with respect to the proposals. In addition, if at any time any person or group (other than the Partnership's General Partner and its affiliates) owns beneficially 20% or more of all Common Units, any Common Units owned by that person or group may not be voted on any matter and are not considered to be outstanding when sending notices of a meeting of Unitholders (unless otherwise required by law), calculating required votes, determining the presence of a quorum or for other similar purposes under the Partnership Agreement. The Common Units are entitled to distributions of Available Cash as described below under "Quarterly Distributions of Available Cash."

Class C Units. The 1,000,000 Class C Units were issued to Heritage Holdings in August 2000 in conjunction with the transaction with U.S. Propane and the change of control of the Partnership's General Partner in conversion of that portion of Heritage Holding's Incentive Distribution Rights that entitled it to receive any distribution attributable to the net amount received by the Partnership in connection with the settlement, judgment, award or other final nonappealable resolution of specified litigation filed by the Partnership prior to the transaction with U.S. Propane, which is referred to as the "SCANA litigation." The Class C Units have zero initial capital account balance and were distributed by Heritage Holdings to its former stockholders in connection with the transaction with U.S. Propane. All decisions of the Partnership's General Partner relating to the SCANA litigation are determined by a special litigation committee consisting of one or more independent directors of the Partnership's General Partner. As soon as practicable after the time that the Partnership or its affiliates receive any final cash or other payment as a result of the resolution of the SCANA litigation, the special litigation committee will determine the aggregate net amount of these proceeds distributable by the Partnership after deducting from the amounts received all costs and expenses incurred by the Partnership and its affiliates in connection with the SCANA litigation and any cash reserves necessary or appropriate to provide for operating expenditures. Following this determination, the distributable proceeds will be deemed to be "Available Cash" under the Partnership Agreement and will be distributed as described below under "Quarterly Distributions of Available Cash." The amount of distributable proceeds that would normally be distributed to holders of Incentive Distribution Rights will instead be distributed to the holders of the Class C Units, pro rata. The Class C Units do not have any rights to share in any of the Partnership's assets or distributions upon dissolution and liquidation of the Partnership, except to the extent that any such distributions consist of proceeds from the SCANA litigation to which the class C Unitholders would have otherwise been entitled. The Class C Units do not have the privilege of conversion into any other unit and do not have any voting rights except to the extent provided by law, in which case each Class C Unit will be entitled to one vote.

Class D Units. The Class D Units generally have voting rights that are identical to the voting rights of the Common Units and vote with the Common Units as a single class on each matter, except that the Class D Units are entitled to vote upon a proposal to approve (a) a change in the terms of the Partnership's Class D Units to provide that each Class D Unit is convertible into one Common Unit and (b) the issuance of additional Common Units upon such conversion (the "Listing Proposal") and the Special Unit Proposal in the same proportion as the votes cast by the holders of the Common Units. Each Class D Unit was initially entitled to receive 100% of the quarterly amount distributed on each Common Unit, for each quarter, provided that the Class D Units will be subordinated to the Common Units with respect to the payment of the minimum quarterly distribution for such quarter (and any arrearage in the payment of the minimum quarterly distribution for all prior quarters). If the Listing Proposal is not approved by the Partnership's Unitholders within six months following the closing of the ETC Transaction, then the terms of the Class D Units will be changed such that each Class D Unit will be entitled to receive 115% of the quarterly amount distributed on each Common Unit on a pari passu basis with distributions on the Common Units.

In the event of the Partnership's dissolution and liquidation, each Class D Unit was initially entitled to receive 100% of the amount distributed on each Common Unit, but only after each Common Unit has received an amount equal to its capital account, plus the minimum quarterly distribution for the quarter, plus any arrearages in the minimum quarterly distribution with respect to prior quarters. If however, the Partnership's Unitholders do not approve the Listing Proposal within six months following the closing of the ETC Transaction, then each Class D Unit is entitled upon liquidation to receive 115% of the amount distributed to each Common Unit on a pari passu basis with liquidating distributions on the Common Units.

Class E Units. In conjunction with the Partnership's purchase of the capital stock of Heritage Holdings, the 4,426,916 Common Units held by Heritage Holdings were converted into 4,426,916 Class E Units. The Class E

Units generally do not have any voting rights and are not entitled to vote on the proposals to make the Class D Units and Special Units convertible into Common Units. These Class E Units are entitled to aggregate cash distributions equal to 11.1% of the total amount of cash distributed to all Unitholders, including the Class E Unitholders, up to $2.82 per unit per year. Distributions on the Class E Units are taxable income to HHI. In the event of the Partnership's termination and liquidation, the Class E Units will be allocated 1% of any gain upon liquidation and will be allocated any loss upon liquidation to the same extent as Common Units. After the allocation of such amounts, the Class E Units will be entitled to the balance in their capital accounts, as adjusted for such termination and liquidation. The Class E Units are treated as treasury stock for accounting purposes because they are owned by the Partnership's wholly owned subsidiary, HHI. Because the Class E Units are not entitled to receive any allocation of partnership income, gain, loss, deduction or credit that is attributable to the Partnership's ownership of HHI, such amounts will instead be allocated to the General Partner in accordance with its respective interest and the remainder to the Partnership's Unitholders other than the holders of Class E Units, pro rata. In the event the Partnership's distributions exceed $2.82 per unit annually, all such amount in excess thereof will be available for distribution to Unitholders other than the holders of Class E Units in proportion to their respective interests.

Special Units. The Special Units were issued as consideration for the Bossier Pipeline and its related contracts acquired in the ETC Transaction. The Special Units generally do not have any voting rights but are entitled to vote on the Special Unit Proposal to change their terms in the same proportion as the votes cast by the holders of the Common Units. The Special Units are not entitled to share in partnership distributions, however, following Unitholder approval of the Special Unit Proposal and upon the Bossier Pipeline becoming commercially operational, which is expected to occur in mid-2004, each Special Unit will immediately be convertible into one Common Unit. If the Special Unit Proposal is not approved by the Partnership's Unitholders prior to the time the Bossier Pipeline becomes commercially operational, then each Special Unit will be entitled to receive 115% of the quarterly amount distributed on each Common Unit on a pari passu basis with distributions on Common Units, unless subsequently converted into Common Units. Until the Special Unit Proposal is approved, the Special Units are entitled to receive an assignment of the Bossier Contracts that had been committed at the time of the closing of the ETC Transaction, in the event of the Partnership's dissolution and liquidation. If the Special Unit Proposal is not approved prior to the time the Bossier Pipeline becomes commercially operational, then in the event of the Partnership's dissolution and liquidation, each Special Unit will be entitled to receive 100% of the amount distributed on each Common Unit on a pari passu basis with liquidating distributions on the Common Units. If the Bossier Pipeline does not become operational by December 1, 2004 and, as a result, a party to one of the Bossier Contracts exercises rights to acquire the Bossier Pipeline under its transportation contract, the Special Units will no longer be considered outstanding and will not be entitled to any rights afforded any other of the Partnership's units.

Incentive Distribution Rights. Incentive Distribution Rights represent the contractual right to receive an increasing percentage of quarterly distributions of Available Cash from operating surplus after the minimum quarterly distribution has been paid. Please read "Quarterly Distributions of Available Cash" below. The General Partner owns all of the Incentive Distribution Rights, except that in conjunction with the August 2000 transaction with U.S. Propane, the Partnership issued 1,000,000 Class C Units to HHI, its general partner at that time, in conversion of that portion of HHI's Incentive Distribution Rights that entitled it to receive any distribution made by the Partnership of funds attributable to the net amount received in connection with the settlement, judgment, award or other final nonappealable resolution of the SCANA litigation. The Class C Units were distributed by HHI to its former shareholders. Any amount payable on the Class C Units in the future will reduce the amount otherwise distributable to holders of Incentive Distribution Rights at the time the distribution of such litigation proceeds is made and will not reduce the amount distributable to holders of Common Units. No payments to date have been made on the Class C Units.

QUARTERLY DISTRIBUTIONS OF AVAILABLE CASH

The Partnership Agreement requires that the Partnership will distribute all of its Available Cash to its Unitholders and its General Partner within 45 days following the end of each fiscal quarter, subject to the payment of incentive distributions to the holders of Incentive Distribution Rights to the extent that certain target levels of cash distributions are achieved. The term Available Cash generally means, with respect to any fiscal quarter of the Partnership, all cash on hand at the end of such quarter, plus working capital borrowings after the end of the quarter, less reserves established by the General Partner in its sole discretion to provide for the proper conduct of the Partnership's business, to comply with applicable laws or any debt instrument or other agreement, or to provide funds for future distributions to partners with respect to any one or more of the next four quarters. Available Cash is more fully defined in the Partnership Agreement.

Distributions by the Partnership in an amount equal to 100% of Available Cash will generally be made 98% to the Common, Class D, and Class E Unitholders and 2% to the General Partner, subject to the payment of incentive distributions to the General Partner to the extent that certain target levels of cash distributions are achieved.

On October 15, 2003, Predecessor Heritage paid a quarterly distribution of $0.65 per unit, or $2.60 per unit annually to Unitholders of record at the close of business on October 8, 2003. On January 14, 2004, Predecessor Heritage paid a quarterly distribution of $0.65 per unit, or $2.60 per unit annually to Unitholders of record at the close of business on December 30, 2003. On March 23, 2004, the Partnership declared a cash distribution for the second quarter ended February 29, 2004 of $0.70 per unit, or $2.80 per unit annually, payable on April 14, 2004 to Unitholders of record at the close of business on April 2, 2004. In addition to these quarterly distributions, the General Partner received quarterly distributions for its general partner interest in the Partnership, and incentive distributions to the extent the quarterly distribution exceeded $0.55 per unit. The total amount of distributions declared for the second quarter ended February 29, 2004 on Common Units, the Class D Units, the general partner interests and the Incentive Distribution Rights totaled $19.6 million, $5.4 million and $1.9 million, respectively. All such distributions were made from Available Cash from Operating Surplus.

Following the transaction with Energy Transfer, the Partnership currently distributes Available Cash, excluding any available cash to be distributed to the Class C Unitholders, as follows:

- First, 98% to the Common, Class D and Class E Unitholders in accordance with their percentage interests, and 2% to our General Partner, until each Common Unit has received $0.50 for that quarter;

- Second, 98% to all Common, Class D and Class E Unitholders in accordance with their percentage interests, and 2% to our General Partner, until each Common Unit has received $0.55 for that quarter;

- Third, 85% to all Common, Class D and Class E Unitholders in accordance with their percentage interests, and 15% to our General Partner, until each Common Unit has received $0.635 for that quarter;

- Fourth, 75% to all Common, Class D and Class E Unitholders in accordance with their percentage interests, and 25% to our General Partner, until each Common Unit has received $0.825 for that quarter;

- Thereafter, 50% to all Common, Class D and Class E Unitholders in accordance with their percentage interests, and 50% to our General Partner.

Notwithstanding the foregoing, the Class D Units will be subordinated to the Common Units with respect to the payment of the minimum quarterly distribution and any arrearage in the payment of the minimum quarterly distribution for all prior quarters and the distributions on each Class E Unit may not exceed $2.82 per year. Please read "Partner's Capital" above for a discussion of the Class C Units and the percentage interests in distributions of the different classes of units.

If the Unitholders do not approve changing the terms of the Class D Units and Special Units within six months of the closing of the ETC Transaction to provide that these units are convertible into Common Units and the Bossier Pipeline is commercially operational, then the Partnership will distribute available cash, excluding any available cash to be distributed to the Class C Unitholders, as follows:

- First, 98% to the Common, Class D, Class E and Special Unitholders in accordance with their percentage interests, and 2% to our General Partner, with each Class D and Special Unit receiving 115% of the amount distributed on each Common Unit, until each Common Unit has received $0.50 for that quarter;

- Second, 98% to all Common, Class D, Class E and Special Unitholders in accordance with their percentage interests, and 2% to our General Partner, with each Class D and Special Unit receiving 115% of the amount distributed on each Common Unit, until each Common Unit has received $0.55 for that quarter;

- Third, 85% to all Common, Class D, Class E and Special Unitholders in accordance with their percentage interests, and 15% to our General Partner, with each Class D and Special Unit receiving 115% of the amount distributed on each Common Unit, until each Common Unit has received $0.635 for that quarter;

- Fourth, 75% to all Common, Class D, Class E and Special Unitholders in accordance with their percentage interests, and 25% to our General Partner, with each Class D and Special Unit receiving 115% of the amount distributed on each Common Unit, until each Common Unit has received $0.825 for that quarter;

- Thereafter, 50% to all Common, Class D, Class E and Special Unitholders in accordance with their percentage interests, with each Class D and Special Unit receiving 115% of the amount distributed on each Common Unit, and 50% to our General Partner.

Notwithstanding the foregoing, the distributions to the Class E Unitholders may not exceed $2.82 per year. Please read "Partners' Capital" above for a discussion of the Class C Units and the percentage interests in distributions of the different classes of units

10. RETIREMENT BENEFITS:

The Partnership has a defined contribution plan for virtually all employees of La Grange Acquisition with discretionary matching. Pursuant to the plan, employees of La Grange Acquisition can defer a portion of their compensation and contribute it to a deferred account. No matching contributions were made to this plan by Energy Transfer Company through February 29, 2004.

The Partnership also sponsors a defined contribution profit sharing and 401(k) savings plan, which covers all employees of Heritage Operating subject to service period requirements. Contributions are made to the plan at the discretion of the Board of Directors and are allocated to eligible employees as of the last day of the plan year based on their pro rata share of total contributions. Employer matching contributions are calculated using a discretionary formula based on employee contributions. The Partnership made matching contributions of $303 to the 401(k) savings plan for the three and six months ended February 29, 2004.

11. RELATED PARTY TRANSACTIONS:

Accounts payable to related companies as of February 29, 2004 includes $12,500 due from La Grange Acquisition to La Grange Energy. This amount represents the balance of funds due to La Grange Energy related to the ETC Transaction that have not yet been distributed.

12. REPORTABLE SEGMENTS:

The Partnership's financial statements reflect six reportable segments: La Grange Acquisition's midstream and transportation operations, Heritage Operating's domestic retail and domestic wholesale operations, the foreign wholesale operations of MP Energy Partnership, and the liquids marketing activities of Resources. The operations which focus on the gathering, compression, treating, processing, transportation and marketing of natural gas, primarily at the Southeast Texas System and Elk City Systems, generate revenue primarily by the volumes of natural gas gathered, compressed, treated, processed, transported, purchased and sold through the Partnership's pipeline (excluding Oasis Pipe Line) and gathering systems and the level of natural gas and NGL prices. The transportation operations focus on transporting natural gas through the Partnership's Oasis Pipe Line. Revenue is generated from fees charged to customers to reserve firm capacity on or move gas on the pipeline on an interruptible basis. The fee structure is derived from the gas price differential between the Waha and Katy hubs. A monetary fee, and/or fuel retention are components of the fee structure. Excess fuel retained after consumption is valued at the first of the month Katy tailgate price and strategically sold when market prices are high.

The Partnership's retail and wholesale fuel segments sell products and services to retail and wholesale customers. Intersegment sales by the foreign wholesale segment to the domestic segment are priced in accordance with the partnership agreement of MP Energy Partnership. The Partnership manages these segments separately as each segment involves different distribution, sale, and marketing strategies. Selling, general and administrative expenses are allocated to the midstream and transportation operating segments, however, the Partnership evaluates the

performance of its other operating segments based on operating income exclusive of selling, general, and administrative expenses of $1,500 for the three and six months ended February 29, 2004, and $0 for the three and five months ended February 28, 2003. Predecessor Heritage's selling, general and administrative expenses were $4,320 and $7,177 for the three and six months ended February 28, 2003. Investment in affiliates and equity in earnings (losses) of affiliates relates primarily to The Partnership's investment in Vantex Gas Pipeline Company and Vantex Energy Services, Ltd, and is part of the midstream segment. In addition, the Partnership's two largest customers' revenues are included in the midstream segment's revenues. The following table presents the unaudited financial information by segment for the following periods:

	Three Months Ended February 29, 2004	Three Months Ended February 28, 2003 (Energy Transfer Company)	Three Months Ended February 28, 2003 (Predecessor Heritage)	Six Months Ended February 29, 2004	Five Months Ended February 28, 2003 (Energy Transfer Company)	Six Months Ended February 28, 2003 (Predecessor Heritage)
Midstream						
Natural gas MMBtu/d	968,000	390,000	-	946,000	336,000	-
NGLs bbls/d	12,600	9,990	-	13,800	12,000	-
Transportation						
Natural gas MMBtu/d	873,000	763,000	-	831,000	787,000	-
Propane gallons (in thousands)						
Domestic retail fuel	84,435	-	166,622	84,435	-	243,343
Domestic wholesale fuel	1,291	-	5,467	1,291	-	10,357
Foreign wholesale fuel						
Affiliated	18,587	-	17,452	18,587	-	37,832
Unaffiliated	11,876	-	25,358	11,876	-	42,553
Elimination	(18,587)	-	(17,452)	(18,587)	-	(37,832)
Total gallons	97,602	-	197,447	97,602	-	296,253

	Three Months Ended February 29, 2004	Three Months Ended February 28, 2003 (Energy Transfer Company)	Three Months Ended February 28, 2003 (Predecessor Heritage)	Six Months Ended February 29, 2004	Five Months Ended February 28, 2003 (Energy Transfer Company)	Six Months Ended February 28, 2003 (Predecessor Heritage)
Revenues:						
Midstream	$ 477,712	$ 197,518	$ -	$ 883,010	$ 275,770	$ -
Eliminations	(7,378)	(1,189)		(11,866)	(1,189)	
Transportation	17,957	7,778	-	32,133	7,778	-
Domestic retail fuel	121,981	-	212,704	121,981	-	296,754
Domestic wholesale fuel	1,284	-	4,345	1,284	-	6,755
Foreign wholesale fuel						
Affiliated	471	-	27,424	471	-	37,832
Unaffiliated	9,188	-	15,873	9,188	-	24,810
Eliminations	(471)	-	(27,424)	(471)	-	(37,832)
Liquids marketing, net	309	-	352	309	-	1,059
Other	8,234	-	16,535	8,234	-	33,891
Total	$ 629,287	$ 204,107	$ 249,809	$1,044,273	$ 282,359	$ 363,269
Cost of sales:						
Midstream	$ 457,947	$ 172,626	$ -	$ 842,565	$ 239,947	$ -
Eliminations	(7,378)	(1,189)	-	(11,866)	(1,189)	-
Transportation	7,359	3,067	-	9,779	3,067	-
Domestic retail fuel	65,065	-	104,878	65,065	-	146,499
Domestic wholesale fuel	1,111	-	3,927	1,111	-	6,060
Foreign wholesale fuel	8,292		14,747	8,291	-	23,172
Other	2,117	-	4,868	2,117	-	9,709
Total Cost of Sales	$ 534,513	$ 174,504	$ 128,420	$ 917,062	$ 241,825	$ 185,440

Operating Income						
Midstream	$ 16,484	$ 8,316	$ -	$ 30,508	$ 12,049	$ -
Transportation	6,665	3,910	-	13,645	3,910	-
Domestic retail	36,204	-	66,277	36,204	-	79,713
Domestic wholesale fuel	(231)	-	(885)	(231)	-	(1,369)
Foreign wholesale fuel						
Affiliated	169	-	374	169	-	484
Unaffiliated	894	-	1,121	894	-	1,627
Elimination	(169)	-	(374)	(169)	-	(484)
Liquids marketing	103	-	192	103	-	515
Total	$ 60,119	$ 12,226	$ 66,705	$ 81,123	$ 15,959	$ 80,486

	Three Months Ended February 29, 2004	Three Months Ended February 28, 2003 (Energy Transfer Company)	Three Months Ended February 28, 2003 (Predecessor Heritage)	Six Months Ended February 29, 2004	Five Months Ended February 28, 2003 (Energy Transfer Company)	Six Months Ended February 28, 2003 (Predecessor Heritage)
Gain on Disposal of Assets:						
Midstream	$ 28	$ -	$ -	$ 25	$ -	$ -
Transportation	-	-	-	-	-	-
Domestic retail propane	3	-	84	3	-	164
Domestic wholesale propane	-	-	4	-	-	(9)
Total	$ 31	$ -	$ 88	$ 28	$ -	$ 155
Minority Interest Expense:						
Corporate	$ -	$ -	$ 508	$ -	$ -	$ 522
Foreign wholesale propane	175	-	313	175	-	425
Total	$ 175	$ -	$ 821	$ 175	$ -	$ 947

	Three Months Ended February 29, 2004	Three Months Ended February 28, 2003 (Energy Transfer Company)	Three Months Ended February 28, 2003 (Predecessor Heritage)	Six Months Ended February 29, 2004	Five Months Ended February 28, 2003 (Energy Transfer Company)	Six Months Ended February 28, 2003 (Predecessor Heritage)
Depreciation and amortization:						
Midstream	$ 3,230	$ 2,535	$ -	$ 6,321	$ 4,185	$ -
Transportation	1,156	276	-	2,212	276	-
Domestic retail propane	5,016	-	9,318	5,016	-	18,451
Domestic wholesale propane	67	-	124	67	-	252
Foreign wholesale propane	3	-	5	3	-	10
Total	$ 9,472	$ 2,811	$ 9,447	$ 13,619	$ 4,461	$ 18,713
Interest Expense net of interest income						
Midstream	$ 4,369	$ 3,440	$ -	$ 7,675	$ 4,849	$ -
Transportation	1,718	102	-	3,761	102	-
Eliminations	(1,536)		-	(3,133)	-	-
Domestic retail propane	4,344	-	9,317	4,344	-	18,613
Total	$ 8,895	$ 3,542	$ 9,317	$ 12,647	$ 4,951	$ 18,613
Income tax expense						
Midstream	$ -	$ (1)	$ -	$	$ (1)	$ -
Transportation	700	953	-	2,409	953	-
Domestic retail propane	48	-	1,285	48		1,285
Total	$ 748	$ 952	$ 1,285	$ 2,457	$ 952	$ 1,285

	February 29, 2004	August 31, 2003 (Energy Transfer Company)	August 31, 2003 (Predecessor Heritage)
Total Assets:			
Midstream	$ 604,569	$ 415,962	$ -
Transportation	176,133	189,007	-
Domestic retail propane	897,299	-	691,900
Domestic wholesale propane	8,196	-	12,197
Foreign wholesale propane	10,933	-	13,912
Liquids marketing	13,905	-	4,474
Corporate	20,596	-	16,356
Elimination	-	(2,866)	-
Total	$1,731,631	$ 602,103	$ 738,839

	Six Months Ended February 29, 2004	Five Months Ended February 28, 2003 (Energy Transfer Company)	Six Months Ended February 28, 2003 (Predecessor Heritage)
Additions to property, plant and equipment including acquisitions:			
Midstream	$ 33,294	$ 4,461	$ -
Transportation	38	9	-
Domestic retail propane	494,754	$ -	46,723
Domestic wholesale propane	4,251	-	166
Foreign wholesale propane	89	-	-
Corporate	-	-	699
Total	$532,426	$ 4,470	$ 47,558

Corporate assets include vehicles, office equipment and computer software for the use of administrative personnel. These assets are not allocated to segments.

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

Energy Transfer Partners, L.P. (the "Registrant" or "Partnership"), is a Delaware limited partnership. The Partnership's Common Units are listed on the New York Stock Exchange under the symbol "ETP". The Partnership's business activities are primarily conducted through its subsidiaries, La Grange Acquisition, L.P, a Texas limited partnership, and Heritage Operating, L.P., a Delaware limited partnership (the "Operating Partnerships"). The Partnership and the Operating Partnerships are sometimes referred to collectively in this report as "Energy Transfer."

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 the Partnership's historical consolidated financial statements and accompanying notes thereto included elsewhere in this Quarterly Report on Form 10-Q.

FORWARD-LOOKING STATEMENTS

CERTAIN MATTERS DISCUSSED IN THIS REPORT, EXCLUDING HISTORICAL INFORMATION, AS WELL AS SOME STATEMENTS BY 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. SUCH FACTORS INCLUDE:

- THE GENERAL ECONOMIC CONDITIONS IN THE UNITED STATES OF AMERICA AS WELL AS THE GENERAL ECONOMIC CONDITIONS AND CURRENCIES IN FOREIGN COUNTRIES;

- THE AMOUNT OF NATURAL GAS TRANSPORTED ON ENERGY TRANSFER'S PIPELINES AND GATHERING SYSTEMS;

- THE LEVEL AND THROUGHPUT IN ENERGY TRANSFER'S NATURAL GAS PROCESSING AND TREATING FACILITIES;

- THE FEES ENERGY TRANSFER CHARGES AND THE MARGINS REALIZED FOR ITS SERVICES;

- THE PRICES AND MARKET DEMAND FOR, AND THE RELATIONSHIP BETWEEN, NATURAL GAS AND NGLS;

- ENERGY PRICES GENERALLY;

- THE PRICE OF PROPANE TO THE CONSUMER COMPARED TO THE PRICE OF ALTERNATIVE AND COMPETING FUELS;

- THE GENERAL LEVEL OF PETROLEUM PRODUCT DEMAND AND THE AVAILABILITY AND PRICE OF PROPANE SUPPLIES;

- THE LEVEL OF DOMESTIC OIL AND NATURAL GAS PRODUCTION;

- THE AVAILABILITY OF IMPORTED OIL AND NATURAL GAS;

- THE ABILITY TO OBTAIN ADEQUATE SUPPLIES OF PROPANE FOR RETAIL SALE IN THE EVENT OF AN INTERRUPTION IN SUPPLY OR TRANSPORTATION AND THE AVAILABILITY OF CAPACITY TO TRANSPORT PROPANE TO MARKET AREAS;

- ACTIONS TAKEN BY FOREIGN OIL AND GAS PRODUCING NATIONS;

- THE POLITICAL AND ECONOMIC STABILITY OF PETROLEUM PRODUCING NATIONS;

- THE EFFECT OF WEATHER CONDITIONS ON DEMAND FOR OIL, NATURAL GAS AND PROPANE;

- THE WEATHER IN OUR OPERATING AREAS;

- AVAILABILITY OF LOCAL, INTRASTATE AND INTERSTATE TRANSPORTATION SYSTEMS;

- THE CONTINUED ABILITY TO FIND AND CONTRACT FOR NEW SOURCES OF NATURAL GAS SUPPLY;

- AVAILABILITY AND MARKETING OF COMPETITIVE FUELS;

- THE IMPACT OF ENERGY CONSERVATION EFFORTS;

- ENERGY EFFICIENCIES AND TECHNOLOGICAL TRENDS;

- THE EXTENT OF GOVERNMENTAL REGULATION AND TAXATION;

- HAZARDS OR OPERATING RISKS INCIDENTAL TO THE TRANSPORTING, TREATING AND PROCESSING OF NATURAL GAS AND NGLS OR TO THE TRANSPORTING, STORING AND DISTRIBUTING OF PROPANE THAT MAY NOT BE FULLY COVERED BY INSURANCE;

- THE MATURITY OF THE PROPANE INDUSTRY AND COMPETITION FROM OTHER PROPANE DISTRIBUTORS;

- COMPETITION FROM OTHER MIDSTREAM COMPANIES;

- LOSS OF KEY PERSONNEL;

- LOSS OF KEY NATURAL GAS PRODUCERS OR THE PROVIDERS OF FRACTIONATION SERVICES;

- REDUCTIONS IN THE CAPACITY OR ALLOCATIONS OF THIRD PARTY PIPELINES THAT CONNECT WITH ENERGY TRANSFER'S PIPELINES AND FACILITIES;

- THE EFFECTIVENESS OF RISK-MANAGEMENT POLICIES AND PROCEDURES AND THE ABILITY OF ENERGY TRANSFER'S LIQUIDS MARKETING COUNTERPARTIES TO SATISFY THEIR FINANCIAL COMMITMENTS AND THE NONPAYMENT OR NONPERFORMANCE BY ITS CUSTOMERS ;

- THE AVAILABILITY AND COST OF CAPITAL AND ENERGY TRANSFER'S ABILITY TO ACCESS CERTAIN CAPITAL SOURCES;

- CHANGES IN LAWS AND REGULATIONS TO WHICH WE ARE SUBJECT, INCLUDING TAX, ENVIRONMENTAL, TRANSPORTATION AND EMPLOYMENT REGULATIONS;

- THE COSTS AND EFFECTS OF LEGAL AND ADMINISTRATIVE PROCEEDINGS;

- THE ABILITY TO SUCCESSFULLY IDENTIFY AND CONSUMMATE STRATEGIC ACQUISITIONS AT PURCHASE PRICES THAT ARE ACCRETIVE TO THE PARTNERSHIP'S FINANCIAL RESULTS; AND

- RISKS ASSOCIATED WITH THE CONSTRUCTION OF NEW PIPELINES AND TREATING AND PROCESSING FACILITIES OR ADDITIONS TO ENERGY TRANSFER'S EXISTING PIPELINES AND FACILITIES.

ENERGY TRANSFER TRANSACTION

On January 20, 2004, Heritage Propane Partners, L.P., ("Heritage") and La Grange Energy, L.P. ("La Grange Energy") completed the series of transactions whereby La Grange Energy contributed its subsidiary, La Grange Acquisition, L.P. and its subsidiaries who conduct business under the assumed name of Energy Transfer Company, ("ETC") (the "ETC Transaction") to Heritage in exchange for cash of $300,000 less the amount of Energy Transfer Company debt in excess of $151,500, less ETC's accounts payable and other specified liabilities, plus agreed upon capital expenditures paid by La Grange Energy relating to the ETC business prior to closing, $433,909 of Heritage Common and Class D Units, and the repayment of the ETC debt of $151,500. In conjunction with the ETC Transaction and prior to the contribution of ETC to Heritage, ETC distributed its cash and accounts receivables to La Grange Energy and an affiliate of La Grange Energy contributed an office building to ETC. La Grange Energy also received 3,742,515 Special Units as consideration for certain assets described as the Bossier Pipeline. In the event the Bossier Pipeline does not become commercially operational by December 1, 2004, the Special Units will no longer be considered outstanding and will not be entitled to any rights afforded any other of Heritage's units. In accordance with Statement of Financial Accounting Standards No. 141, Business Combinations ("SFAS 141") no value has been recorded with respect to the Special Units.

Simultaneously with the ETC Transaction, La Grange Energy obtained control of Heritage by acquiring all of the interest in U.S. Propane, L.P., ("U.S. Propane") the General Partner of Heritage, and U.S. Propane, L.P.'s general partner, U.S. Propane, L.L.C., from subsidiaries of AGL Resources, Atmos Energy Corporation, TECO Energy, Inc. and Piedmont Natural Gas Company, Inc. for $30,000 (the "General Partner Transaction"). In conjunction with the General Partner Transaction, U.S. Propane L.P. contributed its 1.0101% General Partner interest in Heritage Operating, L.P. ("Heritage Operating") to Heritage in exchange for an additional 1% General Partner interest in Heritage. Simultaneously with these transactions, Heritage purchased the outstanding stock of Heritage Holdings, Inc. ("HHI") for $100,000.

Concurrent with the ETC Transaction, ETC borrowed $325,000 from financial institutions and Heritage raised $355,948 of gross proceeds through the sale of 9,200,000 Common Units at an offering price of $38.69 per unit. The net proceeds were used to finance the transaction and for general partnership purposes.

The ETC and General Partner transactions affect the comparability of the financial statements for the three and six months ended February 29, 2004 to the three and five months ended February 28, 2003 because the consolidated financial statements of the Partnership for the six months ended February 29, 2004 include the three and six month

results for ETC and subsidiaries and the results of Heritage Operating and subsidiaries and HHI only for the period from January 20, 2004 through February 29, 2004. The financial statements of ETC for the three and five months ended February 28, 2003 reflect only the results of ETC and subsidiaries, and the financial statements of Predecessor Heritage reflect the results of Heritage Operating, L.P. and its subsidiaries (see note 3 to the Partnership's consolidated financial statements.) The changes in the line items discussed below are a result of these transactions.

GENERAL

The ETC Transaction was accounted for as a reverse acquisition in accordance with SFAS 141. Although Heritage is the surviving parent entity for legal purposes, ETC is the acquirer for accounting purposes. As a result, ETC's historical financial statements will be the historical financial statements of the registrant. The operations of Heritage prior to the ETC Transaction are referred to as Predecessor Heritage.

ENERGY TRANSFER COMPANY

Midstream segment

The Partnership's midstream and transportation segments are operated by La Grange Acquisition and its subsidiaries. These segments commenced operations in October 2002 with ETC's acquisition of the natural gas gathering, processing and transportation assets previously owned by Aquila, Inc. The assets acquired from Aquila include the Southeast Texas system and the Oklahoma system as well as a 50% equity interest in the Oasis Pipe Line Company ("Oasis"). ETC purchased the remaining 50% interest in Oasis on December 27, 2002. The equity method of accounting was used to account for our Oasis pipeline from October 1, 2002 through December 27, 2002 at which time it became a fully consolidated subsidiary.

ETC owns and operates approximately 4,500 miles of natural gas gathering and transportation pipelines with an aggregate throughput capacity of 2.5 billion cubic feet of natural gas per day, with natural gas treating and processing plants located in Texas, Oklahoma, and Louisiana. Its major asset groups consist of the Southeast Texas System, Elk City System and Oasis pipeline. The Southeast Texas System has a throughput capacity of 260 MMcf/d. The system has 2,500 miles of pipeline with 1,050 wells connected, the La Grange processing plant, and 5 natural gas treating facilities. The Elk City System has a throughput capacity of 170 MMcf/d. The system has 315 miles of pipeline with 300 wells connected, the Elk City processing plant, and a treating facility. The 583 mile long Oasis pipeline, which connects the West Texas Waha Hub to the Katy Texas Tailgate, has a throughput capacity of 830 MMcf/d.

Results from the midstream segment are determined primarily by the volumes of natural gas gathered, compressed, treated, processed, purchased and sold through ETC's pipeline and gathering systems and the level of natural gas and NGL prices. ETC generates its midstream revenues and its gross margins principally under fee-based arrangements or other arrangements. Under fee-based arrangements, ETC receives a fee for natural gas gathering, compressing, treating or processing services. The revenue it earns from these arrangements is directly related to the volume of natural gas that flows through its systems and is not directly dependent on commodity prices.

ETC also utilizes other types of arrangements in its 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 ETC gathers and processes natural gas on behalf of producers, selling the resulting residue gas and NGL volumes at market prices and remitting to producers an agreed upon percentage of the proceeds based on an index price, and (iii) keep-whole arrangements where ETC gathers natural gas from the producer, processes the natural gas and sells the resulting NGLs to third parties at market prices. In many cases, ETC provides services under contracts that contain a combination of more than one of the arrangements described above. The terms of ETC's contracts vary based on gas quality conditions, the competitive environment at the time the contracts are signed and customer requirements. Its 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.

ETC's ownership of the Oasis pipeline allows it to elect not to process natural gas at the La Grange processing plant when processing margins are unfavorable. ETC can bypass the La Grange processing plant and deliver natural gas meeting pipeline quality specifications by blending rich natural gas from the Southeast Texas System with lean natural gas transported on the Oasis pipeline. ETC can also generally bypass the Elk City processing plant. The

natural gas supplied to the Elk City System has a relatively low NGL content and does not require processing to meet pipeline quality specifications. During periods of unfavorable processing margins, ETC can bypass the Elk City processing plant and deliver the natural gas directly into connecting pipelines.

For the six months ended February 29, 2004, ETC's utilization of capacity at its Southeast Texas System processing and treating facilities were approximately 59% and 21% respectively. A portion of the excess capacity at the Southeast Texas System processing facility was directly attributable to ETC's election to not process or treat natural gas and deliver natural gas directly into the Oasis pipeline in order to take advantage of high natural gas prices relative to NGL prices. Additionally, in September 2003, ETC enhanced its utilization by moving an idle 145 MMcf/d treating facility from the Southeast Texas System to the Elk City System to take advantage of additional natural gas volumes.

ETC conducts its marketing operations through its producer services business, in which ETC markets the natural gas that flows through its assets, which ETC refers to as on-system gas, and attracts other customers by marketing volumes of natural gas that do not move through its assets, which ETC refers to as off-system gas. For both on-system and off-system gas, ETC purchases natural gas from natural gas producers and other supply points and sells 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.

Most of ETC's marketing activities involve the marketing of its on-system gas. For the six months ended February 29, 2004, ETC marketed approximately 487 MMcf/d of natural gas, 52% of which was on-system gas. Substantially all of its on-system marketing efforts involve natural gas that flows through either the Southeast Texas System or the Oasis pipeline. ETC markets only a small amount of natural gas that flows through the Elk City System.

For its off-system gas, ETC purchases gas or acts as an agent for small independent producers that do not have marketing operations. ETC develops relationships with natural gas producers, which facilitates its purchase of their production on a long-term basis. ETC believes that this business provides it with strategic insights and valuable market intelligence, which may impact its expansion and acquisition strategy.

Transportation segment

Results from ETC's transportation segment are determined primarily by the amount of capacity ETC's customers reserve as well as the actual volume of natural gas that flows through the Oasis pipeline. Under Oasis pipeline customer contracts, ETC charges its customers (i) a demand fee, which is a fixed fee for the reservation of an agreed amount of capacity on the Oasis pipeline for a specified period of time and which obligates the customer to pay ETC even if the customer does not transport natural gas on the Oasis pipeline, (ii) a transportation fee, which is based on the actual throughput of natural gas by the customer on the Oasis pipeline, or a combination of both, generally payable monthly.

For the six months ended February 29, 2004 and February 28, 2003 ETC transported approximately 38% and 34%, respectively of its natural gas volumes on the Oasis pipeline pursuant to long-term contracts. Its long-term contracts have a term of one year or more. ETC also enters into short-term contracts with terms of less than one year in order to utilize the capacity that is available on the Oasis pipeline after taking into account the capacity reserved under ETC's long-term contracts. For the six months ended February 29, 2004 and February 28, 2003 the Oasis pipeline fees accounted for approximately 67% and 68%, respectively of ETC's fee-based gross margin.

HERITAGE OPERATING

The Partnership's propane related segments are operated by Heritage Operating and its subsidiaries who are engaged in the sale, distribution and marketing of propane and other related products through its domestic retail, domestic wholesale and foreign wholesale propane segments, (the propane segments) and also through the liquids marketing activity of Resources. Predecessor Heritage derived and Heritage Operating derives its revenue primarily from the retail propane marketing segment. The General Partner believes that Predecessor Heritage was, and the Partnership is now, the fourth largest retail marketer of propane in the United States, based on retail gallons sold. The Partnership serves more than 650,000 propane customers in from over 300 customer service locations in 31 states.

The retail propane segment is a margin-based business 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 the Partnership will have no control. Product supply contracts are 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. The Partnership generally has attempted to reduce price risk by purchasing propane on a short-term basis. The Partnership has 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 its Three months ended customer service locations and in major storage facilities for future resale.

The retail propane business of the Partnership consists principally of transporting propane purchased in the contract and spot markets, primarily from major fuel suppliers, to its 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.

Since its formation in 1989, Predecessor Heritage grew primarily through acquisitions of retail propane operations and, to a lesser extent, through internal growth. Since its inception through January 19, 2004, Predecessor Heritage completed 105 acquisitions for an aggregate purchase price approximating $720 million.

The Partnership's propane distribution business is largely seasonal and dependent upon weather conditions in its service areas. Propane sales to residential and commercial customers are affected by winter heating season requirements. Historically, approximately two-thirds of Predecessor Heritage's retail propane volume and in excess of 80% of Predecessor Heritage's EBITDA, as adjusted is attributable to sales during the six-month peak-heating season of October through March. This generally results in higher operating revenues and net income in the propane segments during the period from October through March of each year and lower operating revenues and either net losses or lower net income during the period from April through September of each year. Consequently, sales and operating profits for the propane segments are concentrated in the first and second fiscal quarters, however, cash flow from operations is generally greatest during the second and third fiscal quarters when customers pay for propane purchased during the six-month peak-heating season. Sales to industrial and agricultural customers are much less weather sensitive.

A substantial portion of the Partnership's propane is used in the heating-sensitive residential and commercial markets causing the temperatures realized in the Partnership's areas of operations, particularly during the six-month peak-heating season, to have a significant effect on its financial performance. 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. The Partnership uses information on normal temperatures in understanding how temperatures that are colder or warmer than normal affect historical results of operations and in preparing forecasts of future operations.

The retail propane segment's gross profit margins are not only affected by weather patterns, but also vary according to customer mix. For example, sales to residential customers generate higher margins than sales to certain other customer groups, such as commercial or agricultural customers. 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 (the foreign wholesale propane segment). MP Energy Partnership is a general partnership in which Heritage Operating owns a 60% interest. Because MP Energy Partnership is primarily engaged in lower-margin wholesale distribution, its contribution to the Partnership's net income is not significant and the minority interest of this partnership is excluded from the EBITDA, as adjusted calculation.

THREE MONTHS ENDED FEBRUARY 29, 2004 COMPARED TO THE THREE MONTHS ENDED FEBRUARY 28, 2003

Volumes. Total volumes of natural gas sales, NGL sales including propane, and natural gas transported by the Partnerships' midstream, transportation, retail propane, domestic wholesale propane, and foreign wholesale propane segments for the three months ended February 29, 2004 and February 28, 2003 are as follows:

	Three months ended		
	February 29, 2004	February 28, 2003 (Energy Transfer Company)	February 28, 2003 (Predecessor Heritage)
Midstream			
Natural gas MMBtu/d	968,000	390,000	-
NGLs bbls/d	12,600	9,900	-
Transportation			
Natural gas MMBtu/d	873,000	763,000	-
Propane (gallons in thousands)			
Retail Propane	84,435	-	166,622
Domestic wholesale propane	1,291	-	5,467
Foreign wholesale Propane (net)	11,876	-	25,358

The Partnership's midstream natural gas sales volume increased 578,000 MMBtu/d from 390,000 MMBtu/d to 968,000 MMBtu/d for the three months ended February 29, 2004 compared to the three months ended February 28, 2003. The increase in natural gas sales volume is a result of the Partnership's expanded marketing efforts, enhanced relationships with producers and expanded credit facilities with commodity counter-parties which lead to both higher throughput on existing contracts and additional new contracts for natural gas sales volumes.

Midstream NGL sales volume increased from 9,900 bbls/d to 12,600 bbls/d, for the three months ended February 29, 2004 an increase of 2,700 bbls/d from the volumes sold in the three months ended February 28, 2003. The greater NGL sales volumes were due to more favorable gas processing margins which provided the Partnership with a better economic benefit from extracting NGLs from the natural gas stream rather than by-passing its processing plants.

Transportation volume for the three months ended February 29, 2004 was 873,000 MMBtu/d, an increase of 110,000 MMBtu/d from the 763,000 MMBtu/d for the three months ended February 28, 2003. The combination of a widening basis differential between the Waha and Katy natural gas pricing hubs and additional volumes on the west and middle segments of the pipeline system provided producers an incentive to transport increased volumes of natural gas to a more attractive marketplace.

Total retail propane, domestic wholesale propane, and foreign wholesale propane gallons sold during the three months ended February 29, 2004 were 97.6 million with no retail propane gallons reflected in the three months ended February 28, 2003. These propane volumes reflect only the amounts sold after the ETC Transaction (from January 20, 2004 through February 29, 2004). As a comparison, had the ETC Transaction occurred at the beginning of the periods presented, Predecessor Heritage would have reflected pro forma volumes of 177.4 million retail gallons for the three months ended February 29, 2004 and actual volumes of 166.6 million gallons for the three months ended February 28, 2003. Of the 10.8 million gallon increase reflected by Predecessor Heritage, 9.9 million gallons is the result of volumes added through acquisitions, and 0.9 million gallons is the result of temperatures being an average of 4.6% colder in the three months ended February 29, 2004 compared to the same period last year. Also, as a comparison, Predecessor Heritage would have reflected a pro forma 3.4 million and 23.0 million domestic and foreign wholesale gallons, respectively for the second quarter of fiscal 2004 as compared to actual volumes of 5.5 million and 25.4 million domestic and foreign wholesale gallons for the second quarter of fiscal 2003. The decrease of 2.1 million domestic wholesale gallons is primarily due to the loss of two commercial customers to alternative fuel sources. The decrease in foreign gallons is due to an exchange contract that was in effect during the three months ended February 28, 2003, which was not economical to renew during the three months ended February 29, 2004.

Revenues. Total revenues for the three months ended February 29, 2004 were $629.3 million, an increase of $425.2 million, as compared to $204.1 million in the three months ended February 28, 2003. Of the increase,

$141.0 million is due to the ETC Transaction. This revenue reflects the full three months of ETC's revenue consolidated with the revenue of Heritage Operating after the ETC Transaction (from January 20, 2004 through February 29, 2004). If the ETC Transaction had occurred at the beginning of the periods presented, total revenue would have been $777.2 million for the three months ended February 29, 2004 as compared to $475.5 million for the three months ended February 28, 2003.

Midstream revenues for the three months ended February 29, 2004 were $470.3 million compared to $196.3 million for the three-month period ended February 28, 2003, an increase of $274.0 million. The Partnership's midstream segment experienced significant growth due to the Partnership's enhanced and matured business relationships with commodity counter-parties. Of the revenue increase of $274.0 million, $267.6 million is due to additional sales volumes, $2.0 million is due to increases in commodity prices and $4.4 million is due to additional fee based revenue along the midstream assets.

Transportation revenues were $18.0 million for the three months ended February 29, 2004 compared to $7.8 million for the three months ended February 28, 2003. The increase of $10.2 million is primarily due to the increased volumes to take advantage of the natural gas price difference between the Waha and Katy market hubs. The three months ended February 29, 2004 also included a full quarter of the operations of Oasis Pipeline Company as a wholly owned subsidiary, which was not included in the three months ended February 28, 2003.

For the three months ended February 29, 2004, the Partnership had domestic retail propane revenues of $122.0 million, U.S. wholesale revenues of $1.3 million, foreign wholesale revenues of $9.2 million, other domestic revenues of $8.2 million and net liquids marketing activities of $0.3 million, an increase of 100% with no propane revenues reflected in the three months ended February 28, 2003. These revenues reflect only the amounts earned after the ETC Transaction (from January 20, 2004 through February 29, 2004). As a comparison, for the three months ended February 29, 2004, Predecessor Heritage would have reflected retail revenues of $249.1 million as compared to $212.7 million in the three months ended February 28, 2003. Of the increase, $13.9 million was a result of the increase in volumes sold by customer service locations added through acquisitions, $21.2 million was due to higher selling prices, and $1.3 million was the result of increase in gallons sold due to the colder temperatures described above. Domestic wholesale revenues would have been $3.0 million as compared to $4.3 million for the three months ended February 28, 2003; reflecting a $1.9 million decrease due to the lost commercial customers described above, offset by a $0.6 million increase due to higher selling prices in the domestic wholesale segment. Foreign wholesale revenues would have been $17.7 million as compared to $15.9 million for the three months ended February 28 2003. The increase of $1.8 million is the result of a $3.6 million increase due to higher selling prices offset by a $1.8 million decrease in due to decreased volumes sold described above. Other domestic revenues would have been $18.3 million compared to $16.5 million for the three months ended February 28, 2003; and net liquids marketing activities would have reflected $0.9 million as compared to $0.4 million for the three months ended February 28, 2003.

Cost of Products Sold. Total cost of products sold increased to $534.5 million for the three months ended February 29, 2004 as compared to $174.5 million for the three months ended February 28, 2003. Of the $360.0 million increase, $76.6 million is due to the ETC Transaction. This cost of products sold reflects the full three months of ETC's cost of products sold consolidated with the cost of products sold of Heritage Operating after the ETC Transaction (from January 20, 2004 through February 29, 2004). If the ETC Transaction had occurred at the beginning of the periods presented, total cost of products sold would have been $616.7 million for the three months ended February 29, 2004 as compared to $321.1 million for the three months ended February 28, 2003.

Midstream cost of sales increased $279.2 million to $450.6 million for the three months ended February 29, 2004 compared to $171.4 million for the three months ended February 28, 2003. Midstream cost of sales increased proportionally with midstream revenue as the Partnership's business relationships with commodity counter-parties matured throughout the period. Of the $279.2 million increase, $251.0 million relates to increased purchase volume and $28.2 million relates to increased commodity prices.

Transportation cost of sales increased $4.2 million to $7.3 million in the three months ended February 29, 2004 compared to $3.1 million in the three-month period ended February 28, 2003. The Partnership received a greater amount of shipper's natural gas due to increased volumes, to compensate for fuel used in operating the pipeline. These greater retained volumes together with higher natural gas prices increased the cost of sales activity generated from the sale of excess inventory or the recognition, either positive or negative, of the unaccounted fuel within the pipeline system.

For the three months ended February 29, 2004, the Partnership had domestic retail propane cost of sales of $65.1 million, U.S. wholesale cost of sales of $1.1 million, foreign wholesale cost of sales of $8.3 million, and other domestic cost of sales of $2.1 million an increase of 100% with no propane cost of sales reflected in the three months ended February 28, 2003. These costs reflect only the amounts that were incurred after the ETC Transaction (from January 20, 2004 through February 29, 2004). As a comparison, for the three months ended February 29, 2004, Predecessor Heritage would have reflected retail cost of sales of $134.9 million as compared to $104.9 million in the three months ended February 28, 2003. Of the $30.0 million increase, $8.2 million was due to an increase in volumes sold as described above and $21.8 was due to higher product costs this fiscal quarter. U.S. wholesale cost of sales would have been $2.6 million as compared to $3.9 million for the three months ended February 28, 2003. Of the decrease, $1.6 million was due to lost volumes described above offset by a $0.3 million increase related to higher product costs. Foreign wholesale cost of sales would have reflected an increase of $1.3 million to $16.1 million as compared to $14.8 million for the three months ended February 28, 2003, of which, $2.9 million represents the increase of product cost, offset by a decrease of $1.6 million due to decreased volumes described above. Other cost of sales would have been $5.2 million as compared to $4.8 million for the three months ended February 28, 2003.

Gross Profit. Total gross profit for the three months ended February 29, 2004 was $94.8 million as compared to $29.6 million for the three months ended February 28, 2003. This gross profit reflects the full three months of ETC's gross profit consolidated with the gross profit of Heritage Operating after the ETC Transaction (from January 20, 2004 through February 29, 2004). If the ETC Transaction had occurred at the beginning of the periods presented, total gross profit would have been $160.5 million for the three months ended February 29, 2004 as compared to $154.4 million for the three months ended February 28, 2003.

The midstream segment generated a gross profit of $19.7 million for the three months ended February 29, 2004, as compared to $24.9 million in the three months ended February 28, 2003. This increase is due to the changes in revenues and cost of sales described above.

Transportation gross profit was $10.6 for the three months ended February 29, 2004 as compared to $4.7 million for the three months ended February 28, 2003 as a result of the changes is transportation revenues and expenses described above.

For the three months ended February 29, 2004, the Partnership had domestic retail propane gross profit of $56.9 million, U.S. wholesale gross profit of $0.2 million, foreign wholesale gross profit of $0.9 million, other domestic gross profit of $6.1 million, and a liquids marketing gross profit of $0.3 million, an increase of 100% with no propane cost of sales reflected in the three months ended February 28, 2003. These gross profits reflect only the amounts that were incurred after the ETC Transaction (from January 20, 2004 through February 29, 2004). As a comparison, for the three months ended February 29, 2004, Predecessor Heritage would have reflected retail gross profit of $114.2 million as compared to $107.8 million in the three months ended February 28, 2003, U.S. wholesale gross profit of $0.4 million as compared to $0.4 million for the three months ended February 28, 2003, foreign wholesale gross profit of $1.6 million as compared to $1.1 million for the three months ended February 28 2003, other gross profit of $13.1 million compared to $11.7 million for the three months ended February 28, 2003, and liquids marketing gross profit of $0.9 million as compared to $0.4 million for the three months ended February 28, 2003. The increase of $0.5 million is due to more favorable market positions and market conditions experienced in the three months ended February 29, 2004 compared to the three months ended February 28, 2003.

Operating Expenses. Operating expenses were $27.5 million, an increase of $22.0 million for the three months ended February 29, 2004 as compared to $5.5 million for the three months ended February 28, 2003. Of the increase, $22.3 million is a result of the addition of the retail propane, domestic wholesale propane, foreign wholesale propane, and liquids marketing operating expenses included in the February 29, 2004 operating expenses as a result ETC Transaction. The remaining decrease of $0.3 million is primarily the result of the reduction in operating expense in the transportation segment's reduction in environmental expense during the three months ending February 29, 2004 as compared to the three months ending February 28, 2003. These operating expenses reflect the full three months of ETC's operating expenses consolidated with the operating expenses of Heritage Operating after the ETC Transaction (from January 20, 2004 through February 29, 2004). If the ETC Transaction had occurred at the beginning of the periods presented, total operating expenses would have been $51.9 million for the three months ended February 29, 2004 as compared to $51.4 million for the three months ended February 28, 2003.

Selling, General and Administrative. Selling, general and administrative expenses were $6.4 million for the three months ended February 29, 2004, compared to $4.3 million for the three-month period ended February 28, 2003. The increase of $2.1 is comprised of $1.5 million due to the ETC Transaction described above and $0.6 million due to the selling, general and administrative expenses of Oasis being included in the entire three-month period ended February 29, 2004, that were consolidated only from December 27, 2002 to February 28, 2003 in the three months ended February 28, 2003. These selling, general and administrative expenses reflect the full three months of ETC's selling, general and administrative expenses consolidated with the selling, general and administrative expenses of Heritage Operating after the ETC Transaction (from January 20, 2004 through February 29, 2004). If the ETC Transaction had occurred at the beginning of the periods presented, total selling, general and administrative expenses would have been $13.3 million for the three months ended February 29, 2004 as compared to the $9.1 million for the three months ended February 28, 2003. The increase of $4.2 million includes approximately $4.5 million in transaction costs associated with the ETC Transaction.

Depreciation and Amortization. Depreciation and amortization was $9.5 million in the three months ended February 29, 2004 as compared to $2.8 million in the three months ended February 28, 2003. Of the increase, $5.1 million is due to the ETC Transaction described above and the remaining $1.6 million is primarily due to a full three-month consolidation of Oasis during the three months ended February 29, 2004 and higher deprecation due to the purchase accounting step up of Oasis' assets. This depreciation and amortization reflects the full three months of ETC's depreciation and amortization consolidated with the depreciation and amortization of Heritage Operating after the ETC Transaction (from January 20, 2004 through February 29, 2004). If the ETC Transaction had occurred at the beginning of the periods presented, total depreciation and amortization would have been $15.8 million for the three months ended February 29, 2004 as compared to the $13.6 million for the three months ended February 28, 2003.

Operating Income. For the three months ended February 29, 2004, the Partnership had operating income of $58.6 million as compared to operating income of $12.2 million for the three months ended February 28, 2003. This increase is primarily due the changes in revenues, cost of sales and operating expenses described above. This operating income reflects the full three months of ETC's operating income consolidated with the operating income of Heritage Operating after the ETC Transaction (from January 20, 2004 through February 29, 2004). If the ETC Transaction had occurred at the beginning of the periods presented, total operating income would have been $86.7 million for the three months ended February 29, 2004 as compared to the $75.4 million for the three months ended February 28, 2003.

Interest Expense. Interest expense increased $5.4 million for the three months ended February 29, 2004 to $8.9 million from $3.5 million for the same three-month period last year. Of this increase, $4.3 million is due to the ETC transaction and the remaining $1.1 million increase is primarily the result of an increase in debt level as a result of the ETC transaction and additional debt incurred related to the purchase of the Oasis pipeline on December 27, 2002. This interest expense reflects the full three months of ETC's interest expense consolidated with the interest expense of Heritage Operating after the ETC Transaction (from January 20, 2004 through February 29, 2004). If the ETC Transaction had occurred at the beginning of the periods presented, total interest expense would have been $14.4 million for the three months ended February 29, 2004 as compared to the $13.9 million for the three months ended February 28, 2003.

Income Taxes. Income taxes for the three months ended February 29, 2004 were $0.7 million as compared to $1.0 million for the three months ended February 28, 2003. If the ETC Transaction had occurred at the beginning of the periods presented, income taxes would have been $1.8 million for the three months ended February 29, 2004 as compared to the $3.8 million for the three months ended February 28, 2003.

Net Income. For the three-month period ended February 29, 2004, the Partnership recorded net income of $49.2 million, an increase of $41.4 million as compared to net income for the three months ended February 28, 2003 of $7.8 million. The increase is primarily a result of the ETC Transaction and other operating conditions described above. This net income reflects the full three months of ETC's net income consolidated with the net income of Heritage Operating after the ETC Transaction (from January 20, 2004 through February 29, 2004). If the ETC Transaction had occurred at the beginning of the periods presented, total net income would have been $70.8 million for the three months ended February 29, 2004 as compared to the $56.9 million for the three months ended February 28, 2003.

EBITDA, as adjusted. EBITDA, as adjusted increased $53.0 million to $68.1 million for the three months ended February 29, 2004, as compared to EBITDA, as adjusted of $15.1 million for the three months ended

February 28, 2003. This increase is due to the ETC Transaction and operating performance described above. This EBITDA, as adjusted reflects the full three months of ETC's EBITDA, as adjusted consolidated with the EBITDA, as adjusted of Heritage Operating after the ETC Transaction (from January 20, 2004 through February 29, 2004). Predecessor Heritage would have reported EBITDA, as adjusted of $76.0 million for the three months ended February 29, 2004 compared to $73.0 million for the three months ended February 28, 2003. If the ETC Transaction had occurred at the beginning of the period presented, total EBITDA, as adjusted would have been $103.8 million for the three months ended February 29, 2004, which includes the effect of $3.3 million of transaction costs, net of non-cash compensation, which were expensed due to the ETC Transaction. EBITDA, as adjusted for the three months ended February 28, 2004 and February 28, 2003 is computed as follows:

NET INCOME RECONCILIATION
(in millions)

	Three Months Ended				
	February 29, 2004	February 29, 2004	February 28, 2003	February 28, 2003	February 28, 2003
		(Pro Forma)	(Energy Transfer Company)	(Pro forma)	(Predecessor Heritage)
Net income	$ 49.2	$ 70.8	$ 7.8	$ 56.9	$ 49.8
Depreciation and amortization	9.5	15.8	2.8	13.6	9.4
Interest	8.9	14.4	3.5	13.9	9.3
Taxes	0.7	1.8	1.0	3.8	1.3
Non-cash compensation expense	-	1.1	-	0.3	0.3
Other expense (income)	(0.2)	(0.2)	-	-	2.3
Depreciation, amortization, and interest of investee	-	0.1	-	0.2	0.2
Minority interests	-	-	-	-	0.5
Less : Gain on disposal of assets	-	-	-	-	(0.1)
EBITDA, as adjusted (a)	$ 68.1	$ 103.8	$ 15.1	$ 88.7	$ 73.0

(a) EBITDA, as adjusted is defined as the Partnership's earnings before interest, taxes, depreciation, amortization and other non-cash items, such as compensation charges for unit issuances to employees, gain or loss on disposal of assets, and other expenses. We present EBITDA, as adjusted, on a Partnership basis which includes both the general and limited partner interests. Non-cash compensation expense represents charges for the value of the Common Units awarded under the Partnership's compensation plans that have not yet vested under the terms of those plans and are charges which do not, or will not, require cash settlement. Non-cash income such as the gain arising from our disposal of assets is not included when determining EBITDA, as adjusted. EBITDA, as adjusted (i) is not a measure of performance calculated in accordance with generally accepted accounting principles and (ii) should not be considered in isolation or as a substitute for net income, income from operations or cash flow as reflected in our consolidated financial statements.

EBITDA, as adjusted is presented because such information is relevant and is used by management, industry analysts, investors, lenders and rating agencies to assess the financial performance and operating results of the Partnership's fundamental business activities. Management believes that the presentation of EBITDA, as adjusted is useful to lenders and investors because of its use in the propane industry and for master limited partnerships as an indicator of the strength and performance of the Partnership's ongoing business operations, including the ability to fund capital expenditures, service debt and pay distributions. Additionally, management believes that EBITDA, as adjusted provides additional and useful information to the Partnership's investors for trending, analyzing and benchmarking the operating results of the Partnership from period to period as compared to other companies that may have different financing and capital structures. The presentation of EBITDA, as adjusted allows investors to view the Partnership's performance in a manner similar to the methods used by management and provides additional insight to the Partnership's operating results.

EBITDA, as adjusted is used by management to determine our operating performance, and along with other data as internal measures for setting annual operating budgets, assessing financial performance of the

Partnership's numerous business locations, as a measure for evaluating targeted businesses for acquisition and as a measurement component of incentive compensation. The Partnership has a large number of business locations located in different regions of the United States. EBITDA, as adjusted can be a meaningful measure of financial performance because it excludes factors which are outside the control of the employees responsible for operating and managing the business locations, and provides information management can use to evaluate the performance of the business locations, or the region where they are located, and the employees responsible for operating them. To present EBITDA, as adjusted on a full Partnership basis, we add back the minority interest of the general partner because net income is reported net of the general partner's minority interest. Our EBITDA, as adjusted includes non-cash compensation expense which is a non-cash expense item resulting from our unit based compensation plans that does not require cash settlement and is not considered during management's assessment of the operating results of the Partnership's business. By adding these non-cash compensation expenses in EBITDA, as adjusted allows management to compare the Partnership's operating results to those of other companies in the same industry who may have compensation plans with levels and values of annual grants that are different than the Partnership's. Other expenses include other finance charges and other asset non-cash impairment charges that are reflected in the Partnership's operating results but are not classified in interest, depreciation and amortization. We do not include gain on the sale of assets when determining EBITDA, as adjusted since including non-cash income resulting from the sale of assets increases the performance measure in a manner that is not related to the true operating results of the Partnership's business. In addition, Heritage's debt agreements contain financial covenants based on EBITDA, as adjusted. For a description of these covenants, please read note 4 of this Form 10-Q.

There are material limitations to using a measure such as EBITDA, as adjusted, including the difficulty associated with using it as the sole measure to compare the results of one company to another, and the inability to analyze certain significant items that directly affect a company's net income or loss. In addition, the Partnership's calculation of EBITDA, as adjusted may not be consistent with similarly titled measures of other companies and should be viewed in conjunction with measurements that are computed in accordance with GAAP. EBITDA, as adjusted for the periods described herein is calculated in the same manner as presented by the Partnership in the past. Management compensates for these limitations by considering EBITDA, as adjusted in conjunction with its analysis of other GAAP financial measures, such as gross profit, net income (loss), and cash flow from operating activities.

SIX MONTHS ENDED FEBRUARY 29, 2004 COMPARED TO THE FIVE MONTHS ENDED FEBRUARY 28, 2003

Volume. Total volumes of natural gas sales, NGL sales including propane, and natural gas transported by the Partnership's midstream, transportation, retail propane, domestic wholesale propane, and foreign wholesale propane segments for the six months ended February 29, 2004 and February 28, 2003 are as follows:

	Six months ended February 29, 2004	Five months ended February 28, 2003 (Energy Transfer Company)	Six months ended February 28, 2003 (Predecessor Heritage)
Midstream			
Natural gas MMBtu/d	946,000	336,000	-
NGLs bbls/d	13,800	12,000	-
Transportation			
Natural gas MMBtu/d	831,000	787,000	-
Propane (gallons in thousands)			
Retail Propane	84,435	-	243,343
Domestic wholesale propane	1,291	-	10,357
Foreign wholesale Propane (net)	11,876	-	42,553

The Partnership's midstream natural gas sales volume increased 610,000 MMBtu/d from 336,000 MMBtu/d to 946,000 MMBtu/d for the six months ended February 29, 2004 compared to the five months ended February 28, 2003. The increase in natural gas sales volume is a result of the Partnership's expanded marketing efforts, enhanced relationships with producers and expanded credit facilities with commodity counter-parties which lead to both higher throughput on existing contracts and additional new contracts for natural gas sales volumes.

Midstream NGL sales volume increased from 12,000 bbls/d to 13,800 bbls/d, an increase of 1,800 bbls/d for over volumes sold in the five months ended February 28, 2003. The greater NGL sales volumes were due to more favorable gas processing margins which provided the Partnership with a better economic benefit from extracting NGLs from the natural gas stream rather than by-passing its processing plants.

Transportation volume for the six months ended February 29, 2004 was 831,000 MMBtu/d, an increase of 44,000 MMBtu/d from the 787,000 MMBtu/d for the five months ended February 28, 2003. The combination of a widening basis differential between the Waha and Katy natural gas pricing hubs and additional volumes on the west and middle segments of the pipeline system provided producers an incentive to transport increased volumes of natural gas to a more attractive marketplace.

Total retail propane gallons sold in the six months ended February 29, 2004 were 84.4 million gallons, with no retail propane gallons reflected in the five months ended February 28, 2003. The difference in retail gallons sold is due to the Energy Transfer transaction described above. The Partnership also sold approximately 1.3 million and 11.9 domestic and foreign wholesale gallons, respectively in this six months ended February 29 2004, with no domestic or foreign wholesale gallons reflected for the five months ended February 28 2003. As a comparison, Predecessor Heritage would have reflected pro forma volumes of 256.1 million retail gallons for the six months ended February 29, 2004 and actual volumes of 243.3 million gallons for the six months ended February 28, 2003. Of the 12.8 million gallon increase, 16.8 million gallons are the result of volumes sold by customer service locations added through acquisitions, offset by a decrease of 4.0 million gallons that were weather related. While the Partnership experienced temperatures that were slightly colder in the six months ended February 29, 2004 compared to the same six months last year in its western operations, the Partnership's northern and southern operations were warmer than last year. The southern and northern operations generate the Partnership's highest propane sales. Also, as a comparison, Predecessor Heritage would have reflected a pro forma 6.7 million and 35.2 million domestic and foreign wholesale gallons, respectively for the six months ended February 29, 2004 as compared to actual volumes of 10.4 million and 42.6 million domestic and foreign wholesale gallons for the six months ended February 28, 2003. The 3.7 million gallon decrease in domestic wholesale gallons is primarily the result of the loss of two commercial customers to alternative fuel sources, and the 7.4 million gallon decrease in foreign wholesale volumes is due to an exchange contract that was in effect during the six months ended February 28, 2003, which was not economical to renew during the six months ended February 29, 2004.

Revenues. Total revenues for the six months ended February 29, 2004 were $1,044.3 million, an increase of $761.9 million, as compared to $282.4 million in the five months ended February 28, 2003. These revenues reflect the full six months of ETC's revenues consolidated with the revenues of Heritage Operating after the ETC Transaction (from January 20, 2004 through February 29, 2004). Had the ETC Transaction occurred at the beginning of the periods presented, total revenue would have been $1,316 million for the six months ended February 29, 2004 as compared to the $701.2 million for the five months ended February 28, 2003.

The current period's midstream revenues were $871.2 million compared to $274.6 million for the five-month period ended February 28, 2003, an increase of $596.6 million. The Partnership's midstream segment experienced significant growth due to enhanced and matured business relationships with commodity counter-parties. Of the revenue increase of $596.6 million, $573.3 million is due to additional sales volumes, $12.8 million is due to increases in commodity prices and $10.5 million is due to additional fee based revenue along the midstream assets.

Transportation revenues were $32.1 million for the six months ended February 29, 2004 compared to $7.8 million for the five months ended February 28, 2003. The increase of $24.3 million is in part due to the fact that the transportation segment's revenue for the five months ending February 28, 2003 does not reflect revenue prior to January 2003 as the Oasis pipeline was accounted for under the equity method of accounting prior to this time period. The transportation segment's revenue is sensitive to the natural gas price difference between the Waha and Katy market hubs. The average basis differential was $0.182/MMBtu for the six months ending February 29, 2004 as compared to $0.154/MMBtu for the five months ending February 28, 2003, an increase of $0.028/MMBtu or 18.2%.

For the six months ended February 29, 2004, the Partnership had domestic retail propane revenues of $122.0 million, U.S. wholesale revenues of $1.3 million, foreign wholesale revenues of $9.2 million, other domestic revenues of $8.2 million and net liquids marketing activities of $0.3 million with no propane revenues reflected in the five months ended February 28, 2003. These revenues reflect only the amounts earned after the ETC Transaction (from January 20, 2004 through February 29, 2004). As a comparison, for the six months ended February 29, 2004, Predecessor Heritage would have reflected retail revenues of $343.5 million as compared to $296.8 million in the six months ended February 28, 2003. Of the $46.7 million increase; $22.5 million is due to the increase in volumes sold by customer service locations added through acquisitions, $29.6 million is due to higher selling prices, offset by a decrease of $5.4 million due to the decrease in weather related volumes described above. Domestic wholesale revenues would have been $5.3 million as compared to $6.7 million for the six months ended February 28, 2003. Of the decrease, $2.9 million is due to the lost commercial customers described above; offset by a $1.5 million increase related to higher selling prices. Foreign wholesale revenues would have been $25.7 million as compared to $24.8 million for the six months ended February 28 2003; due to a $6.3 million increase related to higher selling prices offset by a decrease of $5.4 million due to the decrease in volumes described above. Other domestic revenues would have been $37.2 million compared to $33.9 million for the six months ended February 28, 2003; and net liquids marketing activities would have been $0.9 million as compared to $1.1 million for the six months ended February 28, 2003. This decrease is primarily due to a decrease in the number and volumes of contracts sold offset by more favorable market conditions and positions in the six months ended February 29, 2004 compared to the six months ended February 28, 2003.

Cost of Products Sold. Total cost of products sold increased to $917.1 million for the six months ended February 29, 2004 as compared to $241.8 million for the five months ended February 28, 2003. These costs of sales reflect the full six months of ETC's cost of sales consolidated with the cost of sales of Heritage Operating after the ETC Transaction (from January 20, 2004 through February 29, 2004). Had the ETC Transaction occurred at the beginning of the periods presented, total cost of sales would have been $1.1 billion for the six months ended February 29, 2004 as compared to the $473.1 million for the five months ended February 28, 2003.

Midstream cost of sales increased $592.0 million to $830.7 million for the six months ended February 29, 2004 compared to $238.7 million for the five months ended February 28, 2003. Midstream cost of sales increased proportionally with Midstream revenue as our business relationships with commodity counter-parties matured throughout the period. Of the $592.0 million increase, $533.8 million relates to increased purchase volume and $58.2 million relates to increased commodity prices.

Transportation cost of sales increased $6.7 million to $9.8 million in the six months ended February 29, 2004 compared to $3.1 million in the five months ended February 28, 2003 The transportation segment generally retains a portion of each shipper's gas to compensate for fuel used in operating the pipeline. The actual usage of gas can differ from the amount retained from transportation customers. Cost of sales activity from the transportation segment is typically generated from the sale of excess inventory or the recognition, either positive or negative, of the unaccounted fuel within the pipeline system.

For the six months ended February 29, 2004, the Partnership had domestic retail propane cost of sales of $65.1 million, U.S. wholesale cost of sales of $1.1 million, foreign wholesale cost of sales of $8.3 million, and other domestic cost of sales of $2.1 million with no propane cost of sales reflected in the five months ended February 28, 2003. These costs reflect only the amounts that were incurred after the ETC Transaction (from January 20, 2004 through February 29, 2004). As a comparison, for the six months ended February 29, 2004, Predecessor Heritage would have reflected retail cost of sales of $186.5 million as compared to $146.5 million in the six months ended February 28, 2003. Of the $40.0 million increase, $9.3 million reflects changes in volumes described above and $30.7 reflects the increase due to higher selling prices. Domestic wholesale cost of sales would have been $4.7 million as compared to $6.1 million for the six months ended February 28, 2003. Of the decrease, $2.6 million is due to volume decreases described above offset by $1.2 million increase due to increased selling prices. Foreign wholesale cost of sales would have been $23.5 million as compared to $23.2 million for the six months ended February 28, 2003. Of the increase, $5.2 million is related to higher selling prices offset by a decrease of $4.9 million due to volume decreases described above. Other cost of sales would have been $10.5 million as compared to $9.6 million for the six months ended February 28, 2003.

Gross Profit. Total gross profit for the six months ended February 29, 2004 increased by $86.7 million to $127.2 million as compared to $40.5 million for the five months ended February 28, 2003. This gross profit reflects the full six months of ETC's gross profit consolidated with the gross profit of Heritage Operating after the ETC Transaction (from January 20, 2004 through February 29, 2004). Had the ETC Transaction occurred at the

beginning of the periods presented, total gross profit would have been $250.3 million for the six months ended February 29, 2004 as compared to the $228.2 million for the five months ended February 28, 2003.

Midstream gross profit was $40.5 million for the six months ended February 29, 2004, as compared to $35.9 million in the five months ended February 28, 2003. This increase is attributable to the increases in revenues and cost of sales described above.

Transportation gross profit was $22.3 million for the six months ended February 29, 2004 compared to $4.7 million for the five months ended February 28, 2003. The increase of $17.6 million is attributable to the increases in revenues and cost of sales described above.

For the six months ended February 29, 2004, the Partnership had domestic retail propane gross profit of $56.9 million, U.S. wholesale gross profit of $0.2 million, foreign wholesale gross profit of $0.9 million, other domestic gross profit of $6.1 million, and a liquids marketing gross profit of $0.3 million with no propane cost of sales reflected in the five months ended February 28, 2003. These gross profits reflect only the amounts earned after the ETC Transaction (from January 20, 2004 through February 29, 2004). As a comparison, for the six months ended February 29, 2004, Predecessor Heritage would have reflected retail gross profit of $157.0 million as compared to $150.3 million in the six months ended February 28, 2003; U.S. wholesale gross profit of $0.6 million as compared to $0.7 million for the six months ended February 28, 2003; foreign wholesale gross profit of $2.2 million as compared to $1.6 million for the six months ended February 28 2003; other gross profit of $26.7 million compared to $24.2 million for the six months ended February 28, 2003, and liquids marketing gross profit of $0.9 million s compared to $1.1 million for the six months ended February 28, 2003.

Operating Expenses. Operating expenses increased $25.4 million to $32.9 million for the six months ended February 29, 2004 as compared to $7.5 million for the five months ended February 28, 2003. Of the increase, $22.3 million is the result of the ETC Transaction described above. The remaining increase of $3.2 million is due to the effect of reporting for a six-month period as opposed to a five-month period and the consolidation of the Oasis pipeline operating expenses for the full six months ended February 29, 2004 which were only included for the last two of the five months ended February 28, 2003. These operating expenses reflect the full six months of ETC's operating expenses consolidated with the operating expenses of Heritage Operating after the ETC Transaction (from January 20, 2004 through February 29, 2004). Had the ETC Transaction occurred at the beginning of the periods presented, total operating expenses would have been $95.4 million for the six months ended February 29, 2004 as compared to the $87.8 million for the five months ended February 28, 2003.

Selling, General and Administrative. Selling, general and administrative expenses were $11.3 million for the six months ended February 29, 2004 compared to $5.9 million for the five months ended February 28, 2003. Of this increase is $1.6 million is due to the ETC Transaction described above. These selling, general and administrative expenses reflect the full six months of ETC's selling, general and administrative expenses consolidated with the selling, general and administrative expenses of Heritage Operating after the ETC Transaction (from January 20, 2004 through February 29, 2004). Had the ETC Transaction occurred at the beginning of the periods presented, total selling, general and administrative expenses would have been $21.3 million for the six months ended February 29, 2004 as compared to the $14.4 million for the five months ended February 28, 2003. Selling general and administrative expenses for the five months ending February 28, 2003 does not include expenses from Oasis from October 2002 through December 2002 as Oasis was accounted for under the equity method of accounting during this time period. The impact of the Oasis consolidation in the six months ending February 29, 2004 was an additional $0.6 million in selling, general and administrative expense for the six months ending February 29, 2004 as compared to the five months ending February 28, 2003. The increase is also a reflection of a $1.2 million impact due to a six-month reporting period for the six months ending February 29, 2004 compared to a five-month reporting period for the five months ending February 28, 2003. In addition, ETC's employee incentive expense increased $1.9 million during the six months ending February 29, 2004 as compared to the five months ending February 28, 2003 due to overall improved financial results of ETC. The pro forma increase also includes approximately $4.5 million in transaction costs related to the ETC Transaction.

Depreciation and Amortization. Depreciation and amortization was $13.6 million for the six months ended February 29, 2004, compared to $4.5 in the five months ended February 28, 2003. Of the increase, $5.1 million is due to the ETC Transaction. The remaining $4.0 million increase is attributable to higher depreciation on stepped up assets and the full consolidation of Oasis during the six months ending February 29, 2004 compared to Oasis's equity method accounting treatment for three out of five months for the five month period ending February 28, 2003, $0.9 million is due to an additional month in the reporting period for the six months ending February 29, 2004

as compared to the five months ending February 28, 2003, and the impact of other asset additions increased the Partnership's depreciation expense by $0.9 million for the six months ending February 29, 2004 as compared to the five months ending February 28, 2003. This depreciation and amortization reflects the full six months of ETC's depreciation and amortization consolidated with the depreciation and amortization of Heritage Operating after the ETC Transaction (from January 20, 2004 through February 29, 2004). Had the ETC Transaction occurred at the beginning of the periods presented, total depreciation and amortization would have been $30.2 million for the six months ended February 29, 2004 as compared to the $25.8 million for the five months ended February 28, 2003.

Operating Income. For the six months ended February 29, 2004, the Partnership had operating income of $79.6 million for the six months ended February 29, 2004 as compared to operating income of $16.0 million for the five months ended February 28, 2003. This increase is primarily due the ETC Transaction and changes in revenues and expenses described above. This operating income reflects the full six months of ETC's operating income consolidated with the operating income of Heritage Operating after the ETC Transaction (from January 20, 2004 through February 29, 2004). If the ETC Transaction had occurred at the beginning of the periods presented, total operating income would have been $113.6 million for the six months ended February 29, 2004 as compared to $93.5 million for the five months ended February 28, 2003.

Interest Expense. Interest expense was $12.6 million for the six months ended February 29, 2004 as compared to $5.0 million for the five months ended February 28, 2003. Of the increase, $4.3 million is the result of the ETC Transaction. The remaining $3.3 million increase is primarily the result of an increase in debt level as a result of the ETC transaction and additional debt incurred related to the purchase of the Oasis pipeline on December 27, 2002. This interest expense reflects the full six months of ETC's interest expense consolidated with the interest expense of Heritage Operating after the ETC Transaction (from January 20, 2004 through February 29, 2004). If the ETC Transaction had occurred at the beginning of the periods presented, total interest expense would have been $27.3 million for the six months ended February 29, 2004 as compared to $25.5 million for the five months ended February 28, 2003.

Income Taxes. Income tax expense was $2.5 million for the six months ended February 29, 2004 compared to $1.0 million for the five months ended February 28, 2003. If the ETC Transaction had occurred at the beginning of the periods presented, total income taxes would have been $4.7 million for the six months ended February 29, 2004 as compared to $6.2 million for the five months ended February 28, 2003.

Net Income. For the six month period ended February 29, 2004, the Partnership had net income of $64.9 million, an increase of $53.3 million, as compared to a net income for the five months ended February 28, 2003 of $11.6 million. The increase is primarily a result of the ETC Transaction and other operating conditions described above. This net income reflects the full six months of ETC's net income consolidated with the net income of Heritage Operating after the ETC Transaction (from January 20, 2004 through February 29, 2004). If the ETC Transaction had occurred at the beginning of the periods presented, total net income would have been $82.1 million for the six months ended February 29, 2004 as compared to the $61.9 million for the five months ended February 28, 2003.

EBITDA, as adjusted. EBITDA, as adjusted increased $72.7 million to $93.4 million for the six months ended February 29 2004 as compared to EBITDA, as adjusted of $21.9 million for the five months ended February 28, 2003. This increase is due to the ETC Transaction and operating performance described above. This EBITDA, as adjusted reflects the full six months of ETC's EBITDA, as adjusted consolidated with the EBITDA, as adjusted of Heritage Operating after the ETC Transaction (from January 20, 2004 through February 29, 2004). Predecessor Heritage would have had EBITDA, as adjusted of $92.5 for the six months ended February 29, 2004 compared to EBITDA, as adjusted of $93.8 million for the six months ended February 28, 2003. If the ETC Transaction had occurred at the beginning of the periods presented, total EBITDA, as adjusted would have been $145.6 million for the six months ended February 29, 2004 as compared to the $121.0 million for the five months ended February 28, 2003, which includes the effect of $3.3 million of transaction costs, net of non-cash compensation, which were expensed due to the ETC Transaction. EBITDA, as adjusted is computed as follows:

(in millions)	Six Months Ended		Five Months Ended		Six Months Ended
	February 29, 2004	February 29, 2004 (Pro forma)	February 28, 2003 (Energy Transfer Company)	February 28, 2003 (Pro forma)	February 28, 2003 (Predecessor Heritage)
NET INCOME RECONCILIATION					
Net income	$ 64.9	$ 82.1	$ 11.6	$ 61.9	$ 51.3
Depreciation and amortization	13.6	30.2	4.5	25.8	18.7
Interest	12.6	27.3	4.9	25.5	18.6
Taxes	2.5	4.7	0.9	6.2	1.3
Non-cash compensation expense	-	1.2	-	0.6	0.6
Other expense (income)	(0.2)	(0.2)	-	0.5	2.5
Depreciation, amortization, and interest of investee	-	0.3	-	0.5	0.5
Minority interests	-	-	-	-	0.5
Less : Gain on disposal of assets	-		-	-	(0.2)
EBITDA, as adjusted	$ 93.4	$ 145.6	$ 21.9	$ 121.0	$ 93.8

LIQUIDITY AND CAPITAL RESOURCES

The ability of the Partnership to satisfy its obligations will depend on its 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 the Partnership's business will generally consist of:

- maintenance capital expenditures which include capital expenditures made to connect additional wells to the Partnership's natural gas systems in order to maintain or increase throughput on existing assets;

- growth capital expenditures, mainly for customer propane tanks to expand and constructing new pipelines, processing plants and treating plants; and

- acquisition capital expenditures including acquisition of new pipeline systems and propane operations.

The Partnership believes that cash generated from the operations of its businesses will be sufficient to meet anticipated maintenance capital expenditures, which the Partnership anticipates would be approximately $15.5 million on a pro forma basis for fiscal 2004 (if the ETC transaction had happened on September 1, 2003) for the propane operations and $10.0 million for the midstream and transportation operations. The Partnership will and Predecessor Heritage had initially financed all capital requirements by cash flows from operating activities. To the extent the Partnership's future capital requirements exceed cash flows from operating activities:

- maintenance capital expenditures will be financed by the proceeds of borrowings under the working capital facility of Heritage Operating and the new Energy Transfer credit facility described below, which will be repaid by subsequent season reductions in inventory and accounts receivable:

- growth capital expenditures will be financed by the proceeds of borrowings under the working capital facility of Heritage Operating and by the new Energy Transfer credit facility; and

- acquisition capital expenditures will be financed by the proceeds of borrowings under the acquisition facility of Heritage Operating and by the new Energy Transfer credit facility, other lines of credit, long-term debt, the issuance of additional Common Units or a combination thereof.

The assets utilized in the Operating Partnerships do not typically require lengthy manufacturing process time or complicated, high technology components. Accordingly, the Partnership does not have any significant financial

commitments for maintenance capital expenditures. In addition, the Partnership does not experience any significant increases attributable to inflation in the cost of these assets.

The Partnership anticipates that it will continue to invest significant amounts of capital to construct and acquire midstream and transportation assets. For example, the Partnership is in the process of constructing the Bossier Pipeline connecting its Katy pipeline in Grimes County to natural gas supplies in east Texas. The Partnership anticipates that the remaining capital expenditures for the Bossier Pipeline will be approximately $34 million. The Bossier Pipeline is expected to complete by mid-2004.

Cash paid for acquisitions of $165.6 million, is the cash paid in the ETC Transaction including $100 million for the purchase of Heritage Holdings, Inc. In addition to the $22.3 million of cash expended for acquisitions of retail propane operations by Predecessor Heritage for the period ended January 19, 2004, $17.9 million of Common Units and $2.4 million of non-competes were issued and $3.8 of liabilities were assumed in connection with certain acquisitions.

Operating Activities. Cash provided by operating activities during the six months ended February 29, 2004, was $69.6 million as compared to cash provided by operating activities of $9.8 million for the five-month period ended February 28, 2003. The net cash provided by operations for the six months ended February 29, 2004 consisted of net income of $64.9 million, non-cash charges of $12.6 million, principally depreciation and amortization, and a decrease in working capital of $7.9 million.

Investing Activities. Cash used in investing activities during the six months ended February 29, 2004 of $210.3 million is comprised of the ETC Transaction acquisition expenditure amount of $165.6 million, which includes $100 million for the purchase of Heritage Holdings, Inc., and $10.3 million invested for maintenance and $34.8 million for growth needed to sustain operations at current levels and for customer propane tanks to support growth of operations. Cash used in investing activities also includes proceeds from the sale of idle property of $0.4 million.

Financing Activities. Cash received from financing activities during the six months ended February 29, 2004 of $198.1 million resulted mainly from the Second Amended and Restated Credit Agreement entered into on January 20, 2004 by La Grange Acquisition in connection with the ETC Transaction. The proceeds of $325.0 were used to retire $226.0 million of debt outstanding at the time of the ETC Transaction, satisfy ETC's accounts payable and other specified liabilities as they became due and fund certain other expenses in connection with the ETC Transaction. The net decrease in Heritage Operating's Bank Facility was $50.3 million since the ETC Transaction. The Partnership raised $334.8 million of net proceeds through the sale of 9,200,000 Common Units at an offering price of $38.69 per unit. The total of the proceeds were used to finance the ETC Transaction and for general partnership purposes. Proceeds from the equity offering and La Grange Acquisition's Second Amended and Restated Credit Agreement funded a total distribution of $196.7 million to La Grange Energy in connection with the terms of the ETC Transaction. The General Partner made a contribution of $15.6 million to maintain their 2% General Partners' interest.

FINANCING AND SOURCES OF LIQUIDITY

Upon consummation of the Energy Transfer Transaction, the Partnership maintains separate credit facilities for each of Heritage Operating and La Grange Acquisition. Each credit facility is secured only by the assets of the operating partnership that it finances, and neither operating partnership nor its subsidiaries will guarantee the debt of the other operating partnership.

Energy Transfer Facilities

La Grange Acquisition has a $325 million Term Loan Facility that matures on January 18, 2008. Interest is paid quarterly and is based on the LIBOR rate plus 3% which was 4.10% at February 29, 2004. The Term Loan Facility is secured by substantially all of the La Grange Acquisition's assets. A $175 million Revolving Credit Facility is available through January 18, 2008. Amounts borrowed under the La Grange Acquisition Credit 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%. The facility is fully secured by substantially all of La Grange Acquisition's assets. As of February 29, 2004, there were no amounts outstanding under the Revolving Credit Facility, and $10.9

million in letters of credit outstanding which reduce the amount available for borrowing under the Revolving Credit Facility. Letters of Credit under the Revolving Credit Facility may not exceed $40 million.

Heritage Operating Facilities

Effective December 31, 2003, Heritage Operating entered into the Second Amended and Restated Credit Agreement. A $75 million Senior Revolving Working Capital Facility is 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 amounts outstanding at February 29, 2004 were Eurodollar rate loans. The weighted average interest rate was 2.9738% for the amount outstanding at February 29, 2004. The maximum commitment fee payable on the unused portion of the facility is 0.50%. Heritage Operating must reduce the principal amount of working capital borrowings to $10 million for a period of not less than 30 consecutive days at least one time during each fiscal year. All receivables, contracts, equipment, inventory, general intangibles, cash concentration accounts, and the capital stock of Heritage Operating's subsidiaries secure the Senior Revolving Working Capital Facility. As of February 29, 2004, the Senior Revolving Working Capital Facility had a balance outstanding of $65.5 million. A $5 million Letter of Credit issuance is available to Heritage Operating for up to 30 days prior to the maturity date of the Working Capital Facility. Letter of Credit Exposure plus the Working Capital Loan cannot exceed the $75 million maximum Working Capital Facility. Heritage Operating had no outstanding Letters of Credit at February 29, 2004.

A $75 million Senior Revolving Acquisition Facility is available through December 31, 2006, at which time the outstanding amount must be paid in full. Amounts borrowed under the Acquisition Credit Facility bear interest at a rate based on either a Eurodollar rate or a prime rate. The amounts outstanding at February 29, 2004 were Eurodollar rate loans. The weighted average interest rate was 2.9738% for the amount outstanding at February 29, 2004. The maximum commitment fee payable on the unused portion of the facility is 0.50%. All receivables, contracts, equipment, inventory, general intangibles, cash concentration accounts, and the capital stock of Heritage Operating's subsidiaries secure the Senior Revolving Acquisition Facility. As of February 29, 2004, the Senior Revolving Acquisition Facility had a balance outstanding of $21.2 million.

Cash Distributions

The Partnership will use its cash provided by operating and financing activities from the Operating Partnerships to provide distributions to the Partnership's Unitholders. Under the Partnership Agreement, the Partnership will distribute to its partners within 45 days after the end of each fiscal quarter, an amount equal to all of its Available Cash for such quarter. Available cash generally means, with respect to any quarter of the Partnership, all cash on hand at the end of such quarter less the amount of cash reserves established by the General Partner in its reasonable discretion that is necessary or appropriate to provide for future cash requirements. The Partnership's commitment to its Unitholders is to distribute the increase in its cash flow while maintaining prudent reserves for the Partnership's operations. Predecessor Heritage paid all quarterly distributions since its inception in 1996 up to and including the quarterly distribution of $0.65 per unit paid on January 14, 2004. Predecessor Heritage had raised its quarterly distribution over the years from $0.50 per unit in 1996 to $0.65 per unit as of the quarterly distribution paid on January 14, 2004. On March 23, 2004, the Partnership announced that it raised the quarterly distribution to $0.70 per unit (an annualized rate of $2.80) an increase of $0.05 per unit (an annualized increase of $0.20 per unit). The distribution is payable on April 14, 2004 to Unitholders of record as of April 2, 2004. The current distribution includes incentive distributions payable to the General Partner to the extent the quarterly distribution exceeds $0.55 per unit (an annualized rate of $2.20).

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Interest Rate Exposure

Heritage Operating has little cash flow exposure due to rate changes for long-term debt obligations. The Heritage Operating had $86.7 million of variable rate debt outstanding as of February 29, 2004 through its Bank Credit Facility described elsewhere in this report. The balance outstanding in the Bank Credit Facility generally fluctuates throughout the year. A theoretical change of 1% in the interest rate on the balance outstanding at February 29, 2004 would result in an approximate $867 thousand change in annual net income. Heritage primarily enters debt obligations to support general corporate purposes including capital expenditures and working capital needs. Heritage Operating's long-term debt instruments were typically issued at fixed interest rates. When these debt obligations mature, Heritage Operating 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.

La Grange Acquisition is exposed to market risk for changes in interest rates related to its term note. An interest rate swap agreement is used to manage a portion of the exposure to changing interest rates by converting floating rate debt to fixed-rate debt. The interest rate swap has a notional value of $75 million and matures in October 2005. Under the terms of the interest rate swap agreement, Energy Transfer pays a fixed rate of 2.76% and receives three-month LIBOR. Management has elected to designate the swap as a hedge for accounting purposes. The swap had a fair value of $93 and $807 as of February 29, 2004 and August 31, 2003, respectively which is recorded as price risk management assets or liabilities on the balance sheet.

The agreements for each of the Senior Secured Notes, Medium Term Note Program, Senior Secured Promissory Notes, and the Operating Partnerships' bank credit facilities contain customary restrictive covenants applicable to the Operating Partnerships, including limitations on substantial disposition of assets, changes in ownership of the Operating Partnerships, the level of additional indebtedness, and creation of liens. These covenants require the Operating Partnerships to maintain ratios of Consolidated Funded Indebtedness to Consolidated EBITDA (as these terms are similarly defined in the bank credit facilities and the Note Agreements) of not more than, 4.75 to 1 and 4.00 to 1 and Consolidated EBITDA to Consolidated Interest Expense (as these terms are similarly defined in the bank credit facilities and the Note Agreements) of not less than 2.25 to 1 and 2.75 to 1 for Heritage Operating and La Grange Acquisition, respectively. The Consolidated EBITDA used to determine these ratios is calculated in accordance with these debt agreements. For purposes of calculating the ratios under the bank credit facilities and the Note Agreements, Consolidated EBITDA is based upon the Operating Partnerships' EBITDA, as adjusted for the most recent four quarterly periods, and modified to give pro forma effect for acquisitions and divestures made during the test period and is compared to Consolidated Funded Indebtedness as of the test date and the Consolidated Interest Expense for the most recent twelve months. These debt agreements also provide that the Operating Partnerships may declare, make, or incur a liability to make, restricted payments during each fiscal quarter, if: (a) the amount of such restricted payment, together with all other restricted payments during such quarter, do not exceed Available Cash with respect to the immediately preceding quarter; (b) no default or event of default exists before such restricted payments; and (c) each Operating Partnership's restricted payment is not greater than the product of each Operating Partnership's Percentage of Aggregate Available Cash multiplied by the Aggregate Partner Obligations (as these terms are similarly defined in the bank credit facilities and the Note Agreements). The debt agreements further provide that Heritage Operating's Available Cash is required to reflect a reserve equal to 50% of the interest to be paid on the notes and in addition, in the third, second and first quarters preceding a quarter in which a scheduled principal payment is to be made on the notes, Available Cash is required to reflect a reserve equal to 25%, 50%, and 75%, respectively, of the principal amount to be repaid on such payment dates.

Failure to comply with the various restrictive and affirmative covenants of the Operating Partnerships' bank credit facilities and the Note Agreements could negatively impact the Operating Partnerships' ability to incur additional debt and/or the Partnership's ability to pay distributions. The Operating Partnerships are required to measure these financial tests and covenants quarterly and were in compliance with all requirements, tests, limitations, and covenants related to the Senior Secured Notes, Medium Term Note Program and Senior Secured Promissory Notes, and the bank credit facilities at February 29, 2004.

See Note 5 - "Working Capital Facility and Long-Term Debt" to the Consolidated Financial Statements located elsewhere in this report for further discussion of the long-term classifications and the maturity dates and interest rates related to long-term debt.

Commodity Price Risk

Commodity price risk arises from the risk of price changes in the propane inventory that Heritage Operating buys and sells. The market price of propane is often subject to volatile changes as a result of market conditions over which management will have no control. In the past, price changes had generally been passed along to Predecessor Heritage's customers to maintain gross margins, mitigating the commodity price risk. In order to help ensure that adequate supply sources are available to Heritage Operating during periods of high demand, Heritage Operating will and Predecessor Heritage did, from time to time, purchase 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 its customer service centers and in major storage facilities, and for future delivery.

Energy Transfer's primary market risk is commodity price risk in its inventory and exchange positions, forward physical contracts and commodity derivative positions.

Energy Transfer's inventory and exchange position is generally not material and the imbalances turn over monthly. Inventory imbalances generally arise when actual volumes delivered differ from nominated amounts or due to other timing differences. Energy Transfer attempts to balance its purchases and sales each month to prevent inventory imbalances from occurring and if necessary attempts to clear any imbalance that arises in the following month. As a result, the volumes involved are generally not significant and turn over quickly. Because Energy Transfer believes that the cost approximates the market value at the end of each month, Energy Transfer has adopted a policy of valuing inventory and imbalances at market value at the end of each month.

Market and Credit Risk

Heritage Operating will also attempt to minimize the effects of market price fluctuations for its propane supply by entering into certain financial contracts. In order to manage a portion of its propane price market risk, Heritage Operating may use and Predecessor Heritage used, contracts for the forward purchase of propane, propane fixed-price supply agreements, and derivative commodity instruments such as price swap and option contracts. Swap instruments are a contractual agreement to exchange obligations of money between the buyer and seller of the instruments as propane volumes during the pricing period are purchased. Swaps are tied to a fixed price bid by the buyer and a floating price determination for the seller based on certain indices at the end of the relevant trading period. Call options would give the Heritage Operating the right, but not the obligation, to buy a specified number of gallons of propane at a specified price at any time until a specified expiration date. Heritage Operating may enter and Predecessor Heritage did enter into these financial instruments to hedge pricing on the projected propane volumes to be purchased during each of the one-month periods during the projected heating season.

At February 29,2004, Heritage Operating had no outstanding propane hedges. Heritage Operating will continue to monitor propane prices and may enter into propane hedges in the future. Inherent in the portfolio from Resources liquids marketing activities are certain business risks, including market risk and credit risk. Market risk is the risk that the value of the portfolio will change, either favorably or unfavorably, in response to changing market conditions. Credit risk is the risk of loss from nonperformance by suppliers, customers, or financial counter parties to a contract. Management takes an active role in managing and controlling market and credit risk and has established control procedures, which are reviewed on an ongoing basis. Management monitors market risk through a variety of techniques, including routine reporting to senior management. Heritage Operating attempts to minimize credit risk exposure through credit policies and periodic monitoring procedures, as did Predecessor Heritage.

Energy Transfer enters into forward physical commitments as a convenience to its customers or to take advantage of market opportunities. Energy Transfer generally attempts to mitigate any market exposure to its forward commitments by either entering into offsetting forward commitments or financial derivative positions. Energy Transfer enters into commodity derivative contracts to manage its exposure to commodity prices for both natural gas and NGLs. Energy Transfer is diligent in attempting to ensure that it issues credit only to credit-worthy counterparties. However, its purchase and resale of gas exposes Energy Transfer to significant credit risk because the margin on any sale is generally a very small percentage of the total sales price. Therefore, a credit loss can be very large relative to Energy Transfer's overall profitability. Historically, Energy Transfer's credit losses have not been significant.

All derivatives that are designated and documented as hedges are presented as other comprehensive income until the settlement month. At the end of the settlement month, any gain or loss previously recorded in other comprehensive income is recognized in the income statement. Gains or losses on derivatives not designated as hedges are recognized in the month in which they occur. The Partnership's derivative instruments were as follows at February 29, 2004:

	Commodity	Notional Volume MMBTU	Maturity	Fair Value
Basis Swaps IFERC/Nymex	Gas	45,685,000	2004	$ (2,538)
Basis Swaps IFERC/Nymex	Gas	57,637,500	2004	3,563
				$ 1,025
Swing Swaps IFERC	Gas			
Swing Swaps IFERC	Gas	102,035,000	2004-2005	$ (2,334)
		64,340,000	2004-2005	2,057
				$ (277)
Futures Nymex	Gas	3,525,000	2004-2005	$ (232)
Futures Nymex	Gas	145,222,507	2004-2005	1,691
				$ 1,459

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 believes it is protected from the volatility in the energy commodities markets because it does not have unbalanced positions. Long-term physical contracts are tied to index prices. System gas, which is also tied to index prices, will provide the gas required by the Partnership's 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.

The following represents gain (loss) on derivative activity:

(in thousands)	Three Months Ended February 29, 2004	Three Months Ended February 28, 2003 (Energy Transfer Company)	Six Months Ended February 29, 2004	Five Months Ended February 28, 2003 (Energy Transfer Company)
Realized and unrealized gain (loss) on derivative activities recognized in earnings	$ (7,168)	$ 4,828	$(10,202)	$ 6,693
Realized gain (loss) on interest rate swap included in interest expense	$ (623)	$ (242)	$ (1,061)	$ (350)

ITEM 4. CONTROLS AND PROCEDURES

The Partnership maintains controls and procedures designed to ensure that information required to be disclosed in the reports that the Partnership files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. An evaluation was performed under the supervision and with the participation of the Partnership's management, including the Chief Executive Officers of the General Partner of the Partnership, of the effectiveness of the design and operation of the Partnership's disclosure controls and procedures (as such terms are defined in Rule 13a-15(e) and 15d-15(e) of the Exchange Act). Based upon that evaluation, management, including the Chief Executive Officers of the General Partner of the Partnership, concluded that the Partnership's disclosure controls and procedures were adequate and effective as of February 29, 2004. There have been no change in the Partnership's internal controls over financial reporting (as defined in Rule 13(a) - 15 or Rule 15d - 15(f) of the Exchange Act) or in other factors during the Partnership's fiscal quarter covered by this report that has materially affected, or is reasonably likely to materially affect, the Partnership's internal controls over financial reporting, and there have been no corrective actions with respect to significant deficiencies and material weaknesses in our internal controls.

PART II - OTHER INFORMATION

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

On January 20, 2004, the Partnership issued 9,200,000 Common Units, with a net value of $334.8 million in an underwritten public offering at a public offering price of $38.69 per unit. This sale included the exercise of the underwriters' over-allotment option to purchase an additional 1,200,000 Common Units. The proceeds of the units were used for the ETC transaction and for general partnership purposes.

In connection with the ETC Transaction on January 20, 2004, the Partnership issued 4,419,177 Common Units, 7,721,452 Class D Units, and 3,742,515 Special Units to La Grange Energy, L.P. All of the foregoing Units were not registered with the Securities and Exchange Commission under the Securities Act of 1933 by virtue of an exemption under Section 4(2) thereof.

As a result of the ETC Transaction, on January 20, 2004, the Partnership issued 21,600 Common Units to employees that had previously received awards under the terms of the Partnership's Restricted Unit Plan and 150,018 Common Units to executive officers under the terms of the Partnership's Long-Term Incentive Compensation Plan. All of the foregoing Units were not registered with the Securities and Exchange Commission under the Securities Act of 1933 by virtue of an exemption under Section 4(2) thereof.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(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.
(10)	3.1.1	Amendment No. 1 to Amended and Restated Agreement of Limited Partnership of Heritage Propane Partners, L.P.
(16)	3.1.2	Amendment No. 2 to Amended and Restated Agreement of Limited Partnership of Heritage Propane Partners, L.P.
(19)	3.1.3	Amendment No. 3 to Amended and Restated Agreement of Limited Partnership of Heritage Propane Partners, L.P.
(19)	3.1.4	Amendment No. 4 to Amended and Restated Agreement of Limited Partnership of Heritage Propane Partners, L.P.
*	3.1.5	Amendment No. 5 to Amended and Restated Agreement of Limited Partnership of Heritage Propane Partners, L.P.
*	3.1.6	Amendment No. 6 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.
(12)	3.2.1	Amendment No. 1 to Amended and Restated Agreement of Limited Partnership of Heritage Operating, L.P.

	Exhibit Number	Description
(19)	3.2.2	Amendment No. 2 to Amended and Restated Agreement of Limited Partnership of Heritage Operating, L.P.
*	3.2.3	Amendment No. 3 to Amended and Restated Agreement of Limited Partnership of Heritage Operating, L.P.
*	3.3	Amended Certificate of Limited Partnership of Energy Transfer Partners, L.P.
(18)	3.4	Amended Certificate of Limited Partnership of Heritage Operating, L.P.
(20)	4.1	Registration Rights Agreement for Limited Partner Interests of Heritage Propane Partners, L.P.
*	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.
(1)	10.2	Form of Note Purchase Agreement (June 25, 1996)
(3)	10.2.1	Amendment of Note Purchase Agreement (June 25, 1996) dated as of July 25, 1996
(4)	10.2.2	Amendment of Note Purchase Agreement (June 25, 1996) dated as of March 11, 1997
(6)	10.2.3	Amendment of Note Purchase Agreement (June 25, 1996) dated as of October 15, 1998
(8)	10.2.4	Second Amendment Agreement dated September 1, 1999 to June 25, 1996 Note Purchase Agreement
(11)	10.2.5	Third Amendment Agreement dated May 31, 2000 to June 25, 1996 Note Purchase Agreement and November 19, 1997 Note Purchase Agreement
(10)	10.2.6	Fourth Amendment Agreement dated August 10, 2000 to June 25, 1996 Note Purchase Agreement and November 19, 1997 Note Purchase Agreement
(13)	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
*	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.
(1) **	10.6	Restricted Unit Plan
(4) **	10.6.1	Amendment of Restricted Unit Plan dated as of October 17, 1996
(12) **	10.6.2	Amended and Restated Restricted Unit Plan dated as of August 10, 2000
(18)**	10.6.3	Second Amended and Restated Restricted Unit Plan dated as of February 4, 2002
(12) **	10.8	Employment Agreement for R. C. Mills dated as of August 10, 2000

	Exhibit Number	Description
(18)	10.8.1	Consent to Assignment of Employment Agreement for R.C. Mills dated February 3, 2002
*	10.8.2	Termination of Employment Agreement for R. C. Mills dated as of August 10, 2000
(12)**	10.10	Employment Agreement for H. Michael Krimbill dated as of August 10, 2000
(18)	10.10.1	Consent to Assignment of Employment Agreement for H. Michael Krimbill dated February 3, 2002
*	10.10.2	Termination of Employment Agreement for H. Michael Krimbill dated as of August 10, 2000
(12)**	10.11	Employment Agreement for Bradley K. Atkinson dated as of August 10, 2000
(18)	10.11.1	Consent to Assignment of Employment Agreement for Bradley K. Atkinson dated February 3, 2002
*	10.11.2	Termination of Employment Agreement for Bradley K. Atkinson dated as of August 10, 2000
(7)	10.12	First Amended and Restated Revolving Credit Agreement between Heritage Service Corp. and Banks Dated May 31, 1999
(16)	10.12.1	First Amendment to First Amended and Restated Revolving Credit Agreement, dated October 15, 1999
(16)	10.12.2	Second Amendment to First Amended and Restated Revolving Credit Agreement, dated August 10, 2000
(16)	10.12.3	Third Amendment to First Amended and Restated Revolving Credit Agreement, dated December 28, 2000
(16)	10.12.4	Fourth Amendment to First Amended and Restated Revolving Credit Agreement, dated July 16, 2001
(12)**	10.13	Employment Agreement for Mark A. Darr dated as of August 10, 2000
(18)	10.13.1	Consent to Assignment of Employment Agreement for Mark A. Darr dated February 3, 2002
*	10.13.2	Termination of Employment Agreement for Mark A. Darr dated as of August 10, 2000
(12)**	10.14	Employment Agreement for Thomas H. Rose dated as of August 10, 2000
(18)	10.14.1	Consent to Assignment of Employment Agreement for Thomas H. Rose dated February 3, 2002
*	10.14.2	Termination of Employment Agreement for Thomas H. Rose dated as of August 10, 2000
(12)**	10.15	Employment Agreement for Curtis L. Weishahn dated as of August 10, 2000
(18)	10.15.1	Consent to Assignment of Employment Agreement for Curtis L. Weishahn dated February 3, 2002
*	10.15.2	Termination of Employment Agreement for Curtis L. Weishahn dated as of August 10, 2000

	Exhibit Number	Description
(5)	10.16	Note Purchase Agreement dated as of November 19, 1997
(6)	10.16.1	Amendment dated October 15, 1998 to November 19, 1997 Note Purchase Agreement
(8)	10.16.2	Second Amendment Agreement dated September 1, 1999 to November 19, 1997 Note Purchase Agreement and June 25, 1996 Note Purchase Agreement
(9)	10.16.3	Third Amendment Agreement dated May 31, 2000 to November 19, 1997 Note Purchase Agreement and June 25, 1996 Note Purchase Agreement
(10)	10.16.4	Fourth Amendment Agreement dated August 10, 2000 to November 19, 1997 Note Purchase Agreement and June 25, 1996 Note Purchase Agreement
(13)	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
(26)	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
(10)	10.17	Contribution Agreement dated June 15, 2000 among U.S. Propane, L.P., Heritage Operating, L.P. and Heritage Propane Partners, L.P.
(10)	10.17.1	Amendment dated August 10, 2000 to June 15, 2000 Contribution Agreement
(10)	10.18	Subscription Agreement dated June 15, 2000 between Heritage Propane Partners, L.P. and individual investors
(10)	10.18.1	Amendment dated August 10, 2000 to June 15, 2000 Subscription Agreement
(16)	10.18.2	Amendment Agreement dated January 3, 2001 to the June 15, 2000 Subscription Agreement.
(17)	10.18.3	Amendment Agreement dated October 5, 2001 to the June 15, 2000 Subscription Agreement.
(10)	10.19	Note Purchase Agreement dated as of August 10, 2000
(13)	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
(14)	10.19.2	First Supplemental Note Purchase Agreement dated as of May 24, 2001 to the August 10, 2000 Note Purchase Agreement
(26)	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)	10.20	Stock Purchase Agreement dated as of July 5, 2001 among the shareholders of ProFlame, Inc. and Heritage Holdings, Inc.
(15)	10.21	Stock Purchase Agreement dated as of July 5, 2001 among the shareholders of Coast Liquid Gas, Inc. and Heritage Holdings, Inc.

	Exhibit Number	Description
(15)	10.22	Agreement and Plan of Merger dated as of July 5, 2001 among California Western Gas Company, the Majority Stockholders of California Western Gas Company signatories thereto, Heritage Holdings, Inc. and California Western Merger Corp.
(15)	10.23	Agreement and Plan of Merger dated as of July 5, 2001 among Growth Properties, the Majority Shareholders signatories thereto, Heritage Holdings, Inc. and Growth Properties Merger Corp.
(15)	10.24	Asset Purchase Agreement dated as of July 5, 2001 among L.P.G. Associates, the Shareholders of L.P.G. Associates and Heritage Operating, L.P.
(15)	10.25	Asset Purchase Agreement dated as of July 5, 2001 among WMJB, Inc., the Shareholders of WMJB, Inc. and Heritage Operating, L.P.
(15)	10.25.1	Amendment to Asset Purchase Agreement dated as of July 5, 2001 among WMJB, Inc., the Shareholders of WMJB, Inc. and Heritage Operating, L.P.
(18)	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
(18)	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
(22)	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.
(23)**	10.29	Employment Agreement for Michael L. Greenwood dated as of July 1, 2002
*	10.29.1	Termination of Employment Agreement for Michael L. Greenwood dated as of July 1, 2002
(24)	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.
(24)	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.
(25)	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.
(24)	10.32	Stock Purchase Agreement dated November 6, 2003 among the owners of Heritage Holdings, Inc. and Heritage Propane Partners, L.P.
(*)	10.33	Second Amended and Restated Credit Agreement among Heritage Operating, L.P. and the Banks dated December 31, 2003
(*)	10.34	Second Amended and Restated Credit Agreement among La Grange Acquisition, L.P. and Banks dated January 20, 2004
(21)	21.1	List of Subsidiaries

	Exhibit Number	Description
(*)	31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
(*)	31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
(*)	32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
(*)	32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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(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 Exhibit 10.11 to Registrant's Registration Statement on Form S-1, File No. 333-04018, filed with the Commission on June 21, 1996.

(3) Incorporated by reference to the same numbered Exhibit to Registrant's Form 10-Q for the quarter ended November 30, 1996.

(4) Incorporated by reference to the same numbered Exhibit to Registrant's Form 10-Q for the quarter ended February 28, 1997.

(5) Incorporated by reference to the same numbered Exhibit to Registrant's Form 10-Q for the quarter ended May 31, 1998.

(6) Incorporated by reference to the same numbered Exhibit to the Registrant's Form 10-K for the year ended August 31, 1998.

(7) Incorporated by reference to the same numbered Exhibit to the Registrant's Form 10-Q for the quarter ended May 31, 1999.

(8) Incorporated by reference to the same numbered Exhibit to the Registrant's Form 10-K for the year ended August 31, 1999.

(9) Incorporated by reference to the same numbered Exhibit to the Registrant's Form 10-Q for the quarter ended May 31, 2000.

(10) Incorporated by reference to the same numbered Exhibit to the Registrant's Form 8-K dated August 23, 2000.

(11) File as Exhibit 10.16.3.

(12) Incorporated by reference to the same numbered Exhibit to the Registrant's Form 10-K for the year ended August 31, 2000.

(13) Incorporated by reference to the same numbered Exhibit to the Registrant's Form 10-Q for the quarter ended February 28, 2001.

(14) Incorporated by reference to the same numbered Exhibit to the Registrant's Form 10-Q for the quarter ended May 31, 2001.

(15) Incorporated by reference to the same numbered Exhibit to the Registrant's Form 8-K dated August 15, 2001.

(16) Incorporated by reference to the same numbered Exhibit to the Registrant's Form 10-K for the year ended August 31, 2001.

(17) Incorporated by reference to the same numbered Exhibit to the Registrant's Form 10-Q for the quarter ended November 30, 2001.

(18) Incorporated by reference to the same numbered Exhibit to the Registrant's Form 10-Q for the quarter ended February 28, 2002.

(19) Incorporated by reference to the same numbered Exhibit to the Registrant's Form 10-Q for the quarter ended May 31, 2002.

(20) Incorporated by reference to the same numbered Exhibit to the Registrant's Form 8-K dated February 4, 2002.

(21) Incorporated by reference to the same numbered Exhibit to the Registrant's Form 10-K for the year ended August 31, 2002.

(22) Incorporated by reference to the same numbered Exhibit to the Registrant's Form 8-K dated January 6, 2003.

(23) Incorporated by reference to the same numbered Exhibit to the Registrant's Form 10-Q for the quarter ended November 30, 2002.

(24) Incorporated by reference to the same numbered Exhibit to Registrant's Form 10-K for the year ended August 31, 2003

(25) Incorporated by reference to the same numbered Exhibit to Registrant's Form 10-Q for the quarter ended November 30, 2003).

(26) Filed as Exhibit 10.2.8 herewith

(*) Filed herewith.

(**) Denotes a management contract or compensatory plan or arrangement.

(b) Reports on Form 8-K

The Partnership filed five reports on Form 8-K during the three months ended February 28, 2003:

Form 8-K dated December 10, 2003, was filed to provide the press release dated December 4, 2003 announcing the Partnership's receipt of consents and approvals from lenders, required to be obtained prior to the ETC Transaction.

Form 8-K filed December 17, 2003 to provide additional information regarding the ETC Transaction, including information relating to the terms of the transaction, information relating to the business of Energy Transfer, historical financial information relating to Energy Transfer and related entities and pro forma financial statements. This information was filed in order to update the Partnership's Registration Statement on Form S-4 as filed with the Securities and Exchange Commission on November 17, 1997 (Registration No. 333-40407) pursuant to which the Partnership issues common units from time to time in connection with acquisitions.

Form 8-K/A was filed January 21, 2004 announcing the closing of the ETC Transaction and to provide unaudited pro forma combined financial statements of Heritage which give pro forma effect to the ETC transaction as if the transaction had occurred on August 31, 2003.

Form 8-K dated January 28, 2004 was filed to provide the press release announcing that the underwriters in the Partnership's January 20, 2004 equity offering had exercised their over-allotment option and purchased an additional 1,200,000 Common Units.

Form 8-K filed on February 4, 2004 reporting a change in the registrant's independent auditor that resulted from the ETC Transaction. At the date of the ETC Transaction, Ernst & Young LLP was the independent auditor for Energy Transfer Company, and Grant Thornton LLP was the independent auditor for the Partnership. On February 3, 2004, the Partnership's Audit Committee dismissed Ernst & Young LLP and appointed Grant Thornton LLP to serve as the Registrant's independent auditors for the current fiscal year ending August 31, 2004.

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: U.S. Propane, L.P.., General Partner

By: U.S. Propane, L.L.C., General Partner

Date: April 14, 2004

By: /s/ H. Michael Krimbill

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

INDEX TO EXHIBITS

	Exhibit Number	Description
(1)	3.1	Agreement of Limited Partnership of Heritage Propane Partners, L.P.
(10)	3.1.1	Amendment No. 1 to Amended and Restated Agreement of Limited Partnership of Heritage Propane Partners, L.P.
(16)	3.1.2	Amendment No. 2 to Amended and Restated Agreement of Limited Partnership of Heritage Propane Partners, L.P.
(19)	3.1.3	Amendment No. 3 to Amended and Restated Agreement of Limited Partnership of Heritage Propane Partners, L.P.
(19)	3.1.4	Amendment No. 4 to Amended and Restated Agreement of Limited Partnership of Heritage Propane Partners, L.P.
*	3.1.5	Amendment No. 5 to Amended and Restated Agreement of Limited Partnership of Heritage Propane Partners, L.P.
*	3.1.6	Amendment No. 6 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.
(12)	3.2.1	Amendment No. 1 to Amended and Restated Agreement of Limited Partnership of Heritage Operating, L.P.

	Exhibit Number	Description
(19)	3.2.2	Amendment No. 2 to Amended and Restated Agreement of Limited Partnership of Heritage Operating, L.P.
*	3.2.3	Amendment No. 3 to Amended and Restated Agreement of Limited Partnership of Heritage Operating, L.P.
*	3.3	Amended Certificate of Limited Partnership of Energy Transfer Partners, L.P.
(18)	3.4	Amended Certificate of Limited Partnership of Heritage Operating, L.P.
(20)	4.1	Registration Rights Agreement for Limited Partner Interests of Heritage Propane Partners, L.P.
*	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.
(1)	10.2	Form of Note Purchase Agreement (June 25, 1996)
(3)	10.2.1	Amendment of Note Purchase Agreement (June 25, 1996) dated as of July 25, 1996
(4)	10.2.2	Amendment of Note Purchase Agreement (June 25, 1996) dated as of March 11, 1997
(6)	10.2.3	Amendment of Note Purchase Agreement (June 25, 1996) dated as of October 15, 1998
(8)	10.2.4	Second Amendment Agreement dated September 1, 1999 to June 25, 1996 Note Purchase Agreement
(11)	10.2.5	Third Amendment Agreement dated May 31, 2000 to June 25, 1996 Note Purchase Agreement and November 19, 1997 Note Purchase Agreement
(10)	10.2.6	Fourth Amendment Agreement dated August 10, 2000 to June 25, 1996 Note Purchase Agreement and November 19, 1997 Note Purchase Agreement
(13)	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
*	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.
(1) **	10.6	Restricted Unit Plan
(4) **	10.6.1	Amendment of Restricted Unit Plan dated as of October 17, 1996
(12) **	10.6.2	Amended and Restated Restricted Unit Plan dated as of August 10, 2000
(18)**	10.6.3	Second Amended and Restated Restricted Unit Plan dated as of February 4, 2002
(12) **	10.8	Employment Agreement for R. C. Mills dated as of August 10, 2000

	Exhibit Number	Description
(18)	10.8.1	Consent to Assignment of Employment Agreement for R.C. Mills dated February 3, 2002
*	10.8.2	Termination of Employment Agreement for R. C. Mills dated as of August 10, 2000
(12)**	10.10	Employment Agreement for H. Michael Krimbill dated as of August 10, 2000
(18)	10.10.1	Consent to Assignment of Employment Agreement for H. Michael Krimbill dated February 3, 2002
*	10.10.2	Termination of Employment Agreement for H. Michael Krimbill dated as of August 10, 2000
(12)**	10.11	Employment Agreement for Bradley K. Atkinson dated as of August 10, 2000
(18)	10.11.1	Consent to Assignment of Employment Agreement for Bradley K. Atkinson dated February 3, 2002
*	10.11.2	Termination of Employment Agreement for Bradley K. Atkinson dated as of August 10, 2000
(7)	10.12	First Amended and Restated Revolving Credit Agreement between Heritage Service Corp. and Banks Dated May 31, 1999
(16)	10.12.1	First Amendment to First Amended and Restated Revolving Credit Agreement, dated October 15, 1999
(16)	10.12.2	Second Amendment to First Amended and Restated Revolving Credit Agreement, dated August 10, 2000
(16)	10.12.3	Third Amendment to First Amended and Restated Revolving Credit Agreement, dated December 28, 2000
(16)	10.12.4	Fourth Amendment to First Amended and Restated Revolving Credit Agreement, dated July 16, 2001
(12)**	10.13	Employment Agreement for Mark A. Darr dated as of August 10, 2000
(18)	10.13.1	Consent to Assignment of Employment Agreement for Mark A. Darr dated February 3, 2002
*	10.13.2	Termination of Employment Agreement for Mark A. Darr dated as of August 10, 2000
(12)**	10.14	Employment Agreement for Thomas H. Rose dated as of August 10, 2000
(18)	10.14.1	Consent to Assignment of Employment Agreement for Thomas H. Rose dated February 3, 2002
*	10.14.2	Termination of Employment Agreement for Thomas H. Rose dated as of August 10, 2000
(12)**	10.15	Employment Agreement for Curtis L. Weishahn dated as of August 10, 2000
(18)	10.15.1	Consent to Assignment of Employment Agreement for Curtis L. Weishahn dated February 3, 2002
*	10.15.2	Termination of Employment Agreement for Curtis L. Weishahn dated as of August 10, 2000

	Exhibit Number	Description
(5)	10.16	Note Purchase Agreement dated as of November 19, 1997
(6)	10.16.1	Amendment dated October 15, 1998 to November 19, 1997 Note Purchase Agreement
(8)	10.16.2	Second Amendment Agreement dated September 1, 1999 to November 19, 1997 Note Purchase Agreement and June 25, 1996 Note Purchase Agreement
(9)	10.16.3	Third Amendment Agreement dated May 31, 2000 to November 19, 1997 Note Purchase Agreement and June 25, 1996 Note Purchase Agreement
(10)	10.16.4	Fourth Amendment Agreement dated August 10, 2000 to November 19, 1997 Note Purchase Agreement and June 25, 1996 Note Purchase Agreement
(13)	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
(26)	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
(10)	10.17	Contribution Agreement dated June 15, 2000 among U.S. Propane, L.P., Heritage Operating, L.P. and Heritage Propane Partners, L.P.
(10)	10.17.1	Amendment dated August 10, 2000 to June 15, 2000 Contribution Agreement
(10)	10.18	Subscription Agreement dated June 15, 2000 between Heritage Propane Partners, L.P. and individual investors
(10)	10.18.1	Amendment dated August 10, 2000 to June 15, 2000 Subscription Agreement
(16)	10.18.2	Amendment Agreement dated January 3, 2001 to the June 15, 2000 Subscription Agreement.
(17)	10.18.3	Amendment Agreement dated October 5, 2001 to the June 15, 2000 Subscription Agreement.
(10)	10.19	Note Purchase Agreement dated as of August 10, 2000
(13)	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
(14)	10.19.2	First Supplemental Note Purchase Agreement dated as of May 24, 2001 to the August 10, 2000 Note Purchase Agreement
(26)	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)	10.20	Stock Purchase Agreement dated as of July 5, 2001 among the shareholders of ProFlame, Inc. and Heritage Holdings, Inc.
(15)	10.21	Stock Purchase Agreement dated as of July 5, 2001 among the shareholders of Coast Liquid Gas, Inc. and Heritage Holdings, Inc.

	Exhibit Number	Description
(15)	10.22	Agreement and Plan of Merger dated as of July 5, 2001 among California Western Gas Company, the Majority Stockholders of California Western Gas Company signatories thereto, Heritage Holdings, Inc. and California Western Merger Corp.
(15)	10.23	Agreement and Plan of Merger dated as of July 5, 2001 among Growth Properties, the Majority Shareholders signatories thereto, Heritage Holdings, Inc. and Growth Properties Merger Corp.
(15)	10.24	Asset Purchase Agreement dated as of July 5, 2001 among L.P.G. Associates, the Shareholders of L.P.G. Associates and Heritage Operating, L.P.
(15)	10.25	Asset Purchase Agreement dated as of July 5, 2001 among WMJB, Inc., the Shareholders of WMJB, Inc. and Heritage Operating, L.P.
(15)	10.25.1	Amendment to Asset Purchase Agreement dated as of July 5, 2001 among WMJB, Inc., the Shareholders of WMJB, Inc. and Heritage Operating, L.P.
(18)	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
(18)	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
(22)	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.
(23)**	10.29	Employment Agreement for Michael L. Greenwood dated as of July 1, 2002
*	10.29.1	Termination of Employment Agreement for Michael L. Greenwood dated as of July 1, 2002
(24)	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.
(24)	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.
(25)	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.
(24)	10.32	Stock Purchase Agreement dated November 6, 2003 among the owners of Heritage Holdings, Inc. and Heritage Propane Partners, L.P.
(*)	10.33	Second Amended and Restated Credit Agreement among Heritage Operating, L.P. and the Banks dated December 31, 2003
(*)	10.34	Second Amended and Restated Credit Agreement among La Grange Acquisition, L.P. and Banks dated January 20, 2004
(21)	21.1	List of Subsidiaries

	Exhibit Number	Description
(*)	31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
(*)	31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
(*)	32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
(*)	32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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(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 Exhibit 10.11 to Registrant's Registration Statement on Form S-1, File No. 333-04018, filed with the Commission on June 21, 1996.

(3) Incorporated by reference to the same numbered Exhibit to Registrant's Form 10-Q for the quarter ended November 30, 1996.

(4) Incorporated by reference to the same numbered Exhibit to Registrant's Form 10-Q for the quarter ended February 28, 1997.

(5) Incorporated by reference to the same numbered Exhibit to Registrant's Form 10-Q for the quarter ended May 31, 1998.

(6) Incorporated by reference to the same numbered Exhibit to the Registrant's Form 10-K for the year ended August 31, 1998.

(7) Incorporated by reference to the same numbered Exhibit to the Registrant's Form 10-Q for the quarter ended May 31, 1999.

(8) Incorporated by reference to the same numbered Exhibit to the Registrant's Form 10-K for the year ended August 31, 1999.

(9) Incorporated by reference to the same numbered Exhibit to the Registrant's Form 10-Q for the quarter ended May 31, 2000.

(10) Incorporated by reference to the same numbered Exhibit to the Registrant's Form 8-K dated August 23, 2000.

(11) File as Exhibit 10.16.3.

(12) Incorporated by reference to the same numbered Exhibit to the Registrant's Form 10-K for the year ended August 31, 2000.

(13) Incorporated by reference to the same numbered Exhibit to the Registrant's Form 10-Q for the quarter ended February 28, 2001.

(14) Incorporated by reference to the same numbered Exhibit to the Registrant's Form 10-Q for the quarter ended May 31, 2001.

(15) Incorporated by reference to the same numbered Exhibit to the Registrant's Form 8-K dated August 15, 2001.

(16) Incorporated by reference to the same numbered Exhibit to the Registrant's Form 10-K for the year ended August 31, 2001.

(17) Incorporated by reference to the same numbered Exhibit to the Registrant's Form 10-Q for the quarter ended November 30, 2001.

(18) Incorporated by reference to the same numbered Exhibit to the Registrant's Form 10-Q for the quarter ended February 28, 2002.

(19) Incorporated by reference to the same numbered Exhibit to the Registrant's Form 10-Q for the quarter ended May 31, 2002.

(20) Incorporated by reference to the same numbered Exhibit to the Registrant's Form 8-K dated February 4, 2002.

(21) Incorporated by reference to the same numbered Exhibit to the Registrant's Form 10-K for the year ended August 31, 2002.

(22) Incorporated by reference to the same numbered Exhibit to the Registrant's Form 8-K dated January 6, 2003.

(23) Incorporated by reference to the same numbered Exhibit to the Registrant's Form 10-Q for the quarter ended November 30, 2002.

(24) Incorporated by reference to the same numbered Exhibit to Registrant's Form 10-K for the year ended August 31, 2003

(25) Incorporated by reference to the same numbered Exhibit to Registrant's Form 10-Q for the quarter ended November 30, 2003).

(26) Filed as Exhibit 10.2.8 herewith

(*) Filed herewith.

(**) Denotes a management contract or compensatory plan or arrangement.

(b) Reports on Form 8-K

The Partnership filed five reports on Form 8-K during the three months ended February 28, 2003:

Form 8-K dated December 10, 2003, was filed to provide the press release dated December 4, 2003 announcing the Partnership's receipt of consents and approvals from lenders, required to be obtained prior to the ETC Transaction.

Form 8-K filed December 17, 2003 to provide additional information regarding the ETC Transaction, including information relating to the terms of the transaction, information relating to the business of Energy Transfer, historical financial information relating to Energy Transfer and related entities and pro forma financial statements. This information was filed in order to update the Partnership's Registration Statement on Form S-4 as filed with the Securities and Exchange Commission on November 17, 1997 (Registration No. 333-40407) pursuant to which the Partnership issues common units from time to time in connection with acquisitions.

Form 8-K/A was filed January 21, 2004 announcing the closing of the ETC Transaction and to provide unaudited pro forma combined financial statements of Heritage which give pro forma effect to the ETC transaction as if the transaction had occurred on August 31, 2003.

EXHIBIT 3.1.5

AMENDMENT NO. 5
TO
AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP
OF
HERITAGE PROPANE PARTNERS, L.P.

This Amendment (this "Amendment") to the Amended and Restated Agreement of Limited Partnership of Heritage Propane Partners, L.P., a Delaware limited partnership (the "Partnership"), dated as of June 27, 1996, as amended as of August 9, 2000, January 5, 2001, October 5, 2001 and February 4, 2002 (as so amended, the "Partnership Agreement"), is entered into effective as of January 15, 2004, by U.S. Propane, L.P., a Delaware limited partnership ("U.S. Propane"), as the general partner of the Partnership, on behalf of itself and the Limited Partners of the Partnership. Capitalized terms used but not defined herein are used as defined in the Partnership Agreement.

RECITALS

WHEREAS, Section 5.6 of the Partnership Agreement provides that the General Partner, without the approval of any Limited Partner except as otherwise provided in the Partnership Agreement, may, for any Partnership purpose, at any time or from time to time, issue additional Partnership Securities for such consideration and on such terms and conditions as shall be established by the General Partner in its sole discretion; and

WHEREAS, Section 13.1(d)(i) of the Partnership Agreement provides that the General Partner, without the approval of any Partner, may amend any provision of the Partnership Agreement (to reflect a change that, in the discretion of the General Partner, does not adversely affect the Unitholders in any material respect); and

WHEREAS, the General Partner has in the exercise of its discretion determined that the changes to the Partnership Agreement set forth in Sections 1, 12 and 13 of the Amendment will not adversely affect the Unitholders in any material respect; and

WHEREAS, Section 13.1(g) of the Partnership Agreement provides that the General Partner, without the approval of any Partner (subject to Section 5.7 of the Partnership Agreement), may amend any provision of the Partnership Agreement to reflect an amendment that, in the discretion of the General Partner, is necessary or advisable in connection with the authorization of issuance of any class or series of Partnership Securities pursuant to Section 5.6 of the Partnership Agreement; and

WHEREAS, the Partnership has entered into a Contribution Agreement, dated as of November 6, 2003, among the Partnership, U.S. Propane and La Grange Energy, L.P., a Texas limited partnership ("La Grange"), as the Contributor (the "Contribution Agreement"); and

WHEREAS, the Contribution Agreement obligates the Partnership to issue limited partner interests to be designated as Class D Units and Special Units having the terms set forth in this Amendment; and

WHEREAS, the General Partner has determined that the creation of the new classes of Partnership Securities provided for in this Amendment (the "Class D Units" and the "Special Units") will be in the best interests of the Partnership and beneficial to the Limited Partners, including the holders of the Common Units; and

WHEREAS, the Partnership has entered into a Stock Purchase Agreement, dated as of November 6, 2003 (the "HHI Stock Purchase Agreement"), among the Partnership and the Sellers named therein to acquire all of the capital stock of Heritage Holdings, Inc. ("HHI"), which will, following the consummation of the transactions contemplated therein, become, directly or indirectly, a wholly owned subsidiary of the Partnership; and

WHEREAS, HHI owns as of the date hereof, 4,426,916 Common Units, representing limited partner interests in the Partnership (the "HHI Units"); and

WHEREAS, the Partnership desires to convert the HHI Units to a new class of Partnership Securities, such conversion to be effective immediately after, and without any further action, the closing of the transactions under the HHI Stock Purchase Agreement, which new class of Partnership Securities shall be designated as Class E Units having the terms set forth in this Amendment (the "Class E Units"), which Class E Units will, upon the occurrence of specified events, convert automatically, without further action required by the Partnership, U.S. Propane or any other Person, back into Common Units; and

WHEREAS, the General Partner has determined that the creation of the Class E Units provided for in this Amendment (the "Class E Units") will be in the best interests of the Partnership and beneficial to the Limited Partners, including the holders of the Common Units; and

WHEREAS, the Class D Units, the Special Units, and the Class E Units, upon issuance, will have rights to distributions or in liquidation as set forth herein; and

WHEREAS, the issuance of the Class D Units, the Special Units, and the Class E Units complies with the requirements of the Partnership Agreement; and

WHEREAS, in connection with the transactions contemplated by the Contribution Agreement, the General Partner proposes to (i) convert its 1.0101% general partner interest in Heritage Operating, L.P., a Delaware limited partnership (the "Operating Partnership"), into a 0.0% general partner interest and a 1.0101% limited partner interest in the Operating Partnership and (ii) transfer its 1.0101% limited partner interest in the Operating Partnership to the Partnership in exchange for an additional 1% general partner interest in the Partnership (the "Additional General Partner Interest"); and

WHEREAS, the General Partner has determined that the creation and issuance of the Additional General Partner Interest will be in the best interests of the Partnership and beneficial to the Limited Partners, including the holders of the Common Units; and

WHEREAS, the General Partner has determined, pursuant to Section 13.1(g) of the Partnership Agreement, that the amendments to the Partnership Agreement set forth herein are necessary or advisable in connection with the authorization of the issuances of the Common Units, Class D Units, Special Units and Additional General Partner Interest; and

NOW, THEREFORE, the Partnership Agreement is hereby amended as follows:

AMENDMENT

Section 1. Units Held by Subsidiary of a Group Member. The second sentence of Section 7.12 of the Partnership Agreement shall not be applicable to Common Units, Subordinated Units, or Class E Units held directly by a Subsidiary of any Group Member (i) if such Common Units, Subordinated Units, or Class E Units were held by the entity at the time such entity became a Subsidiary of the Group Member, or (ii) if such Common Units, Subordinated Units, or Class E Units were converted into or from Common Units, Subordinated Units or Class E Units held by the entity at the time such entity became a Subsidiary of the Group Member.

Section 2. Establishment of Terms of Class D Units. There is hereby created a series of Units to be designated as "Class D Units," consisting of a total of 7,721,542 Class D Units and having the following terms and conditions:

A. Prior to the conversion of the Class D Units as provided in Section 3 or Section 5 hereof, unless amended pursuant to Section 4 hereof:

(i) all items of Partnership income, gain, loss, deduction and credit shall be made to the Class D Units to the same extent as such items would be so allocated if such Class D Units were Subordinated Units that were then Outstanding and the Subordination Period had not ended; and

(ii) the Class D Units shall have the right to share in Partnership distributions and shall have rights upon dissolution and liquidation of the Partnership, including the right to share in any liquidating distributions, in each case to the same extent as if such Class D Units were Subordinated Units that were then Outstanding and the Subordination Period had not ended.

B. The Class D Units will not have the privilege of conversion as set forth in either Section 5.8 or Section 11.4 of the Partnership Agreement (and neither Section 5.8 nor Section 11.4 shall apply to the Class D Units); rather, the Class D Units will be converted only pursuant to the provisions of Section 3 or Section 5 hereof. A Class D

Unit that has converted into a Common Unit shall be subject to the provisions of Section 6.7(b) of the Partnership Agreement as if the Class D Unit was a Subordinated Unit.

C. The Class D Units will have such voting rights pursuant to the Partnership Agreement as such Class D Units would have if they were Common Units that were then Outstanding except that, with respect to any proposal submitted to the Partnership's Unitholders pursuant to Section 3 or Section 7 hereof for a vote or consent, all of the Class D Units Outstanding as of the record date for such vote or consent shall be deemed to have voted or given consent, without any action necessary on the part of any holder of Class D Units, (i) in favor of such proposal in the same proportion as all Common Units entitled to vote and Outstanding as of the record date for such vote or consent are voted, or for which consent is given, in favor of such proposal, and (ii) against such proposal in the same proportion as all Common Units entitled to vote and Outstanding as of the record date for such vote or consent are voted against such proposal, or for which consent to such proposal is affirmatively denied. Each Class D Unit will be entitled to one vote on each matter with respect to which such Class D Unit is entitled to be voted.

D. The Class D Units will be evidenced by certificates in such form as the General Partner may approve and, subject to the satisfaction of any applicable legal and regulatory requirements, may be assigned or transferred in a manner identical to the assignment and transfer of other Units.

E. The General Partner will act as registrar and transfer agent for the Class D Units.

Section 3. Vote of Holders of Partnership Securities After Issuance of Class D Units. The Partnership shall, as promptly as practicable following the issuance of any Class D Units, take such actions as may be necessary or appropriate to submit to a vote or consent of its securityholders the approval of a change in the terms of the Class D Units to provide that each Class D Unit is convertible into one Common Unit (subject to appropriate adjustment in the event of any split-up, combination or similar event affecting the Common Units), effective upon approval of the issuance of additional Common Units in accordance with the following sentence, and in the event that such approval is not obtained upon the solicitation of such vote or consent, the Partnership shall take such action as may be necessary or appropriate to resubmit to a vote or consent of its securityholders the approval of such change in the terms of the Class D Units until such approval is obtained, provided that the Partnership shall not be obligated to resubmit such matter for approval more than once in any 6-month period. The vote or consent required for such approval will be the requisite vote required under the Partnership Agreement and under New York Stock Exchange rules or staff interpretations for listing of the Common Units that would be issued upon any such conversion. Upon receipt of the required vote or consent, each Class D Unit shall be entitled to be converted by the holder thereof into one Common Unit (subject to appropriate adjustment in the event of any split-up, combination or similar event affecting the Common Units).

Section 4. Amendment of Terms of Class D Units in Certain Events. If the Partnership's securityholders do not approve a change in the terms of the Class D Units to provide that they are convertible as provided in Section 3 hereof by the requisite vote of the Partnership's securityholders occurring on or before, or occurring after provided that the matter has been submitted for approval of the securityholders in documents filed with the Securities and Exchange Commission prior to, the date that is 6 months following the date of the closing of the transactions contemplated by the Contribution Agreement, then, effective as of the next succeeding day (the "Class D Distribution Increase Day"), Section 2(A) hereof will be deleted and replaced in its entirety, automatically and without further action, with the following:

A. "Prior to the date upon which the Class D Units are entitled to be converted as provided in Section 3 hereof:

(i) all allocations of items of Partnership income, gain, loss, deduction and credit shall be allocated to the Class D Units based on 115% of that which would be allocated to the Common Units so that the amount thereof allocated to each Class D Unit will be 115% of the amount thereof allocated to each Common Unit, and the allocations to Class D Units shall have the same order of priority relative to allocations on the Common Units; and

(ii) the Class D Units shall have the right to share in Partnership distributions based on 115% of the amount of any Partnership distribution that would be made to each Common Unit so that the amount of any Partnership distribution to each Class D Unit will equal 115% of the amount of such distribution to each Common Unit, and the right of holders of Class D Units to receive distributions shall have the same order of priority relative to distributions on the Common Units; and

(iii) the Class D Units shall have rights upon dissolution and liquidation of the Partnership, including the right to share in any liquidating distributions, that are based on 115% of the liquidating distributions that would be made to the Common Units so that the amount of any liquidating distribution to each Class D Unit will equal 115% of the amount of such distribution to each Common Unit, and the rights of the Class D Units upon dissolution and liquidation of the Partnership shall have the same order of priority relative to the rights of the Common Units."

B. Concurrently with the distribution made in accordance with Section 6.3(a) of the Partnership Agreement of Available Cash first occurring after the Class D Distribution Increase Day (as defined above), with respect to the Quarter in which the conversion of the Class D Units is effected in accordance with the preceding sentence, a distribution shall be paid to each holder of record of the Class D Units as of the effective

date of such conversion, with the amount of such distribution for each Outstanding Class D Unit to be equal to the product of (a) 115% of the amount to be distributed in respect of such Quarter to each Common Unit times (b) a fraction, of which (i) the numerator is the number of days in such Quarter up to but excluding the date of such conversion, and (ii) the denominator is the total number of days in such Quarter (the foregoing amount being referred to as an "Excess Payment"). For the taxable year in which an Excess Payment is made, each holder of a Class D Unit shall be allocated items of gross income with respect to such taxable year in an amount equal to the Excess Payment distributed to it.

Section 5. Change of New York Stock Exchange Rules or Interpretations. If at any time (i) the rules of the New York Stock Exchange or the New York Stock Exchange staff interpretations of such rules are changed, or (ii) facts and circumstances arise so that no vote or consent of securityholders of the Partnership is required as a condition to the listing of the Common Units that would be issued upon any conversion of any Class D Units into Common Units as provided in Section 3 hereof, the terms of such Class D Units will be changed so that each such Class D Unit is converted (without further action or any vote of any securityholders of the Partnership) into one Common Unit (subject to appropriate adjustment in the event of any split-up, combination or similar event affecting the Common Units).

Section 6. Establishment of Terms of Special Units. There is hereby created a series of Units to be designated as "Special Units," consisting of a total of 3,742,515 Special Units and having the following terms and conditions:

A. Prior to the date upon which the Special Units are entitled to be converted as provided in Section 8 or Section 10 hereof, unless amended pursuant to Section 9 hereof:

(i) no items of Partnership income, gain, loss, deduction and credit shall be made to the Special Units until such time as the conversion of the Special Units to Common Units provided for in Section 8 hereof occurs.

(ii) the Special Units shall not have the right to share in Partnership distributions and shall have no rights upon dissolution and liquidation of the Partnership, and will not be entitled to share in any liquidating distributions until such time as the conversion of the Special Units to Common Units provided for in Section 8 hereof occurs, provided, however, that in the event of a dissolution and liquidation of the Partnership prior to the time such Special Units are converted, the holders of Special Units shall receive an assignment of the Bossier Contracts and all rights, obligations, and benefits thereto.

B. The Special Units will have no other privilege of conversion under any of the provisions of the Partnership Agreement other than as set forth in Section 8 or Section

10 hereof. A Special Unit that has converted into a Common Unit shall be subject to the provisions of Section 6.7(b) of the Partnership Agreement as if the Special Unit was a Subordinated Unit.

C. The Special Units will have no voting rights pursuant to the Partnership Agreement except with respect to the vote required by Section 7 hereof, and except to the extent that the Delaware Act gives the Special Units a vote as a class on any matter; and each Special Unit will be entitled to one vote on each matter with respect to which such Special Unit is entitled to be voted. With respect to any proposal submitted to the Partnership's Unitholders pursuant to Section 7 hereof for a vote or consent, all of the Special Units Outstanding as of the record date for such vote or consent shall be deemed to have voted or given consent, without any action necessary on the part of any holder of Special Units, (i) in favor of such proposal in the same proportion as all Common Units entitled to vote and Outstanding as of the record date for such vote or consent are voted, or for which consent is given, in favor of such proposal, and (ii) against such proposal in the same proportion as all Common Units entitled to vote and Outstanding as of the record date for such vote or consent are voted against such proposal, or for which consent to such proposal is affirmatively denied.

D. The Special Units will be evidenced by certificates in such form as the General Partner may approve and, subject to the satisfaction of any applicable legal and regulatory requirements, may be assigned or transferred in a manner identical to the assignment and transfer of other Units.

E. The General Partner will act as registrar and transfer agent for the Special Units.

Section 7. Vote of Holders of Partnership Securities After Issuance of Special Units. The Partnership shall, as promptly as practicable following the issuance of any Special Units, and at such times as the Partnership shall submit for approval the conversion of the Class D Units as provided in Section 3 hereof, take such actions as may be necessary or appropriate to submit to a vote or consent of its securityholders the approval of the conversion of the Special Units into Common Units as provided in Section 8 hereof. The vote or consent required for such approval will be the requisite vote required under the Partnership Agreement and under New York Stock Exchange rules or staff interpretations for listing of the Common Units that would be issued upon any such conversion. Upon receipt of the required vote or consent, each Special Unit shall be entitled to be converted by the holder thereof into one Common Unit (subject to appropriate adjustment in the event of any split up, combination or similar event affecting the Common Units), without further action, upon complying with the provisions of Section 8 hereof.

Section 8. Conversion of the Special Units to Common Units. The Special Units have been issued in connection with the acquisition of assets by the Partnership designated as the Bossier Pipeline. In conjunction with the Partnership's acquisition of the Bossier Pipeline, the Partnership has acquired, directly or through its subsidiaries, all

rights under the Joint Marketing Agreement dated July 11, 2003 between a subsidiary of La Grange and TXU Fuel Company (the "TXU Contract"), the Firm Intrastate Gas Transportation Agreement dated June 4, 2003 between a subsidiary of La Grange and XTO Energy, Inc. (the "XTO Contract") and the Firm Intrastate Gas Transportation Agreement dated October 1, 2003 between a subsidiary of La Grange and Anadarko Energy Services Company (the "Anadarko Contract") (collectively the TXU Contract, the XTO Contract and the Anadarko Contract are the "Bossier Contracts") which provide for the owner and operator of the Bossier Pipeline to receive certain payments for the transportation of natural gas and natural gas liquids upon completion of the Bossier Pipeline and it reaching commercially operational status, or such similar term or provision, that qualifies the La Grange subsidiary that is a party thereto to receive the payments set forth in each of the Bossier Contracts.

A. On the date following the day the Partnership or any of its subsidiaries qualifies to receive the payments under each and every one of the Bossier Contracts defined herein, each Special Unit shall be entitled to be converted by the holder thereof into one Common Unit, and upon such conversion shall be entitled to all benefits and rights afforded to a Common Unit, including the rights to distributions.

B. In the event the Bossier Pipeline fails to become commercially operational by December 1, 2004, triggering the provisions of Section 3(B) of the XTO Contract, and XTO Energy, Inc. acquires the Bossier Pipeline pursuant thereto, the Special Units shall no longer be considered to be Outstanding and shall not be entitled to any rights afforded any other of the Partnership's Units, except that any funds received by the Partnership under such provision that exceed the capital expenditures incurred and paid by the Partnership or any of its subsidiaries shall be allocated and paid to the holders of Special Units Pro Rata.

Section 9. Amendment of Terms of the Special Units in Certain Events. In the event that the Partnership's securityholders do not approve a change in the terms of the Special Units to provide that they are convertible as provided in Section 7 hereof by the requisite vote of the Partnership's securityholders prior to the time that such Special Units shall qualify for the conversion pursuant to Section 8 hereof, then, effective as of the next succeeding day (the "Special Unit Distribution Increase Day"), Section 6(A) hereof will be deleted and replaced in its entirety, automatically and without further action, with the following:

A. "Prior to the approval of the conversion of the Special Units as provided in Section 7 hereof, and upon qualifying for the automatic conversion set forth in Section 8 hereof:

(i) all allocations of items of Partnership income, gain, loss, deduction and credit shall be allocated to the Special Units based on 115% of that which would be allocated to the Common Units so that the amount thereof allocated to each Special Unit will be 115% of the amount thereof allocated to each Common Unit, and the

allocations to Special Units shall have the same order of priority relative to allocations on the Common Units; and

(ii) the Special Units shall have the right to share in Partnership distributions based on 115% of the amount of any Partnership distribution that would be made to each Common Unit so that the amount of any Partnership distribution to each Special Unit will equal 115% of the amount of such distribution to each Common Unit, and the right of holders of Special Units to receive distributions shall have the same order of priority relative to distributions on the Common Units; and

(iii) the Special Units shall have rights upon dissolution and liquidation of the Partnership, including the right to share in any liquidating distributions, in each case to the same extent as if such Special Units were Common Units."

Section 10. Change of New York Stock Exchange Rules or Interpretations. If at any time (i) the rules of the New York Stock Exchange or the New York Stock Exchange staff interpretations of such rules are changed, or (ii) facts and circumstances arise so that no vote or consent of securityholders of the Partnership is required as a condition to the listing of the Common Units that would be issued upon any conversion of any Special Units into Common Units as provided in Section 8 hereof, the terms of such Special Units will be changed so that each such Special Unit is converted (without further action or any vote of any securityholders of the Partnership) into one Common Unit (subject to appropriate adjustment in the event of any split up, combination or similar event affecting the Common Units) subject to the provisions of Section 8 hereof.

Section 11. Establishment of Terms of Class E Units. After the closing of the transactions contemplated by the HHI Stock Purchase Agreement, each HHI Unit shall be converted into one whole Unit of a newly created series of Units hereby designated as "Class E Units," consisting of a total of 4,426,916 Class E Units and having the following terms and conditions:

A. The definition of the term "Unitholders" and "Units" in the Partnership Agreement are hereby deleted and replaced in their entirety with the following:

"`Unitholders' means the holders of Common Units, Subordinated Units, Class D Units and Class E Units."

"`Unit' means a Partnership Interest of a Limited Partner or Assignee in the Partnership and shall include Common Units, Subordinated Units, Class D Units, Special Units and Class E Units, but shall not include (x) the general partner interest in the Partnership or (y) Incentive Distribution Rights."

B. The "Class E Percentage" with respect to the Class E Units for any date shall be equal to 11.1% multiplied by the quotient obtained by dividing (A) the number of Class E Units Outstanding on such date, by (B) 4,426,916.

C. The Class E Units shall not be entitled to receive any allocation of any item of Partnership income, gain, loss, deduction or credit attributable to the Partnership's ownership of HHI (the "HHI Items"), and such HHI Items (which shall not be included in the computation of Net Income, Net Loss, Net Termination Gain or Net Termination Loss for any taxable year while any Class E Units remain Outstanding) shall instead be specially allocated to the General Partner in an amount equal to the General Partner's Percentage Interest of such HHI Items and the remainder to the Unitholders (other than the holders of Class E Units) Pro Rata.

D. The Class E Percentage of any Net Income to be allocated to the Unitholders pursuant to Section 6.1(a)(iii) of the Partnership Agreement shall be allocated to the Class E Units and the remaining portion of such Net Income shall be allocated to the Unitholders (other than the holders of Class E Units) in proportion to their relative Percentage Interests; provided, that the amount of Net Income allocated to each Class E Unit for each taxable year shall not exceed the product of (A) the aggregate cash amount distributed to such Class E Unit pursuant to Article VI of the Partnership Agreement for such taxable year, multiplied by (B) the quotient obtained by dividing (I) the Partnership's Net Income allocated to the Unitholders (including the holders of the Class E Units) for such taxable year by (II) the aggregate cash amount distributed (excluding HHI Distributions) to the Unitholders (including the holders of the Class E Units) pursuant to Article VI for such taxable year.

E. The Class E Percentage of any Net Losses to be allocated to the Unitholders pursuant to Section 6.1(b)(ii) of the Partnership Agreement shall be allocated to the Class E Units and the remaining portion of such Net Losses shall be allocated to the Unitholders (other than the holders of Class E Units) in proportion to their relative Percentage Interests; provided, that Net Losses shall not be allocated pursuant to Section 6.1(b)(ii) to the extent that such allocation would cause any Unitholder to have a deficit balance in its Adjusted Capital Account at the end of such taxable year (or increase any existing deficit balance in its Adjusted Capital Account);

F. The Class E Units shall be allocated 1% of any Net Termination Gain, and shall be allocated Net Termination Loss to the same extent as the Common Units;

G. For each taxable year, no portion of any Partnership cash distribution attributable to any distribution or dividend received by the Partnership from HHI or the proceeds of any sale of the capital stock of HHI (such Partnership distributions, the "HHI Distributions") shall be distributed to the Class E Units;

H. The Class E Units shall be entitled to receive the Class E Percentage of the portion of any Partnership distributions (other than HHI Distributions) to be made to the Unitholders pursuant to Article VI of the Partnership Agreement and the remaining

portion of the Available Cash to be distributed shall be made to the Unitholders (other than the holders of Class E Units) in proportion to their relative Percentage Interests; provided, that the aggregate Partnership distributions made to each Class E Unit for each taxable year shall not exceed $2.82;

I. The Class E Units shall not have any voting rights except with respect to (i) the vote required by Section 3 and Section 7 hereof, and in each such instance only to the extent allowed by the New York Stock Exchange, and (ii) except to the extent that the Delaware Act gives the Class E Units a vote as a class on any matter. With respect to any matter on which the Class E Units are entitled to vote, each Class E Unit will be entitled to one vote on such matter.

J. Effective concurrently with the closing of the transactions contemplated by the HHI Stock Purchase Agreement, the HHI Units will constitute the "Collateral" under the terms of the Pledge Agreement dated January 20, 2004 (the "Pledge Agreement"), between the Partnership and TAAP LP ("NewLP"). After such closing and after giving effect to the conversion of the HHI Units into Class E Units pursuant to Section 11 hereof, all Class E Units will constitute the "Collateral" under the Pledge Agreement. Upon receipt by the Partnership of NewLP's notice given in accordance with Section 4.04(c) of the Pledge Agreement, each Class E Unit then held as "Collateral" under the Pledge Agreement shall be convertible into a number of Common Units equal to $100 million divided by the average of the closing sales prices of the Common Units as reported in the Wall Street Journal - Corporate Transactions for the 20 consecutive trading days ending on the date of such notice divided by the number of then Outstanding Class E Units. Immediately prior to any sale, foreclosure in lieu of sale, lease, assignment or other disposal of any Class E Units by NewLP pursuant to Section 4.04(c) of the Pledge Agreement, the Class E Units shall be converted automatically, and without further action required by the Partnership or its securityholders, other than issuing to NewLP a new Unit certificate for such Common Units, into the number of Common Units as determined above.

K. The Class E Units will have no other privilege of conversion under any of the provisions of the Partnership Agreement other than as set forth in Section 11(J) hereof. A Class E Unit that has converted into a Common Unit pursuant to Section 11(J) hereof shall be subject to the provisions of Section 6.7(b) of the Partnership Agreement as if the Class E Unit was a Subordinated Unit, provided, however, that U.S. Propane undertakes and agrees to take all actions required under Section 6.7(b) of the Partnership Agreement on or before the close of business after the end of the 10-day period or 2-day period, as applicable, that commences upon receipt by the Partnership from NewLP of the notice given pursuant to Section 4.04(c) of the Pledge Agreement, so that the Common Units into which the Class E Units are converted pursuant to this Section 11(K) may be issued in accordance with Section 6.7(b) of the Partnership Agreement immediately after such 10-day period or 2-day period, as the case may be.

L. The Class E Units will be evidenced by certificates in such form as the General Partner may approve and, subject to the satisfaction of any applicable legal and

regulatory requirements, may be assigned or transferred in a manner identical to the assignment and transfer of other Units.

M. The General Partner will act as registrar and transfer agent for the Class E Units.

N. No amendment to Section 11 hereof shall be made without the approval of NewLP during such time as the Pledge Agreement shall be in effect.

Section 12. Deletion of Section 7.3(c) of the Partnership Agreement. Section 7.3(c) of the Partnership Agreement is hereby deleted.

Section 13. Modification of Voting Rights of Certain Common Units. The voting rights of the Common Units to be issued to LaGrange pursuant to the Contribution Agreement (the "LaGrange Common Units") shall be modified from the voting rights that would otherwise be applicable to such Common Units pursuant to the Partnership Agreement such that, with respect to any proposal submitted to the Partnership's securityholders pursuant to Section 3 or Section 7 hereof for a vote or consent, all of the LaGrange Common Units Outstanding as of the record date for such vote or consent shall be deemed to have voted or given consent, without any action necessary on the part of any holder of LaGrange Common Units, (i) in favor of such proposal in the same proportion as all Common Units entitled to vote and Outstanding as of the record date for such vote or consent (excluding the LaGrange Common Units) are voted, or for which consent is given, in favor of such proposal and (ii) against such proposal in the same proportion as all Common Units entitled to vote and Outstanding as of the record date for such vote or consent (excluding the LaGrange Common Units) are voted against such proposal or for which consent to such proposal is affirmatively denied.

Section 14. Establishment of Terms of Additional General Partner Interest. There is hereby created the Additional General Partner Interest having the following terms and conditions:

A. The Additional General Partner Interest shall be entitled to the same relative rights and benefits and shall be subject to the same relative obligations and burdens as the general partner interest of the General Partner immediately prior to this Amendment, and to give effect to these terms of the Additional General Partner Interest, the following amendments to the Partnership Agreement are hereby adopted, effective as of the time of the issuance of the Additional General Partner Interest as evidenced by an instrument executed by the General Partner acknowledging the issuance of the Additional General Partner Interest:

(i) The definition of "Percentage Interest" in Section 1.1 is amended (i) to change "1%" to "2%" and to change "99%" to "98%" and (ii) to add the phrase "(other than the Additional General Partner Interest)" after the phrase "Partnership Securities" in clause (c) thereof.

(ii) Section 5.2 is amended to change "1/99th" to "2/98th."

(iii) Section 6.1(c)(i) is amended (i) to change "99%" to "98%" in each of clauses (B), (C) and (D), (ii) to change "1%" to "2%" in each of clauses (B), (C) and (D), (iii) to change "85.8673%" to "85%," "13.1327%" to "13%" and "1%" to "2%" in clause (E), (iv) to change "75.7653%" to "75%", "23.2347%" to "23%" and "1%" to "2%" in clause (F) and (v) to change "50.5102%" to "50%", "48.4898%" to "48%" and "1%" to "2%" in clause (G).

(iv) Section 6.1(c)(ii) is amended (i) to change "99%" to "98%" and "1%" to "2%" in clause (A) and (ii) to change "99%" to "98%" and "1%" to "2%" in clause (B).

(v) Section 6.1(d)(iii)(A) is amended to change "1/99th" to "2/98th."

(vi) Section 6.4(a) is amended to (i) to change "99%" to "98%" in each of clauses (i), (ii), (iii) and (iv), (ii) to change "1%" to "2%" in each of clauses (i), (ii), (iii) and (iv), (iii) to change "85.8673%" to "85%," "13.1327%" to "13%" and "1%" to "2%" in clause (v), (iv) to change "75.7653%" to "75%", "23.2347%" to "23%" and "1%" to "2%" in clause (vi) and (v) to change "50.5102%" to "50%", "48.4898%" to "48%" and "1%" to "2%" in clause (vii).

(vii) Section 6.4(b) is amended to (i) to change "99%" to "98%" in each of clauses (i) and (ii), (ii) to change "1%" to "2%" in each of clauses (i) and (ii), (iii) to change "85.8673%" to "85%," "13.1327%" to "13%" and "1%" to "2%" in clause (iii), (iv) to change "75.7653%" to "75%", "23.2347%" to "23%" and "1%" to "2%" in clause (iv) and (v) to change "50.5102%" to "50%", "48.4898%" to "48%" and "1%" to "2%" in clause (v).

(viii) Section 6.5 is amended to change "99%" to "98%" and "1%" to "2%" in each place where such items appear.

(ix) Section 7.9(b) is amended to change "1%" to "2%".

(x) Section 11.3(c) is amended (i) to change "99%" to "98%" and "1%" to "2%" and (ii) to change "1/99th" to "2/98th."

Section 15. Ratification of Partnership Agreement. Except as expressly modified and amended herein, all of the terms and conditions of the Partnership Agreement shall remain in full force and effect.

Section 16. Governing Law. This Amendment will be governed by and construed in accordance with the laws of the State of Delaware.

Section 17. Counterparts. This Amendment may be executed in counterparts, all of which together shall constitute an agreement binding on all the parties hereto, notwithstanding that all such parties are not signatories to the original or the same counterpart.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, this Amendment has been executed as of the date first written above. GENERAL PARTNER:

U.S. Propane, L.P.

By: U.S. Propane, L.L.C.
its General Partner

By:_____
H. Michael Krimbill
President and Chief Executive Officer

LIMITED PARTNERS:

All Limited Partners now and hereafter admitted as limited partners of the Partnership, pursuant to Powers of Attorney now and hereafter executed in favor of, and granted and delivered to, the General Partner.

By: U.S. Propane, L.L.C., General Partner of U.S. Propane, L.P., General Partner, as attorney-in-fact for all Limited Partners pursuant to the Powers of Attorney granted pursuant to Section 2.6 of the Partnership Agreement.

By:_____
H. Michael Krimbill
President and Chief Executive Officer

EXHIBIT 3.1.6

AMENDMENT NO. 6
TO
AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP
OF
HERITAGE PROPANE PARTNERS, L.P.

This Amendment (this "Amendment") to the Amended and Restated Agreement of Limited Partnership of Heritage Propane Partners, L.P., a Delaware limited partnership (the "Partnership"), dated as of June 27, 1996, as amended as of August 9, 2000, January 5, 2001, October 5, 2001, February 4, 2002 and January 15, 2004 (as so amended, the "Partnership Agreement"), is entered into effective as of February 13, 2004, by U.S. Propane, L.P., a Delaware limited partnership ("U.S. Propane"), as the general partner of the Partnership, on behalf of itself and the Limited Partners of the Partnership. Capitalized terms used but not defined herein are used as defined in the Partnership Agreement.

RECITALS

WHEREAS, Section 13.1(a) of the Partnership Agreement provides that the General Partner, without the approval of any Partner, may amend any provision of the Partnership Agreement to reflect a change in the name of the Partnership; and

NOW, THEREFORE, the Partnership Agreement is hereby amended as follows:

AMENDMENT

Section 1. Name. The first sentence of Section 2.2 of the Partnership Agreement shall be amended to change the name of the Partnership to "Energy Transfer Partners, L.P."

Section 2. Ratification of Partnership Agreement. Except as expressly modified and amended herein, all of the terms and conditions of the Partnership Agreement shall remain in full force and effect.

Section 3. Governing Law. This Amendment will be governed by and construed in accordance with the laws of the State of Delaware.

Section 4. Counterparts. This Amendment may be executed in counterparts, all of which together shall constitute an agreement binding on all the parties hereto, notwithstanding that all such parties are not signatories to the original or the same counterpart.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, this Amendment has been executed as of the date first written above.

GENERAL PARTNER:

U.S. Propane, L.P.

By: U.S. Propane, L.L.C.
its General Partner

By:_____
Ray C. Davis
Co-Chairman and Co-Chief Executive Officer

By:_____
Kelcy L. Warren
Co-Chairman and Co-Chief Executive Officer

LIMITED PARTNERS:

All Limited Partners now and hereafter admitted as limited partners of the Partnership, pursuant to Powers of Attorney now and hereafter executed in favor of, and granted and delivered to, the General Partner.

By: U.S. Propane, L.L.C., General Partner of U.S. Propane, L.P., General Partner, as attorney-in-fact for all Limited Partners pursuant to the Powers of Attorney granted pursuant to Section 2.6 of the Partnership Agreement.

By:_____
Ray C. Davis
Co-Chairman and Co-Chief Executive Officer

By:_____
Kelcy L. Warren
Co-Chairman and Co-Chief Executive Officer

EXHIBIT 3.2.3

AMENDMENT NO. 3
TO
AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP
OF
HERITAGE OPERATING, L.P.

This Amendment No. 3 (this "Amendment") to the Amended and Restated Agreement of Limited Partnership of Heritage Operating, L.P., a Delaware limited partnership (the "Partnership"), dated as of June 27, 1996 and amended as of August 10, 2000 and February 4, 2002 (as so amended, the "Partnership Agreement") is entered into effective as of January 15, 2004 by U.S. Propane, L.P., a Delaware limited partnership ("U.S. Propane"), as the general partner of the Partnership, and Heritage Propane Partners, L.P., a Delaware limited partnership (the "MLP"), as a limited partner of the Partnership. Capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Partnership Agreement.

RECITALS

WHEREAS, this Amendment has been approved by the requisite vote of the Partners of the Partnership and the MLP;

WHEREAS, the MLP and U.S. Propane have entered into a Contribution Agreement, dated as of November 6, 2003 (the "Contribution Agreement"), among the MLP, U.S. Propane and the parties named therein as Contributors, pursuant to which the Contributors have agreed, subject to the terms and conditions therein, to contribute certain interests owned by the Contributors to the MLP;

WHEREAS, in conjunction with the transactions required to be taken to accommodate the interests contributed to the MLP pursuant to the Contribution Agreement, the MLP, as the sole limited partner of the Partnership, and U.S. Propane, as the sole general partner of the Partnership, hereby desire to effect the actions taken herein;

WHEREAS, the MLP proposes to Transfer a .001% limited partner interest in the Partnership (the "New OLP Interest") to Heritage LP, Inc., a wholly owned Subsidiary of the MLP, and U.S. Propane, as the general partner of the Partnership, and the MLP, as the sole limited partner of the Partnership at the time of the Transfer, have consented to such Transfer and the admission of Heritage LP, Inc. as an Additional Limited Partner pursuant to the provisions of Section 7.3(a) and Section 10.4 of the Partnership Agreement;

WHEREAS, concurrently with the Transfer described above, U.S. Propane proposes to convert its 1.0101% general partner interest in the Partnership (the "General Partner Interest") into a 0.0% general partner interest (the "Retained General Partner Interest") and a 1.0101% limited partner interest in the Partnership (the "Transferred OLP Interest"), and the Partnership desires to cause such conversion;

WHEREAS, U.S. Propane, as the general partner of the Partnership, and the MLP, as the sole Limited Partner of the Partnership at the time of such conversion, have consented to the conversion of the General Partner Interest pursuant to the provisions of Section 4.2 and Section 4.3 of the Partnership Agreement;

WHEREAS, U.S. Propane proposes to Transfer the Transferred OLP Interest to the MLP, and U.S. Propane, as the general partner of the Partnership, and the MLP, as the sole limited partner of the Partnership at the time of the Transfer, have consented to the Transfer of the Transferred OLP Interest pursuant to the provisions of Section 4.3 of the Partnership Agreement;

WHEREAS, MLP proposes to Transfer its entire limited partner interest in the Partnership, consisting of a 99.999% limited partner interest in the Partnership (the "MLP OLP Interest") to Heritage ETC, L.P., a Delaware limited partnership ("New OLP"), and U.S. Propane, as the general partner of the Partnership, and the MLP, as the sole limited partner of the Partnership at the time of the Transfer, have consented to such Transfer and the admission of New OLP as an Additional Limited Partner pursuant to the provisions of Section 7.3(a) and Section 10.4 of the Partnership Agreement;

NOW, THEREFORE, the Partnership Agreement is hereby amended as follows:

SECTION 1. Conversion of the General Partner Interest. The provisions of Section 4.2 and Section 11.3 of the Partnership Agreement are hereby amended, to the extent applicable, to permit the conversion of the General Partner Interest into the Retained General Partner Interest and the Transferred OLP Interest, and, upon effectiveness of this Amendment, (i) the General Partner Interest shall be converted into the Retained General Partner Interest and the Transferred OLP Interest, (ii) the Capital Account with respect to the General Partner Interest shall Transfer in its entirety to the Transferred OLP Interest, and a new Capital Account shall be maintained with respect to the Retained General Partner Interest pursuant to Section 5.5 of the Partnership Agreement; (iii) the definition of "Percentage Interest" in Section 1.1 of the Partnership Agreement shall be amended to change "1.0101%" to "0.0%", and (iv) Section 5.3 of the Partnership Agreement shall be amended to delete the second and third sentences thereof and to add a new second sentence in replacement thereof that reads as follows: "The General Partner may, but shall not be obligated to, make additional Capital Contributions to the Partnership."

SECTION 2. Transfer of the New OLP Interest. The provisions of Section 4.3 of the Partnership Agreement are hereby amended to permit the Transfer of the New OLP Interest to Heritage LP, Inc., and, following such Transfer, Heritage LP, Inc. shall be admitted as an Additional Limited Partner pursuant to the provisions of Section 10.4 of the Partnership Agreement.

SECTION 3. Transfer of the Transferred OLP Interest. The provisions of Section 4.2, Section 4.3 and Section 11.3 of the Partnership Agreement are hereby amended to permit (i) the conversion of the General Partner Interest into the General Partner Interest and the Transferred OLP Interest and (ii) the Transfer of the Transferred OLP Interest to the MLP, in each case without compliance with the provisions thereof.

SECTION 4. Transfer of the MLP OLP Interest. The provisions of Section 4.3 of the Partnership Agreement are hereby amended to permit the Transfer of the MLP OLP Interest from MLP to New OLP and, following such Transfer, New OLP shall be admitted as an Additional Limited Partner with respect to the MLP OLP Interest pursuant to the provisions of Section 10.4 of the Partnership Agreement.

SECTION 5. Ratification of Partnership Agreement. Except as expressly modified and amended herein, all of the terms and conditions of the Partnership Agreement shall remain in full force and effect.

SECTION 6. Governing Law. This Amendment shall be construed in accordance with and governed by the laws of the State of Delaware, without regard to the principles of conflicts of law.

SECTION 7. Counterparts. This Amendment may be executed in counterparts, all of which together shall constitute an agreement binding on all the parties hereto, notwithstanding that all such parties are not signatories to the original or the same counterpart.

IN WITNESS WHEREOF, this Amendment has been executed as of the date first written above.

U.S. PROPANE, L.P.

By: U.S. Propane, L.L.C.
its general partner

By:_____
H. Michael Krimbill
President and Chief Executive Officer

LIMITED PARTNERS:

Heritage Propane Partners, L.P.

By: U.S. Propane, L.P.
its general partner

By: U.S. Propane, L.L.C.
its general partner

By:_____
H. Michael Krimbill
President and Chief Executive Officer

WHEREAS, U.S. Propane, as the general partner of the Partnership, and the MLP, as the sole Limited Partner of the Partnership at the time of such conversion, have consented to the conversion of the General Partner Interest pursuant to the provisions of Section 4.2 and Section 4.3 of the Partnership Agreement;

WHEREAS, U.S. Propane proposes to Transfer the Transferred OLP Interest to the MLP, and U.S. Propane, as the general partner of the Partnership, and the MLP, as the sole limited partner of the Partnership at the time of the Transfer, have consented to the Transfer of the Transferred OLP Interest pursuant to the provisions of Section 4.3 of the Partnership Agreement;

WHEREAS, MLP proposes to Transfer its entire limited partner interest in the Partnership, consisting of a 99.999% limited partner interest in the Partnership (the "MLP OLP Interest") to Heritage ETC, L.P., a Delaware limited partnership ("New OLP"), and U.S. Propane, as the general partner of the Partnership, and the MLP, as the sole limited partner of the Partnership at the time of the Transfer, have consented to such Transfer and the admission of New OLP as an Additional Limited Partner pursuant to the provisions of Section 7.3(a) and Section 10.4 of the Partnership Agreement;

NOW, THEREFORE, the Partnership Agreement is hereby amended as follows:

SECTION 1. Conversion of the General Partner Interest. The provisions of Section 4.2 and Section 11.3 of the Partnership Agreement are hereby amended, to the extent applicable, to permit the conversion of the General Partner Interest into the Retained General Partner Interest and the Transferred OLP Interest, and, upon effectiveness of this Amendment, (i) the General Partner Interest shall be converted into the Retained General Partner Interest and the Transferred OLP Interest, (ii) the Capital Account with respect to the General Partner Interest shall Transfer in its entirety to the Transferred OLP Interest, and a new Capital Account shall be maintained with respect to the Retained General Partner Interest pursuant to Section 5.5 of the Partnership Agreement; (iii) the definition of "Percentage Interest" in Section 1.1 of the Partnership Agreement shall be amended to change "1.0101%" to "0.0%", and (iv) Section 5.3 of the Partnership Agreement shall be amended to delete the second and third sentences thereof and to add a new second sentence in replacement thereof that reads as follows: "The General Partner may, but shall not be obligated to, make additional Capital Contributions to the Partnership."

SECTION 2. Transfer of the New OLP Interest. The provisions of Section 4.3 of the Partnership Agreement are hereby amended to permit the Transfer of the New OLP Interest to Heritage LP, Inc., and, following such Transfer, Heritage LP, Inc. shall be admitted as an Additional Limited Partner pursuant to the provisions of Section 10.4 of the Partnership Agreement.

SECTION 3. Transfer of the Transferred OLP Interest. The provisions of Section 4.2, Section 4.3 and Section 11.3 of the Partnership Agreement are hereby amended to permit (i) the conversion of the General Partner Interest into the General Partner Interest and the Transferred OLP Interest and (ii) the Transfer of the Transferred OLP Interest to the MLP, in each case without compliance with the provisions thereof.

EXHIBIT 4.2

UNITHOLDER RIGHTS AGREEMENT

BY AND AMONG

HERITAGE PROPANE PARTNERS, L.P.,

HERITAGE HOLDINGS, INC.,

TAAP LP

AND

LA GRANGE ENERGY, L.P.

JANUARY 20, 2004

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UNITHOLDER RIGHTS AGREEMENT

This Unitholder Rights Agreement (the "Agreement") is made and entered into as of January 20, 2004, by and between Heritage Propane Partners, L.P., a Delaware limited partnership (the "Issuer"), Heritage Holdings, Inc., a Delaware corporation ("HHI"), TAAP LP, a Delaware limited partnership ("NewLP") and La Grange Energy, L.P., a Texas limited partnership ("Acquirer").

RECITALS

WHEREAS, HHI currently owns 4,426,916 Common Units (as defined below);

WHEREAS, U.S. Propane, L.P., a Delaware limited partnership ("U.S. Propane"), is the general partner of the Issuer and currently owns 180,028 Common Units;

WHEREAS, TECO Propane Ventures, LLC, a Delaware limited liability company ("TECO"), AGL Propane Services, Inc. and AGL Energy Corporation, each a Delaware corporation (collectively, "AGL"), Piedmont Propane Company, a North Carolina corporation ("Piedmont"), and United Cities Propane Gas, Inc., a Tennessee corporation ("United"), collectively own, directly or indirectly, 100% of the partner interests in U.S. Propane;

WHEREAS, TECO, AGL, Piedmont and United (collectively, the "Utilities") have entered into an Acquisition Agreement, dated as of November 6, 2003 (the "Acquisition Agreement"), with U.S. Propane, U.S. Propane, L.L.C., a Delaware limited liability company, and Acquirer pursuant to which it is contemplated that Acquirer will acquire 100% of the partner interests in U.S. Propane and 100% of the member interests in U.S. Propane, L.L.C.;

WHEREAS, the Issuer and Acquirer have entered into a Contribution Agreement, dated as of November 6, 2003 (the "Contribution Agreement"), pursuant to which specified mid-stream assets of Acquirer and certain of its subsidiaries would be contributed to the Issuer, the Issuer would pay Acquirer as consideration therefor cash, Common Units, Class D Units and Special Units;

WHEREAS, the Utilities have entered into a Stock Purchase Agreement, dated as of November 6, 2003 (the "Stock Purchase Agreement"), with the Issuer pursuant to which the Issuer shall acquire all of the outstanding capital stock of HHI and the Issuer would pay cash and deliver a promissory note (the "Note") as consideration therefore, and the payment under the Note shall be secured by a pledge of 4,426,916 Class E Units, such Class E Units, and any Common Units into which such Class E Units are converted pursuant to the Partnership Agreement, (the "Pledged Units") owned by HHI (the "Pledge Agreement");

WHEREAS, prior to the closing under the Acquisition Agreement, U.S. Propane will transfer to NewLP, among other things, all right, title and interest of U.S. Propane to the 180,028 Common Units currently owned by U.S. Propane;

WHEREAS, the obligations of Acquirer to consummate the transactions contemplated by the Contribution Agreement are subject to the satisfaction of the conditions to the consummation

of the transactions contemplated by the Acquisition Agreement and the Stock Purchase Agreement; and

WHEREAS, it is a condition to the consummation of the transactions contemplated by the Acquisition Agreement that the Issuer and the other parties hereto execute and deliver this Agreement.

NOW, THEREFORE, the parties hereto hereby agree as follows:

ARTICLE 1
DEFINITIONS

Section 1.1 Definitions.

As used in this Agreement, the following terms shall have the following meanings:

"Acquirer Demand Registration" shall have the meaning assigned to such term in Section 2.2(a).

"Acquirer Holders" means Acquirer and any person or entity who is assigned rights under this Agreement as permitted by Section 5.8 hereof.

"Acquirer Maximum Demand Registration Quantity" shall have the meaning assigned to such term in Section 2.1(a).

"Acquirer Permitted Interruption" is defined in Section 2.2(g) of this Agreement.

"Acquirer Registrable Units" means (i) any Common Units purchased by Acquirer on the date hereof pursuant to the terms of the Contribution Agreement (including any Common Units issued upon conversion of the Class D Units and the Special Units issued pursuant to the Contribution Agreement), (ii) any Common Units contributed to Acquirer on or prior to the date of this Agreement, (iii) any Common Units held by an Acquirer Holder who is assigned rights under this Agreement pursuant to Section 5.8 hereof, and (iii) any Common Units or other securities issued or issuable with respect to the Acquirer Registrable Units referred to in clause (i) or (ii) above by way of a Common Unit distribution or Common Unit split, in connection with a combination of Common Units or in connection with any recapitalization, merger, consolidation or other reorganization of the Issuer. As to any particular Acquirer Registrable Units, such Acquirer Registrable Units shall cease to be Acquirer Registrable Units upon the earliest to occur of the following events: (i) a Registration Statement covering such Acquirer Registrable Units has been declared effective by the Commission and such Acquirer Registrable Units being disposed of in accordance with such effective Registration Statement, (ii) such Acquirer Registrable Units are eligible for sale to the public pursuant to Rule 144 (or any similar provision then in force) under the Securities Act without being subject to the volume and manner of sale restrictions contained therein, (iii) such Acquirer Registrable Units have been otherwise transferred by such Acquirer Holder and new certificates for such securities not bearing a legend restricting further transfer have been delivered by the Issuer or its transfer agent and the subsequent disposition of such securities do not require registration or qualification under the

Securities Act or any similar state law then in force, or (iv) such Acquirer Registrable Units cease to be Outstanding for purposes of the Partnership Agreement.

"Acquisition Agreement" is defined in the Recitals to this Agreement.

"Agreement" is defined in the introductory paragraph to this Agreement.

"Blue Sky Filing" is defined in Section 2.11(a) of this Agreement.

"Blue Sky Laws" means the state securities laws or "blue sky" laws of the states and territories of the United States.

"Business Day" means a day that is not a Saturday, a Sunday, or a day on which banking institutions in New York, New York are required to be closed.

"Class D Units" means the Class D Units representing limited partner interests of the Issuer, the terms of which are set forth in Amendment No. 5 to the Partnership Agreement.

"Commission" means the Securities and Exchange Commission.

"Common Units" has the meaning specified in the Partnership Agreement.

"Contribution Agreement" is defined in the Recitals to this Agreement.

"Demand Registration" means any of a HHI Demand Registration or an Acquirer Demand Registration.

"Effective Time" is defined in Article 4 of this Agreement.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Commission promulgated thereunder.

"General Partner" means the Person serving as the general partner of the Issuer at the time the determination is made.

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

"HHI Demand Registration" shall have the meaning assigned to such term in Section 2.1(a) hereof.

"HHI Holders" means HHI and any person or entity who is assigned (or it deemed to have been assigned) rights under this Agreement by HHI or an assignee thereof as permitted by Section 5.8 hereof.

"HHI Maximum Demand Registration Quantity" shall have the meaning assigned to such term in Section 2.1(a) hereof.

"HHI Permitted Interruption" is defined in Section 2.1(g) of this Agreement.

"HHI Registrable Units" means (i) any Common Units owned by HHI on the date hereof, (ii) any Common Units held by an HHI Holder who is assigned rights under this Agreement pursuant to Section 5.8 hereof, (iii) any Common Units acquired by NewLP (or its successor or assign) pursuant to the Pledge Agreement, and (iv) any Common Units or other securities issued or issuable with respect to the HHI Registrable Units referred to in clause (i), (ii) or (iii) above by way of a Common Unit distribution or Common Unit split, in connection with a combination of Common Units or in connection with any recapitalization, merger, consolidation or other reorganization of the Issuer. As to any particular HHI Registrable Units, such HHI Registrable Units shall cease to be HHI Registrable Units upon the earliest to occur of the following events: (i) a Registration Statement covering such HHI Registrable Units has been declared effective by the Commission and such HHI Registrable Units being disposed of in accordance with such effective Registration Statement, (ii) such HHI Registrable Units are eligible for sale to the public pursuant to Rule 144 (or any similar provision then in force) under the Securities Act without being subject to the volume and manner of sale restrictions contained therein, (iii) such HHI Registrable Units have been otherwise transferred by such HHI Holder and new certificates for such securities not bearing a legend restricting further transfer have been delivered by the Issuer or its transfer agent and the subsequent disposition of such securities do not require registration or qualification under the Securities Act or any similar state law then in force, or (iv) such HHI Registrable Units cease to be Outstanding for purposes of the Partnership Agreement.

"Holders" means the HHI Holders and the Acquirer Holders.

"Issuer" is defined in the introductory paragraph to this Agreement.

"Issuer Registration" means any registration of Common Units for sale under the Securities Act by the Issuer excluding registrations for Common Units to be issued in connection with any employee benefit plan or a merger, consolidation or other business combination registered on Form S-4 or Form S-8 (or any successor form thereto).

"NewLP" is defined in the preamble to this Agreement and includes any person or entity who is assigned rights of NewLP under this Agreement as permitted by Section 5.8 of this Agreement.

"NewLP Common Units" means 180,028 Common Units owned by NewLP as of the date of this Agreement.

"NewLP Permitted Interruption" is defined in Section 2.3(b) of this Agreement.

"Officer's Certificate" means a certificate signed by the Chief Executive Officer of the Issuer.

"Outstanding" means, with respect to Units of any class, all Units of such class that are issued by the Partnership and reflected as outstanding on the Partnership's books and records as of the date of determination.

"Partnership Agreement" means the Amended and Restated Agreement of Limited Partnership of the Issuer, as amended by Amendments No. 1, No. 2, No. 3, No. 4 and No. 5 thereto, and as same may be further amended from time to time pursuant to the terms thereof.

"Permitted Interruption" means an Acquirer Permitted Interruption, NewLP Permitted Interruption or HHI Permitted Interruption, as applicable.

"Person" means any individual, corporation, partnership, limited liability company, joint venture, association, joint stock company, trust, unincorporated organization or government (including any agency or political subdivision thereof).

"Piggyback Registration" is defined in Section 2.4 of this Agreement.

"Proceedings" means all proceedings, actions, claims, suits, investigations and inquiries by or before any arbitrator or Governmental Authority.

"Registrable Units" means the HHI Registrable Units and the Acquirer Registrable Units.

"Registration Expenses" is defined in Section 2.9(a) of this Agreement.

"Registration Statement" means any registration statement of the Issuer that covers any of the Registrable Units pursuant to the provisions of this Agreement, including the Prospectus, amendments and supplements to such registration statement, including post-effective amendments, all exhibits, and all material incorporated by reference or deemed to be incorporated by reference in such registration statement.

"Rule 144" means Rule 144 under the Securities Act, as such Rule may be amended from time to time, or any similar rule (other than Rule 144A) or regulation hereafter adopted by the Commission.

"Rule 144A" means Rule 144A under the Securities Act, as such Rule may be amended from time to time, or any similar rule (other than Rule 144) or regulation hereafter adopted by the Commission.

"Rule 415" means Rule 415 under the Securities Act, as such Rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the Commission.

"Securities Act" means the Securities Act of 1933, as amended, and the rules and regulations of the Commission promulgated thereunder.

"Six Month Anniversary" means the date that is six months from the Effective Time.

"Special Units" means the Special Units representing limited partner interests of the Issuer, the terms of which are set forth in Amendment No. 5 to the Partnership Agreement.

"2000 Registration Rights Agreement" means the Registration Rights Agreement, dated as of August 10, 2000, among the Issuer and the other parties named therein.

"Unitholders" means holders of limited partnership interests of the Issuer.

"Units" means Common Units and any other securities issued or issuable with respect to Common Units by way of a Common Unit distribution or Common Unit split, in connection with a Common Unit contribution or in connection with any recapitalization, merger, consolidation or other reorganization.

ARTICLE 2
REGISTRATION RIGHTS

Section 2.1 Demand Registrations of HHI Holders.

(a) General. Subject to the restrictions on demand registrations set forth in Section 2.1(g) hereof, upon the written request of any of the HHI Holders that the Issuer effect the registration under the Securities Act of not less than 500,000 HHI Registrable Units (or, if the HHI Holders collectively own less than 500,000 HHI Registrable Units, not less than 250,000 HHI Registrable Units; (as such numbers are appropriately adjusted to reflect any Unit split, Unit dividend or Unit combination) and specifying the intended method of disposition thereof, which request may be submitted at any time commencing on or after the Effective Time, the Issuer will give prompt written notice of such request to all other Holders and to all other Persons, if any, who have contractual rights to request that any of their shares of Units be piggybacked onto any registration form proposed to be used to register the Registrable Units so requested by such HHI Holder(s), and thereupon the Issuer will, subject to the provisions of this Agreement, use its reasonable commercial efforts to include in the registration under the Securities Act the following:

(i) the HHI Registrable Units which such HHI Holder(s) have requested the Issuer to register pursuant to the request made in accordance with the provisions above; and

(ii) all other HHI Registrable Units which the Holders thereof have requested in writing that the Issuer register, provided, that such request (A) specifies the intended method of disposition of such Registrable Units and (B) is given to the Issuer within 15 days after the receipt of the aforesaid written notice by the Issuer;

(iii) all other Registrable Units which the other Holders have requested in writing that the Issuer register, provided, that such request (A) specifies the intended method of disposition of such Registrable Units and (B) is given to the Issuer within 15 days after the receipt of the aforesaid written notice by the Issuer; and, provided further, that the other Holders shall have no right to include other Registrable Units in the registration if such registration is the first HHI Demand Registration; and

(iv) all other Units which Persons having contractual registration rights with respect to such Units have requested in writing that the Issuer register, provided, that such

request (A) specifies the intended method of disposition of such Units and (B) is given to the Issuer within 15 days after the receipt of the aforesaid written notice by the Issuer;

all to the extent requisite to permit the intended disposition of the HHI Registrable Units and other Units of the Issuer to be so registered; provided, however, that the aggregate maximum number of HHI Registrable Units that the Issuer shall be obligated to register pursuant to any individual registration requested pursuant to this Section 2.1(a) (referred to herein as a "HHI Demand Registration") shall be 1,000,000 Common Units (as such number is appropriately adjusted to reflect any Unit split, Unit dividend or Unit combination)(the "HHI Maximum Demand Registration Quantity").

(b) Number of Demand Registrations. Subject to the provisions of Section 2.1(a) hereof, the HHI Holders shall be entitled to request a total of three Demand Registrations; provided, that the HHI Holders shall not be entitled to request a HHI Demand Registration pursuant to Section 2.1(a) more than once in any 12-month period; and further provided, that if NewLP (or its successor(s) or assign(s)) succeeds to ownership of any of the HHI Registrable Units pursuant to the Pledge Agreement, NewLP (or its successor(s) or assign(s), as the case may be) shall have the right as an HHI Holder to request a total of two Demand Registrations (provided that any request pursuant to this proviso by NewLP (or its successor(s) or assign(s)) shall, notwithstanding any other provision of this Agreement, not be subject to any maximum number of Common Units and not more than one such Demand Registration may be requested in any 12-month period.

(c) Registration of Other Securities. Whenever the Issuer shall effect a HHI Demand Registration pursuant to Section 2.1(a) hereof in connection with a proposed underwritten offering of HHI Registrable Units owned by any of the HHI Holders, no securities other than Common Units shall be included among the securities covered by such registration unless (i) the managing underwriter(s) of such offering shall have advised the Issuer in writing that the inclusion of such other securities would not adversely affect the marketing of the HHI Registrable Units requested to be included therein pursuant to clauses (i) and (ii) of Section 2.1(a) or (ii) any HHI Holder(s) requesting such registration shall have consented in writing to the inclusion of such other securities.

(d) Registration Statement Form. An HHI Demand Registration shall be on such appropriate registration form of the Commission (i) as shall be selected by the Issuer and shall be acceptable to the HHI Holders and (ii) as shall permit the disposition of such HHI Registrable Units in accordance with the intended method or methods of disposition specified in the HHI Holders' request for such registration, which may include a filing subject to Rule 415. The Issuer agrees to include in any such registration statement all information with respect to the HHI Holders that, in the opinion of counsel to the HHI Holders or counsel to the Issuer, is required to be included.

(e) Effective Registration Statement. A registration requested pursuant to Section 2.1(a) hereof shall not be deemed to have been effected and will not be considered a HHI Demand Registration which may be requested pursuant to this Agreement if (i) a registration statement with respect thereto has not become effective under the Securities Act or if the request for the HHI Demand Registration is withdrawn prior to effectiveness, (ii) after it has become

effective, either (A) it does not remain effective for a period of at least 90 days (unless the HHI Registrable Units registered thereunder have been sold or disposed of prior to the expiration of such 90-day period) or (B) such registration is interfered with by any stop order, injunction or other order or requirement of the Commission or other governmental agency or court for any reason and has not thereafter become effective (iii) the conditions to closing specified in any underwriting agreement entered into in connection with such registration are not satisfied or waived other than solely by reason of the failure or refusal of any HHI Holder to satisfy or perform a condition to such closing or (iv) the HHI Holder(s) are not able to register all of the HHI Registrable Units requested to be included in such HHI Demand Registration in compliance with the provisions of Section 2.1(a) or Section 2.1(b). In any event, the Issuer shall pay all Registration Expenses (as defined below) in connection with any such registration initiated but deemed not effected in accordance with the immediately preceding sentence.

(f) Priority on Demand Registrations. With respect to any HHI Demand Registration that is proposed to involve an underwritten offering as the intended method of disposition of HHI Registrable Units as specified in the request for such registration, if the managing underwriter(s) of such proposed underwritten offering advise the Issuer in writing that in their opinion the number of Units proposed to be included in any such proposed underwritten offering exceeds the number of Units which can reasonably be underwritten and sold in such offering without adversely affecting the marketing of the HHI Registrable Units requested to be included therein pursuant to clauses (i) and (ii) of Section 2.1(a) (taking into account the intended method of disposition, the quantity of HHI Registrable Units requested to be included in such registration by the HHI Holder(s), the proposed timing of such offering and such other factors as such managing underwriter(s) deem appropriate), the Issuer shall advise the HHI Holders of the underwriters' advice and, if the Persons who requested registration under clauses (i) and (ii) of Section 2.1(a) elect to proceed with the offering, the Issuer shall include in such registration only the number of Units, if any, held by parties other than the HHI Holders which in the opinion of such managing underwriter(s) can be reasonably underwritten and sold without adversely affecting the marketing of the HHI Registrable Units, and such number of Units shall be allocated among the HHI Holders, the other Holders and such other Persons requesting registration of their Units pursuant to contractual registration rights so as to include (i) first, the HHI Registrable Units requested to be included therein by any of the HHI Holders up to but not to exceed the HHI Maximum Demand Registration Quantity (allocated among all HHI Holders requesting to include HHI Registrable Units in such registration in proportion, as nearly as practicable, to the number of HHI Registrable Units requested by each such Person to be included in such registration; (ii) second, if any Person entitled to "piggyback" registration rights under the 2000 Registration Rights Agreement has requested to include Units in such registration pursuant to clause (iv) of Section 2.1(a), the Units so requested to be included; (iii) third, the Registrable Units requested to be included in such registration pursuant to clause (iii) of Section 2.1(a) (allocated among all such Holders requesting to include Registrable Units in the registration in proportion, as nearly as practicable, to the number of Registrable Units requested by each such Holder to be included in such registration); and (iv) fourth, other Units requested to be included in such registration pursuant to clause (iv) of Section 2.1(a) (allocated among all Persons requesting to include Units in the registration in proportion, as nearly as practicable, to the number of Units requested by each such Person to be included in such registration).

(g) Restrictions on Demand Registrations. The Issuer may postpone (such postponement is referred to herein as a "HHI Permitted Interruption") for a reasonable period of time (not to exceed 90 days in any 12-month period) the filing or the effectiveness of a registration statement for a HHI Demand Registration (including a "shelf" registration statement filed on Form S-3 in conjunction with Rule 415) if, at the time it receives a request for such registration (i) the Issuer is conducting or is about to conduct an offering of Units and the Issuer is advised by the investment banking firm engaged by the Issuer to conduct the offering that such offering would be affected adversely by the registration so demanded and the Issuer furnishes an Officer's Certificate to that effect or (ii) the General Partner shall determine in good faith that such offering will interfere with a pending or contemplated financing, merger, acquisition, sale of assets, recapitalization or other similar corporate action of the Issuer and the Issuer furnishes an Officer's Certificate to that effect. Until the expiration of such HHI Permitted Interruption, the Issuer shall not file or permit the effectiveness of a registration statement for a demand registration on behalf of Holders other than the HHI Holders. After such HHI Permitted Interruption, the Issuer shall effect such registration as promptly as practicable without further request from the HHI Holders unless such request has been withdrawn.

(h) Selection of Underwriters. The HHI Holders who have requested a Demand Registration pursuant to clauses (i) and (ii) of Section 2.1(a), shall have the right to select such managing underwriter(s) as shall be reasonably acceptable to the Issuer to administer the offering of the HHI Registrable Units, as the case may be, for which an HHI Demand Registration is requested. The HHI Holders shall, in their sole discretion, negotiate the terms of the underwriters' fees and expenses, the underwriting discount and commission and the transfer taxes.

Section 2.2 Demand Registrations of Acquirer Holders.

(a) General. Subject to the restrictions on demand registrations set forth in Section 2.2(g) hereof, upon the written request of the Acquirer Holders of not less than 50% of the Acquirer Registrable Units then outstanding that the Issuer effect the registration under the Securities Act of not less than 500,000 Acquirer Registrable Units (as such number is appropriately adjusted to reflect any Unit split, Unit dividend or Unit combination) and specifying the intended method of disposition thereof, which request may be submitted at any time commencing on or after the Six Month Anniversary, the Issuer will give prompt written notice of such request to all other Holders and to all other Persons, if any, who have contractual rights to request that any of their shares of Units be piggybacked onto any registration form proposed to be used to register the Registrable Units so requested by the Acquirer Holders, and thereupon the Issuer will, subject to the provisions of this Agreement, use its reasonable commercial efforts to include in the registration under the Securities Act the following:

(i) the Acquirer Registrable Units which the Acquirer Holders have requested the Issuer to register pursuant to the request made in accordance with the provisions above;

(ii) all other Acquirer Registrable Units which the Acquirer Holders have requested in writing that the Issuer register, provided, that such request (A) specifies the

intended method of disposition of such Acquirer Registrable Units and (B) is given to the Issuer within 15 days after the receipt of the aforesaid written notice by the Issuer;

(iii) all other Registrable Units which the other Holders have requested in writing that the Issuer register, provided, that such request (A) specifies the intended method of disposition of such Acquirer Registrable Units and (B) is given to the Issuer within 15 days after the receipt of the aforesaid written notice by the Issuer; provided further, that the other Holders shall have no right to include other Registrable Units in the registration if such registration is the first Acquirer Demand Registration; and

(iv) all other Units which Persons having contractual registration rights with respect to such Units have requested in writing that the Issuer register, provided, that such request (A) specifies the intended method of disposition of such Units and (B) is given to the Issuer within 15 days after the receipt of the aforesaid written notice by the Issuer;

all to the extent requisite to permit the intended disposition of the Acquirer Registrable Units and other equity securities of the Issuer to be so registered; provided, however, that the aggregate maximum number of Acquirer Registrable Units that the Issuer shall be obligated to register pursuant to any registration requested by the Acquirer Holders pursuant to this Section 2.2(a) (referred to herein as a "Acquirer Demand Registration") shall be 1,000,000 Common Units (as such number is appropriately adjusted to reflect any Unit split, Unit dividend or Unit combination) (the "Acquirer Maximum Demand Registration Quantity").

(b) Number of Demand Registrations. Subject to the provisions of Section 2.2(a) hereof, the Acquirer Holders shall be entitled to request three Demand Registrations; provided, that the Acquirer Holders shall not be entitled to request an Acquirer Demand Registration pursuant to Section 2.2(a) more than once in any 12-month period.

(c) Registration of Other Securities. Whenever the Issuer shall effect an Acquirer Demand Registration pursuant to Section 2.2(a) hereof in connection with a proposed underwritten offering of Acquirer Registrable Units owned by Acquirer Holders, no securities other than Common Units shall be included among the securities covered by such registration unless (i) the managing underwriter(s) of such offering shall have advised the Issuer in writing that the inclusion of such other securities would not adversely affect the marketing of the Acquirer Registrable Units requested to be included therein pursuant to clauses (i) and (ii) of Section 2.2(a) or (ii) the Acquirer Holders shall have consented in writing to the inclusion of such other securities.

(d) Registration Statement Form. An Acquirer Demand Registration shall be on such appropriate registration form of the Commission (i) as shall be selected by the Issuer and shall be acceptable to the Acquirer Holders whose Acquirer Registrable Units are to be included therein and (ii) as shall permit the disposition of such Acquirer Registrable Units in accordance with the intended method or methods of disposition specified in the Acquirer Holders' request for such registration, which may include a filing subject to Rule 415. The Issuer agrees to include in any such registration statement all information with respect to the Acquirer Holders whose Acquirer Registrable Units are to be included therein that, in the opinion of counsel to the Acquirer Holders or counsel to the Issuer, is required to be included.

(e) Effective Registration Statement. A registration requested pursuant to Section 2.2(a) hereof shall not be deemed to have been effected and will not be considered a Acquirer Demand Registration which may be requested pursuant to this Agreement if (i) a registration statement with respect thereto has not become effective under the Securities Act or if the request for the Acquirer Demand Registration is withdrawn prior to effectiveness, (ii) after it has become effective, either (A) it does not remain effective for a period of at least 90 days (unless the Acquirer Registrable Units registered thereunder have been sold or disposed of prior to the expiration of such 90-day period) or (B) such registration is interfered with by any stop order, injunction or other order or requirement of the Commission or other Governmental Authority or court for any reason and has not thereafter become effective or (iii) the conditions to closing specified in any underwriting agreement entered into in connection with such registration are not satisfied or waived other than solely by reason of the failure or refusal of any Acquirer Holder to satisfy or perform a condition to such closing. In any event, the Issuer shall pay all Registration Expenses (as defined below) in connection with any such registration initiated but deemed not effected in accordance with the immediately preceding sentence.

(f) Priority on Demand Registrations. With respect to any Acquirer Demand Registration that is proposed to involve an underwritten offering as the intended method of disposition of Acquirer Registrable Units as specified in the Acquirer Holders' request, if the managing underwriter(s) of such proposed underwritten offering advise the Issuer in writing that in their opinion the number of Units proposed to be included in any such proposed underwritten offering exceeds the number of Units which can reasonably be underwritten and sold in such offering without adversely affecting the marketing of the Acquirer Registrable Units requested to be included therein pursuant to clauses (i) and (ii) of Section 2.2(a) (taking into account the intended method of disposition, the quantity of Acquirer Registrable Units requested to be included in such registration by the Acquirer Holders, the proposed timing of such offering and such other factors as such managing underwriter(s) deem appropriate), the Issuer shall advise the Acquirer Holders of the underwriters' advice and, if the Acquirer Holders elect to proceed with the offering, the Issuer shall include in such registration only the number of Units, if any, held by parties other than the Acquirer Holders which in the opinion of such managing underwriter(s) can be reasonably underwritten and sold without adversely affecting the marketing of the Acquirer Registrable Units, and such number of Units shall be allocated among the Acquirer Holders, the other Holders and such other Persons requesting registration of their Units pursuant to contractual registration rights so as to include (i) first, the Acquirer Registrable Units requested to be included therein by the Acquirer Holders up to but not to exceed the Acquirer Maximum Demand Registration Quantity (allocated among all Acquirer Holders requesting to include Acquirer Registrable Units in the underwriting in proportion, as nearly as practicable, to the number of Acquirer Registrable Units requested by each such Acquirer Holder to be included in such registration); (ii) second, if any Person entitled to "piggyback" registration rights under the 2000 Registration Rights Agreement has requested to include Units in such registration pursuant to clause (iv) of Section 2.2(a), the Units so requested to be included; (iii) third, the Registrable Units requested to be included in such registration pursuant to clause (iii) of Section 2.2(a) (allocated among all such Holders requesting to include Registrable Units in the registration in proportion, as nearly as practicable, to the number of Registrable Units requested by each such Holder to be included in such registration); and (iv) fourth, other Units requested to be included in such registration pursuant to clause (iv) of Section 2.2(a) (allocated among all

Persons requesting to include Units in the underwriting in proportion, as nearly as practicable, to the number of Units requested by each such Person to be included in such registration).

(g) Restrictions on Demand Registrations. The Issuer may postpone (such postponement is referred to herein as an "Acquirer Permitted Interruption") for a reasonable period of time the filing or the effectiveness of a registration statement for an Acquirer Demand Registration (including a "shelf" registration statement filed on Form S-3 in conjunction with Rule 415) if, at the time it receives a request for such registration (i) the Issuer is engaged in any active program for repurchase of Units and furnishes an Officer's Certificate to that effect, (ii) the Issuer is conducting or is about to conduct an offering of Units and the Issuer is advised by the investment banking firm engaged by the Issuer to conduct the offering that such offering would be affected adversely by the registration so demanded and the Issuer furnishes an Officer's Certificate to that effect or (iii) the General Partner shall determine in good faith that such offering will interfere with a pending or contemplated financing, merger, acquisition, sale of assets, recapitalization or other similar corporate action of the Issuer and the Issuer furnishes an Officer's Certificate to that effect. Until the expiration of such Acquirer Permitted Interruption, the Issuer shall not file or permit the effectiveness of a registration statement for a demand registration on behalf of Holders other than the Acquirer Holders. After such Acquirer Permitted Interruption, the Issuer shall effect such registration as promptly as practicable without further request from the Acquirer Holders unless such request has been withdrawn.

(h) Selection of Underwriters. The Acquirer Holders who have requested a Demand Registration pursuant to clauses (i) and (ii) of Section 2.21(a) shall have the right to select such managing underwriter(s) as shall be reasonably acceptable to the Issuer to administer the offering of the Acquirer Registrable Units for which an Acquirer Demand Registration is requested. The Acquirer Holders shall, in their sole discretion, negotiate the terms of the underwriters' fees and expenses, the underwriting discount and commission and the transfer taxes.

Section 2.3 Shelf Registration Rights of NewLP.

(a) General. The Issuer shall cause its Registration Statement on Form S-3 in conjunction with Rule 415 (Registration No. 333-107324), which was declared effective under the Securities Act by the Commission on November 6, 2003 (the "Shelf Registration Statement"), to remain effective at all times under the Securities Act for a period of at least 150 days after the Effective Time (unless the NewLP Common Units registered thereunder have been sold or disposed of prior to the expiration of such 150-day period), so that NewLP may utilize such Shelf Registration Statement with respect to the NewLP Common Units (a "NewLP Shelf Registration"). Notwithstanding anything herein to the contrary, such 150-day period shall be extended by the duration of each NewLP Permitted Interruption. As soon as practicable following the 150th day (as same may be extended in accordance with the immediately preceding sentence) after the Effective Time, the Issuer and NewLP shall take such action as is necessary to cause the Shelf Registration Statement to be amended to (i) withdraw the NewLP Common Units from the Shelf Registration Statement and (ii) cause NewLP to cease to be a "selling unitholder" thereunder, and NewLP shall have no further rights with respect to registration of the NewLP Common Units by the Issuer under the Securities Act.

(b) Restrictions on NewLP Registration. The Issuer may postpone (such postponement is referred to herein as a "NewLP Permitted Interruption") for a reasonable period of time (not to exceed 150 days in any 12-month period) the filing or the effectiveness of a registration statement or any necessary supplement to the prospectus thereunder for a NewLP Shelf Registration if, at the time it receives a request for such registration (i) the Issuer is conducting or about to conduct an offering of Units and the Issuer is advised by the investment banking firm engaged by the Issuer to conduct the offering that such offering would be affected adversely by the registration so demanded and the Issuer furnishes an Officer's Certificate to that effect or (ii) the General Partner shall determine in good faith that such offering will interfere with a pending or contemplated financing, merger, acquisition, sale of assets, recapitalization or other similar corporate action of the Issuer and the Issuer furnishes an Officer's Certificate to that effect. Until the expiration of such NewLP Permitted Interruption, the Issuer shall not file or permit the effectiveness of a registration statement for a demand registration on behalf of Holders. After such NewLP Permitted Interruption, the Issuer shall effect such registration as promptly as practicable without further request from NewLP unless such request has been withdrawn.

Section 2.4 Piggyback Registrations.

(a) General. If, at any time commencing at the Effective Time, (i) the Issuer proposes to register any Common Units for sale under the Securities Act (including any registration of Common Units pursuant to the exercise of contractual registration rights by Persons other than the Holders but excluding registrations for Common Units to be issued in connection with any employee benefit plan or a merger, consolidation or other business combination registered on Form S-4 or Form S-8 (or any successor form thereto)) and (ii) the registration form to be used may be used for the registration of Registrable Units (a "Piggyback Registration"), the Issuer shall give prompt written notice (in any event within 10 business days after its receipt of notice of any exercise of other registration rights) to the Holders of its intention to effect such a registration and shall include in such registration, subject to the limitations set forth in this Section 2.4, all of the Registrable Units with respect to which the Issuer receives from the Holders a written request for inclusion therein within 10 days after the Holders' receipt of the Issuer's notice (5 days if the Issuer gives telephonic notice to the Holders, with written confirmation to follow promptly thereafter via overnight delivery, stating that (i) such registration will be on Form S-3 (or any successor form) and (ii) such shorter period of time is required because of a planned filing date), which request shall specify the number of the Registrable Units proposed to be disposed of by such Holder and the intended method of disposition thereof. If the Issuer elects, prior to effectiveness, not to proceed with a primary registration of its Common Units, it shall not be obligated to register any Registrable Units.

(b) Priority on Primary Registrations. If a Piggyback Registration relates to an Issuer Registration and the managing underwriter(s) of such offering advise the Issuer in writing that in their opinion the number of Units requested to be included in such offering exceeds the number which can reasonably be sold in such offering without adversely affecting the marketing of the Units intended to be sold by the Issuer (taking into account the intended method of disposition, the quantity of Units desired to be offered and sold by the Issuer in such offering, the proposed timing of the offering and such other factors as such managing underwriter(s) deem appropriate), then the Issuer shall include in such registration only the

number of Units, if any, held by parties other than the Issuer which in the opinion of such managing underwriter(s) can be reasonably underwritten and sold without adversely affecting the marketing of the Units proposed to be sold by the Issuer, and such number of Units shall be allocated among the Issuer, the Holders and such other Persons requesting registration of their Units pursuant to contractual registration rights so as to include (i) first, the Units that the Issuer proposes to sell; (ii) second, in the event that any Person entitled to "piggyback" registration rights under the 2000 Registration Rights Agreement has requested to include Units in such registration pursuant to Section 2.4(a), the Units so requested to be included; (iii) third, Registrable Units requested to be included in such registration pursuant to Section 2.4(a) by the Holders (with the Registrable Units to be so included in such registration to be allocated among the Holders requesting to include their Registrable Units in such proportion, as nearly as practicable, to the number of Registrable Units requested by each such Holder to be included in such registration; (iv) fourth, Units requested to be included in such registration by other Persons having contractual registration rights (with Units allocated for purposes of this clause (iv) among such other Persons in proportion, as nearly as practicable, to the number of Units requested by each such person to be included in such registration), and; (iv) among such other Persons in proportion, as nearly as practicable, to the number of Units requested by each such Person to be included in such registration). If the managing underwriter(s) of such offering subsequently advises the Issuer in writing that the number of Units which can be reasonably underwritten and sold without adversely affecting the marketing of the Units intended to be sold by the Issuer exceeds the number of Units initially included in the registration, the Issuer shall include in the registration such number of additional Units that the managing underwriter(s) advise can be reasonably underwritten and sold without adversely affecting the marketing of the Units intended to be sold by the Issuer, and such additional Units shall be allocated among the Issuer, the Holders and such other Persons requesting registration of their Units in the same manner as specified above in this Section 3(b) as if such additional Units had been included initially in the registration.

(c) Priority on Secondary Registrations. If a Piggyback Registration relates to a proposed underwritten secondary offering of Units on behalf of holders of the Issuer's securities other than the Holders and the managing underwriter(s) of such offering advise the Issuer in writing that in their opinion the number of securities requested to be included in such registration exceeds the number which can reasonably be underwritten and sold in such offering without adversely affecting the marketing of the Units proposed to be sold by the Unitholders exercising demand registration rights (taking into account the intended method of disposition, the quantity of Units desired to be sold by such Unitholders in such offering, the proposed timing of such offering and such other factors as such managing underwriter(s) deem appropriate), then the Issuer shall include in such registration only the number of Units, if any, held by parties other than the Unitholders of the Issuer exercising demand registration rights which in the opinion of such managing underwriter(s) can be reasonably underwritten and sold without adversely affecting the marketing of the Units proposed to be sold by the Unitholders exercising demand registration rights, and such number of Units shall be allocated among the Issuer, the Holders and such other Persons requesting registration of their Units so as to include (i) first, if such registration is being made on behalf of other Unitholders of the Issuer exercising demand registration rights, then the securities so requested to be included therein in accordance with such demand registration rights; (ii) second, if any Person entitled to "piggyback" registration rights under the 2000 Registration Rights Agreement has requested to include Units in such registration

pursuant to Section 2.4(a), the Units so requested to be included; (iii) third, Registrable Units requested to be included in such registration pursuant to Section 2.4(a) by the Holders (with the Registrable Units to be so included in such registration to be allocated among the Holders requesting to include their Registrable Units in such proportion, as nearly as practicable, to the number of Registrable Units requested by each such Holder to be included in such registration), and; (iv) fourth, the Units requested to be included in such registration by other Persons having contractual registration rights (with Units allocated for purposes of this clause (iv) among such Persons in proportion, as nearly as practicable, to the number of Units requested by each such Person to be included in such registration). If the managing underwriter of such offering subsequently advises the Issuer in writing that the number of Units which can be sold exceeds the number of Units initially included in the registration, the Issuer shall include in the registration such number of additional Units that the managing underwriter(s) advise can be reasonably underwritten and sold without adversely affecting the marketing of the Units proposed to be sold by the Unitholders exercising demand registration rights, and such additional Units shall be allocated among the Issuer, the Holders and such other Persons requesting registration of their Units in the same manner as specified above in this Section 2.4(c) as if such additional Units had been included initially in the registration.

(d) Other Registrations. If (i) the Issuer has previously filed a registration statement with respect to any of the Registrable Units pursuant to any of Sections 2.1(a), 2.2(a) or 2.3(a) hereof and (ii) such previous registration has not been withdrawn or abandoned, the Issuer shall not file or cause to be effective any other registration of any of its equity securities or securities convertible or exchangeable into or exercisable for its equity securities under the Securities Act (except on Form S-8 or S-4 or any successor form), whether on its own behalf or at the request of any holder or holders of such securities, until a period of at least 90 days has elapsed from the effective date of such previous registration; provided, however, that this Section 2.4(d) shall not prohibit (i) the Issuer from filing a "shelf" registration statement on Form S-3 in conjunction with Rule 415 (or any other registration form that is available for use in conjunction with Rule 415) with respect to offerings of securities from time to time under Rule 415 or (ii) the Issuer or any selling Unitholder from making any offering of securities thereunder, in either event during the 90-day period referred to above in this Section 2.4(d).

(e) Piggyback Not A Demand Registration. If the Holder's participation in a registration is pursuant to a Piggyback Registration in connection with an underwritten primary registration on behalf of the Issuer as described in any of Section 2.4(a) hereof, then such participation by the Holders shall not count as a Demand Registration of the Holders permitted under Sections 2.1(a), 2.2(a) or 2.3(a) hereof.

Section 2.5 General.

(a) Holdback Agreements. Each of the Holders agrees not to effect any public sale or public distribution of equity securities of the Issuer, or any securities convertible into or exchangeable or exercisable for equity securities of the Issuer, including, without limitation, sales pursuant to Rule 144 (or any similar rule then in effect), during the 10 days prior to, and the 90 days beginning on, the effective date of any Issuer Registration, Demand Registration or any Piggyback Registration relating to an underwritten offering in which Units or securities of the Issuer convertible into or exchangeable for Common Units are included (except as part of such underwritten registration) unless the underwriters managing the underwritten offering otherwise agree.

(b) Agreement by the Issuer. The Issuer agrees not to effect any public sale or distribution of its equity securities, or any securities convertible into or exchangeable or exercisable for its equity securities, during the 10 days prior to and during the 90 days beginning on the effective date of any underwritten Demand Registration or any underwritten Piggyback Registration in which shares of Registrable Units are included unless the underwriters managing the registered public offering otherwise agree.

(c) Registration Procedures. Whenever a Holder requests registration pursuant to this Agreement, the Issuer shall use its reasonable commercial efforts to effect the registration of Registrable Units for which registration is requested in accordance with the intended method of disposition thereof, and pursuant thereto the Issuer shall as expeditiously as possible:

(i) prepare and file with the Commission a registration statement with respect to such securities and use its reasonable commercial efforts to cause such registration statement to become effective as soon thereafter as possible;

(ii) prepare and file with the Commission such amendments and supplements to such registration statement and the prospectus used in connection therewith as may be necessary to keep such registration statement effective for a period of not less than 90 days after such registration statement has become effective under the Securities Act, provided, that the Issuer shall have no obligation pursuant to this Agreement to maintain the effectiveness of such registration statement after the sale of the securities registered thereunder or after the 90th day following the date such registration statement has become effective under the Securities Act (other than a "shelf" registration statement filed on Form S-3, the effectiveness of which shall be maintained until the earlier to occur of (A) the sale of the securities requested thereunder and (B) the 365th day following the date such shelf registration statement has become effective under the Securities Act, provided, that if a Permitted Interruption prior to such date has lasted more than 45 days, then such date shall be extended by the number of days by which any Permitted Interruption has lasted more than 45 days) the date the Holders of Registrable Securities registered for sale thereunder agree that the effectiveness need not be maintained), and shall comply with the provisions of the Securities Act with respect to the disposition of all securities owned by the Holder that are covered by such registration statement during such period in accordance with the intended methods of disposition by the Holder;

(iii) furnish to such Holder such number of copies of such registration statement, each amendment and supplement thereto, the prospectus included in such registration statement (including each preliminary prospectus) and such other documents as the Holder may request in order to facilitate the disposition of the shares of Registrable Units owned by such Holder;

(iv) use its reasonable commercial efforts to register or qualify such shares of Registrable Units under such other securities or Blue Sky Laws of such jurisdictions as such Holder reasonably requests (provided, that the Issuer will not be required to (A) qualify generally to do business in any jurisdiction where it would not otherwise be required to qualify but for this sub-clause (iv), (B) subject itself to taxation in any such jurisdiction or (C) consent to general service of process in such jurisdiction);

(v) provide a transfer agent and registrar for all such Registrable Units no later than the effective date of such registration statement;

(vi) obtain a "cold comfort" letter from the Issuer's independent public accountants in customary form, covering such matters of the type customarily covered by "cold comfort" letters delivered to underwriters; and obtain an opinion of counsel for the Issuer in customary form, covering such matters of the type customarily covered in opinions of legal counsel delivered to underwriters;

(vii) if underwriters are engaged in connection with any registration referred to in this Agreement, the Issuer shall provide indemnification, representations, covenants, opinions, and other assurances to the underwriters in form and substance reasonably satisfactory to such underwriter;

(viii) notify such Holder and the managing underwriters, if any, promptly, and (if requested by any such Person) confirm such advice in writing, (A) when a prospectus or any prospectus supplement or post-effective amendment has been filed, and, with respect to a registration statement or any post-effective amendment, when the same has become effective, (B) of any request by the Commission for amendments or supplements to a registration statement or related prospectus or for additional information, (C) of the issuance by the Commission of any stop order suspending the effectiveness of a registration statement or the initiation of any proceedings for that purpose, (D) of the receipt by the Issuer of any notification with respect to the suspension of the qualification of any of the registrable securities for sale in any jurisdiction or the initiation or threatening of any proceeding for such purpose, (E) of the happening of any event which requires the making of any changes in a registration statement or related prospectus so that such documents will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading, in light of the circumstances under which such statements are made, and (F) of the Issuer's reasonable determination that a post-effective amendment to a registration statement would be required;

(ix) notify such Holder at any time when a prospectus relating thereto is required to be delivered under the Securities Act, of the occurrence of any event as a result of which the prospectus included in such registration statement contains an untrue statement of a

material fact or omits any fact necessary to make the statements therein not misleading, in light of the circumstances under which such statements were made, and, at the request of such Holder, the Issuer shall prepare a supplement or amendment to such prospectus so that, as thereafter delivered to the purchasers of such shares such amended or supplemented prospectus shall not contain an untrue statement of a material fact or omit to state any fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(x) if requested by the managing underwriters or such Holder, incorporate in a prospectus supplement or post-effective amendment such information as the managing underwriter(s) and such Holder agree should be included therein relating to the sale and distribution of Registrable Units, including, without limitation, information with respect to the number of Registrable Units being sold to such underwriters, the purchase price being paid therefor by such underwriters and with respect to any other terms of the underwritten (or best efforts underwritten) offering of the Registrable Units to be sold in such offering; make all required filings of such prospectus supplement or post-effective amendment as soon as notified of the matters to be incorporated in such prospectus supplement or post-effective amendment; and supplement or make amendments to any registration statement if requested by such Holder or any underwriter of such shares;

(xi) furnish to such Holder and each managing underwriter, without charge, such signed copies of the registration statement or statements and any post-effective amendment thereto, including financial statements and schedules, all documents incorporated therein by reference and all exhibits (including those incorporated by reference) as such Holder or managing underwriter may reasonably request;

(xii) cooperate with such Holder and the managing underwriter(s), if any, to facilitate the timely preparation and delivery of certificates representing shares to be sold and not bearing any restrictive legends unless required by applicable law; and enable such shares to be in such denominations and registered in such names as the managing underwriter(s) may request at least two business days prior to any sale of shares to the underwriters;

(xiii) in the case of an underwritten offering, enter into such customary agreements (including underwriting agreements in customary form) and take all such other actions as such Holder or the underwriter(s), if any, reasonably request in order to expedite or facilitate the disposition of such Registrable Units; and

(xiv) make available for inspection by such Holder, any underwriter participating in any disposition pursuant to such registration statement, and any attorney, accountant or other agent retained by any such seller or underwriter, all financial and other records, pertinent corporate documents and properties of the Issuer, and cause the Issuer's officers, directors, employees and independent accountants to supply all information reasonably requested by any such seller, underwriter, attorney, accountant or agent in connection with such registration statement.

Section 2.6 Issuer Reports. The Issuer shall timely file all reports required to be filed by it under the Securities Act and the Exchange Act and the General Rules and Regulations promulgated by the Commission thereunder, and take such further reasonable action as may be

necessary or appropriate for the Issuer to use Form S-2 or S-3 (or any similar registration form hereafter adopted by the Commission) to register the Registrable Units for sale thereon.

Section 2.7 Information To Be Furnished By The Holders. In connection with any registration of Registrable Units hereunder, the Issuer may require the Holder(s) whose securities are being registered to furnish the Issuer with such information regarding such Holder and the distribution of such Registrable Units as the Issuer may from time to time reasonably request in writing in order to comply with the Securities Act. Each such Holder agrees to notify the Issuer as promptly as practicable of any inaccuracy or change in information previously furnished to the Issuer or of the occurrence of any event in either case as a result of which any prospectus relating to such registration contains untrue statements of a material fact regarding such Holder or the distribution of such Registrable Units or omits to state any material fact regarding such Holder or the distribution of such Registrable Units or omits to state any material fact regarding such Holder or the distribution of such Registrable Units required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances under which such statements were made, and to promptly furnish to the Issuer any additional information required to correct and update any previously furnished information or required such that such prospectus shall not contain, with respect to such Holder or the distribution of such Registrable Units, an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances under which such statements are made.

Section 2.8 Suspension Of Offering Pending Prospectus Supplement Or Amendment. Each of the Holders agrees that, upon receipt of any notice from the Issuer of the occurrence of any event of the kind described in Section 2.5(c)(viii)(B), (C), (D), (E) or (F) hereof, such Holder will forthwith discontinue disposition of the Registrable Units covered by such registration statement or prospectus until such Holder's receipt of the copies of the supplemented or amended prospectus relating to such registration statement or prospectus, or until it is advised in writing by the Issuer that the use of the applicable prospectus may be resumed, and has received copies of any additional or supplemental filings which are incorporated by reference in such prospectus, and, if so directed by the Issuer, such Holder will deliver to the Issuer all copies, other than permanent file copies then in such Holder's possession, of the prospectus covering the Registrable Units current at the time of receipt of such notice.

Section 2.9 Registration Expenses.

(a) General. All expenses incident to the Issuer's performance and execution of Demand Registrations or Piggyback Registrations, and the Issuer's performance of or compliance with this Agreement, including, without limitation, all registration and filing fees, fees and expenses of compliance with securities or Blue Sky Laws, expenses and fees for listing the securities on the appropriate securities exchanges, all internal expenses, the expense of any annual audit or quarterly review, printing expenses, messenger and delivery expenses, fees and disbursements of counsel for the Issuer and all independent certified public accountants (including the expenses of any special audit and "cold comfort" letters required by or incident to such performance), and fees and costs of underwriters (excluding discounts and commissions and fees of underwriters, selling brokers, dealer managers or similar securities industry professionals relating to the distribution of the Registrable Units) and other Persons retained by the Issuer (all such expenses being herein called "Registration Expenses"), shall be borne by the Issuer.

(b) Payment for Holder Counsel Fees. In connection with any Demand, Registration or Piggyback Registration, each of the Holders will be responsible for the fees and disbursements of any law firm or law firms chosen by such Holders to represent them.

(c) Payment of Expenses by the Holders. Each of the Holders agrees to pay the underwriters' fees and expenses, the underwriters' discounts and commissions and the commissions and fees, if any, payable in respect of selling brokers, dealer managers or similar securities industry professionals, and transfer taxes allocable to the registration of such Holder's securities so included in any Demand Registration or Piggyback Registration pursuant to this Agreement.

Section 2.10 Underwritten Offerings.

(a) Underwriting Agreement. In any underwritten offering by a Holder pursuant to a registration requested under any of Sections 2.1(a), 2.2(a) or 2.3(a) or 2.4(a) hereof, the Issuer shall enter into an underwriting agreement which shall be reasonably satisfactory in form and substance to such Holder and the underwriters and which shall contain representations, warranties and agreements (including indemnification agreements to the effect and consistent with that provided in Section 2.11 hereof) as are customarily included by an issuer in underwriting agreements with respect to primary distributions. Each of the Holders whose Registrable Units are included in any registration shall be a party to such underwriting agreement and may, at its option, require that any or all of the representations and warranties by, and the other agreements on the part of, the Issuer to and for the benefit of such underwriters shall also be made to and for the benefit of such Holder and that any or all of the conditions precedent to the obligations of such underwriters under such underwriting agreement be conditions precedent to the obligations of such Holder.

(b) Condition to Participation and Qualifications to Obligations Under Registration Covenants. The obligations of the Issuer to use its reasonable commercial efforts to cause the Registrable Units to be registered under the Securities Act are subject to each of the conditions that none of the Holders may participate in any underwritten offering hereunder

unless such Holder (a) agrees to sell the Registrable Units on the basis provided in any underwriting arrangements approved by the Persons entitled hereunder to approve such arrangements and (b) completes and executes all questionnaires, powers of attorney, indemnities, underwriting agreements and other documents required under the terms of such underwriting arrangements.

Section 2.11 Indemnification.

(a) By the Issuer. In the event of any registration of any Registrable Units under the Securities Act, the Issuer will, and hereby does, indemnify and hold harmless, to the fullest extent permitted by law, each Holder whose Registrable Units are included therein, its directors and officers, each other Person who participates as an underwriter in the offering or sale of such securities and each other Person, if any, who controls such seller or any such underwriter within the meaning of the Securities Act, against any and all losses, claims, damages, liabilities and expenses, joint or several, (or actions or proceedings, whether commenced or threatened, in respect thereof) to which they or any of them may become subject under the Securities Act or any other statute or common law, including any amount paid in settlement of any litigation, commenced or threatened, and to reimburse them for any legal or other expenses incurred by them in connection with investigating any claims and defending any actions, insofar as any such losses, claims, damages, liabilities, expenses or actions arise out of or are based upon (i) any untrue statement or alleged untrue statement of a material fact contained in the registration statement relating to the sale of such securities or any post-effective amendment thereto or in any filing made in connection with the qualification of the offering under Blue Sky or other securities laws or jurisdictions in which the Registrable Units are offered ("Blue Sky Filing"), or the omission or alleged omission to state therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading or (ii) any untrue statement or alleged untrue statement of a material fact contained in any preliminary prospectus, if used prior to the effective date of such registration statement (unless such statement is corrected in the final prospectus and the Issuer has previously furnished copies thereof to each of such Holders and the underwriters), or contained in the final prospectus (as amended or supplemented if the Issuer shall have filed with the Commission, and furnished to such Holders and the underwriters of such offering copies thereof, prior to the written confirmation of any sale to the Person asserting liability, any amendment thereof or supplement thereto) if used within the period during which the Issuer is required to keep the registration statement to which such prospectus relates current, or the omission or alleged omission to state therein (if so used) a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading; provided, however, that the indemnification agreement contained herein shall not (i) apply to such losses, claims, damages, liabilities, expenses or actions arising out of, or based upon, any such untrue statement or alleged untrue statement, or any such omission or alleged omission, if such statement or omission was made in reliance upon and in conformity with information furnished to the Issuer by any of the Holders or such underwriter specifically for use in connection with preparation of the registration statement, any preliminary prospectus or final prospectus contained in the registration statement, any such amendment or supplement thereto or any Blue Sky Filing or (ii) inure to the benefit of any underwriter or any Person controlling such underwriter, to the extent that any such loss, claim, damage, liability (or action or proceeding in respect thereof) or expense arises out of such Person's failure to send or give a copy of the final prospectus, as the same may be then

supplemented or amended, to the Person asserting an untrue statement or alleged untrue statement or omission or alleged omission at or prior to the written confirmation of the sale of Registrable Units to such Person if such statement or omission was corrected in such final prospectus. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of such seller or any such director, officer or controlling Person and shall survive the transfer of such securities by such seller.

(b) By the Holders. The Issuer may require, as a condition to including any Registrable Units in any registration statement filed pursuant to any of Sections 2.1, 2.2, 2.3 or 2.4 hereof, that the Issuer shall have received an undertaking satisfactory to it from each of the Holders whose Registrable Units are to be included therein, to indemnify and hold harmless (in the same manner and to the same extent as set forth in Section 2.11(a) hereof) the Issuer, its General Partner, each director of the General Partner, each officer of the General Partner and each other Person, if any, who controls the Issuer within the meaning of the Securities Act, with respect to any untrue statement or alleged untrue statement in, or omission or alleged omission from, such registration statement, any preliminary prospectus or final prospectus contained therein, or any amendment or supplement thereto, if such statement or omission was made in reliance upon and in conformity with information furnished to the Issuer by such Holder specifically for use in the preparation of such registration statement, preliminary prospectus, final prospectus, amendment or supplement. Such indemnity shall remain in full force and effect, regardless of any investigation made by or on behalf of the Issuer or any such director, officer or controlling Person and shall survive the transfer of such securities by such seller.

(c) Notices of Claims, etc. Promptly after receipt by an indemnified party of notice of the commencement of any action or proceeding involving a claim referred to in Sections 2.11(a) or 2.11(b) hereof, such indemnified party will, if a claim in respect thereof is to be made against an indemnifying party, give written notice to the latter of the commencement of such action, provided, that the failure of any indemnified party to give notice as provided herein shall not relieve the indemnifying party of its obligations under Sections 2.11(a) or 2.11(b) hereof, as the case may be, except to the extent that the indemnifying party is actually prejudiced by such failure to give notice. In case any such action is brought against an indemnified party, the indemnifying party shall be entitled to participate in and, unless in such indemnified party's reasonable judgment a conflict of interest between such indemnified and indemnifying parties may exist in respect of such claim, to assume the defense thereof, jointly with any other indemnifying party similarly notified to the extent that it may wish, with counsel reasonably satisfactory to such indemnified party, and after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party shall not be liable to such indemnified party for any legal or other expenses subsequently incurred by the latter in connection with the defense thereof other than reasonable costs of investigation. In the event that the indemnifying party advises an indemnified party that it will contest a claim for indemnification hereunder, or fails, within 30 days of receipt of any indemnification notice to notify, in writing, such Person of its election to defend, settle or compromise, at its sole cost and expense, any action, proceeding or claim (or discontinues its defense at any time after it commences such defense), then the indemnified party may, at its option, defend, settle or otherwise compromise or pay such action or claim. In any event, unless and until the indemnifying party elects in writing to assume and does so assume the defense of any such claim, proceeding or action, the indemnified party's costs and expenses arising out of the

defense, settlement or compromise of any such action, claim or proceeding shall be losses subject to indemnification hereunder. The indemnified party shall cooperate fully with the indemnifying party in connection with any negotiation or defense of any such action or claim by the indemnifying party and shall furnish to the indemnifying party all information reasonably available to the indemnified party which relates to such action or claim. The indemnifying party shall keep the indemnified party fully apprised at all times as to the status of the defense or any settlement negotiations with respect thereto. If the indemnifying party elects to defend any such action or claim, then the indemnified party shall be entitled to participate in such defense with counsel of its choice at its sole cost and expense. If the indemnifying party does not assume such defense, the indemnified party shall keep the indemnifying party apprised at all times as to the status of the defense; provided, however, that the failure to keep the indemnifying party so informed shall not affect the obligations of the indemnifying party hereunder. No indemnifying party shall be liable for any settlement of any action, claim or proceeding effected without its written consent; provided, however, that the indemnifying party shall not unreasonably withhold, delay or condition its consent. No indemnifying party shall, without the consent of the indemnified party, consent to entry of any judgment or enter into any settlement which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such indemnified party of a release from all liability in respect to such claim or litigation.

(d) Contribution. If the indemnification provided for in or pursuant to Sections 2.11(a) or 2.11(b) hereof is due in accordance with the terms thereof, but is held by a court to be unavailable or unenforceable in respect of any losses, claims, damages, liabilities or expenses referred to therein, then each applicable indemnifying party, in lieu of indemnifying such indemnified party, shall contribute to the amount paid or payable by such indemnified Person as a result of such losses, claims, damages, liabilities or expenses in such proportion as is appropriate to reflect the relative fault of the indemnifying party on the one hand and of the indemnified party on the other in connection with the statements or omissions which resulted in such losses, claims, damages, liabilities or expenses as well as the relative benefits received by the indemnifying party on the one hand and of the relative benefits of the indemnified party on the other hand. The relative fault of the indemnifying party on the one hand and of the indemnified Person on the other shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the indemnifying party or by the indemnified party, by such party's relative intent, knowledge, access to information and opportunity to correct or prevent such statement, or omission. The relative benefits of the indemnifying party and the indemnified party shall be determined by reference to, among other things, the net proceeds received by each such party from the offering and sale of Units.

ARTICLE 3
EXCLUSIVITY AND WAIVER OF REGISTRATION RIGHTS

NewLP hereby acknowledges and agrees that the rights granted to NewLP pursuant to this Agreement are the sole and exclusive rights of NewLP with respect to the registration of NewLP Common Units and HHI Registrable Units. If NewLP succeeds to ownership of any of the HHI Registrable Units pursuant to the terms of the Pledge Agreement, Acquirer hereby agrees to waive and relinquish, for itself and on behalf of their Affiliates, all rights of Acquirer

and their Affiliates under Section 7.13 of the Partnership Agreement and this Agreement until such time as the Pledged Units are no longer HHI Registrable Units.

ARTICLE 4
EFFECTIVE TIME AND TERM OF THIS AGREEMENT

This Agreement will be effective for all purposes as of the closing of the transactions effected pursuant to the Contribution Agreement (the "Effective Time") and will continue in full force and effect until the first to occur of (i) the fifth anniversary of the Effective Time and (ii) the date that all of the Holders shall have sold or otherwise disposed of all right, title and interest in their Registrable Units in compliance with applicable law and the applicable terms and provisions of this Agreement, provided, however, that no such termination shall affect the waiver under Article 3 hereof which shall continue in full force and effect thereafter. This Agreement will terminate and be of no further force or effect upon any termination of the Contribution Agreement.

ARTICLE 5
MISCELLANEOUS

Section 5.1 Specific Enforcement. Each party acknowledges and agrees that the other party could be irreparably damaged in the event any of the provisions of this Agreement were not performed by the party required to perform the same in accordance with their specific terms or were otherwise breached. Each party accordingly agrees that the other party shall be entitled to an injunction or injunctions to prevent breaches of the provisions of this Agreement and to specifically enforce the terms and provisions thereof in any court of the United States or any state thereof having jurisdiction, in addition to any remedy to which a party may be entitled at law or equity.

Section 5.2 Severability. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the remainder of the terms, provisions, covenants and restrictions shall remain in full force and effect and shall in no way be affected, impaired or invalidated. It is hereby stipulated and declared to be the intention of the parties that they would have executed the remaining terms, provisions, covenants and restrictions without including any of such which may be hereafter declared invalid, void or unenforceable.

Section 5.3 Amendments. This Agreement contains the entire understanding of the parties with respect to the registration of Registrable Units, and may be amended only by an agreement in writing signed by (i) the Issuer, (ii) if any HHI Registrable Units then remain outstanding, a majority of the HHI Registrable Units and (iii) if any Acquirer Registrable Units then remain outstanding, a majority of the Acquirer Registrable Units. The provisions of Section 2.3 of this Agreement may be amended only by an agreement signed in writing by the Issuer and NewLP. Notwithstanding the consent requirements set forth in the previous sentence, a waiver or consent to depart from the provisions hereof with respect to a matter that relates exclusively to the rights of Holders of Registrable Units whose securities are being sold pursuant to a registration statement and that does not directly or indirectly affect, impair, limit or compromise the rights of other Holders of Registrable Units may be given by Holders of at least a majority in

aggregate number of the Registrable Units being tendered or being sold by such Holders pursuant to such registration statement and, provided further, that no such modification, amendment or waiver under this sentence may treat any Holder more adversely than any other Holder without such Holder's written consent.

Section 5.4 Descriptive Headings. Descriptive headings are for convenience only and shall not control or affect the meaning or construction of any provision of this Agreement.

Section 5.5 Counterparts. For the convenience of the parties, any number of counterparts of this Agreement may be executed by one or more parties hereto and each such executed counterpart shall be, and shall be deemed to be, an original instrument.

Section 5.6 Notices. All notices, consents, requests, instructions, approvals and other communications provided for herein and all legal process in regard hereto shall be validly given, made or served, if in writing and delivered personally, by facsimile transmission (except for legal process) or sent by registered mail, postage prepaid, to the Holders at the addresses set forth on the signature pages hereto (or at such other addresses as shall be specified by any such Holder by like notice) or to any of the other Parties at the addresses (or at such other addresses as shall be specified by the Parties by like notice) set forth below:

(a) If to NewLP:

TAAP LP

_____
_____
Attention:_____
Facsimile:_____

with a copy to

Andrews Kurth LLP
600 Travis Street
Suite 4200
Houston, Texas 77002
Attention: G. Michael O'Leary
Facsimile: (713) 220-4285

(b) If to Acquirer:

c/o ETC Holdings, LP
2838 Woodside Street
Dallas, Texas
Attention: Clay Kutch
Facsimile: (214) 981-0701

with a copy to:

Thompson & Knight L.L.P.
1700 Pacific Avenue
Suite 3300
Dallas, Texas 75201
Attention: Jeffrey A. Zlotky
Facsimile: (214) 969-1751

(c) If to the Issuer or HHI:

Heritage Propane Partners, L.P.
8801 South Yale
Suite 310
Tulsa, Oklahoma 74137
(918) 492-7272
Attention: Michael Krimbill
Facsimile: (918) 493-7290

with a copy to:

Doerner, Saunders, Daniel & Anderson L.L.P.
320 South Boston Avenue
Suite 500
Tulsa, Oklahoma 74103
(918) 591-5207 Attention: Robert A.
Burk Facsimile: (918) 591-5360

and

Thompson & Knight L.L.P.
1700 Pacific Avenue
Suite 3300
Dallas, Texas 75201
Attention: Jeffrey A. Zlotky
Facsimile: (214) 969-1751

Notice given by facsimile shall be deemed delivered on the day the sender receives facsimile confirmation that such notice was received at the facsimile number of the addressee. Notice given by mail as set out above shall be deemed delivered three days after the date the same is postmarked.

Section 5.7 Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS. EACH OF THE PARTIES HERETO AGREES TO SUBMIT TO THE JURISDICTION OF

THE STATE OR FEDERAL COURTS OF THE STATE OF TEXAS IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT.

Section 5.8 Successors And Assigns. This Agreement shall inure to the benefit of and be binding upon the successors, assigns and transferees of each of the parties, including, without limitation and without the need for an express assignment, subsequent holders of the Registrable Units; provided, however, that nothing herein shall be deemed to permit any assignment, transfer or other disposition of Registrable Units in violation of the terms hereof or any other agreement to which the parties may be subject; and provided further, that Holders of Registrable Units may not assign their rights under this Agreement except in connection with a transfer of Registrable Units and then only insofar as relates to such Registrable Units. If any transferee of any Holder shall acquire Registrable Units, in any manner, whether by operation of law or otherwise, such Registrable Units shall be held subject to all of the terms of this Agreement, and by taking and holding such Registrable Units, such Person shall be conclusively deemed to have agreed to be bound by and to perform all of the terms and provisions of this Agreement, and such Person shall be entitled to receive the benefits hereof. If NewLP (or any of its successor(s) or assign(s)) succeeds to ownership of any of the HHI Registrable Units pursuant to the terms of the Pledge Agreement, HHI shall concurrently with the succession by NewLP (or such successor(s) or assign(s)) to ownership of such HHI Registrable Units be deemed to have assigned to NewLP (or such successor(s) or assign(s), as the case may be) its rights under this Agreement with respect to the Pledged Units then owned by NewLP pursuant to the terms of the Pledge Agreement and such units shall continue to be "HHI Registrable Units" and NewLP (or such successor(s) or assign(s), as the case may be) shall be an "HHI Holder" for all purposes under this Agreement as if it were originally named an HHI Holder herein.

Section 5.9 Entire Agreement. This Agreement, together with the schedules and exhibits hereto, constitutes the entire agreement among the parties hereto with respect to the subject matter hereof and supercedes all prior agreements, both written and oral, among the parties hereto with respect to the subject matter hereof.

IN WITNESS WHEREOF, the Issuer and HHI have caused this Agreement to be duly executed by their respective officers, each of whom is duly and validly authorized and empowered, all as of the day and year first above written.

HERITAGE PROPANE PARTNERS, L.P.

By: U.S. PROPANE, L.P.
ITS GENERAL PARTNER

By: U.S. PROPANE, L.L.C.
ITS GENERAL PARTNER

By:_____
Name:
Title:

HERITAGE HOLDINGS, INC.

By:_____
Name:
Title:

TAAP LP

By: TAAP GP LLC
ITS GENERAL PARTNER

By:_____
Name:
Title:

LA GRANGE ENERGY, L.P.

By: LE GP, LLC
ITS GENERAL PARTNER

By:_____
Name:
Title:

EXHIBIT 10.2.8

HERITAGE OPERATING, L.P.

SIXTH AMENDMENT AGREEMENT

Re: Note Purchase Agreement dated as of June 25, 1996
Note Purchase Agreement dated as of November 19, 1997
Note Purchase Agreement dated as of August 10, 2000

Dated as of
November 18, 2003

To each of the Holders named
in Schedule 1 to this Sixth
Amendment Agreement

Ladies and Gentlemen:

Reference is made to

(i) the Note Purchase Agreement dated as of June 25, 1996 (the "Original 1996 Agreement"), among Heritage Operating, L.P., a Delaware limited partnership (the "Company") and the Purchasers named in the Purchaser Schedule attached thereto, as amended by a letter agreement (the "Letter Agreement") dated July 25, 1996, a First Amendment Agreement (the "First Amendment Agreement") dated as of October 15, 1998, a Second Amendment Agreement (the "Second Amendment Agreement") dated as of September 1, 1999, a Third Amendment Agreement (the "Third Amendment Agreement") dated as of May 31, 2000, a Fourth Amendment Agreement (the "Fourth Amendment Agreement") dated as of August 10, 2000, and a Fifth Amendment Agreement (the "Fifth Amendment Agreement") dated as of December 28, 2000 (said Original 1996 Agreement, as amended by the Letter Agreement, the First Amendment Agreement, the Second Amendment Agreement, the Third Amendment Agreement, the Fourth Amendment Agreement and the Fifth Amendment Agreement, being hereinafter referred to as the "Outstanding 1996 Agreement") under and pursuant to which the Company issued, and there are presently outstanding, $96,000,000 aggregate principal amount of its 8.55% Senior Secured Notes due June 30, 2011 (the "1996 Notes"); and

(ii) the Note Purchase Agreement dated as of November 19, 1997 (the "Original 1997 Agreement"), among the Company and the Purchasers named in the Initial Purchaser Schedule attached thereto, as amended by the First Amendment Agreement dated as of October 15, 1998, a Second Amendment Agreement (the "Second Amendment Agreement") dated as of September 1, 1999, a Third Amendment Agreement

(the "Third Amendment Agreement") dated as of May 31, 2000, a Fourth Amendment Agreement (the "Fourth Amendment Agreement") dated August 10, 2000 and a Fifth Amendment Agreement (the "Fifth Amendment Agreement") dated as of December 28, 2000 (said Original 1997 Agreement, as so amended by the First Amendment Agreement, the Second Amendment Agreement, the Third Amendment Agreement, the Fourth Amendment Agreement and the Fifth Amendment Agreement, being hereinafter referred to as the "Amended Original 1997 Agreement"), under and pursuant to which the Company issued, and there are presently outstanding, $12,000,000 aggregate principal amount of its 7.17% Series A Senior Secured Notes due November 19, 2009 (the "Series A Notes") and $20,000,000 aggregate principal amount of its 7.26% Series B Senior Secured Notes due November 19, 2012 (the "Series B Notes"), as supplemented by the First Supplemental Note Purchase Agreement dated as of March 13, 1998 (the "First Supplemental Agreement") among the Company and the Purchasers named in the Supplemental Purchaser Schedule attached thereto, under and pursuant to which the Company issued, and there are presently outstanding, $2,142,857, aggregate principal amount of its 6.50% Series C Senior Secured Notes due March 13, 2007 (the "Series C Notes") (the Amended Original 1997 Agreement as supplemented by the First Supplemental Agreement is hereinafter sometimes referred to as the "Outstanding 1997 Agreement"); and

(iii) the Note Purchase Agreement dated as of August 10, 2000 (the "Original 2000 Agreement"), among the Company and the Purchasers named in the Initial Purchaser Schedule attached thereto, as amended by the Fifth Amendment Agreement (the "Fifth Amendment Agreement") dated as of December 28, 2000 (said Original 2000 Agreement, as so amended by the Fifth Amendment Agreement, being hereinafter referred to as the "Amended Original 2000 Agreement") under and pursuant to which the Company issued, and there are presently outstanding, (a) $12,800,000 aggregate principal amount of its 8.47% Series A Senior Secured Notes due August 15, 2007 (the "2000 Series A Notes"), (b) $32,000,000 aggregate principal amount of its 8.55% Series B Senior Secured Notes due August 15, 2010 (the "2000 Series B Notes"), (c) $27,000,000 aggregate principal amount of its 8.59% Series C Senior Secured Notes due August 15, 2010 (the "2000 Series C Notes"), (d) $58,000,000 aggregate principal amount of its 8.67% Series D Senior Secured Notes due August 15, 2012 (the "2000 Series D Notes"), (e) $7,000,000 aggregate principal amount of its 8.75% Series E Senior Secured Notes due August 15, 2015 (the "2000 Series E Notes"), (f) $40,000,000 aggregate principal amount of its 8.87% Series F Senior Secured Notes due August 15, 2020 (the "2000 Series F Notes")"), as supplemented by the First Supplemental Note Purchase Agreement dated as of May 24, 2001 (the "First Supplemental Agreement") among the Company and the Purchasers named in the Supplemental Purchaser Schedule attached thereto, under and pursuant to which the Company issued, and there are presently outstanding, (i) $19,000,000 aggregate principal amount of its 7.21% Series G Senior Secured Notes due May 15, 2008 (the "2001 Series G Notes"), (ii) $8,000,000 aggregate principal amount of its 7.89% Series H Senior Secured Notes due May 15, 2016 (the "2001 Series H Notes") and (iii) $16,000,000 aggregate principal amount to its 7.99% Series I Senior Secured Notes due May 15, 2013 (the "2001 Series I Notes") (the

Amended Original 2000 Agreement as supplemented by the First Supplemental Agreement is hereinafter sometimes referred to as the "Outstanding 2000 Agreement").

The Outstanding 1996 Agreement, the Outstanding 1997 Agreement and the Outstanding 2000 Agreement are hereinafter sometimes collectively referred to as the "Outstanding Agreements". The 1996 Notes, Series A Notes, Series B Notes, Series C Notes, Series D Notes, Series E Notes, 2000 Series A Notes, 2000 Series B Notes, 2000 Series C Notes, 2000 Series D Notes, 2000 Series E Notes, 2000 Series F Notes, 2001 Series G Notes, 2001 Series H Notes and 2001 Series I Notes are hereinafter sometimes collectively referred to as the "Outstanding Notes." Capitalized terms used herein without definition shall have the respective meanings assigned to such terms in the Outstanding Agreements.

The Company now desires to amend, waive and modify certain provisions of the Outstanding Agreements. You are the owner and holder of the Outstanding Notes set forth opposite your name on Schedule 1 hereto. The Company hereby requests that, from and after the satisfaction of each of the conditions to effectiveness set forth in Article III below, said amendments, waivers and modifications shall be deemed to have been given and said Outstanding Agreements shall be amended in the respects, but only in the respects, hereinafter set forth.

ARTICLE I
AMENDMENTS TO OUTSTANDING AGREEMENTS

I-A. Section 4 of each of the Outstanding Agreements is hereby amended by (i) inserting into the introduction paragraph thereof the phrase "and Section 4J (with respect to all Notes without regard to Series)" immediately following the phrase "and Section 4C (with respect to all Notes without regard to Series)" and (ii) inserting the following new Section 4J immediately following Section 4I thereof as follows (provided that with respect to the Outstanding 1996 Agreement, in addition to the foregoing, Section 4H shall be inserted as "[RESERVED]."):

"Section 4J. Contingent Payments on Cap Ex Difference. (i) By no later than the 30th day following the delivery of financial information pursuant to clause (ii) of Section 5A, if the Company has determined that Cap Ex Difference exists as of the last day of the then ended Fiscal Year of the Company, the Company will offer to prepay (at the price specified below and upon notice as provided in clause (ii) of this Section 4J) a principal amount of the outstanding Notes and other Parity Debt (other than Indebtedness permitted by Section 6B(ii)), if any, on a pro rata basis, in an amount equal to the Cap Ex Difference. Each offer to prepay the Notes pursuant to Section 4J(i) shall be made at a price equal to 100% of the principal amount of the Notes to be prepaid, plus interest thereon to the prepayment date plus the Yield-Maintenance Amount, if any, thereon.

(ii) If at any time there is Cap Ex Difference, the Company will give written notice as provided in Section 11I (which shall be in the form of an

Officer's Certificate) to the holders of the Notes not later than 30th day following the delivery of financial information pursuant to clause (ii) of Section 5A, stating that any holder failing to elect not to accept the offer shall be deemed to have accepted such offer and (a) setting forth in reasonable detail all calculations required to determine the amount of Cap Ex Difference and the amount of the Cap Ex Difference which is allocable to each Note (the "Cap Ex Allocable Proceeds"), determined by applying the Cap Ex Difference allocable to the Notes, pro rata among all Notes outstanding on the date such prepayment is to be made according to the aggregate then unpaid amounts of the Notes, and the Yield-Maintenance Amount, if any, and (b) stating that the Company irrevocably offers to prepay on the date specified in such notice, which shall not be less than 25 nor more than 45 days after the date of such notice, a principal amount of each outstanding Note equal to the amount of Cap Ex Difference allocated to such Note as described above, plus such Note's share of the Cap Ex Difference allocable to any other Note the holder of which elects on a timely basis not to accept the Company's offer (collectively, the "Cap Ex Non-Accepting Holders"). Such notice shall also indicate that any Cap Ex Accepting Holder that fails to elect not to accept the Cap Ex Pro Rata Option shall be deemed to have accepted such option as set forth below.

(iii) Each holder of a Note electing not to accept an offer to prepay given pursuant to this Section 4J shall make such election by notice delivered to the Company at least 10 days prior to the date of prepayment specified in the notice given by the Company pursuant to clause (ii) of this Section 4J. Each other holder of a Note (collectively, the "Cap Ex Accepting Holders") shall be deemed to accept the Company's offer to the extent of its Cap Ex Allocable Proceeds and shall be deemed to have accepted an agreement (the "Cap Ex Pro Rata Option") to have prepaid, in addition to the Cap Ex Allocable Proceeds allocable to such Note (up to the total Cap Ex Allocable Proceeds), all or any part of the balance of the principal amount of such Note using the Cap Ex Allocable Proceeds that would have been paid to the Cap Ex Non-Accepting Holders; provided that any Cap Ex Accepting Holder may elect not to agree to the Cap Ex Pro Rata Option by notice delivered to the Company at least 5 days prior to the date of prepayment specified in the notice given by the Company pursuant to clause (ii) of this Section 4J.

(iv) Upon receipt of all timely notices from Cap Ex Non-Accepting Holders and Cap Ex Accepting Holders pursuant to this Section 4J, the Company shall allocate the Cap Ex Allocable Proceeds and that portion of the Cap Ex Allocable Proceeds that had been allocated to the Notes of such Cap Ex Non-Accepting Holders among the Notes of Cap Ex Accepting Holders in proportion to the respective Cap Ex Allocable Proceeds allocable to the Notes of Cap Ex Accepting Holders (after giving effect to any Cap Ex Pro Rata Option). Where the portion of the Cap Ex Allocable Proceeds thus allocated to the Note of a Cap Ex Accepting Holder would exceed the maximum principal amount of such Note which such Cap Ex Accepting Holder has agreed to have prepaid (including,

without limitation, pursuant to a Cap Ex Pro Rata Option), such excess shall be allocated among the Notes of Cap Ex Accepting Holders who have agreed to accept prepayments (including, without limitation, pursuant to a Cap Ex Pro Rata Option) in amounts which still exceed the amount of prepayments previously allocated to them; and such allocation shall be repeated as many times as shall be necessary until (a) the Cap Ex Allocable Proceeds have been fully allocated or (b) it is no longer possible to allocate the Cap Ex Allocable Proceeds without exceeding the maximum principal amounts of Notes which all Cap Ex Accepting Holders respectively have agreed to have prepaid (including, without limitation, pursuant to all the Cap Ex Pro Rata Options).

(v) The principal amount of any Notes with respect to which an offer to prepay pursuant to this Section 4J has been made and not rejected shall become due and payable on the date specified in the notice of such offer given by the Company pursuant to clause (ii) of this Section 4J. It is understood that all Cap Ex Allocable Proceeds not applied to the prepayment of the Notes or to the payment of Parity Debt pursuant to this Section 4J shall be moneys of the Company and may be used by the Company in such ever manner determined by the Company and in accordance with this Agreement."

1-B. Section 5A(i) is hereby deleted in its entirety and the following shall be inserted in lieu thereof:

"(i) as soon as practicable and in any event within 50 days after the end of each quarterly period in each fiscal year, (a) consolidated statements of income, partners' capital and cash flows of the Company and its Subsidiaries for such quarterly period and (in the case of the second and third quarterly periods) for the period from the beginning of the current fiscal year to the end of such quarterly period, and consolidated balance sheets of the Company and its Subsidiaries as at the end of such quarterly period, setting forth in each case, in comparative form figures for the corresponding period in the preceding fiscal year, all in reasonable detail and satisfactory in form to the Required Holder(s) and certified by an authorized financial officer of the Company as presenting fairly, in all material respects, the information contained therein (except for the absence of footnotes and subject to changes resulting from normal year-end adjustments), in accordance with GAAP, and (b) a copy of the Quarterly Report on Form 10-Q of the Master Partnership for such quarterly period filed with the Commission;

1-C. Section 5A(ii) is hereby deleted in its entirety and the following shall be inserted in lieu thereof:

"(ii) as soon as practical and in any event within 95 days after the end of each fiscal year, (a) consolidated statements of income and cash flows and a consolidated statement of partners' capital (or stockholders' equity, as applicable) of the Company and its Subsidiaries for such year, and consolidated balance sheets of the Company and its Subsidiaries, as at the end of such year, setting

forth in each case, in comparative form corresponding consolidated figures from the preceding annual audit, all in reasonable detail and reported on by Grant Thornton LLP, or other independent public accountants of recognized national standing selected by the Company whose report shall be without limitation as to the scope of the audit, (b) consolidated statements of income and cash flows and a consolidated statement of partners' capital (or stockholders' equity, as applicable) of the Master Partnership and its Subsidiaries for such year, and consolidated balance sheets of the Master Partnership and its Subsidiaries, as at the end of such year, setting forth in each case, in comparative form corresponding consolidated figures from the preceding annual audit, all in reasonable detail and reported on by Grant Thornton LLP, or other independent public accountants of recognized national standing selected by the Master Partnership whose report shall be without limitation as to the scope of the audit (provided that such report shall not include within the scope of the audit the consolidating statements required by clause (c)); provided, however, that at any time when the Master Partnership 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 Master Partnership 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 (b) if all such statements required to be delivered pursuant to this clause (b) with respect to the Master Partnership and its Subsidiaries are included in such Form 10-K, or (c) consolidating statements of income and cash flows and a consolidating statement of partners' capital (or stockholders' equity, as applicable) of the Master Partnership and its Subsidiaries for such year, certified by an authorized financial officer of the Master Partnership as presenting fairly, in all material respects, the information contained therein, in accordance with GAAP (except for the absence of footnotes); provided, however, that at any time when the Master Partnership 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 Master Partnership 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 (c) if all such statements required to be delivered pursuant to this clause (c) with respect to the Master Partnership and its Subsidiaries are included in such Form 10-K;"

1-D. Section 5A(ix) is hereby amended by inserting the phrase ", Aggregate Available Cash and the Aggregate Partner Obligations, together with a calculation of the Company's Percentage of Aggregate Available Cash" immediately following the phrase "the amount of Available Cash".

1-E. Section 5A is hereby amended by (i) deleting the word "and" at the end of subsection (xi) thereof, (ii) deleting the "." at the end of subsection (xii) thereof and inserting in lieu thereof the phrase "; and" and (iii) inserting the following new subsection (xiii) immediately following subsection (xii) thereof as follows:

"(xiii) as soon as reasonably practicable, and in any event within 5 Business Days after a Responsible Officer obtains knowledge that the holder of any secured indebtedness or other indebtedness has given any notice to La Grange or any subsidiary thereof or taken any other action with respect to a claimed event of default or condition of the type referred to in Section 7A(xviii), a written statement of such Responsible Officer describing, to the best knowledge of such Responsible Officer, such notice or other action in reasonable detail and the action which La Grange has taken, is taking and proposes to take with respect thereto."

1-F. Section 5 of each of the Outstanding Agreements is hereby amended by inserting the following new Sections 5S, 5T and 5U immediately following Section 5R thereof as follows:

"Section 5S. Capital Expenditures. The Company will make Capital Expenditures during each Fiscal Year, beginning with its Fiscal Year ending on August 31, 2004, in an aggregate amount of not less than $20,000,000 in assets utilized in the Business (the "Minimum Cap Ex Funding Amount"); provided, however, that to the extent the Company does not make Capital Expenditures in each Fiscal Year in an amount equal to at least the Minimum Cap Ex Funding Amount, the Company will apply the difference (but only if the difference is positive and equals or exceeds $1,000,000) (the "Cap Ex Difference") between (i) the Minimum Cap Ex Funding Amount and (ii) the actual Capital Expenditures of the Company for that Fiscal Year in assets utilized in the Business, to the prepayment of outstanding Notes in accordance with Section 4J.

"Section 5T. Maintenance of Separateness. (i) The Company will:

(a) maintain books and records separate from those of any other Person, including any of its partnership interest holders or any Affiliate or Subsidiary;

(b) maintain its assets in such a manner that it is not more costly or difficult to segregate, identify or ascertain such assets;

(c) observe all corporate formalities;

(d) hold itself out to creditors and the public as a legal entity separate and distinct from any other Person, including any of its partnership interest holders and its Affiliates and Subsidiaries;

(e) conduct its business in its name or in business names or trade names of the Company or its Subsidiaries and use separate stationary, invoices and checks; and

(f) not assume, guarantee or pay the debts or obligations of or hold itself out as being available to satisfy the obligations of any other Person,

including any of its partnership interest holders and its Affiliates and Subsidiaries, except as is expressly permitted by the terms of this Agreement.

(ii) To the extent that the Company shares the same officers or other employees as any of its Affiliates, the salaries of and the expenses relating to providing benefits to such officers and employees shall be fairly allocated among such entities, and each such entity shall bear its fair share of the salary and benefit costs associated with all such common officers and employees.

(iii) To the extent that the Company jointly contracts with any of its Affiliates 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 Company contracts or does business with vendors or service providers where the goods and services are partially for the benefit of an Affiliate, 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.

(iv) To the extent that the Company or its Affiliates have offices in the same location, there shall be a fair and appropriate allocation of overhead costs among them, and each such entity shall bear its fair share of such expenses.

"Section 5U. Debt Rating. The Company will use its best efforts to obtain on commercially reasonable terms a long-term debt rating of the Notes from a Rating Agency by no later than June 30, 2004. However, if the Company, in the reasonable judgment of its management, believes it would not receive an investment grade long-term debt rating prior to June 30, 2004, then the Company shall have the right to postpone the receipt of a long-term debt rating of the Notes until December 31, 2004. Notwithstanding the foregoing, the Company shall obtain a long-term debt rating of the Notes from a Rating Agency by not later than December 31, 2004 and shall maintain a long-term debt rating thereafter."

I-G. Section 6(A)(i) of each of the Outstanding Agreements is hereby deleted in its entirety and the following shall be inserted in lieu thereof:

"(i) Ratio of Consolidated Funded Indebtedness to Consolidated EBITDA. The ratio as of the end of any fiscal quarter of Consolidated Funded Indebtedness to Consolidated EBITDA to exceed the ratio set forth below with respect to such fiscal quarter:

Fiscal Quarters Ending	Ratio
November 30, 2003 through November 30, 2004	4.75 to 1.00
February 28, 2005 and thereafter	4.50 to 1.00"

I-H. Section 6(A)(iii) of each of the Outstanding Agreements is hereby deleted in its entirety and the following shall be inserted in lieu thereof:

"(iii) Ratio of Adjusted Consolidated Funded Indebtedness to Adjusted Consolidated EBITDA. The ratio as at the end of any fiscal quarter of Adjusted Consolidated Funded Indebtedness to Adjusted Consolidated EBITDA to exceed to exceed the ratio set forth below with respect to such fiscal quarter:

Fiscal Quarters Ending	Ratio
November 30, 2003 through August 31, 2005	5.25 to 1.00
November 30, 2005 and thereafter	5.00 to 1.00"

I-I. Section 6(B)(ii) of each of the Outstanding Agreements is hereby amended by deleting the dollar amount of "$65,000,000" and inserting in lieu thereof the dollar amount of "$75,000,000".

I-J. Section 6E(v)(iii) of each of the Outstanding Agreements is hereby amended by inserting the phrase ", including Investments in La Grange and its Subsidiaries which shall not at any time exceed $1,000,000" immediately following the phrase "Investments permitted under this subclause (iii) shall not at any time exceed $12,500,000".

I-K. Section 6(F) of each of the Outstanding Agreements is hereby amended by inserting the following sentences immediately following subclause (ii) as follows:

"Notwithstanding the foregoing, the Company will not directly or indirectly declare, order or pay Restricted Payments, individually or in the aggregate, for any fiscal quarter in an amount greater than the product of (i) the Company's Percentage of Aggregate Available Cash times (ii) the Aggregate Partner Obligations; provided, however, if at any time the Notes are rated "BBB" (or its equivalent) or better by a Rating Agency, the foregoing limitation set forth in this sentence shall not apply to the Company so long as such rating remains in effect.

I-L. Section 6(H) of each of the Outstanding Agreements is hereby amended by deleting the phrase "as more fully described in the Memorandum".

I-M. Section 6(I)(iii) of each of the Outstanding Agreements is hereby amended by inserting the phrase "and Section 6E(v)(iii) with respect to Investments in La Grange or its Subsidiaries" immediately following the phrase "making of an Investment pursuant to Section 6E(i)".

1-N. Section 6 of each of the Outstanding Agreements is hereby amended by inserting the following new Section 6N immediately following Section 6M thereof as follows:

"Section 6N. Commingling of Deposit Accounts and Accounts. The Company will not, nor will it permit any of its Subsidiaries to, commingle their respective deposit accounts or accounts with the deposit accounts or accounts of La Grange or any of its Subsidiaries."

1-O. Section 7A of each of the Outstanding Agreements is hereby amended by (i) deleting the "." at the end of subsection (xvii) thereof and inserting in lieu thereof the phrase "; or" and (ii) inserting the following new subsection (xviii) immediately following subsection (xvii) thereof as follows:

"(xviii) an event of default under any agreement governing secured indebtedness of La Grange relating to (a) bankruptcy, reorganization, compromise, arrangement, insolvency, readjustment of debt, dissolution or liquidation or similar law with respect to La Grange or any of its subsidiaries, beyond any period of grace provided with respect thereto in such agreement, (b) non-payment of such secured indebtedness or any other indebtedness of LaGrange or any of its subsidiaries, 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 3 business days beyond any period of grace provided with respect thereto in such agreement, unless, prior to the end of the 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 La Grange of any scheduled "restricted payment" distribution in respect of any partnership or other equity interest in La Grange, in which case such 3 business-day period shall no longer apply, or (c) any financial covenant default with respect to La Grange which has not been cured, waived or amended within 45 days of the date on notice of such default was given to the lenders party to such agreement, unless, prior to the end of the 45-day period, the lenders party to such agreement shall have blocked the payment or otherwise limited the payment by La Grange of any scheduled "restricted payment" distribution in respect of any partnership or other equity interest in La Grange or shall have accelerated the maturity of such indebtedness, in which case such 45-day period shall no longer apply.

I-P. Section 10B of each of the Outstanding Agreements is hereby amended by deleting the definitions of "Acquisition Facility," "Current Management," "Revolving Working Capital Facility" and "Specified Entities" contained therein and inserting in lieu thereof the following definitions in the appropriate alphabetical positions:

"Acquisition Facility" shall mean the acquisition revolving credit facility of the Company provided for in the Credit Agreement for the purpose of financing acquisitions and improvements and repairs in the aggregate principal amount not to exceed $75,000,000.

"Current Management" shall mean not less than two of the following: James E. Bertelsmeyer, R.C. Mills, H. Michael Krimbill, Bradley K. Atkinson, Michael L. Greenwood, Ray C. Davis, Kelcy L. Warren, together with the heirs of, and trusts for the benefit of family members controlled by, any such executive manager."

"Revolving Working Capital Facility" shall mean the revolving credit facility of the Company provided for in the Credit Agreement for working capital and other general partnership purposes in an aggregate principal amount not to exceed $75,000,000 at any time outstanding.

"Specified Entities" shall mean any one or combination of the following: (i) La Grange Energy, L.P., a Texas limited partnership, any Wholly-Owned Subsidiary thereof, or a Successor thereto, and (ii) any Permitted GP Entity."

I-Q. Subsection (a) of the definition of "Contracted Dollar" contained in Section 10B of each of the Outstanding Agreements is hereby amended by deleting the dollar amount of "$50,000,000" and substituting therefor the dollar amount of "$75,000,000".

I-R. Section 10B of each of the Outstanding Agreements is hereby amended by inserting the definitions of "Aggregate Available Cash," "Aggregate Partner Obligations," "Cap Ex Accepting Holders," "Cap Ex Allocable Proceeds," "Cap Ex Difference," "Cap Ex Non-Accepting Holders," "Cap Ex Pro Rata Option," "Capital Expenditures," "La Grange," "La Grange Acquisition," "Minimum Cap Ex Funding Amount," "Percentage of Aggregate Available Cash," "Permitted GP Entity" and "Rating Agency" in the appropriate alphabetical positions:

"Aggregate Available Cash" shall mean, with respect to any fiscal quarter of the Company and of La Grange, the aggregate amount of Available Cash of both the Company and its Subsidiaries and of La Grange and its Subsidiaries (which for purposes of this Agreement, shall be calculated using the definition of "Available Cash" set forth in this Agreement, except that (i) all references therein to the "Company" shall be deemed for purposes of this calculation only references to La Grange and (ii) the last sentence of that definition for purposes of this calculation only shall be modified to refer to reserves established by La Grange with respect to indebtedness on the same bases as set forth in that definition).

"Aggregate Partner Obligations" shall mean, with respect to any fiscal quarter of the General Partner and the Master Partnership, the aggregate amount of payment obligations of each of the General Partner and the Master Partnership, including, without limitation, the Minimum Quarterly Distribution (as defined in the Agreement of Limited Partnership of the Master Partnership) on all Units with respect to such fiscal quarter.

"Cap Ex Accepting Holders" shall have the meaning specified in Section 4J(iii).

"Cap Ex Allocable Proceeds" shall have the meaning specified in Section 4J(ii).

"Cap Ex Difference" shall have the meaning specified in Section 5S.

"Cap Ex Non-Accepting Holders" shall have the meaning specified in Section 4J(ii).

"Cap Ex Pro Rata Option" shall have the meaning specified in Section 4J(iii).

"Capital Expenditures" shall mean, without duplication, with respect to the Company and its Subsidiaries, any amounts expended, incurred or obligated to be expended during or in respect of a period for any improvement, maintenance or purchase for value of any asset that should be classified on a consolidated balance sheet of such Person prepared in accordance with GAAP as a fixed or capital asset (including capitalized costs in respect of intellectual property)."

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

"La Grange Acquisition" means, collectively, (i) the acquisition by La Grange Energy, L.P. of the equity interests of U.S. Propane, all in accordance with the Acquisition Agreement dated as of November 6, 2003, as amended or modified, and (ii) the acquisition by the Master Partnership of substantially all of the assets of La Grange and its Subsidiaries and the other transactions contemplated in connection therewith, all in accordance with the Contribution Agreement dated as of November 6, 2003, as amended or modified.

"Minimum Cap Ex Funding Amount" shall have the meaning specified in Section 5S.

"Percentage of Aggregate Available Cash" shall mean, with respect to any fiscal quarter of the Company, the percentage determined by multiplying (i) a fraction consisting of a numerator equal to the Company's Available Cash for that period and a denominator equal to the Aggregate Available Cash by (ii) 100.

"Permitted GP Entity" shall mean any one or combination of (i) Persons or a group of related persons (as such terms are defined in the Exchange Act) who directly or indirectly beneficially own (as such term is defined in Rule 13d-3 promulgated under the Exchange Act) the Capital Stock of the General Partner immediately following the consummation of the La Grange Acquisition, and (ii) Current Management or group of related persons (as so defined) including Current Management."

"Rating Agency" shall mean at least one of Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies, Moody's Investors Service, Inc. or Fitch Ratings and any of their respective successors and assigns.

ARTICLE II
WAIVER, MODIFICATIONS AND AMENDMENTS

II-A. The Required Holders of Notes outstanding under each of the Outstanding Agreements hereby (i) waive compliance by the Company with respect to Section 6M(ii) of each of the Outstanding Agreements in connection with amendments to each of the Partnership Documents necessary to permit La Grange Energy, L.P. to be substituted, directly or indirectly, as the sole equity holder(s) of U.S. Propane and (ii) agree and acknowledge that each of the Partnership Documents, as modified and amended, shall constitute the "Partnership Agreement" and the "Partnership Documents" for purposes of each of the Outstanding Agreements.

II-B. The Required Holders of Notes outstanding under each of the Outstanding Agreements hereby agree and acknowledge that Section 8B of each of the Outstanding Agreements shall be deemed modified to reflect the transactions contemplated by this Sixth Amendment Agreement upon the occurrence of such actions.

II-C. From the effective date of this Sixth Amendment Agreement in accordance with the terms and conditions of Article III hereof (the "Effective Date") until such date as the Notes are rated not less than "BBB-" (or a comparable rating) by a Rating Agency (an "Investment Grade Rating"), the interest rate per annum specified in each Note issued heretofore and outstanding as of the Effective Date shall increase by 100 basis points (1.00%) (which 100 basis points (1.00%) shall be referred to herein as the "Non-Investment Grade Interest Increase"); provided, however, that if, at any time, two or more Rating Agencies shall have given long-term debt ratings to the Notes and such ratings fall within different rating categories (after giving effect to numerical or other qualifiers), the lower rating (i.e. worse) of a Rating Agency will control for purposes of the foregoing. After the Non-Investment Grade Interest Increase becomes applicable, (a) if at any time the Notes are rated an Investment Grade Rating by each Rating Agency, the interest rate on the unpaid balance thereof, commencing on the date of such rating change, shall revert to the interest rate per annum specified in such Note and interest on such Note shall not include the Non-Investment Grade Interest Increase and (b) if at any time the Notes are not rated an Investment Grade Rating by any Rating Agency, the interest rate on the unpaid balance thereof, commencing on the date of such rating change, shall be the interest rate per annum specified in such Note and increased by the Non-Investment Grade Interest Increase. In addition to (and not in limitation of) the Non-Investment Grade Interest Increase described in the foregoing sentences, if at any time that the highest debt rating of the Notes shall be rated "B+" or lower (i.e. worse) by any Rating Agency, the interest rate of each Note issued heretofore and outstanding as of the date of such rating change shall increase by 100 basis points (1.00%), but only for so long as such rating of "B+" or lower shall remain in effect. In furtherance of the foregoing, the parties to this Sixth Amendment Agreement hereby agree and acknowledge that the forms of Notes attached to each of the Outstanding Agreements are hereby amended and modified with respect to all Notes issued after the date of the effectiveness of this Sixth Amendment Agreement to include the above paragraph and interest shall continue to be calculated as provided in each of the Outstanding Agreements. All Outstanding Notes issued prior to the date of the effectiveness of this Sixth Amendment Agreement will remain in their current form; provided that, at the request of any holder of the Outstanding Notes, the Company will execute and deliver to each such holder an attachment (the "Sticker") setting forth the

provisions of this Section II-C, which Sticker shall be attached to each Outstanding Note held by such holder; and, provided, further, that the failure to attach such Sticker to any Outstanding Note shall not affect the validity or binding effect of this Section II-C.

ARTICLE III
CONDITIONS OF EFFECTIVENESS

The effectiveness of this Sixth Amendment Agreement (and each of the amendments contained herein) is subject to the satisfaction of the following conditions:

(a) the Required Holders under each of the Outstanding Agreements shall have consented to this Sixth Amendment Agreement as evidenced by their execution thereof;

(b) the requisite percentage of lenders under the Credit Agreement (the "Lenders") shall have agreed to all amendments to the Credit Agreement necessary to effect this Sixth Amendment Agreement and a copy thereof shall have been provided to the holders of the Outstanding Notes. In the event the Company agrees that the Lenders or holders of any of the Outstanding Notes shall be granted any additional or more restrictive financial or negative covenants or events of default than the financial or negative covenants or events of default that are imposed on the Company under the Outstanding Agreements, as amended hereby, the Company agrees that the holders of all other Outstanding Notes shall also be granted such more restrictive covenants or events of defaults;

(c) upon the satisfaction of subclause (a), each of the holders of the Outstanding Notes shall have received an amendment fee from the Company in an amount equal to 0.25% of the aggregate principal amount of the Outstanding Notes held by such holder (the "Amendment Fee") and a Responsible Officer of the Company shall have certified to each such holder (the truth and the accuracy of which certification shall constitute a condition of effectiveness of this Sixth Amendment Agreement) that the Lenders have received no amendment fees or other consideration (including increase in coupon) greater than the Amendment Fee; and

(d) Winston & Strawn LLP shall have delivered a non-consolidation opinion as to the Company and La Grange, which opinion shall be in a form and substance satisfactory to the holders of the Outstanding Notes and their counsel.

Notwithstanding the foregoing, no amendment, waiver or modification set forth in this Sixth Amendment Agreement (other than (i) the amendments set forth in Sections I-I and I-Q above, (ii) the new Section 5-U set forth in Section I-F above, (iii) the amendment set forth in Section I-G above, (iv) the amendment of the definitions of "Acquisition Facility" and "Revolving Working Capital Facility" set forth in Section I-P above and (v) the payment of the Amendment Fee described in (c) above, which shall become effective on the date on which the conditions described in (a), (b) and (without duplication) (c) are satisfied) shall become effective

or be given full force and effect until the consummation of the acquisition by the Master Partnership of substantially all of the assets of La Grange and its subsidiaries and the other transactions contemplated in connection therewith, all in accordance with the terms and conditions of the Contribution Agreement dated as of November 6, 2003 (as amended or modified, the "La Grange Closing").

ARTICLE IV
REPRESENTATIONS, WARRANTIES AND COVENANTS

In order to induce the holders of the Notes to enter into this Sixth Amendment Agreement, the Company represents and warrants that (a) no Default or Event of Default has occurred and is continuing; and (b) after giving effect to this Sixth Amendment Agreement, no Event of Default shall have occurred.

The Company hereby agrees and covenants that promptly after, and in any event no later than the fifth (5th) Business Day following the La Grange Closing, each of the holders of the Outstanding Notes shall have received a closing fee from the Company in an amount equal to 0.125% of the aggregate principal amount of the Outstanding Notes held by such holder (the "Closing Fee") and a Responsible Officer of the Company shall have certified to each such holder that the Lenders have received no closing fees or other consideration (including increase in coupon) greater than the Closing Fee.

ARTICLE V
MISCELLANEOUS

V-A. If the foregoing is acceptable to you, kindly note your acceptance in the space provided below and upon satisfaction of the conditions to effectiveness set forth in Article III above, your consent to this Sixth Amendment Agreement shall be deemed to have been given and the Outstanding Agreements shall be amended as set forth above.

V-B. This Sixth Amendment Agreement may be executed by the parties hereto individually, or in any combination of the parties hereto in several counterparts, all of which taken together shall constitute one and the same Sixth Amendment Agreement.

V-C. Except as amended hereby, all of the representations, warranties, provisions, covenants, terms and conditions of the Outstanding Agreements shall remain unaltered and in full force and effect and the Outstanding Agreements, as amended hereby, are in all respects agreed to, ratified and confirmed by the Company. The Company acknowledges and agrees that the granting of amendments herein shall not be construed as establishing a course of conduct on the part of the holders of the Outstanding Notes upon which the Company may rely at any time in the future.

V-D. Upon the effectiveness of this Sixth Amendment Agreement, each reference in each Outstanding Agreement and in other documents describing or referencing such Outstanding Agreement to "this Agreement," "hereunder," "hereof," "herein," or words of like import referring to such Outstanding Agreement, shall mean and be a referenced to such Outstanding Agreement as amended hereby.

[signature pages immediately follow]

Very truly yours,

HERITAGE OPERATING, L.P.

By: U.S. Propane L.P., General Partner
By: U.S. Propane, L.L.C., General Partner

By: _____
Its: _____

The foregoing Sixth Amendment Agreement and the amendments referred to therein are hereby accepted and agreed to as of November 18, 2003, and the undersigned hereby confirms that on November 18, 2003 it held the aggregate principal amount of Outstanding Notes of the Company set forth on Schedule 1 hereto and that on the date of execution hereof it continues to hold such Outstanding Notes.

JOHN HANCOCK LIFE INSURANCE COMPANY
(FORMERLY KNOWN AS JOHN HANCOCK MUTUAL
LIFE INSURANCE COMPANY)

By: _____
Its: _____

JOHN HANCOCK VARIABLE LIFE INSURANCE
COMPANY

By: _____
Its: _____

MELLON BANK, N.A., solely in its capacity as
Trustee for the Long-Term Investment Trust
(as directed by John Hancock Life Insurance
Company), and not in its individual capacity

By: _____
Its: _____

SIGNATURE 6 LIMITED

By: John Hancock Life Insurance Company, as
Portfolio Advisor

By: _____
Its: _____

The foregoing Sixth Amendment Agreement and the amendments referred to therein are hereby accepted and agreed to as of November 18, 2003, and the undersigned hereby confirms that on November 18, 2003 it held the aggregate principal amount of Outstanding Notes of the Company set forth on Schedule 1 hereto and that on the date of execution hereof it continues to hold such Outstanding Notes.

JOHN HANCOCK LIFE INSURANCE COMPANY

By: _____
Its: _____

JOHN HANCOCK VARIABLE LIFE INSURANCE COMPANY

By: _____
Its: _____

MELLON BANK, N.A., solely in its capacity as Trustee for the Bell Atlantic Master Trust (as directed by John Hancock Life Insurance Company), and not in its individual capacity

By: _____
Its: _____

MELLON BANK, N.A., solely in its capacity as Trustee for the Long-Term Investment Trust (as directed by John Hancock Life Insurance Company), and not in its individual capacity

By: _____
Its: _____

The foregoing Sixth Amendment Agreement and the amendments referred to therein are hereby accepted and agreed to as of November 18, 2003, and the undersigned hereby confirms that on November 18, 2003 it held the aggregate principal amount of Outstanding Notes of the Company set forth on Schedule 1 hereto and that on the date of execution hereof it continues to hold such Outstanding Notes.

MASSACHUSETTS MUTUAL LIFE
INSURANCE COMPANY

By: David L. Babson & Company, Inc.
its Investment Advisor

By: _____
Its: _____

C.M. LIFE INSURANCE COMPANY
c/o Massachusetts Mutual Life Insurance Company

By: David L. Babson & Company, Inc.
its Investment Advisor

By: _____
Its: _____

The foregoing Sixth Amendment Agreement and the amendments referred to therein are hereby accepted and agreed to as of November 18, 2003, and the undersigned hereby confirms that on November 18, 2003 it held the aggregate principal amount of Outstanding Notes of the Company set forth on Schedule 1 hereto and that on the date of execution hereof it continues to hold such Outstanding Notes.

PRINCIPAL LIFE INSURANCE COMPANY
(fka Principal Mutual Life Insurance Company)

By: Principal Capital Management, LLC,
its authorized signatory

By: _____
Its: _____

By: _____
Its: _____

The foregoing Sixth Amendment Agreement and the amendments referred to therein are hereby accepted and agreed to as of November 18, 2003, and the undersigned hereby confirms that on November 18, 2003 it held the aggregate principal amount of Outstanding Notes of the Company set forth on Schedule 1 hereto and that on the date of execution hereof it continues to hold such Outstanding Notes.

NEW YORK LIFE INSURANCE COMPANY

By: _____
Its: _____

NEW YORK LIFE INSURANCE AND
ANNUITY CORPORATION

By: New York Life Investment Management,
its Investment Manager

By: _____
Its: _____

The foregoing Sixth Amendment Agreement and the amendments referred to therein are hereby accepted and agreed to as of November 18, 2003, and the undersigned hereby confirms that on November 18, 2003 it held the aggregate principal amount of Outstanding Notes of the Company set forth on Schedule 1 hereto and that on the date of execution hereof it continues to hold such Outstanding Notes.

TEACHERS INSURANCE AND ANNUITY
ASSOCIATION OF AMERICA

By: _____
Its: _____

The foregoing Sixth Amendment Agreement and the amendments referred to therein are hereby accepted and agreed to as of November 18, 2003, and the undersigned hereby confirms that on November 18, 2003 it held the aggregate principal amount of Outstanding Notes of the Company set forth on Schedule 1 hereto and that on the date of execution hereof it continues to hold such Outstanding Notes.

J. ROMEO & CO.

By: _____
Its: _____

The foregoing Sixth Amendment Agreement and the amendments referred to therein are hereby accepted and agreed to as of November 18, 2003, and the undersigned hereby confirms that on November 18, 2003 it held the aggregate principal amount of Outstanding Notes of the Company set forth on Schedule 1 hereto and that on the date of execution hereof it continues to hold such Outstanding Notes.

PACIFIC LIFE INSURANCE COMPANY
(formerly Pacific Mutual Life Insurance Company)

By: _____
Its: _____

By: _____
Its: _____

PACIFIC LIFE INSURANCE COMPANY

By: _____
Its: _____

By: _____
Its: _____

The foregoing Sixth Amendment Agreement and the amendments referred to therein are hereby accepted and agreed to as of November 18, 2003, and the undersigned hereby confirms that on November 18, 2003 it held the aggregate principal amount of Outstanding Notes of the Company set forth on Schedule 1 hereto and that on the date of execution hereof it continues to hold such Outstanding Notes.

PHOENIX HOME LIFE MUTUAL INSURANCE
COMPANY

By: _____
Its: _____

PHOENIX HOME LIFE MUTUAL INSURANCE
COMPANY, PHOENIX INVESTMENT PARTNERS, LTD.

By: _____
Its: _____

The foregoing Sixth Amendment Agreement and the amendments referred to therein are hereby accepted and agreed to as of November 18, 2003, and the undersigned hereby confirms that on November 18, 2003 it held the aggregate principal amount of Outstanding Notes of the Company set forth on Schedule 1 hereto and that on the date of execution hereof it continues to hold such Outstanding Notes.

RELIASTAR LIFE INSURANCE COMPANY

By: _____
Its: _____

RELIASTAR LIFE INSURANCE COMPANY OF NEW YORK

By: _____
Its: _____

The foregoing Sixth Amendment Agreement and the amendments referred to therein are hereby accepted and agreed to as of November 18, 2003, and the undersigned hereby confirms that on November 18, 2003 it held the aggregate principal amount of Outstanding Notes of the Company set forth on Schedule 1 hereto and that on the date of execution hereof it continues to hold such Outstanding Notes.

HARE & CO.

By: _____
Its: _____

The foregoing Sixth Amendment Agreement and the amendments referred to therein are hereby accepted and agreed to as of November 18, 2003, and the undersigned hereby confirms that on November 18, 2003 it held the aggregate principal amount of Outstanding Notes of the Company set forth on Schedule 1 hereto and that on the date of execution hereof it continues to hold such Outstanding Notes.

BOST & CO.

By: _____
Its: _____

By: _____
Its: _____

The foregoing Sixth Amendment Agreement and the amendments referred to therein are hereby accepted and agreed to as of November 18, 2003, and the undersigned hereby confirms that on November 18, 2003 it held the aggregate principal amount of Outstanding Notes of the Company set forth on Schedule 1 hereto and that on the date of execution hereof it continues to hold such Outstanding Notes.

ALLSTATE LIFE INSURANCE COMPANY

By: _____
Its: _____

By: _____
Its: _____

ALLSTATE INSURANCE COMPANY

By: _____
Its: _____

The foregoing Sixth Amendment Agreement and the amendments referred to therein are hereby accepted and agreed to as of November 18, 2003, and the undersigned hereby confirms that on November 18, 2003 it held the aggregate principal amount of Outstanding Notes of the Company set forth on Schedule 1 hereto and that on the date of execution hereof it continues to hold such Outstanding Notes.

MAC & CO.

By: _____
Its: _____

The foregoing Sixth Amendment Agreement and the amendments referred to therein are hereby accepted and agreed to as of November 18, 2003, and the undersigned hereby confirms that on November 18, 2003 it held the aggregate principal amount of Outstanding Notes of the Company set forth on Schedule 1 hereto and that on the date of execution hereof it continues to hold such Outstanding Notes.

CONNECTICUT GENERAL LIFE INSURANCE COMPANY
By: CIGNA Investments, Inc. (authorized agent)

By: _____
Its: _____

The foregoing Sixth Amendment Agreement and the amendments referred to therein are hereby accepted and agreed to as of November 18, 2003, and the undersigned hereby confirms that on November 18, 2003 it held the aggregate principal amount of Outstanding Notes of the Company set forth on Schedule 1 hereto and that on the date of execution hereof it continues to hold such Outstanding Notes.

LIFE INSURANCE COMPANY OF NORTH AMERICA
By: CIGNA Investments, Inc. (authorized agent)

By: _____
Its: _____

The foregoing Sixth Amendment Agreement and the amendments referred to therein are hereby accepted and agreed to as of November 18, 2003, and the undersigned hereby confirms that on November 18, 2003 it held the aggregate principal amount of Outstanding Notes of the Company set forth on Schedule 1 hereto and that on the date of execution hereof it continues to hold such Outstanding Notes.

CLARICA LIFE INSURANCE COMPANY-U.S.

By: _____
Its: _____

By: _____
Its: _____

The foregoing Sixth Amendment Agreement and the amendments referred to therein are hereby accepted and agreed to as of November 18, 2003, and the undersigned hereby confirms that on November 18, 2003 it held the aggregate principal amount of Outstanding Notes of the Company set forth on Schedule 1 hereto and that on the date of execution hereof it continues to hold such Outstanding Notes.

GENERAL ELECTRIC CAPITAL ASSURANCE COMPANY

By: GE ASSET MANAGEMENT INCORPORATED,
its investment advisor

By: _____
Its: Vice President - Private Investments

The foregoing Sixth Amendment Agreement and the amendments referred to therein are hereby accepted and agreed to as of November 18, 2003, and the undersigned hereby confirms that on November 18, 2003 it held the aggregate principal amount of Outstanding Notes of the Company set forth on Schedule 1 hereto and that on the date of execution hereof it continues to hold such Outstanding Notes.

THE GUARDIAN LIFE INSURANCE COMPANY OF AMERICA

By: _____
Its: _____

The foregoing Sixth Amendment Agreement and the amendments referred to therein are hereby accepted and agreed to as of November 18, 2003, and the undersigned hereby confirms that on November 18, 2003 it held the aggregate principal amount of Outstanding Notes of the Company set forth on Schedule 1 hereto and that on the date of execution hereof it continues to hold such Outstanding Notes.

METROPOLITAN LIFE INSURANCE COMPANY

By: _____
Its: _____

The foregoing Sixth Amendment Agreement and the amendments referred to therein are hereby accepted and agreed to as of November 18, 2003, and the undersigned hereby confirms that on November 18, 2003 it held the aggregate principal amount of Outstanding Notes of the Company set forth on Schedule 1 hereto and that on the date of execution hereof it continues to hold such Outstanding Notes.

NATIONWIDE LIFE INSURANCE COMPANY

By: _____
Its: _____

NATIONWIDE LIFE AND ANNUITY INSURANCE COMPANY

By: _____
Its: _____

NATIONWIDE MUTUAL FIRE INSURANCE COMPANY

By: _____
Its: _____

NATIONWIDE MUTUAL INSURANCE COMPANY

By: _____
Its: _____

The foregoing Sixth Amendment Agreement and the amendments referred to therein are hereby accepted and agreed to as of November 18, 2003, and the undersigned hereby confirms that on November 18, 2003 it held the aggregate principal amount of Outstanding Notes of the Company set forth on Schedule 1 hereto and that on the date of execution hereof it continues to hold such Outstanding Notes.

PRINCIPAL LIFE INSURANCE COMPANY
By: Principal Capital Management, LLC,
a Delaware limited liability company,
its authorized signatory

By: _____
Its: _____

By: _____
Its: _____

The foregoing Sixth Amendment Agreement and the amendments referred to therein are hereby accepted and agreed to as of November 18, 2003, and the undersigned hereby confirms that on November 18, 2003 it held the aggregate principal amount of Outstanding Notes of the Company set forth on Schedule 1 hereto and that on the date of execution hereof it continues to hold such Outstanding Notes.

SUN LIFE ASSURANCE COMPANY OF CANADA (U.S.)

By: _____
Its: _____

By: _____
Its: _____

SUN LIFE INSURANCE AND ANNUITY COMPANY OF NEW YORK

By: _____
Its: _____

By: _____
Its: _____

SUN LIFE ASSURANCE COMPANY OF CANADA (U.S.)

By: _____
Its: _____

By: _____
Its: _____

SCHEDULE 1

NAME OF HOLDER OF OUTSTANDING NOTES	PRINCIPAL AMOUNT AND SERIES OF OUTSTANDING NOTES HELD AS OF NOVEMBER 18, 2003
John Hancock Life Insurance Company	$ 10,400,000 1996 Notes
John Hancock Life Insurance Company	$ 6,400,000 1996 Notes
John Hancock Variable Life Insurance Company	$ 800,000 1996 Notes
Mellon Bank, N.A., solely in its capacity as Trustee for the Bell Atlantic Master Trust (as directed by John Hancock Life Insurance Company)	$ 768,000 1996 Notes
Mellon Bank, N.A., solely in its capacity as Trustee for the Long-Term Investment Trust (as directed by John Hancock Life Insurance Company)	$ 1,632,000 1996 Notes
Massachusetts Mutual Life Insurance Company	$ 12,000,000 1996 Notes
Principal Life Insurance Company (f/k/a Principal Mutual Life Insurance Company)	$ 12,000,000 1996 Notes
New York Life Insurance Company	$ 10,000,000 1996 Notes
Teachers Insurance and Annuity Association of America	$ 10,000,000 1996 Notes
Bost & Co. c/o Mellon Bank	$ 8,000,000 1996 Notes
J. Romeo & Co. c/o Chase Manhattan Bank	$ 2,800,000 1996 Notes
J. Romeo & Co. c/o Chase Manhattan Bank	$ 3,200,000 1996 Notes
Pacific Mutual Life Insurance Company (Nominee: Mac & Co.)	$ 4,400,000 1996 Notes
Phoenix Home Life Mutual Insurance Company	$ 4,000,000 1996 Notes
Hare & Co. c/o Bank of New York	$ 2,400,000 1996 Notes
Protective Life Insurance Company (c/o Hare & Co. c/o Bank of New York, as nominee)	$ 4,000,000 1996 Notes

Allstate Insurance Company	$ 1,600,000 1996 Notes
Allstate Life Insurance Company	$ 1,600,000 1996 Notes
MAC & Co.	$ 12,000,000 Series A Notes
New York Life Insurance Company	$5,000,000 Series B Notes
New York Life Insurance and Annuity Corporation	$7,000,000 Series B Notes
MAC & Co.	$8,000,000 Series B Notes
Allstate Life Insurance Company	$2,142,857 Series C Notes
Clarica Life Insurance Company-U.S.	$ 2,400,000 Series 2000 A Notes
Nationwide Life Insurance Company	$ 4,000,000 Series 2000 A Notes
Nationwide Life and Annuity Insurance Company	$ 800,000 Series 2000 A Notes
Nationwide Mutual Fire Insurance Company	$ 1,600,000 Series 2000 A Notes
Nationwide Mutual Insurance Company	$ 1,600,000 Series 2000 A Notes
Sun Life Assurance Company of Canada	$ 1,200,000 Series 2000 A Notes
Sun Life Insurance and Annuity Company of New York	$ 1,200,000 Series 2000 A Notes
CIG & Co. (on behalf of Connecticut General Life Insurance Company)	$1,000,000 Series 2000 B Notes
CIG & Co. (on behalf of Connecticut General Life Insurance Company)	$500,000 Series 2000 B Notes
CIG & Co. (on behalf of Connecticut General Life Insurance Company)	$3,500,000 Series 2000 B Notes
CUDD & Co. (on behalf of The Guardian Life Insurance Company of America)	$7,000,000 Series 2000 B Notes
MAC & Co. (on behalf of Pacific Life Insurance Company)	$15,000,000 Series 2000 B Notes
ReliaStar Life Insurance Company	$2,000,000 Series 2000 B Notes
Northern Life Insurance Company	$3,000,000 Series 2000 B Notes

GE Edison Life Insurance Company	$27,000,000 Series 2000 C Notes
CIG & Co. (on behalf of Connecticut General Life Insurance Company)	$3,300,000 Series 2000 D Notes
CIG & Co. (on behalf of Connecticut General Life Insurance Company)	$3,000,000 Series 2000 D Notes
CIG & Co. (on behalf of Life Insurance Company of North America)	$3,200,000 Series 2000 D Notes
CUDD & Co. (on behalf of The Guardian Life Insurance Company of America)	$7,500,000 Series 2000 D Notes
Metropolitan Life Insurance Company	$30,000,000 Series 2000 D Notes
MAC & Co.	$2,000,000 Series 2000 D Notes
Principal Life Insurance Company	$5,000,000 Series 2000 D Notes
ReliaStar Life Insurance Company of New York	$2,000,000 Series 2000 D Notes
ReliaStar Life Insurance Company	$2,000,000 Series 2000 D Notes
Principal Life Insurance Company	$7,000,000 Series 2000 E Notes
John Hancock Life Insurance Company (General Account)	$25,000,000 Series 2000 F Notes
John Hancock Life Insurance Company (Closed Block)	$3,000,000 Series 2000 F Notes
John Hancock Variable Life Insurance Company	$1,000,000 Series 2000 F Notes
Mellon Bank, N.A., Trustee for the Bell Atlantic Master Trust	$2,000,000 Series 2000 F Notes
Mellon Bank, N.A. Trustee under the Long-Term Investment Trust dated October 1, 1996	$2,000,000 Series 2000 F Notes
Sun Life Assurance Company of Canada (U.S.)	$5,000,000 Series 2000 F Notes
John Hancock Life Insurance Company	$1,900,000 Series 2000 F Notes
John Hancock Variable Life Insurance Company	$100,000 Series 2000 F Notes
General Electric Capital Assurance Company (nominee is SALKELD & CO.)	$5,000,000 Series 2001 G Notes

Connecticut General Life Insurance Company	$7,000,000 Series 2001 G Notes
C.M. Life Insurance Company c/o Massachusetts Mutual Life Insurance Company	$1,000,000 Series 2001 G Notes
Massachusetts Mutual Life Insurance Company	$6,000,000 Series 2001 G Notes
Hare & Co.	$3,000,000 Series 2001 H Notes
Phoenix Home Life Universal Portfolio	$1,500,000 Series 2001 H Notes
PHL Confederated Life Insurance Company	$1,500,000 Series 2001 H Notes
Phoenix Home Life General Account/Closed Block Portfolio	$2,000,000 Series 2001 H Notes
General Electric Capital Assurance Company (nominee is SALKELD & CO.)	$16,000,000 Series 2001 I Notes

EXHIBIT 10.8.2

TERMINATION AGREEMENT
(MILLS)

The undersigned (the "Employee"), in consideration of the payment of one (1) year's Base Salary, does hereby agree to the termination of his Employment Agreement dated August 10, 2000 with Heritage Holdings, Inc., as assigned to U.S. Propane, L.P. effective as of the closing of the Contribution Agreement dated November 6, 2003 between LaGrange Energy L.P. and each of Heritage Propane Partners, L.P. and Heritage Operating, L.P.

This Agreement may be executed in one or more counterparts and by original or facsimile signatures delivered by the parties to the other, each of which shall be deemed an original, but all of which constitute one and the same document.

The parties hereto agree that the Employee shall continue as an at will employee.

Dated January 20, 2004.

U. S. PROPANE, L.P.

By U.S. Propane, L.L.C., General Partner

By:_____
Its: President

_____
R.C. Mills
"Employee"

EXHIBIT 10.10.2

TERMINATION AGREEMENT
(KRIMBILL)

The undersigned (the "Employee"), in consideration of the payment of one (1) year's Base Salary, does hereby agree to the termination of his Employment Agreement dated August 10, 2000 with Heritage Holdings, Inc., as assigned to U.S. Propane, L.P. effective as of the closing of the Contribution Agreement dated November 6, 2003 between LaGrange Energy L.P. and each of Heritage Propane Partners, L.P. and Heritage Operating, L.P.

This Agreement may be executed in one or more counterparts and by original or facsimile signatures delivered by the parties to the other, each of which shall be deemed an original, but all of which constitute one and the same document.

The parties hereto agree that the Employee shall continue as an at will employee.

Dated January 20, 2004.

U. S. PROPANE, L.P.

By U.S. Propane, L.L.C., General Partner

By: _____

Its: Vice President

_____
H. Michael Krimbill

"Employee"

EXHIBIT 10.11.2

TERMINATION AGREEMENT
(ATKINSON)

The undersigned (the "Employee"), in consideration of the payment of one (1) year's Base Salary, does hereby agree to the termination of his Employment Agreement dated August 10, 2000 with Heritage Holdings, Inc., as assigned to U.S. Propane, L.P. effective as of the closing of the Contribution Agreement dated November 6, 2003 between LaGrange Energy L.P. and each of Heritage Propane Partners, L.P. and Heritage Operating, L.P.

This Agreement may be executed in one or more counterparts and by original or facsimile signatures delivered by the parties to the other, each of which shall be deemed an original, but all of which constitute one and the same document.

The parties hereto agree that the Employee shall continue as an at will employee.

Dated January 20, 2004.

U. S. PROPANE, L.P.

By U.S. Propane, L.L.C., General Partner

By: _____

Its: President

_____
Bradley K. Atkinson

"Employee"

EXHIBIT 10.13.2

TERMINATION AGREEMENT
(DARR)

The undersigned (the "Employee"), in consideration of the payment of one (1) year's Base Salary, does hereby agree to the termination of his Employment Agreement dated August 10, 2000 with Heritage Holdings, Inc., as assigned to U.S. Propane, L.P. effective as of the closing of the Contribution Agreement dated November 6, 2003 between LaGrange Energy L.P. and each of Heritage Propane Partners, L.P. and Heritage Operating, L.P.

This Agreement may be executed in one or more counterparts and by original or facsimile signatures delivered by the parties to the other, each of which shall be deemed an original, but all of which constitute one and the same document.

The parties hereto agree that the Employee shall continue as an at will employee.

Dated January 20, 2004.

U. S. PROPANE, L.P.

By U.S. Propane, L.L.C., General Partner

By: _____

Its: President

_____
Mark A. Darr

"Employee"

EXHIBIT 10.14.2

TERMINATION AGREEMENT
(ROSE)

The undersigned (the "Employee"), in consideration of the payment of one (1) year's Base Salary, does hereby agree to the termination of his Employment Agreement dated August 10, 2000 with Heritage Holdings, Inc., as assigned to U.S. Propane, L.P. effective as of the closing of the Contribution Agreement dated November 6, 2003 between LaGrange Energy L.P. and each of Heritage Propane Partners, L.P. and Heritage Operating, L.P.

This Agreement may be executed in one or more counterparts and by original or facsimile signatures delivered by the parties to the other, each of which shall be deemed an original, but all of which constitute one and the same document.

The parties hereto agree that the Employee shall continue as an at will employee.

Dated January 20, 2004.

U. S. PROPANE, L.P.

By U.S. Propane, L.L.C., General Partner

By: _____

Its: President

_____
Thomas H. Rose

"Employee"

EXHIBIT 10.15.2

TERMINATION AGREEMENT
(WEISHAHN)

The undersigned (the "Employee"), in consideration of the payment of one (1) year's Base Salary, does hereby agree to the termination of his Employment Agreement dated August 10, 2000 with Heritage Holdings, Inc., as assigned to U.S. Propane, L.P. effective as of the closing of the Contribution Agreement dated November 6, 2003 between LaGrange Energy L.P. and each of Heritage Propane Partners, L.P. and Heritage Operating, L.P.

This Agreement may be executed in one or more counterparts and by original or facsimile signatures delivered by the parties to the other, each of which shall be deemed an original, but all of which constitute one and the same document.

The parties hereto agree that the Employee shall continue as an at will employee.

Dated January 20, 2004.

U. S. PROPANE, L.P.

By U.S. Propane, L.L.C., General Partner

By: _____

Its: President

_____
Curtis L. Weishahn

"Employee"

EXHIBIT 10.29.1

TERMINATION AGREEMENT
(GREENWOOD)

The undersigned (the "Employee"), in consideration of the payment of one (1) year's Base Salary, does hereby agree to the termination of his Employment Agreement dated July 1, 2001 with U.S. Propane, L.P. effective as of the closing of the Contribution Agreement dated November 6, 2003 between LaGrange Energy L.P. and each of Heritage Propane Partners, L.P. and Heritage Operating, L.P.; provided, however, Employee retains the vested right to receive 20,000 Common Units on or about July 24, 2005.

This Agreement may be executed in one or more counterparts and by original or facsimile signatures delivered by the parties to the other, each of which shall be deemed an original, but all of which constitute one and the same document.

The parties hereto agree that the Employee shall continue as an at will employee.

Dated January 20, 2004.

U. S. PROPANE, L.P.

By U.S. Propane, L.L.C., General Partner

By: _____
Its: President

_____
Michael L. Greenwood

"Employee"

EXHIBIT 10.33

SECOND AMENDED AND RESTATED CREDIT AGREEMENT

DATED AS OF DECEMBER 31, 2003

BETWEEN AND AMONG

HERITAGE OPERATING, L.P.,
A DELAWARE LIMITED PARTNERSHIP

"BORROWER"

AND

THE BANKS NOW OR HEREAFTER SIGNATORY PARTIES HERETO, AS LENDERS

"BANKS"

AND

BANK OF OKLAHOMA, NATIONAL ASSOCIATION

AS "ADMINISTRATIVE AGENT" AND CO-LEAD ARRANGER FOR THE BANKS,

AND

BANK ONE, NA,

AS "CO-AGENT" AND CO-LEAD ARRANGER" FOR THE BANKS

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EXHIBITS

SCHEDULES

SECOND AMENDED AND RESTATED
CREDIT AGREEMENT

THIS SECOND AMENDED AND RESTATED CREDIT AGREEMENT, dated as of December 31, 2003 (this "Agreement"), is entered into between and among HERITAGE OPERATING, L.P., a Delaware limited partnership (the "Borrower"), the various Persons signatory parties hereto, as lenders, (together with each other Person that becomes a Bank pursuant to Section 11 collectively referred to herein as the "Banks"), and BANK OF OKLAHOMA, NATIONAL ASSOCIATION ("BOk"), as administrative agent and co-lead arranger for the Banks (in such capacity the "Administrative Agent"), and Bank One, NA("Bank One"), as co-agent and co-lead arranger for the Banks (in such capacity the "Co-Agent") .

ARTICLE I

DEFINITIONS; ACCOUNTING PRINCIPLES,
TERMS AND DEFINITIONS; CONSTRUCTION

1.1 Definitions. Capitalized terms are used in this Agreement with the specific meanings defined below in this Section 1.1.

"Acquired Debt" means with respect to any specified Person, (i) Indebtedness of any other Person existing at the time such other Person merged with or into or became a Subsidiary of such specified Person, including Indebtedness incurred in connection with, or in contemplation of, such other Person merging with or into or becoming a Subsidiary of such specified Person and (ii) Indebtedness encumbering any asset acquired by such specified Person.

"Acquisition/Capex Due Diligence Package" is defined in Section 2.1.3.

"Acquisition Facility" means the agreement of the Banks herein to make the Acquisition Loan.

"Acquisition Loan Account" is defined in Section 2.1.4.

"Acquisition Loan" is defined in Section 2.1.4.

"Acquisition Notes" is defined in Section 2.1.4.

"Additional Banks" shall mean any Person that hereafter becomes a signatory Party hereto as a lender to Borrower hereunder.

"Additional Parity Debt" means Indebtedness of the Borrower that both (a) is permitted under Section 7B.2(xiv) hereof or is incurred with the consent of the Requisite Percentage of the Banks and (b) constitutes "Additional Parity Debt" as defined in the Note Purchase Agreements and the Intercreditor Agreement.

"Adjusted Consolidated EBITDA" shall mean, as of any date of determination for any applicable period, Consolidated EBITDA calculated:

(x) with respect to the consolidated group comprised of the General Partner, the Master Partnership and the Borrower and its Subsidiaries (rather than with respect to the consolidated group comprised of the Borrower and its Subsidiaries), and

(y) as if the terms "Consolidated Non-Cash Charges", "Consolidated Net Income", "Consolidated Interest Expense", "Consolidated Income Tax Expense", "Asset Sale", and "Asset Acquisition", were calculated with respect to the consolidated group comprised of the General Partner, the Master Partnership the Borrower and their respective Subsidiaries (rather than with respect to the consolidated group comprised of the Borrower and its Subsidiaries).

"Adjusted Consolidated Funded Indebtedness" shall mean Consolidated Funded Indebtedness calculated with respect to the consolidated group comprised of the General Partner, the Master Partnership, and the Borrower and their Subsidiaries (rather than with respect to the consolidated group comprised of the Borrower and its Subsidiaries).

"Administrative Agent" means BOk in its capacity as administrative agent for the Banks hereunder, as well as its successors and assigns in such capacity pursuant to Section 10.7.

"Affected Bank" is defined in Section 11.3.

"Affiliate" means, with respect to any Person any other Person directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person, except a Subsidiary of such Person. A Person shall be deemed to control a corporation if such Person (i) possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of such corporation, whether through the ownership of voting securities, by contract or otherwise or (ii) owns at least 5% of the Voting Stock of a corporation. As applied to the Borrower, "Affiliate" includes the General Partner and the Master Partnership.

"Agent" means collectively the Administrative Agent and the Co-Agent.

"Agreement" means this Agreement as from time to time amended, modified and in effect.

"Aggregate Available Cash" shall mean, with respect to any fiscal quarter of the Borrower and of La Grange, the aggregate amount of Available Cash of both the Borrower and its Subsidiaries and of La Grange and its Subsidiaries (which for purposes of this Agreement insofar as La Grange is concerned, shall be calculated using the definition of "Available Cash" set forth in this Agreement, except that (i) all references therein to the "Borrower" shall be deemed for purposes of this calculation only references to La Grange and (ii) the last sentence of such definition for purposes of this calculation only shall be modified to refer to reserves established by La Grange with respect to indebtedness on the same bases as set forth in such definition).

"Aggregate Partner Obligations" shall mean, with respect to any fiscal quarter of the General Partner and the Master Partnership, the aggregate amount of payment obligations of each of the General Partner and the Master Partnership, including, without limitation, the Minimum Quarterly Distribution (as defined in the Agreement of Limited Partnership of the Master Partnership) on all Units thereof with respect to such fiscal quarter.

"Allocable Proceeds" means, with respect to Excess Sale Proceeds or Excess Taking Proceeds, as the case may be, to be applied on any date pursuant to Sections 4.2.3(i) and 4.2.3(ii), the principal amount thereof available to prepay the Acquisition Notes determined by allocating such Excess Sale Proceeds or Excess Taking Proceeds, as the case may be, pro rata among the holders of all Acquisition Notes, the Private Placement Notes and other Parity Debt (other than Indebtedness permitted by Section 7B.2(ii)), if any, according to the aggregate principal amounts of the Acquisition Notes, the Private Placement Notes and such other Parity Debt outstanding on the date the applicable prepayment is to be made in accordance with Sections 4.2.3(i) and 4.2.3(ii).

"Annual Clean-Up" is defined in Section 2.2.2.

"Applicable Commitment Fee Percentage" means, with respect to any Margin Period, the applicable percentage set forth below:

(i) if the Leverage Ratio on the Financial Statement Delivery Date beginning such Margin Period was less than 3.25 to 1.0, 0.375%;

(ii) if the Leverage Ratio on the Financial Statement Delivery Date beginning such Margin Period was equal to or greater than 3.25 to 1.0 but less than 3.75 to 1.0, 0.450%; and

(iii) if the Leverage Ratio on the Financial Statement Delivery Date beginning such Margin Period was equal to or greater than 3.75 to 1.0, 0.50%.

Notwithstanding the foregoing, if any of the financial statements required pursuant to Section 7A.1(i) of this Credit Agreement are not delivered within the time periods specified in Section 7A.1(i), the Applicable Commitment Fee Percentage shall be 0.50% until the date such financial statements are delivered.

"Applicable Margin" means with respect to any Eurodollar Loan or with respect to any Base Rate Loan, the rate of interest per annum determined as set forth below:

(i) if the Leverage Ratio on the Financial Statement Delivery Date (as defined in the Credit Agreement) commencing such Margin Period was less than 3.25 to 1.0, the Applicable Margin will be 1.625% for Eurodollar Loans and zero for Base Rate Loans;

(ii) if the Leverage Ratio on the Financial Statement Delivery Date commencing such Margin Period was equal to or greater than

3.25 to 1.0 but less than 3.75 to 1.0, the Applicable Margin will be 1.875% for Eurodollar Loans and zero for Base Rate Loans;

(iii) if the Leverage Ratio on the Financial Statement Delivery Date commencing such Margin Period was equal to or greater than 3.75 to 1.0 but less than 4.25 to 1.0, the Applicable Margin will be 2.125% for Eurodollar Loans and zero for Base Rate Loans;

(iv) if the Leverage Ratio on the Financial Statement Delivery Date commencing such Margin Period was equal to or greater than 4.25 to 1.0 but less than 4.50 to 1.0, the Applicable Margin will be 2.250% for Eurodollar Loans and zero for Base Rate Loans;

(v) if the Leverage Ratio on the Financial Statement Delivery Date commencing such Margin Period was equal to or greater than 4.50 to 1.0 but less than 4.75 to 1.0, the Applicable Margin will be 2.50% for Eurodollar Loans and 0.125% for Base Rate Loans; and

(vi) if the Leverage Ratio on the Financial Statement Delivery Date commencing such Margin Period was equal to or greater than 4.75 to 1.0, the Applicable Margin will be 2.50% for Eurodollar Loans and 0.250% for Base Rate Loans.

Notwithstanding the foregoing, if any of the financial statements required pursuant to Section 7A.1(i) of this Credit Agreement are not delivered within the time periods specified in Section 7A.1(i) thereof, the Applicable Margin shall be the Applicable Margin set forth in clause (vi) above until the date such financial statements are delivered.

"Applicable Rate" means, at any date:

(i) the sum of (a) with respect to each Eurodollar Loan, the sum of the Applicable Margin in effect on such date plus the Eurodollar Rate relating to such Eurodollar Loan; (b) with respect to each Base Rate Loan, the sum of the Applicable Margin in effect on such date plus the Base Rate relating to such Base Rate Loan; and

(ii) an additional two percentage points (2%) effective on the day the Administrative Agent notifies the Borrower that the interest rates hereunder are increasing as a result of the occurrence and continuance of an Event of Default until such time as (A) such Event of Default is no longer continuing or (B) such Event of Default is deemed no longer to exist, in each case pursuant to Article IX hereof.

"Arvest" shall mean Arvest Bank, a state banking corporation.

"Asset Acquisition" means (i) an Investment by the Borrower or any Subsidiary of the Borrower in any other Person pursuant to which such Person shall become a Subsidiary of the Borrower or shall be merged with or into the Borrower or any Subsidiary of the Borrower, (ii)

the acquisition by the Borrower or any Subsidiary of the Borrower of the assets of any Person which constitute all or substantially all of the assets of such Person or (iii) the acquisition by the Borrower or any Subsidiary of the Borrower of any division or line of business of any Person (other than a Subsidiary of the Borrower).

"Asset Sale" is defined in Section 7B.7(iii).

"Assets" is defined in the second opening paragraph of the Note Purchase Agreements, as in effect on the date hereof.

"Assignment and Acceptance" is defined in Section 11.1.1.

"Attributable Debt" means, with respect to any Sale and Lease-Back Transaction not involving a Capitalized 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).

"Available Cash" means, with respect to any fiscal quarter of the Borrower, (i) the sum of (a) all cash and cash equivalents thereof and its Subsidiaries on hand at the end of such quarter and (b) all additional cash and cash equivalents thereof and its Subsidiaries on hand on the date of determination of Available Cash with respect to such quarter resulting from borrowings for working capital purposes made subsequent to the end of such quarter, less (ii) the amount of any cash reserves that is necessary or appropriate in the reasonable discretion of the General Partner thereof to (a) provide for the proper conduct of the business thereof and its Subsidiaries (including reserves for future capital expenditures) subsequent to such quarter, (b) comply with applicable law or any loan agreement, security agreement, mortgage, debt instrument or other agreement or obligation to which the Borrower or any Subsidiary thereof is a party or by which it is bound or its assets are subject (including the Loan Documents) and (c) provide funds for distributions to partners of the Master Partnership and the General Partner thereof in respect of any one or more of the next four quarters; provided that the General Partner thereof need not establish cash reserves pursuant to clause (c) if the effect of such reserves would be that the Master Partnership is unable to distribute the Minimum Quarterly Distribution (as defined in the Agreement of Limited Partnership of the Master Partnership) on all Common Units with respect to such quarter; and provided, further, that disbursements made by the Borrower, or a Subsidiary of the Borrower, or cash reserves established, increased or reduced after the end of such quarter but on or before the date of determination of Available Cash with respect to such quarter shall be deemed to have been made, established, increased or reduced for purposes of determining Available Cash, within such quarter if the General Partner thereof so determines. In addition, without limiting the foregoing, Available Cash for any fiscal quarter shall reflect reserves equal

to (A) 50% of the interest projected to be paid on the Private Placement Notes in the next succeeding fiscal quarter plus (B) beginning with a date three fiscal quarters before a scheduled principal payment date on the Private Placement Notes, 25% of the aggregate principal amount thereof due on any such payment date in the third succeeding fiscal quarter, 50% of the aggregate principal amount due on any such payment date in the second succeeding fiscal quarter and 75% of the aggregate principal amount due on any quarterly payment date in the next succeeding fiscal quarter, plus (C) the Unused Proceeds Reserve as of the date of determination, provided that the foregoing reserves for amounts to be paid on the Private Placement Notes shall be reduced by the aggregate amount of advances available to the Borrower, from responsible financial institutions under binding irrevocable (x) credit or financing commitments (which are subject to no conditions which the Borrower is unable to meet) including this Agreement, and (y) letters of credit (which are subject to no conditions which the Borrower is unable to meet), in each case, to be used to refinance such amounts, to the extent such amounts could be borrowed and remain outstanding under Sections 7B.1 and 7B.2 of this Agreement.

"Bank" means each of the Persons listed as Banks on the signature page hereto, including each of BOk, Bank One, Arvest, Fifth Third, MidFirst, Local and US Bank in its capacity as a Bank, and such other Persons who may from time to time own a Percentage Interest in the Credit Obligations, but the term "Bank" shall not include any Credit Participant.

"Bank Legal Requirement" means any present or future requirement imposed upon any of the Banks or the Borrower and its Subsidiaries by any law, statute, rule, regulation, directive, order, decree, guideline (or any interpretation thereof by courts or of administrative bodies) of the United States of America, or any jurisdiction in which any Eurodollar Office is located or any state or political subdivision of any of the foregoing, or by any board, governmental or administrative agency, central bank or monetary authority of the United States of America, any jurisdiction in which any Eurodollar Office is located, or any political subdivision of any of the foregoing. any such requirement imposed on any of the Banks not having the force of law shall be deemed to be a Bank Legal Requirement if such Bank reasonably believes that compliance therewith is in the best interest of such Bank.

"Bank One" means Bank One, NA..

"Banking Day" means any day other than Saturday, Sunday or a day on which banks in Tulsa, Oklahoma are authorized or required by law or other governmental action to close and, if such term is used with reference to a Eurodollar Pricing Option, any day on which dealings are effected in the Eurodollars in question by first-class banks in the inter-bank Eurodollar markets in New York, New York.

"Bankruptcy Law" is defined in clause (viii) of Section 9.1.

"Base Rate" means, on any date, the greater (i) the rate of interest announced by JPMorgan Chase Bank, National Association, New York, New York, or such other financial institution that is the primary banking subsidiary of JPMorgan Chase & Co., as its Base Rate or (ii) the sum of 1/2% plus the Federal Funds Rate.

"Base Rate Loan" means each portion of the Loan bearing interest determined by reference to the Base Rate.

"Bi-State" means Heritage-Bi State LLC, a Delaware limited liability company.

"BOk" has the meaning specified in the introduction to this Agreement.

"Business" shall mean each of (i) the business of wholesale and retail sales, storage, transportation and distribution of propane gas, providing repair, installation and maintenance services for propane heating systems; the sale and distribution of propane-related supplies and equipment (including appliances); the generation, transportation, sale, distribution and marketing relating thereto of propane-powered fuel cells, or the power generated therefrom and equipment related thereto, and (ii) the business of purchasing, gathering, treating, processing, marketing, sales, storage, transportation, fractionation and distribution of natural gas and natural gas liquids and other related energy services.

"Capital Stock" means, with respect to any Person, any and all shares, units representing interests, participations, rights in or other equivalents (however designated) of such Person's capital stock, including, with respect to partnerships, partnership interests (whether general or limited) and any other interest or participation that confers upon a Person the right to receive a share of the profits and losses of, or distributions of assets of, such partnership, and any rights (other than debt securities convertible into capital stock), warrants or options exchangeable for or convertible into such capital stock.

"Capitalized Lease Obligation" means any rental obligation which under GAAP would be required to be capitalized on the books of the Borrower or any of its Subsidiaries, taken at the amount thereof accounted for as indebtedness (net of interest expense) in accordance with such principles.

"Cash Equivalents" is defined in Section 7B.5(iii).

"CERCLA" shall mean the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. Section 9601 et seq., as the same may be amended from time to time.

"Certificates and Stock Powers" is defined in Section 6.1(vi).

"Change of Control" means the acquisition by any Person or group of related persons (as such terms are defined in the Exchange Act) (other than the Current Management or group of related persons (as so defined) including the Current Management) of beneficial ownership of more than 50% of the Units.

"Closing Date" means the effective date of this Agreement and each other date on which any extension of credit is made pursuant to Section 2.1, 2.2 or 2.3.

"Code" means the Internal Revenue Code of 1986, as amended.

"Collateral" is defined in the Security Agreement, provided, however, that Collateral shall not include for any purpose under this Agreement or any other Loan Document any property subject to a Lien incurred pursuant to clause (i), (vii) or (viii) of Section 7B.3 or any renewals of any such Lien pursuant to clause (xiv) of Section 7B.3 unless the Indebtedness secured by such Lien shall have been paid or discharged.

"Collateral Agent" shall mean Wilmington Trust Company, a Delaware trust company, in its capacity as collateral agent under the Intercreditor and Agency Agreement and its successors and assigns in such capacity under Section 11 thereof.

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

"Commitments" means, with respect to any Bank, such Bank's obligations to extend the credit facilities contemplated by Section 2. The original Commitments are set forth in Section 10.1 and the current Commitments are recorded from time to time in the Register.

"Common Units" shall mean common units representing a limited partnership interest in the Master Partnership and the Borrower on a combined basis.

"Consolidated Debt Service" means, as of any date of determination, the total amount payable by the Borrower and its Subsidiaries on a consolidated basis during the four consecutive calendar quarters next succeeding the date of determination, in respect of scheduled principal and interest payments with respect to Indebtedness of the Borrower and its Subsidiaries outstanding on such date of determination, after giving effect to any Indebtedness proposed on such date to be incurred and to the substantially concurrent repayment of any other Indebtedness (a) including actual payments under Capitalized Lease Obligations, (b) assuming, in the case of Indebtedness (other than Indebtedness referred to in clause (c) below) bearing interest at fluctuating interest rates which cannot be determined in advance, that the rate actually in effect on such date will remain in effect throughout such period, (c) including only actual interest (but not principal) payments associated with the Indebtedness incurred pursuant to Section 7B.2(ii) and 7B.2(v) during the most recent four consecutive calendar quarters and (d) treating the principal amount of all Indebtedness outstanding as of such date of determination under a revolving credit or similar agreement (other than the Indebtedness incurred pursuant to Section 7B.2(ii) and Section 7B.2(v)) as maturing and becoming due and payable on the scheduled maturity date or dates thereof (including the maturity of any payment required by any commitment reduction or similar amortization provision), without regard to any provision permitting such maturity date to be extended (except for such extensions as may be made in the sole discretion of the borrower thereunder and without any conditions that remain to be fulfilled by the borrower or waived by the lender thereunder). See Section 1.2.

"Consolidated EBITDA" means, as of any date of determination for any applicable period, (1) the sum of, without duplication, the amounts for such period, taken as a single accounting period, of (a) Consolidated Net Income and (b) to the extent deducted in the determination of Consolidated Net Income, after excluding amounts attributable to minority interests in Subsidiaries and without duplication, (i) Consolidated Non-Cash Charges, (ii) Consolidated Interest Expense and (iii) Consolidated Income Tax Expense less (2) any non-cash

items increasing Consolidated Net Income for such period to the extent that such items constitute reversals of a Consolidated Non-Cash Charge for a previous period and which were included in the computation of Consolidated EBITDA for such previous period pursuant to the provisions of the preceding clause (1). Consolidated EBITDA shall be calculated after giving effect, on a pro forma basis and in accordance with GAAP, to, without duplication, any Asset Sales or Asset Acquisitions (including without limitation any Asset Acquisition giving rise to the need to make such calculation as a result of the Borrower or one of its Subsidiaries incurring, assuming or otherwise being liable for Acquired Debt) occurring during the period commencing on the first day of such period to and including the date of the transaction (the "Reference Period"), as if such Asset Sale or Asset Acquisition occurred on the first day of the Reference Period; provided, however, that Consolidated EBITDA generated by an acquired business or asset shall be determined by the actual gross profit (revenues minus cost of goods sold) of such acquired business or asset during the immediately preceding four full fiscal quarters in the Reference Period minus the pro forma expenses that would have been incurred by the Borrower and its Subsidiaries in the operation of such acquired business or asset during such period computed on the basis of personnel expenses for employees retained or to be retained by the Borrower and its Subsidiaries in the operation of such acquired business or asset and non-personnel costs and expenses incurred by the Borrower and its Subsidiaries in the operation of the Borrower's business at similarly situated facilities of the Borrower or any of its Subsidiaries (as determined in good faith by the General Partner determined (a) on the basis of 100% that amount for the period of upon reasonable assumptions). As used herein, but only for purposes of Sections 7B.1(i) and (ii), Consolidated EBITDA shall be determined (a) on the basis of 100% of that amount for the period of the four most recent fiscal quarters ending on or prior to the date of determination or (b) 50% of that amount for the period of the eight most recent fiscal quarters ending on or prior to the date of determination, whichever is higher. For all other purposes hereof, Consolidated EBITDA shall be based upon that amount determined over the four most recent fiscal quarters ending on or prior to the date of determination (or, as the case may be, for which financial statements have been or are required to be delivered to the Banks pursuant to Section 7B.1(i) and (ii)). See Section 1.2.

"Consolidated Funded Indebtedness" means, as of any date of determination, the aggregate amount of Indebtedness of the Borrower and its Subsidiaries outstanding on that date and maturing in more than 12 months, including the Private Placement Notes and borrowings under the Acquisition Facility (including current maturities of any such Indebtedness). Notwithstanding anything to the contrary contained herein, Consolidated Funded Indebtedness shall not include borrowings under the Working Capital Facility to the extent permitted under the Note Purchase Agreements.

"Consolidated Income Tax Expense" means, with respect to the Borrower and its Subsidiaries, for any period, the provision for federal, state, local and foreign income taxes of the Borrower and its Subsidiaries for such period as determined on a consolidated basis in accordance with GAAP. See Section 1.2.

"Consolidated Interest Expense" means as of any date of determination for any applicable period, without duplication, the sum of (i) the interest expense of the Borrower and its Subsidiaries for such period as determined on a consolidated basis in accordance with GAAP,

including without limitation (a) any amortization of debt discount, (b) the net cost under Interest Rate Agreements, (c) the interest portion of any deferred payment obligation, (d) all commissions, discounts and other fees and charges owed with respect to letters of credit and bankers' acceptance financing and (e) all accrued interest and (ii) the interest component of Capitalized Lease Obligations paid, accrued or scheduled to be paid or accrued by the Borrower and its Subsidiaries during such period as determined on a consolidated basis in accordance with GAAP. In computing Consolidated Interest Expense for purposes of clause (ii) of Section 7B.1, the applicable period for the determination thereof shall be the four most recent fiscal quarters ending on or prior to the date of determination. See Section 1.2.

"Consolidated Net Income" means the net income of the Borrower and its Subsidiaries, as determined on a consolidated basis in accordance with GAAP and after provision for minority interests and as adjusted to exclude (i) net after-tax extraordinary gains or losses, (ii) net after-tax gains or losses attributable to Asset Sales, (iii) the net income or loss of any Person which is not a Subsidiary of the Borrower and which is accounted for by the equity method of accounting, provided that Consolidated Net Income shall include the amount of cash dividends or distributions actually paid to the Borrower or any Subsidiary of the Borrower, (iv) the net income or loss prior to the date of acquisition of any Person combined with the Borrower or any Subsidiary of the Borrower in a pooling of interest, (v) the net income of any Subsidiary of the Borrower to the extent that dividends or distributions of such net income are not at the date of determination permitted by the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or other regulation and (vi) the cumulative effect of any changes in accounting principles. See Section 1.2.

"Consolidated Net Worth" means, with respect to any Person, at any date of determination, the total partners' capital (in the case of a partnership) or stockholders' equity (in the case of a corporation) of such Person at such date, as would be shown on a consolidated balance sheet of such Person and its Subsidiaries, if any, prepared in accordance with GAAP. See Section 1.2.

"Consolidated Non-Cash Charges" means with respect to the Borrower and its Subsidiaries, for any period, the aggregate depreciation and amortization, in each case reducing Consolidated Net Income of the Borrower and its Subsidiaries for such period, determined on a consolidated basis in accordance with GAAP. See Section 1.2.

"Consolidated Pro Forma Maximum Debt Service" means, as of any date of determination, the maximum amount payable by the Borrower and its Subsidiaries on a consolidated basis during all periods of four consecutive calendar quarters, commencing with the calendar quarter in which such date of determination occurs and ending June 30, 2011, in respect of scheduled principal and interest payments with respect to all Indebtedness of the Borrower and its Subsidiaries outstanding on such date of determination, after giving effect to any Indebtedness proposed on such date to be incurred and to the substantially concurrent repayment of any other Indebtedness (a) including all payments under Capitalized Lease Obligations, (b) assuming, in the case of Indebtedness (other than Indebtedness referred to in clause (c) below) bearing interest at fluctuating interest rates which cannot be determined in advance, that the rate actually in effect on such date will remain in effect throughout such period, (c) including only

actual interest (but not principal) payments associated with the Indebtedness incurred pursuant to Section 7B.2 during the most recent four consecutive calendar quarters and (d) treating the principal amount of all Indebtedness outstanding as of such date of determination under a revolving credit or similar agreement (other than the Indebtedness incurred pursuant to Section 7B.2 as maturing and becoming due and payable on the scheduled maturity date or dates thereof (including the maturity of any payment required by any commitment reduction or similar amortization provision), without regard to any provision permitting such maturity date to be extended (except for such extensions as may be made in the sole discretion of the borrower thereunder and without any conditions that remain to be fulfilled by the borrower or waived by the lender thereunder). See Section 1.2.

"Consolidated Tangible Net Worth" means, with respect to any Person, at any date of determination, the then Consolidated Net Worth of Person minus the net book value of all assets of such Person and its Subsidiaries, if any, (after deducting any reserves applicable thereto), which would be shown as intangible assets on a consolidated balance sheet of such Person and its Subsidiaries, if any, as of such time prepared in accordance with GAAP. See Section 1.2.

"Contribution Agreement" collectively shall mean the Contribution, Conveyance and Assumption Agreement, dated as of June 28, 1996, among the other signatories thereto, in connection with the transactions contemplated by the Existing Credit Agreement and the Contribution Agreement, dated as of November 6, 2003, among the signatory parties thereto in connection with the La Grange Acquisition, as each of the same may from time to time be amended, supplemented, restated or otherwise modified in accordance with the terms thereof and hereof.

"Control Event" means:

(i) the execution of any written agreement to which the Borrower or any Affiliate of the Borrower is a party which could reasonably be expected to result in a Change of Control.

(ii) the commencement (as such term is used in Rule 14d-2(a) under the Exchange Act as in effect on the date of the Closing) of a tender offer by any person (as such term is used in Section 13(d) and Section 14(d)(2) of the Exchange Act as in effect on the date of the Closing) or related person constituting a group (as such term issued in Rule 13d-5 under the Exchange Act as in effect on the date of the Closing) for units which would result in such person or group owning, directly or indirectly, more than 50% of the outstanding Units.

"Conveyance Agreements" shall mean (a) the Contribution Agreement and (b) each of the individual bills of sale and other conveyance documents delivered to the Borrower pursuant to the Contribution Agreement in each case as the same may from time to time be amended, supplemented or otherwise modified in accordance with the terms thereof and hereof.

"Credit Obligations" means all present and future liabilities, obligations and Indebtedness of the Borrower or any of its Subsidiaries owing to the Administrative Agent, the Co-Agent or

any Bank under or in connection with this Agreement or any other Loan Document, including obligations in respect of principal, interest, reimbursement obligations under Letters of Credit and Interest Rate Agreements provided by a Bank (or an Affiliate of a Bank), commitment fees, Letter of Credit fees, amounts provided for in Sections 3.2.4, 3.5, 3.6, 3.7, 3.8 and 3.10 and any other fees, charges, indemnities and expenses from time to time owing hereunder or under any other Loan Documents (whether accruing before or after the commencement of proceedings under any Bankruptcy Law).

"Credit Participant" is defined in Section 11.2.

"Current Management" shall mean (a) either H. Michael Krimbill or Michael L. Greenwood and (b) any one (1) of the following: James E. Bertelsmeyer, R.C. Mills, Bradley K. Atkinson, Ray C. Davis or Kelcy L. Warren, together with the heirs of, and trusts for the benefit of family members controlled by, any such executive manager described in (a) or (b) hereof.

"Departing Bank" shall mean Harris Trust and Savings Bank.

"Environmental Laws" means all applicable federal, state, local and foreign laws, rules or regulations as amended from time to time, relating to emissions, discharges, releases, threatened releases, removal, remediation or abatement of pollutants, contaminants, chemicals or industrial, toxic or hazardous substances or wastes into or in the environment (including without limitation air, surface water, ground water or land), or otherwise used in connection with the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of pollutants, contaminants, toxic or hazardous substances or wastes, as defined under such applicable laws.

"Equity Interest" means, with respect to any Person, any capital stock issued by such Person, regardless of class or designation, or any limited or general partnership interest in such Person, regardless of designation, and all warrants, options, purchase rights, conversion or exchange rights, voting rights, calls or claims of any character with respect thereto.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"ERISA Affiliate" means any trade or business (whether or not incorporated) that, together with the Borrower, is treated as a single employer under Section 414(b) or (c) of the Code, or, solely for purposes of Section 302 of ERISA and Section 412 of the Code, is treated as a single employer under Section 414 of the Code.

"ERISA Event" means (i) any "reportable event", as defined in Section 4043 of ERISA or the regulations issued thereunder, with respect to a Plan; (ii) the adoption of any amendment to a Plan that would require the provision of security pursuant to Section 401(a)(29) of the Code or Section 307 of ERISA; (iii) the existence with respect to any Plan of an "accumulated funding deficiency" (as defined in Section 412 of the Code or Section 302 of ERISA), whether or not waived; (iv) the filing pursuant to Section 412(d) of the Code or Section 303(d) of ERISA of an application for a waiver of the minimum funding standard with respect to any Plan; (v) the incurrence of any liability under Title IV of ERISA with respect to the termination of any Plan or the withdrawal or partial withdrawal of the Borrower or any of its ERISA Affiliates from any

Plan or Multiemployer Plan; (vi) the receipt by the Borrower or any ERISA Affiliate from the PBGC or a plan administrator of any notice relating to the intention to terminate any Plan or Plans or to appoint a trustee to administer any Plan; (vii) the receipt by the Borrower or any ERISA Affiliate of any notice concerning the imposition of Withdrawal Liability or a determination that a Multiemployer Plan is, or is expected to be, insolvent or in reorganization, within the meaning of Title IV of ERISA; and (viii) the occurrence of a "prohibited transaction" with respect to which the Borrower or any of its Subsidiaries is a "disqualified person" (within the meaning of Section 4975 of the Code) and with respect to which the Borrower or such Subsidiary would be liable for the payment of an excise tax.

"Eurodollars" means, with respect to any Bank, deposits of United States Funds in a non-United States office or an international banking facility of such Bank.

"Eurodollar Basic Rate" means, for any Eurodollar Interest Period, the rate of interest at which Eurodollar deposits in an amount comparable to the Percentage Interest of BOk in the portion of a Loan as to which a Eurodollar Pricing Option has been elected and which have a term corresponding to such Eurodollar Interest Period are offered to the Administrative Agent by first class banks in the inter-bank Eurodollar market for delivery in immediately available funds at a Eurodollar Office on the first day of such Eurodollar Interest Period as determined by the Administrative Agent at approximately 10:00 a.m. (Tulsa, Oklahoma time) two Banking Days prior to the date upon which such Eurodollar Interest Period is to commence (which determination by the Administrative Agent shall, in the absence of manifest error, be conclusive) and as furnished promptly thereafter by the Administrative Agent.

"Eurodollar Interest Period" means any period, selected as provided in Section 3.2.1, of one or three months, commencing on any Banking Day and ending on the corresponding date in the subsequent calendar month so indicated (or, if such subsequent calendar month has no corresponding date, on the last day of such subsequent calendar month); provided, however, that subject to Section 3.2.3, if any Eurodollar Interest Period so selected would otherwise begin or end on a date which is not a Banking Day, such Eurodollar Interest Period shall instead begin or end, as the case may be, on the immediately preceding or succeeding Banking Day as determined by the Administrative Agent in accordance with the then current banking practice in the inter-bank Eurodollar market with respect to Eurodollar deposits at the applicable Eurodollar Office, which determination by the Administrative Agent shall, in the absence of manifest error, be conclusive.

"Eurodollar Loan" means each portion of the Loan bearing interest determined by reference to the Eurodollar Rate.

"Eurodollar Office" means such non-United States office or international banking facility of any Bank as the Administrative Agent may from time to time select.

"Eurodollar Pricing Options" means the options granted pursuant to Section 3.2.1 to have the interest on any portion of a Loan computed on the basis of a Eurodollar Rate.

"Eurodollar Rate" for any Eurodollar Interest Period means the rate, rounded upward to the nearest 1/100%, obtained by dividing (a) the Eurodollar Basic Rate for such Eurodollar Interest Period by (b) an amount equal to 1 minus the Eurodollar Reserve Rate; provided, however, that if at any time during such Eurodollar Interest Period the Eurodollar Reserve Rate applicable to any outstanding Eurodollar Pricing Option changes, the Eurodollar Rate for such Eurodollar Interest Period shall automatically be adjusted to reflect such change, effective as of the date of such change.

"Eurodollar Reserve Rate" means the stated maximum rate (expressed as a decimal) of all reserves (including any basic, supplemental, marginal or emergency reserve or any reserve asset), if any, as from time to time in effect, required by any Bank Legal Requirement to be maintained by any Bank against (a) "Eurocurrency liabilities" as specified in Regulation D of the Board of Governors of the Federal Reserve System applicable to Eurodollar Pricing Options, (b) any other category of liabilities that includes Eurodollar deposits by reference to which the interest rate on portions of a Loan subject to Eurodollar Pricing Options is determined, (c) the principal amount of or interest on any portion of the Loan subject to a Eurodollar Pricing Option or (d) any other category of extensions of credit, or other assets, that includes loan subject to a Eurodollar Pricing Option by a non-United States office of any of the Banks to United States residents, in each case without the benefits of credits for prorations, exceptions or offsets that may be available to a Lender.

"Event of Default" means any of the events specified in Section 9.1, provided that there has been satisfied any requirement in connection with such event for the giving of notice, or the lapse of time, or the happening of any further condition, event or act, and "Default" shall mean any of such events, whether or not any such requirement has been satisfied.

"Excess Proceeds" is defined in Section 4.2.4.

"Excess Sale Proceeds" is defined in Section 7B.7(iii)(c)(ii).

"Excess Taking Proceeds" is defined in Section 4.2.3(ii).

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

"Existing Credit Agreement" means the Credit Agreement dated as of June 25, 1996, as amended by the First Amendment to Credit Agreement dated as of July 25, 1996, the Second Amendment to Credit Agreement dated as of February 28, 1997, the Third Amendment to Credit Agreement dated as of September 30, 1997, the Fourth Amendment to Credit Agreement dated as of November 18, 1997, and the Fifth Amendment to Credit Agreement dated as of November 13, 1998, as replaced and restated by the First Amended and Restated Credit Agreement dated as of May 31, 1999, between and among Borrower, BOk, Firstar Bank, N.A. ("Firstar"), and Local, and BOk, as Administrative Agent, and Firstar, as Co-Agent, as amended by the First Amendment to First Amended and Restated Credit Agreement dated as of October 15, 1999, between and among Borrower, BOk, Firstar and

Local, and BOk, as Administrative Agent and Firstar, as Co-Agent, as amended by the Second Amendment to First Amended and Restated Credit Agreement dated as of May 31, 2000, between and among Borrower, BOk, Firstar and Local, and BOk, as Administrative Agent, and Firstar, as Co-Agent, as amended by the Third Amendment to First Amended and Restated Credit Agreement dated as of August 10, 2000, between and among Borrower, BOk, Firstar, Local and Harris, as lenders, and BOk, as Administrative Agent and Firstar, as Co-Agent, as further amended by the Fourth Amendment to First Amended and Restated Credit Agreement dated as of December 28, 2000, between and among Borrower, BOk, Firstar, Local and Harris Trust and Savings Bank ("Harris"), as lenders, the Administrative Agent and the Co-Agent, as further amended by the Fifth Amendment to the First Amended and Restated Credit Agreement dated as of July 16, 2001, between and among Borrower, BOk, Firstar, Local and Harris, as lenders, and BOk, as Administrative Agent, and Firstar, as Co-Agent, and as further amended by the Sixth Amendment to the First Amended and Restated Credit Agreement dated as of October 1, 2003, between and among Borrower, BOk, U.S. Bank National Association, successor to Firstar, Local and Harris, as lenders, and BOk, as Administrative Agent, and US Bank, as Co-Agent.

"Federal Funds Rate" means, for any day, the rate equal to the weighted average (rounded upward to the nearest 1/8%) of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers, (i) as such weighted average is published for such day (or, if such day is not a Banking Day, for the immediately preceding Banking Day) by the Federal Reserve Bank of New York or (ii) if such rate is not so published for such Banking Day, as determined by the Administrative Agent using any reasonable means of determination. Each determination by the Administrative Agent of the Federal Funds Rate shall, in the absence of manifest error, be conclusive.

"Fifth Third" shall mean Fifth Third State Bank.

"Final Maturity Date" means December 31, 2006.

"Financial Statement Delivery Date" means each date on which financial statements are to be delivered pursuant to Section 7A.1(i) and (ii), respectively.

"Financing Statements" shall have the meaning specified in Section 6.1(vi).

"Fixed Charges" shall mean scheduled principal and interest payments and payments due under Capitalized Lease Obligations.

"Foreign Trade Regulations" means (i) any act that prohibits or restricts, or empowers the President or any executive agency of the United States of America to prohibit or restrict, exports to or financial transactions with any foreign country or foreign national, (ii) the regulations with respect to certain prohibited foreign trade transactions set forth at 22 C.F.R. parts 120-130 and 31 C.F.R. Part 500 and (iii) any order, regulation, ruling, interpretation, direction, instruction or notice relating to any of the foregoing.

"Funding Liability" means (a) any Eurodollar deposit which was used (or deemed by Section 3.2.6 to have been used) to fund any portion of a Loan subject to a Eurodollar Pricing Option, and (b) any portion of a Loan subject to a Eurodollar Pricing Option funded (or deemed by Section 3.2.6 to have been funded) with the proceeds of any such Eurodollar deposit.

"GAAP" is defined in Section 1.2.

"General Partner" means U.S. Propane in its capacity as the general partner of the Borrower.

"Governmental Authority" means any governmental agency, authority, instrumentality or regulatory body, other than a court or other tribunal, in each case whether federal, state, local or foreign.

"Guaranty" means, with respect to any Person, any direct or indirect liability, contingent or otherwise, of such Person with respect to any Indebtedness of another, including, without limitation, any such obligation directly or indirectly guaranteed, endorsed (otherwise than for collection or deposit in the ordinary course of business) or discounted or sold with recourse by such Person, or in respect of each such Person is otherwise directly or indirectly liable, including, without limitation, any such obligation in effect guaranteed by such Person through any agreement (contingent or otherwise) to purchase, repurchase or otherwise acquire such obligation or any security therefor, or to provide funds for the payment or discharge of such obligation (whether in the form of loans, advances, stock purchases, capital contributions or otherwise), or to maintain the solvency or any balance sheet or other financial condition of the obligor of such obligation, or to make payment for any products, materials or supplies or for any transportation or services regardless of the non-delivery or non-furnishing thereof, in any such case if the purpose or intent of such agreement is to provide assurance that such obligation will be paid or discharged, or that any agreements relating thereto will be complied with, or that the holders of such obligation will be protected against loss in respect thereof. The amount of any Guaranty shall be equal to the outstanding principal amount of the obligation guaranteed or such lesser amount to which the maximum exposure of the guarantor shall have been specifically limited.

"Hazardous Substance" means any substance so designated pursuant to CERCLA, asbestos, petroleum, urea formaldehyde insulation and petroleum by-products (other than propane).

"Heritage Service" means Heritage Service Corp., a Delaware corporation.

"Heritage Service Credit Agreement" means the First Amended and Restated Revolving Credit Agreement dated as of May 31, 1999, between and among Heritage Service, as borrower, the Banks, as lenders, the Administrative Agent and the Co-Agent, as amended from time to time, including, without limitation, that certain Fourth Amendment thereto dated as of July 16, 2001.

"Indebtedness" shall mean, with respect to any Person, without duplication,

(a) any 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) all 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) any indebtedness, whether or not for borrowed money (excluding trade payables and accrued expenses arising 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 any Capitalized Lease Obligations to the extent such obligations would, in accordance with GAAP, appear on a balance sheet of such Person;

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

(f) all Redeemable Capital Stock of such Person valued at the greater of its voluntary or involuntary maximum fixed repurchase price plus accrued dividends;

(g) any Preferred Stock of any Subsidiary of such Person valued at the liquidation preference thereof, or any mandatory redemption payment obligations in respect thereof plus, in either case, accrued dividends thereon;

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

(i) any indebtedness of any other Person of the character referred to in clause (a), (b), (c), (d), (e), (f), (g) or (h) of this definition with respect to which the Person whose Indebtedness is being determined has become liable by way of a Guaranty;

(j) all 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);

(k) all 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;

(l) Swaps (other than Interest Rate Agreements);

(m) all 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

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

For purposes hereof, the "maximum fixed repurchase price" of any Redeemable Capital Stock which does not have a fixed repurchase price shall be calculated in accordance with the terms of such Redeemable Capital Stock as if such Redeemable Capital Stock were purchased on any date on which Indebtedness shall be required to be determined pursuant to this Agreement and if such price is based upon, or measured by, the fair market value of such Redeemable Capital Stock, such fair market value shall be determined in good faith by the board of directors or a similar governing body of the issuer of such Redeemable Capital Stock.

"Intercreditor Agreement" means the Intercreditor and Agency Agreement among the Purchasers of the Private Placement Notes, the initial Administrative Agent (BankBoston) and the Collateral Agent dated as of June 25, 1996, as amended, supplemented or modified from time to time in connection with the transactions and modifications contemplated by this Agreement.

"Interest Coverage" means, as of any date, a ratio equal to the ratio of (a) the Consolidated EBITDA of the Borrower for the period of four consecutive fiscal quarters of the Borrower ending with the most recent fiscal quarter for which the Borrower has delivered to the Banks, or is required under Section 7A.1(i) to have delivered to the Banks, financial statements of the Borrower to (b) the Consolidated Interest Expense of the Borrower for such period of four consecutive fiscal quarters.

"Interest Rate Agreement" shall mean any fully matched interest rate Swap entered into with the intent to protect the Borrower against fluctuations in interest rates and entered into as a bona fide hedging arrangement and not for purposes of investment or speculation.

"Investment" shall mean, as applied to any Person, any direct or indirect purchase or other acquisition by such Person of stock or other securities of any other Person, or any direct or indirect loan, advance or capital contribution by such Person to any other Person, and any other item which would be classified as an "investment" on a balance sheet of such Person prepared in accordance with GAAP, including without limitation any direct or indirect contribution by such Person of property or assets to a joint venture, partnership or other business entity in which such Person retains an interest (it being understood that a direct or indirect purchase or other acquisition by such Person of assets of any other Person (other than stock or other securities) shall not constitute an "Investment" for purposes of this Agreement so long as such assets are all used in the Business). For the purposes of Section 7B.5(v), the amount involved in Investments made during any period shall be the aggregate cost to the Borrower and its Subsidiaries of all such Investments made during such period, determined in accordance with GAAP, but without regard to unrealized increases or decreases in value, or write-ups, write-downs or write-offs, of such Investments and without regard to the existence of any undistributed earnings or accrued

interest with respect thereto accrued after the respective dates on which such Investments were made, less any net return of capital realized during such period upon the sale, repayment or other liquidation of such Investments (determined in accordance with GAAP, but without regard to any amounts received during such period as earnings (in the form of dividends not constituting a return of capital, interest or otherwise) on such Investments or as loans from any Person in whom such Investments have been made). See Section 1.2(i).

"Investment Limit" shall have the meaning specified in Section 7B.5(v).

"La Grange" means La Grange Acquisition, L.P., a Texas limited partnership, a subsidiary of the Master Partnership, together with all of its existing and hereafter formed or acquired direct or indirect subsidiaries.

"La Grange Acquisition" means, collectively, (i) the acquisition by La Grange Energy, L. P. of the equity interests of U.S. Propane, all in accordance with the Acquisition Agreement dated as of November 6, 2003, as amended or modified, and (ii) the acquisition by the Master Partnership of substantially all of the assets of La Grange and its Subsidiaries and the other transactions contemplated in connection therewith, all in accordance with the Contribution Agreement dated as of November 6, 2003, as amended and modified.

"La Grange Credit Agreement" means the loan/credit agreement, as amended, modified, supplemented or restated from time to time, governing the establishment and administration of certain senior credit term loan and senior revolving credit loan credit facilities in the maximum aggregate amount of $450,000,000 being extended to La Grange, as borrower, by Fleet Securities, Inc. and Wachovia Capital Markets, LLC, as joint lead arrangers, and Fleet National and Wachovia Bank National Association and the group of additional investors to become signatory parties thereto, as lenders.

"La Grange Partnership Agreement" means the Agreement of Limited Partnership of La Grange as in effect on the Closing Date of the La Grange Credit Agreement or thereafter executed by the signatory parties thereto, and as the same may from time to time be amended, supplemented or otherwise modified in accordance with the terms thereof.

"Legal Requirement" shall mean any law, statute, ordinance, decree, requirement, order, judgment, rule or regulation (or published official interpretation of any of the foregoing by any Governmental Authority) of any Governmental Authority.

"Lending Officer" means each of such individuals whom the Administrative Agent may designate by notice to the Borrower from time to time as an officer who may receive telephone requests for borrowings under Section 2.1.3 and 2.2.3.

"Letter of Credit" is defined in Section 2.3.1.

"Letter of Credit Exposure" means, at any date, the sum of (a) the aggregate face amount of all drafts that may then or thereafter be presented by beneficiaries under all Letters of Credit

then outstanding, plus (b) the aggregate face amount of all drafts that the Letter of Credit Issuer has previously accepted under Letters of Credit but has not paid.

"Letter of Credit Issuer" means, for any Letter of Credit, BOk or, in the event BOk does not for any reason issue a requested Letter of Credit, another Bank designated by the Administrative Agent to issue such Letter of Credit in accordance with Section 2.3.

"Leverage Ratio" means, as of any date, a ratio equal to the ratio of (a) the Consolidated Funded Indebtedness of the Borrower as of the last day of the most recent fiscal quarter of the Borrower for which the Borrower has delivered to the Banks, or is required under Section 7A.1(i) to have delivered to the Banks, a consolidated balance sheet of the Borrower to (b) the Consolidated EBITDA of the Borrower for the period of four consecutive fiscal quarters ended on such last day.

"Liabilities" is defined in the second opening paragraph of the Note Purchase Agreements in effect on the date hereof.

"Lien" means any mortgage, pledge, security interest, encumbrance, contractual deposit arrangement, lien (statutory or otherwise) or charge of any kind (including any agreement to give any of the foregoing, any conditional sale or other title retention agreement, any lease in the nature thereof, and the filing of or agreement to give any financing statement under the Uniform Commercial Code of any jurisdiction) or any other type of preferential arrangement for the purpose, or having the effect, of protecting a creditor against loss or securing the payment or performance of an obligation.

"Loan" means each of the Working Capital Loan and the Acquisition Loan.

"Loan Documents" means this Agreement, the Intercreditor Agreement, the Security Documents, the Service Revolver Notes and each agreement of Heritage Service governing or securing the Service Revolver Notes.

"Local" shall mean Local Oklahoma Bank.

"Margin Period" means each period commencing on (and including) the first day of any fiscal quarter of the Borrower and ending on (and including) the earlier of (i) the last day of such fiscal quarter of the Borrower, or (ii) the Final Maturity Date with respect to the Working Capital Loans.

"Margin Stock" means "margin stock" within the meaning of Regulation G, T, U or X of the Board of Governors of the Federal Reserve System.

"Master Partnership" means Heritage Propane Partners, L.P., a Delaware limited partnership.

"Material Adverse Effect" means (i) a material adverse effect on the business, assets or financial condition of the Borrower or the Borrower and its Subsidiaries taken as a whole after

giving effect to the Transactions, (ii) a material impairment of the ability of the Borrower or any Subsidiary of the Borrower to perform any of its obligations under the Loan Documents to which it is a party or (iii) a material adverse effect on the enforceability of any of the Loan Documents.

"Maximum Amount of Acquisition Credit" is defined in Section 2.1.2.

"Maximum Amount of Working Capital Credit" is defined in Section 2.2.2.

"Memorandum" means the memorandum dated May, 1996, prepared by Prudential Securities for use in connection with the Borrower's private placement of the Private Placement Notes.

"MidFirst" shall mean MidFirst Bank.

"Multiemployer Plan" means a "multiemployer plan" as defined in section 4001(a)(3) of ERISA.

"Net Proceeds" means the proceeds of any sale of assets in the form of cash or cash equivalents including payments in respect of deferred payment obligations when received in the form of cash or cash equivalents net of (i) brokerage commissions and other fees and expenses related to such sale, (ii) provisions for any taxes payable as a result of such sale, (iii) amounts required to be paid to any Person (other than the Borrower or any Subsidiary of the Borrower) owning a beneficial interest in the assets sold, (iv) appropriate amounts to be provided by the Borrower or any Subsidiary of the Borrower, as the case may be, as a reserve required in accordance with GAAP against any liabilities associated with such sale of assets and retained by the Borrower or any Subsidiary of the Borrower, as the case may be, after such sale and (v) amounts required to be applied to the repayment of Indebtedness (other than the Private Placement Notes and amounts due under the Working Capital Facility or Acquisition Facility) secured by a Lien on the assets sold.

"Non-Compete Obligations" is defined in Section 7B.3(viii).

"Noncompliance Event" means either or both of the following:

(a) failure of the Borrower to maintain a Leverage Ratio that is (i) equal to or less than 4.75 to 1 from November 30, 2003 through November 30, 2004, and (ii) equal to or less than 4.50 to 1 from February 28, 2005 and thereafter; and

(b) failure of the Borrower to maintain Interest Coverage that is equal to or greater than 2.25 to 1.

"Nonperforming Bank" is defined in Section 10.4.4.

"Note Purchase Agreements" means that certain (i) Note Purchase Agreement between and among Heritage, Borrower and the Note Purchasers named in the Purchaser Schedule annexed as Schedule I thereto dated as of June 25, 1996, as amended, modified, supplemented or

restated from time to time, (ii) Note Purchase Agreement between and among Borrower, Heritage and the Note Purchasers named in the Initial Purchaser Schedule annexed thereto dated as of November 19, 1997, as amended, modified, supplemented or restated from time to time, and (iii) Note Purchase Agreement dated as of August 10, 2000, between and among Heritage, Borrower and the Note Purchasers annexed as Scheduled I thereto, as amended, modified, supplemented or restated from time to time.

"Note Purchasers" mean the purchasers of the Private Placement Notes.

"Notes" means the Working Capital Notes and the Acquisition Notes.

"Obligations" means and include any and all: (i) indebtedness, obligations and liabilities of the Borrower to the Banks incurred or which may be incurred or purportedly incurred hereafter pursuant to the terms of this Agreement or any of the other Loan Documents, and any replacements, amendments, extensions, renewals, substitutions, amendments and increases in amount thereof, including such amounts as may be evidenced by the Notes and all lawful interest, late charges, loan closing fees, service fees, origination/facility fees, commitment fees, fees in lieu of balances, letter of credit processing and issuance fees and other charges, and all reasonable costs and expenses incurred in connection with the preparation, filing and recording of the Loan Documents, including reasonable attorneys fees and legal expenses; (ii) all reasonable costs and expenses paid or incurred by the Banks and/or either Agent or the Collateral Agent, including reasonable attorneys fees, in enforcing or attempting to enforce collection of any Indebtedness and in enforcing or realizing upon or attempting to enforce or realize upon any collateral or security for any Indebtedness, including interest on all sums so expended by the Banks and/or either Agent or the Collateral Agent accruing from the date upon which such expenditures are made until paid, at an annual rate equal to the Default Rate; and (iii) all sums expended by the Banks and/or either Agent or the Collateral Agent in curing any Event of Default or Default of the Borrower under the terms of this Agreement, the other Loan Documents or any other writing evidencing or securing the payment of the Notes together with interest on all sums so expended by the Banks and/or either Agent or the Collateral Agent accruing from the date upon which such expenditures are made until paid, at an annual rate equal to the Default Rate; and (iv) indebtedness, obligations and liabilities of the Borrower arising out of the Note Purchase Agreements, including, without limitation, that evidenced by the Private Placement Notes.

"Officer's Certificate" shall mean, as to any corporation, a certificate executed on its behalf by the Chairman of the Board of Directors (if an officer) or its President or one of its Vice Presidents, and its Treasurer, or Controller, or one of its Assistant Treasurers or Assistant Controllers, and, as to the Master Partnership or the Borrower, a certificate executed on behalf of the Master Partnership or the Borrower, as the case may be, by its general partner in a manner which would qualify such certificate (a) if such general partner were a corporation, as an Officer's Certificate of such general partner hereunder or (b) if such general partner were a partnership or other entity, as a certificate executed on its behalf by Persons authorized to do so pursuant to the constituting documents of such partnership or other entity.

"Operative Agreements" means the Contribution Agreement, the other Conveyance Agreements, the Partnership Agreement and the La Grange Partnership Agreement.

"Overdue Reimbursement Rate" means, at any date, the highest Applicable Rate then in effect.

"Parity Debt" means Indebtedness of the Borrower (a) (other than the Notes) incurred in accordance with clauses (i), (ii) and (iii) of Section 7B.2 and (b) Additional Parity Debt.

"Partnership Agreement" means the Agreement of Limited Partnership of the Borrower as in effect on the Closing Date, and as the same may from time to time be amended, supplemented or otherwise modified in accordance with the terms thereof.

"Partnership Documents" means the Agreement of Limited Partnership of the Master Partnership and the Partnership Agreement, in each case as in effect on the Closing Date and as the same may from time to time be amended, supplemented or otherwise modified in accordance with the terms hereof and thereof.

"Payment Date" means the last Banking Day of each March, June, September and December occurring after the Initial Closing Date.

"PBGC" means the Pension Benefit Guaranty Corporation or any Governmental Authority succeeding to any of its functions.

"Percentage Interest" is defined in Section 10.1.

"Percentage of Aggregate Available Cash" shall mean, with respect to any fiscal quarter of the Borrower, the percentage determined by multiplying (i) a fraction consisting of a numerator equal to the Borrower's Available Cash for that period and a denominator equal to the Aggregate Available Cash by (ii) 100.

"Performing Bank" is defined in Section 10.4.4.

"Permits" is defined in Section 8.8.

"Permitted Banks" is defined in Section 7B.5.

"Permitted GP Entity" shall mean shall mean any one or combination of (i) Persons or a group of unrelated persons (as such terms are defined in the Exchange Act) who directly or indirectly beneficially own (as such term is defined in Rule 13d-3 promulgated under the Exchange Act) the Capital Stock of the General Partner immediately following consummation of the La Grange Acquisition, and (ii) Current Management or group of related persons (as so defined) including Current Management.

"Person" means and includes an individual, a partnership, a joint venture, a corporation, a trust, an unincorporated organization and a government or any department or agency thereof.

"Plan" means any "employee pension benefit plan" as such term is defined in Section 3 of ERISA (other than a Multiemployer Plan) subject to the provisions of Title IV of ERISA or Section 412 of the Code or Section 302 of ERISA, and in respect of which the Borrower or any ERISA Affiliate is (or, if such plan were terminated, would under Section 4069 of ERISA be deemed to be) an "employer" as defined in Section 3(5) of ERISA.

"Preferred Stock" means, as applied to the Capital Stock of any Person, Capital Stock of any class or classes (however designated), which is preferred as to the payment of distributions or dividends, or upon any voluntary or involuntary liquidation or dissolution of such Person, over shares or units of Capital Stock of any other class of such Person.

"Priority Debt" means as of any date of determination, the sum, without duplication, of (i) Indebtedness of the Subsidiaries of the Borrower (other than Indebtedness owed to the Borrower or another Wholly-Owned Subsidiary), plus (ii) Indebtedness of the Borrower and its Subsidiaries secured by Liens permitted by clauses (i) and (vii) of Section 7B.3 and any renewals of such Liens permitted by clause (xiv) of Section 7B.3

"Property" means any interest in any kind of property or asset whether real, personal, or mixed, or tangible or intangible.

"PUHCA" is defined in Section 8.19.

"Private Placement Notes" means (i) the $120,000,000 senior secured notes issued pursuant to the Memorandum, sold to the Purchasers and described and defined in the Note Purchase Agreement dated as of June 25, 1996, as amended, (ii) the $47,000,000 senior secured notes described and defined in the Note Purchase Agreement dated as of November 19, 1997, as amended, and (iii) the $250,000,000 senior secured notes described and defined in the Note Purchase Agreement dated as of August 10, 2000, as amended.

"Redeemable Capital Stock" means, as of any date of determination, any shares of any class or series of Capital Stock, that, either by the terms thereof, by the terms of any security into which such shares are convertible or exchangeable or by contract or otherwise, are or upon the happening of an event or passage of time would be, required to be redeemed prior to the stated maturity with respect to the principal of any Loans or are redeemable at the option of the holder thereof at any time prior to the stated maturity of any Loans, or are convertible into or exchangeable for Indebtedness at any time prior to the stated maturity of any Loans.

"Register" is defined in Section 11.1.3.

"Replacement Bank" is defined in Section 11.3.

"Required Banks" means, with respect to any approval, consent, modification, waiver or other action to be taken by the Administrative Agent or the Banks under the Loan Documents which require action by the Required Banks, such Banks that own at least 66-2/3% of the Percentage Interests; provided, however, that with respect to any matters referred to in the

proviso to Section 10.6, Required Banks means such Banks as own at least the respective portions of the Percentage Interests required by Section 10.6.

"Responsible Officer" means the chief executive officer, chief operating officer, chief financial officer or chief accounting officer of the Borrower or any other officer of the Borrower involved principally in its financial administration or its controllership function.

"Restricted Payment" means any payment or other distribution, direct or indirect, in respect of any partnership or other equity interest in the Borrower, except a distribution payable solely in additional partnership or other equity interests in the Borrower, and any payment, direct or indirect on account of the redemption, retirement, purchase or other acquisition of any partnership or other equity interest in the Borrower.

"Sale and Lease-Back Transaction" means, with respect to any Person (a "Transferor"), any arrangement (other than between the Borrower and a Wholly-Owned Restricted Subsidiary or between Wholly-Owned Restricted Subsidiaries) 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.

"Securities Act" means the Securities Act of 1933, as amended.

"Security Agreement" shall mean the Security Agreement from the Borrower and U.S. Propane (formerly Heritage), as debtors and assignors, to the Collateral Agent, for the benefit of the Banks and the Note Purchasers, as secured parties, encumbering the Collateral described therein and covered thereby.

"Security Documents" shall mean the Security Agreement, the Certificates and Stock Powers and the Financing Statements.

"Senior Debt" shall mean Indebtedness of the Borrower which is not expressed to be junior or subordinate to any other Indebtedness of the Borrower.

"Service Revolver Notes" shall mean those certain promissory notes from Heritage Service payable to the order of the Banks as more particularly described in the Heritage Service Credit Agreement.

"Significant Subsidiary Group" shall mean any Subsidiary of the Borrower, or any group of Subsidiaries of the Borrower, which at any time of determination account for (or in the case of a recently formed or acquired Subsidiary would have so accounted for on a pro forma basis) more than 5% of consolidated operating revenues of the Borrower and its Subsidiaries for the fiscal year most recently ended or more than 5% of consolidated total assets of the Borrower and its Subsidiaries as of the end of the most recently ended fiscal quarter, in each case computed in accordance with GAAP.

"Specified Entities" shall mean, (A) until such time as the La Grange Acquisition is consummated, any one or more of the following entities: (i) Atmos Energy Corporation, (ii) Piedmont Natural Gas Company, Inc., (iii) AGL Resources, Inc., and (iv) TECO Energy, Inc., or a Successor to any entity referred to in clause (i), (ii), (iii) or (iv) of this definition, and (B) from and after the consummation of the La Grange Acquisition, any one or combination of the following: (i) La Grange, any Wholly-Owned Subsidiary thereof, or a Successor thereto, and (ii) any Permitted GP Entity.

"Subsidiary" shall mean, with respect to any Person, any corporation, limited liability company, partnership, joint venture, association, trust or other entity of which (or in which) more than 50% of (a) the issued and outstanding Capital Stock having ordinary voting power to elect a majority of the board of directors of such corporation (irrespective of whether at the time Capital Stock of any other class or classes of such corporation shall or might have voting power upon the occurrence of any contingency), (b) the interests in the capital or profits of such partnership, limited liability company, joint venture or association with ordinary voting power to elect a majority of the board of directors (or Persons performing similar functions) of such partnership, limited liability company, joint venture or association, or (c) the beneficial interests in such trust or other entity with ordinary voting power to elect a majority of the board of trustees (or Persons performing similar functions) of such trust or other entity, is at the time directly or indirectly owned or controlled by such Person, by such Person and one or more of its other Subsidiaries, or by one or more of such Person's other Subsidiaries. For the purposes of any computation under Section 6A or clause (xiii) of Section 6B, the defined terms Consolidated Debt Service, Consolidated EBITDA, Consolidated Funded Indebtedness, Consolidated Interest Expense and Consolidated Pro Forma Maximum Debt Service shall be calculated on the basis that Bi-State is a Subsidiary of the Borrower, but only as long as the Borrower shall own 50% or more of the interests in the capital or profits of Bi-State with ordinary voting power to elect a majority of the board of directors (or Persons performing similar functions) thereof.

"Successor" shall mean, with respect to the Specified Entity, any entity in which the holders of the Capital Stock of such Specified Entity outstanding immediately prior to a consolidation, acquisition or merger involving such Specified Entity hold, directly or indirectly through Wholly-Owned Subsidiaries, at least a majority of the Capital Stock immediately after such consolidation, acquisition or merger.

"Swaps" shall mean, with respect to any Person, payment obligations (fixed or contingent) with respect to interest rate swap agreements, interest rate cap agreements, interest rate collar agreements, currency swaps and similar obligations obligating such Person to make payments, whether periodically or upon the happening of a contingency. For the purposes of this Agreement, the amount of the obligation under any Swap shall be the amount determined in respect thereof as of the end of the then most recently ended fiscal quarter of such Person, based on the assumption that such Swap had terminated at the end of such fiscal quarter, and in making such determination, if any agreement relating to such Swap provides for the netting of amounts payable by and to such Person thereunder or if any such agreement provides for the simultaneous payment of amounts by and to such Person, then in each such case, the amount of such obligation shall be the net amount so determined.

"Tax" means any present or future tax, levy, duty, impost, deduction, withholding or other charges of whatever nature at any time required by any Bank Legal Requirement (i) to be paid by any Bank or (ii) to be withheld or deducted from any payment otherwise required hereby to be made to any Bank, in each case on or with respect to its obligations hereunder, the Loan, any payment in respect of the Credit Obligations or any Funding Liability not included in the foregoing; provided, however, that the term "Tax" shall not include taxes imposed upon or measured by the net income of such Bank (other than withholding taxes) or franchise taxes.

"Total Assets" means, as of any date of determination, the consolidated total assets of the Borrower and its Subsidiaries as would be shown on a consolidated balance sheet of the Borrower and its Subsidiaries prepared in accordance with GAAP as of that date. See Section 1.2(i).

"Tulsa Office" means the principal banking office of BOk in Tulsa, Oklahoma.

"UCC" means the Uniform Commercial Code.

"Uniform Customs and Practice" is defined in Section 2.3.7.

"United States" or "U.S." means the United States of America.

"United States Funds" means such coin or currency of the United States as at the time shall be legal tender therein for the payment of public and private debts.

"Units" shall mean, collectively, the Common Units and each other limited partnership interest which may be issued from time to time and which are entitled by their terms to receive distributions.

"Unused Proceeds Reserve" means, as of any date of determination, all amounts theretofore offered to prepay Parity Debt under Section 7B.7(iii)(c)(ii) and to prepay Notes under Section 4.2, the prepayment of which was declined by the applicable lenders, less the portion of such amounts theretofore applied by the Borrower to operations or capital expenditures in connection with the conduct of the Borrower's business.

"Unutilized Taking Proceeds" means, as of any date, any insurance or condemnation proceeds (net of the reasonable costs of proceedings in connection therewith and settlements in respect thereof) in excess of $100,000 with respect to any single occurrence that were received by the Borrower or any of its Subsidiaries in respect of any damage, destruction, condemnation or other taking of all or any portion of the properties or assets of the Borrower or any of its Subsidiaries and that have not been reinvested by the Borrower or any of its Subsidiaries within a period of twelve months after such receipt in the restoration, modification or replacement of the properties or assets in respect of which such insurance or condemnation proceeds were received.

"U.S. Bank" shall mean U. S Bank National Association.

"USPLLC" shall mean U.S. Propane, LLC, a Delaware limited liability company, the general partner of U.S. Propane.

"U.S. Propane" means U.S. Propane, L.P., a Delaware limited partnership, and successor to Heritage Holdings, Inc., a Delaware corporation ("Heritage").

"Voting Stock" means, with respect to any corporation, any shares of stock of such corporation the holders of which are entitled under ordinary circumstances to vote for the election of directors of such corporation (irrespective of whether at the time stock of any other class or classes shall have or might have voting power by reason of the happening of any contingency).

"Wholly-Owned" means, as applied to any Subsidiary of any Person, a Subsidiary at least 98% (by vote or value) of the outstanding Equity Interests (other than directors' qualifying shares, if required by law) of all classes, taken together as a whole, of which are at the time owned by such Person or by one or more of its Wholly-Owned Subsidiaries or by such Person and one or more of its Wholly-Owned Subsidiaries.

"Withdrawal Liability" shall mean liability to a Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan, as such terms are defined in Part I of Subtitle E of Title IV of ERISA.

"Working Capital Facility" means the agreement of the Banks herein to make Working Capital Loan and to provide for the issuance of Letters of Credit.

"Working Capital Loan Account" is defined in Section 2.2.4.

"Working Capital Loan" is defined in Section 2.2.4.

"Working Capital Notes" is defined in Section 2.2.4.

1.2 Accounting Principles, Terms and Determinations. All references in this Agreement to "generally accepted accounting principles" or to "GAAP" shall be deemed to refer to generally accepted accounting principles in effect in the United States at the time of application thereof, but subject to the provisions of this Section 1.2. Unless otherwise specified herein, all accounting terms used herein shall be interpreted, all determinations with respect to accounting matters hereunder shall be made, and all unaudited financial statements and certificates and reports as to financial matters required to be prepared hereunder shall be prepared in accordance with generally accepted accounting principles, applied on a basis consistent with the most recent audited consolidated financial statements of the Borrower and its Subsidiaries delivered pursuant to clause (ii) of Section 7A.1.

1.3 Construction. Except as otherwise explicitly specified to the contrary or unless the context clearly requires otherwise, (i) the capitalized term "Section" refers to sections of this Agreement, (ii) the capitalized term "Exhibit" refers to exhibits to this Agreement, (iii) references to a particular Article Section include all subsections thereof, (iv) the word

"including" shall be construed as "including without limitation", (v) terms defined in the UCC and not otherwise defined herein have the meaning provided under the UCC, (vi) references to a particular statute or regulation include all rules and regulations thereunder and any successor statute, regulation or rules, in each case as from time to time in effect and (vii) references to a particular Person include such Person's successors and assigns to the extent not prohibited by this Agreement and the other Loan Documents. References to "the date hereof" mean the date first set forth above.

ARTICLE II

THE CREDITS

2.1 Acquisition Facility.

2.1.1 Acquisition Loan. Subject to all the terms and conditions of this Agreement and so long as no Default exists, from time to time on and after the Closing Date and prior to the Final Maturity Date, the Banks will, severally in accordance with their respective Percentage Interests, make loans to the Borrower in such amounts as may be requested by the Borrower in accordance with Section 2.1.3, constituting in part, a refinancing of the Acquisition Loan previously governed by the Existing Credit Agreement. The sum of the aggregate principal amount of loans made under this Section 2.1.1 at any one time outstanding shall in no event exceed the Maximum Amount of Acquisition Credit.

2.1.2 Maximum Amount of Acquisition Credit. The term "Maximum Amount of Acquisition Credit" means, on any date on or prior to the Final Maturity Date, the remainder of (x) the lesser of (a) $75,000,000 or (b) the aggregate Acquisition Loan Commitments described in Section 10.1, as amended from time to time, or such lesser amount as the Borrower may specify from time to time by notice from Borrower to the Administrative Agent.

2.1.3 Acquisition Loan Borrowing Requests. The Borrower may from time to time request a loan under Section 2.1.1 by providing to a Lending Officer of the Administrative Agent either a notice in writing or telephonic notice promptly confirmed in writing. Such notice must be not later than noon (Tulsa, Oklahoma time) three (3) Banking Days prior to the requested funding date for a Eurodollar Loan, otherwise two (2) Business Days prior to the requested funding date for such loan. The notice must specify (a) the amount of the requested loan (which shall be not less than $500,000 and in integral multiples of $100,000 in excess thereof) and (b) the requested funding date therefor (which shall be a Banking Day). Each such notice shall be accompanied by (i) a memorandum from the Chief Financial Officer of Borrower's general partner summarizing the proposed acquisition or capital expenditures to be financed by the advance, (ii) in the case of an acquisition a complete copy of the signed letter of intent (with all exhibits or schedules thereto to the extent available); provided, however, Borrower shall not make a loan request under Section 2.1.1 for any acquisition of a Business described in clause (ii) of the definition thereof for an amount in excess of

$20,000,000 without the prior written consent of the Required Banks, (iii) a full and complete copy of the Borrower's internal acquisition or capital expenditure model (in general form, content and detail as utilized by the Borrower for similar acquisitions or capital expenditures prior to the Closing Date) and, in the case of borrowings hereunder relating to acquisitions or capital expenditures costing in excess of $1,000,000 and in each other case in which the Required Banks shall so request, calculations demonstrating Borrower's continued compliance with the financial ratios of Section 7B.1(i) and (ii) hereof as of and following the closing of such proposed acquisition or capital expenditure (utilizing, for the purpose of such demonstration, and subject to the calculation of Consolidated EBITDA resulting from such proposed Asset Acquisition, including adjustments permitted thereby, the financial statements of the Borrower and of the acquired business or asset for the most recent period of twelve consecutive months (as opposed to the immediately preceding four full fiscal quarters) for which such statements are available), and (iv) a full, completed copy of the confidential business questionnaire in the form as utilized by Borrower prior to the Closing Date (collectively the "Acquisition/Capex Due Diligence Packet"). Upon receipt of such notice, the Administrative Agent will promptly inform each other Bank (by telephone or otherwise). Each such loan will be made at the Administrative Agent's Tulsa Office by depositing the amount thereof to the Acquisition Loan Account of the Borrower with the Administrative Agent. In connection with each such loan, the Borrower shall furnish to the Administrative Agent a certificate in substantially the form of Exhibit 2.1.3.

2.1.4 Acquisition Loan Account: Acquisition Notes. The Administrative Agent will establish on its books an internal acquisition loan account for the Borrower (the "Acquisition Loan Account") for administrative purposes only, which such Administrative Agent shall administer as follows: (a) the Administrative Agent shall add to the Acquisition Loan Account, and the Acquisition Loan Account shall evidence, the principal amount of all loans from time to time made by the Banks to the Borrower pursuant to Section 2.1.1 and (b) the Administrative Agent shall reduce the Acquisition Loan Account by the amount of all payments made on account of the Obligation evidenced by the Acquisition Loan Account. The aggregate principal amount of the Indebtedness from time to time evidenced by the Acquisition Loan Account is referred to as the "Acquisition Loan." The Acquisition Loan shall be deemed owed to each Bank severally in accordance with such Bank's Percentage Interest, and all payments credited to the Acquisition Loan Account shall be for the account of each Bank in accordance with its Percentage Interest. The Borrower's obligations to pay each Bank's Percentage Interest in the Acquisition Loan shall be evidenced by a separate note of the Borrower in substantially the form of Exhibit 2.1.4 (the "Acquisition Notes"), payable to each Bank in maximum principal amount equal to such Bank's Percentage Interest in the total Commitments constituting the Acquisition Facility.

2.2 Working Capital Facility.

2.2.1 Working Capital Loan. Subject to all the terms and conditions of this Agreement and so long as no Default exists, from time to time on and after the Closing Date and prior to the Final Maturity Date with respect to the Working Capital Loan the

Banks will, severally in accordance with their respective Percentage Interests, make loans to the Borrower in such amounts as may be requested by the Borrower in accordance with Section 2.2.3, constituting in part, a refinancing of the Working Capital Loans previously governed by the Existing Credit Agreement. The sum of the aggregate principal amount of loans made under this Section 2.2.1 at any one time outstanding plus the Letter of Credit Exposure shall in no event exceed the Maximum Amount of Working Capital Credit.

2.2.2 Maximum Amount of Working Capital Credit. The term "Maximum Amount of Working Capital Credit" means, on any date, the lesser of (a) $75,000,000 minus the outstanding principal balance on the Indebtedness permitted by Section 7B.2(v) or such lesser amount as the Borrower may specify from time to time by notice from the Borrower to the Administrative Agent, or (b) the aggregate Working Capital Loan Commitments described in Section 10.1, as amended from time to time; provided that the aggregate outstanding principal amount of Working Capital Loan shall be reduced to $10,000,000 (excluding undrawn amounts on Letters of Credit issued pursuant to Section 2.3) for a period of not less than 30 consecutive calendar days at least one time during each fiscal year of the Borrower (the "Annual Clean-Up"). Failure by the Borrower to comply with the provisions of the Annual Clean-Up shall constitute a failure to pay the Loans when due and an Event of Default under Section 9.1.

2.2.3 Working Capital Borrowing Requests. The Borrower may from time to time request a loan under Section 2.2.1 by providing to a Lending Officer of the Administrative Agent, either a notice in writing or telephonic notice promptly confirmed in writing. Such notice must be not later than noon (Tulsa, Oklahoma time) on the Banking Day of the requested advance date for such loan. The notice must specify (a) the amount of the requested loan (which shall be not less than $100,000 and in integral multiples of $50,000 in excess thereof) and (b) the requested advance date therefor (which shall be a Banking Day). Upon receipt of such notice, such Administrative Agent will promptly inform each other Bank (by telephone or otherwise). Each such loan will be made at the Administrative Agent's Tulsa Office by depositing the amount thereof to the Borrower's Working Capital Loan Account with the Administrative Agent. In connection with each such loan, the Borrower shall furnish to the Administrative Agent, a certificate in substantially the form of Exhibit 2.2.3.

2.2.4 Working Capital Loan Account: Working Capital Notes. The Administrative Agent, will establish on its books an internal working capital loan account for the Borrower (the "Working Capital Loan Account"), for administrative purposes only, which such Administrative Agent shall administer as follows: (a) such Administrative Agent shall add to the Working Capital Loan Account, and the Working Capital Loan Account shall evidence, the principal amount of all loans made from time to time by the Banks to the Borrower pursuant to Section 2.2.1 and (b) such Administrative Agent shall reduce the Working Capital Loan Account by the amount of all payments made on account of the Indebtedness evidenced by the Working Capital Loan Account. The aggregate principal amount of the Indebtedness evidenced by the Working Capital Loan Account is referred to as the "Working Capital Loan." The Working Capital Loan

shall be deemed owed to each Bank severally in accordance with such Bank's Percentage Interest, and all payments credited to the working Capital Loan Account shall be for the account of each Bank in accordance with its Percentage Interest. The Borrower's obligations to pay each Bank's Percentage Interest in the Working Capital Loan shall be evidenced by a separate note of the Borrower in substantially the form of Exhibit 2.2.4 (the "Working Capital Notes"), payable to each Bank in maximum principal amount equal to such Bank's Percentage Interest in the total Commitments constituting the Working Capital Facility.

2.3 Letters of Credit.

2.3.1 Issuance of Letters of Credit. Subject to all the terms and conditions of this Agreement and so long as no Default exists, from time to time on and after the Closing Date and prior to 30 days prior to the Final Maturity Date with respect to the Working Capital Loan, the Letter of Credit Issuer will issue for the account of the Borrower one or more irrevocable documentary or standby letters of credit (the "Letters of Credit"). Letter of Credit Exposure plus the Working Capital Loan shall in no event exceed the Maximum Amount of Working Capital Credit. Letter of Credit Exposure shall in no event exceed $5,000,000.

2.3.2 Requests for Letters of Credit. The Borrower may from time to time request a Letter of Credit to be issued by providing to the Letter of Credit Issuer (and the Administrative Agent if the Letter of Credit Issuer is not the Administrative Agent) a notice which is actually received not less than one (1) Banking Day prior to the requested issuance date for such Letter of Credit specifying (a) the amount of the requested Letter of Credit, (b) the beneficiary thereof, (c) the requested issuance date and (d) the principal terms of the text for such Letter of Credit. Each Letter of Credit will be issued by forwarding it to the Borrower or to such other Person as directed in writing by the Borrower. In connection with the issuance of any Letter of Credit, the Borrower shall furnish to the Letter of Credit Issuer (and the Administrative Agent if the Letter of Credit Issuer is not the Administrative Agent) a certificate in substantially the form of Exhibit 2.3.2. and any customary application forms required by the Letter of Credit Issuer.

2.3.3 Form and Expiration of Letters of Credit. Each Letter of Credit issued under this Section 2.3 and each draft accepted or paid under such a Letter of Credit shall be issued, accepted or paid, as the case may be, by the Letter of Credit Issuer at its principal office. No Letter of Credit shall provide for the payment of drafts drawn thereunder, and no draft shall be payable, at a date which is later than the earlier of (a) the date twelve months after the date of issuance or (b) 15 days prior to the Final Maturity Date with respect to the Working Capital Loans. Each Letter of Credit and each draft accepted under a Letter of Credit shall be in such form and minimum amount, and shall contain such terms, as the Letter of Credit Issuer and the Borrower may agree upon at the time such Letter of Credit is issued, including a requirement of not less than three Banking Days after presentation of a draft before payment must be made thereunder.

2.3.4 Banks' Participation in Letters of Credit. Upon the issuance of any Letter of Credit, a participation therein, in an amount equal to each Bank's Percentage Interest, shall automatically be deemed granted by the Letter of Credit Issuer to each Bank on the date of such issuance and the Banks shall automatically be obligated, as set forth in Section 10.4, to reimburse the Letter of Credit Issuer to the extent of their respective Percentage Interests for all obligations incurred by the Letter of Credit Issuer to third parties in respect of such Letter of Credit not reimbursed by the Borrower. The Letter of Credit Issuer will send to each Bank (and the Administrative Agent if the Letter of Credit Issuer is not the Administrative Agent) a confirmation regarding the participations in Letters of Credit outstanding during such month.

2.3.5 Presentation. The Letter of Credit Issuer may accept or pay any draft presented to it, regardless of when drawn and whether or not negotiated, if such draft, the other required documents and any transmittal advice are presented to the Letter of Credit Issuer and dated on or before the expiration date of the Letter of Credit under which such draft is drawn. Except insofar as instructions actually received may be given by the Borrower in writing expressly to the contrary with regard to, and prior to, the Letter of Credit Issuer's issuance of any Letter of Credit for the account of the Borrower and such contrary instructions are reflected in such Letter of Credit, to the maximum extent permitted by law the Letter of Credit Issuer may honor as complying with the terms of the Letter of Credit and with this Agreement any drafts or other documents otherwise in order signed or issued by an administrator, executor, conservator, trustee in bankruptcy, debtor in possession, assignee for benefit of creditors, liquidator, receiver or other legal representative of the party authorized under such Letter of Credit to draw or issue such drafts or other documents.

2.3.6 Payment of Drafts. At such time as a Letter of Credit Issuer makes any payment on a draft presented or accepted under a Letter of Credit, the Borrower will on demand pay to such Letter of Credit Issuer in immediately available funds the amount of such payment. Unless the Borrower shall otherwise pay to the Letter of Credit Issuer the amount required by the foregoing sentence, such amount shall be considered a loan under Section 2.2.1 and part of the Working Capital Loan.

2.3.7 Uniform Customs and Practice. The Uniform Customs and Practice for Documentary Credits (1993 Revision), International Chamber of Commerce Publication No. 500, and any subsequent revisions thereof approved by a Congress of the International Chamber of Commerce and adhered to by the Letter of Credit Issuer (the "Uniform Customs and Practice"), shall be binding on the Borrower and the Letter of Credit Issuer except to the extent otherwise provided herein, in any Letter of Credit or in any other Loan Document. Anything in the Uniform Customs and Practice to the contrary notwithstanding:

(a) Neither the Borrower nor any beneficiary of any Letter of Credit shall be deemed an agent of any Letter of Credit Issuer.

(b) With respect to each Letter of Credit, neither any Letter of Credit Issuer nor its correspondents shall be responsible, except to the extent required by law, for or shall have any duty to ascertain:

(i) the genuineness of any signature;

(ii) the validity, form, sufficiency, accuracy, genuineness or legal effect of any endorsements;

(iii) delay in giving, or failure to give, notice of arrival, notice of refusal of documents or of discrepancies in respect of which any Letter of Credit Issuer refuses the documents or any other notice, demand or protest;

(iv) the performance by any beneficiary under any Letter of Credit of such beneficiary's obligations to the Borrower;

(v) inaccuracy in any notice received by the Letter of Credit Issuer;

(vi) the validity, form, sufficiency, accuracy, genuineness or legal effect of any instrument, draft, certificate or other document required by such Letter of Credit to be presented before payment of a draft, or the office held by or the authority of any Person signing any of the same; or

(vii) failure of any instrument to bear any reference or adequate reference to such Letter of Credit, or failure of any Person to note the amount of any instrument on the reverse of such Letter of Credit or to surrender such Letter of Credit or to forward documents in the manner required by such Letter of Credit.

(c) Except as otherwise required by law, the occurrence of any of the events referred to in the Uniform Customs and Practice or in the preceding clauses of this Section 2.3.7 shall not affect or prevent the vesting of any of the Letter of Credit Issuer's rights or powers hereunder or the Borrower's obligation to make reimbursement of amounts paid under any Letter of Credit or any draft accepted thereunder.

(d) The Borrower will promptly examine (i) each Letter of Credit (and any amendments thereof) sent to it by a Letter of Credit Issuer and (ii) all instruments and documents delivered to it from time to time by such Letter of Credit Issuer. The Borrower will notify the Letter of Credit Issuer of any claim of noncompliance by notice actually received within three Banking Days after receipt of any of the foregoing documents, the Borrower being conclusively deemed to have waived any such claim against such Letter of Credit Issuer and its correspondents unless such notice is given. The Letter of Credit Issuer shall have

no obligation or responsibility to send any such Letter of Credit or any such instrument or document to the Borrower.

(e) In the event of any conflict between the provisions of this Agreement and the Uniform Customs and Practice and Article 5 of the Uniform Commercial Code, the provisions of this Agreement shall govern to the maximum extent permitted by applicable law.

2.3.8 Subrogation. Subject to the terms of the Intercreditor Agreement, upon any payment by a Letter of Credit Issuer under any Letter of Credit and until the reimbursement of such Letter of Credit Issuer by the Borrower with respect to such payment, the Letter of Credit Issuer shall be entitled to be subrogated to, and to acquire and retain, the rights which the Person to whom such payment is made may have against the Borrower, all for the benefit of the Banks. Subject to the terms of the Intercreditor Agreement, the Borrower will take such action as the Letter of Credit Issuer may reasonably request, including requiring the beneficiary of any Letter of Credit to execute such documents as the Letter of Credit Issuer may reasonably request, to assure and confirm to the Letter of Credit Issuer such subrogation and such rights, including the rights, if any, of the beneficiary to whom such payment is made in accounts receivable, inventory and other properties and assets of the Borrower.

2.3.9 Modification, Consent, etc. If the Borrower requests or consents in writing to any modification or extension of any Letter of Credit, or waives any failure of any draft, certificate or other document to comply with the terms of such Letter of Credit, and if the Letter of Credit Issuer consents thereto, the Letter of Credit Issuer shall be entitled to rely on such request, consent or waiver. This Agreement shall be binding upon the Borrower with respect to such Letter of Credit as so modified or extended, and with respect to any action taken or omitted by such Letter of Credit Issuer pursuant to any such request, consent or waiver.

2.4 Application of Proceeds.

2.4.1 Acquisition Loan. The Borrower will apply the proceeds of the Acquisition Loan solely to finance acquisitions permitted pursuant to Section 2.1 and to finance capital expenditures for additions or improvements to the assets of the Borrower (as distinguished from maintenance capital expenditures).

2.4.2 Working Capital Loan. The Borrower will apply the proceeds of the Working Capital Loan for working capital and other lawful purposes of the Borrower and its Subsidiaries; provided, however, that at no time shall more than $500,000 of the outstanding principal amount of the Working Capital Loan have been applied to the purposes of financing acquisitions permitted pursuant to Section 2.1 and/or capital expenditures for additions or improvements to the Assets of the Borrower (as distinguished from maintenance capital expenditures).

2.4.3 Letters of Credit. Letters of Credit shall be issued only for lawful purposes of the Borrower and its Subsidiaries.

2.4.4 Specifically Prohibited Applications. The Borrower will not, directly or indirectly, apply any part of the proceeds of any extension of credit made pursuant to the Loan Documents to purchase or to carry Margin Stock or to any transaction prohibited by the Foreign Trade Regulations, by other Bank Legal Requirements of applicable to the Banks or by the Loan Documents.

2.5 Nature of Obligations of Banks to Make Extensions of Credit. The Banks' obligations to extend credit under this Agreement, including without limitation, to refinance the credit facilities previously governed by the Existing Credit Agreement, are several and are not joint or joint and several. If on the date any Loans are to be made, any Bank shall fail to perform its obligations under this Agreement, the aggregate amount of Commitments to make the extensions of credit under this Agreement shall be reduced by the amount of unborrowed Commitments of the Bank so failing to perform and the Percentage Interests shall be appropriately adjusted. Banks that have not failed to perform their obligations to make the extensions of credit contemplated by Section 2 may, if any such Bank so desires, assume, in such proportions as such Banks may agree, the obligations of any Bank who has so failed and the Percentage Interests shall be appropriately adjusted. The provisions of this Section 2.5 shall not affect the rights of the Borrower against any Bank failing to perform its obligations hereunder.

ARTICLE III

INTEREST; EURODOLLAR PRICING OPTIONS; FEES

3.1 Interest. Each Loan shall accrue and bear interest at a rate per annum which shall at all times equal its Applicable Rate. Prior to any stated or accelerated maturity of any Loan, the Borrower will, on the last day of each month, commencing January 31, 2004, pay the accrued and unpaid interest on the portion of such Loan which was not subject to a Eurodollar Pricing Option. On the last day of each Eurodollar Interest Period or on any earlier termination of any Eurodollar Pricing Option, the Borrower will pay the accrued and unpaid interest on the portion of such Loan which was subject to the Eurodollar Pricing Option which expired or terminated on such date. On the Final Maturity Date or the earlier accelerated maturity of any Loan, the Borrower will pay all accrued and unpaid interest on such Loan, including any accrued and unpaid interest on any portion of such Loan which is subject to a Eurodollar Pricing Option. Upon the occurrence and during the continuance of an Event of Default, the Banks may require accrued interest to be payable on demand or at regular intervals more frequent than each Payment Date. All payments of interest hereunder shall be made to the Administrative Agent, for the account of each Bank in accordance with such Bank's Percentage Interest.

3.2 Eurodollar Pricing Options.

3.2.1 Election of Eurodollar Pricing Options. Subject to all of the terms and conditions hereof and so long as no Default exists, the Borrower may from time to time, by irrevocable notice to the Administrative Agent, actually received not less than two (2)

Banking Days prior to the commencement of the Eurodollar Interest Period selected in such notice, elect to have such portion of a Loan as the Borrower may specify in such notice accrue and bear interest during the Eurodollar Interest Period so selected at the Applicable Rate computed on the basis of the Eurodollar Rate. No such election shall become effective:

(i) if, prior to the commencement of any such Eurodollar Interest Period, the Administrative Agent determines that (i) the electing or granting of the Eurodollar Pricing Option in question would violate a Bank Legal Requirement, (ii) Eurodollar deposits in an amount comparable to the principal amount of the Loan as to which such Eurodollar Pricing Option has been elected and which have a term corresponding to the proposed Eurodollar Interest Period are not readily available in the inter-bank Eurodollar market, or (iii) by reason of circumstances affecting the inter-bank Eurodollar market, adequate and reasonable methods do not exist for ascertaining the interest rate applicable to such deposits for the proposed Eurodollar Interest Period; or

(ii) if any Bank shall have advised the Administrative Agent, by telephone or otherwise at or prior to noon (Tulsa, Oklahoma time) on the Banking Day immediately prior to the commencement of such proposed Eurodollar Interest Period (and shall have subsequently confirmed in writing) that, after reasonable efforts to determine the availability of such Eurodollar deposits, such Bank reasonably anticipates that Eurodollar deposits in an amount equal to the Percentage Interest of such Bank in the portion of such Loan as to which such Eurodollar Pricing Option has been elected and which have a term corresponding to the Eurodollar Interest Period in question will not be offered in the Eurodollar market to such Bank at a rate of interest that does not exceed the anticipated Eurodollar Basic Rate.

3.2.2 Notice to Banks and Borrower. The Administrative Agent, will promptly inform each Bank (by telephone or otherwise) of each notice received by it from the Borrower pursuant to Section 3.2.1 and of the Eurodollar Interest Period specified in such notice. Upon determination by the Administrative Agent of the Eurodollar Rate for such Eurodollar Interest Period or in the event such election shall not become effective, the Administrative Agent, will promptly notify the Borrower and each Bank (by telephone or otherwise) of the Eurodollar Rate so determined or why such election did not become effective, as the case may be.

3.2.3 Selection of Eurodollar Interest Periods. Eurodollar Interest Periods shall be selected so that:

(i) the minimum portion of a Loan subject to any Eurodollar Pricing Option shall be $1,000,000 and in integral multiple of $100,000 in excess thereof;

(ii) no more than a total of fifteen (15) Eurodollar Pricing Options shall be outstanding at any one time with respect to the Loans;

(iii) no Eurodollar Interest Period with respect to any part of a Loan subject to a Eurodollar Pricing Option shall expire later than its applicable Final Maturity Date.

3.2.4 Additional Interest. If any portion of a Loan subject to a Eurodollar Pricing Option is repaid, or any Eurodollar Pricing Option is terminated for any reason (including acceleration of maturity), on a date which is prior to the last Banking Day of the Eurodollar Interest Period applicable to such Eurodollar Pricing Option, the Borrower will pay to the Administrative Agent, for the account of each Bank in accordance with such Bank's Percentage Interest, in addition to any amounts of interest otherwise payable hereunder, an amount equal to the present value (calculated in accordance with this Section 3.2.4) of interest for the unexpired portion of such Eurodollar Interest Period on the portion of such Loan so repaid, or as to which a Eurodollar Pricing Option was so terminated, at a per annum rate equal to the excess, if any, of (a) the rate applicable to such Eurodollar Pricing Option minus, (b) the lowest rate of interest obtainable by the Administrative Agent upon the purchase of debt securities customarily issued by the Treasury of the United States of America which have a maturity date approximating the last Banking Day of such Eurodollar Interest Period. The present value of such additional interest shall be calculated by discounting the amount of such interest for each day in the unexpired portion of such Eurodollar Interest Period from such day to the date of such repayment or termination at a per annum interest rate equal to the interest rate determined pursuant to clause (b) of the preceding sentence, and by adding all such amounts for all such days during such period. The determination by the Administrative Agent of such amount of interest shall, in the absence of manifest error, be conclusive. For purposes of this Section 3.2.4, if any portion of a Loan which was to have been subject to a Eurodollar Pricing Option is not outstanding on the first day of the Eurodollar Interest Period applicable to such Eurodollar Pricing Option other than for reasons described in Section 3.2.1, the Borrower shall be deemed to have terminated such Eurodollar Pricing Option.

3.2.5 Violation of Bank Legal Requirements. If any Bank Legal Requirement shall prevent any Bank from funding or maintaining through the purchase of deposits in the interbank Eurodollar market any portion of a Loan subject to a Eurodollar Pricing Option or otherwise from giving effect to such Bank's obligations as contemplated by Section 3.2, (a) the Administrative Agent, may by notice to the Borrower terminate all of the affected Eurodollar Pricing Options, (b) the portion of such Loan subject to such terminated Eurodollar Pricing Options shall immediately bear interest thereafter at the Applicable Rate computed on the basis of the Base Rate and (c) the Borrower shall make any payment required by Section 3.2.4.

3.2.6 Funding Procedure. The Banks may fund any portion of a Loan subject to a Eurodollar Pricing Option out of any funds available to the Banks. Regardless of the source of the funds actually used by any of the Banks to fund any portion of such Loan subject to a Eurodollar Pricing Option, however, all amounts

payable hereunder, including the interest rate applicable to any such portion of the Loan and the amounts payable under Sections 3.2.4, 3.5, 3.6, 3.7 and 3.8, shall be computed as if each Bank had actually funded such Bank's Percentage Interest in such portion of such Loan through the purchase of deposits in such amount of the type by which the Eurodollar Basic Rate was determined with a maturity the same as the applicable Eurodollar Interest Period relating thereto and through the transfer of such deposits from an office of the Bank having the same location as the applicable Eurodollar Office to one of such Bank's offices in the United States of America.

3.3 Commitment Fees.

3.3.1 Acquisition Financing Facility. In consideration of the Banks' Commitments to make the extensions of credit provided for in Section 2.1, while such commitments are outstanding, the Borrower will pay to the Administrative Agent, for the account of the Banks in accordance with the Banks' respective Percentage Interests, within five (5) Banking Days following the end of each fiscal quarter of the Borrower, an amount equal to interest computed at the rate per annum equal to the Applicable Commitment Fee Percentage multiplied by the amount by which (a) the average daily Maximum Amount of Acquisition Credit during the Margin Period or portion thereof ending on the last day of such fiscal quarter exceeded (b) the average daily Acquisition Loan during such Margin Period or portion thereof.

3.3.2 Working Capital Facility. In consideration of the Banks' commitments to make the extension of credit provided for in Section 2.2 while such commitments are outstanding, the Borrower will pay to the Administrative Agent, for the account of the Banks in accordance with the Banks' respective Percentage Interests, within five (5) Banking Days following the end of each fiscal quarter of the Borrower and on the Final Maturity Date with respect to the Working Capital Loan, an amount equal to interest computed at the rate per annum equal to the Applicable Commitment Fee Percentage multiplied by the amount by which (a) the average daily Maximum Amount of Working Capital Credit during the Margin Period or portion thereof ending on the last day of such fiscal quarter or Final Maturity Date exceeded (b) the average daily Working Capital Loan during such Margin Period or portion thereof.

3.4 Letter of Credit Fees. The Borrower will pay to the Administrative Agent, for the account of each of the Banks (including any Letter of Credit Issuer), in accordance with the Banks' respective Percentage Interests, on the last day of each Margin Period, a Letter of Credit fee equal to the Applicable Margin for Eurodollar Loans in effect for such Margin Period on the average daily Letter of Credit Exposure during such Margin Period; together with an additional fee equal to 1/8% per annum on the Letter of Credit Exposure shall be paid solely to the respective Letter of Credit Issuer. The Borrower also will pay to each Letter of Credit Issuer customary service charges and expenses for its services in connection with the Letters of Credit issued by it at the times and in the amounts from time to time in effect in accordance with its general rate structure, including fees and expenses relating to issuance, amendment, negotiation, cancellation and similar operations.

3.5 Reserve Requirements. If any Bank Legal Requirement shall (a) impose, modify, increase or deem applicable any insurance assessment, reserve, special deposit or similar requirement against any Funding Liability or the Letters of Credit, (b) impose, modify, increase or deem applicable any other requirement or condition with respect to any Funding Liability or the Letters of Credit, or (c) change the basis of taxation of Funding Liabilities or payments in respect of any Letter of Credit (other than changes in the rate of taxes measured by the overall net income of such Bank) and the effect of any of the foregoing shall be to increase the cost to any Bank of issuing, making, funding or maintaining its respective Percentage Interest in any portion of a Loan subject to a Eurodollar Pricing Option or any Letter of Credit, to reduce the amounts received or receivable by such Bank under this Agreement or to require such Bank to make any payment or forego any amounts otherwise payable to such Bank under this Agreement, then, within 15 days after the receipt by the Borrower of a certificate from such Bank setting forth why it is claiming compensation under this Section 3.5 and computations (in reasonable detail) of the amount thereof, the Borrower shall pay to the Administrative Agent, for the account of such Bank such additional amounts as are specified by such Bank in such certificate as sufficient to compensate such Bank for such increased cost or such reduction, together with interest at the Overdue Reimbursement Rate on such amount from the 15th day after receipt of such certificate until payment in full thereof; provided, however, that the foregoing provisions shall not apply to any Tax or to any reserves which are included in computing the Eurodollar Reserve Rate. The determination by such Bank of the amount of such costs shall, in the absence of manifest error, be conclusive.

3.6 Taxes. All payments of the Credit Obligations shall be made without set-off or counterclaim and free and clear of any deductions, including deductions for Taxes, unless the Borrower is required by law to make such deductions. If (a) any Bank shall be subject to any Tax with respect to any payment of the Credit Obligations or its obligations hereunder or (b) the Borrower shall be required to withhold or deduct any Tax on any payment on the Credit Obligations, within 15 days after the receipt by the Borrower of a certificate from such Bank setting forth why it is claiming compensation under this Section 3.6 and computations (in reasonable detail) of the amount thereof, the Borrower shall pay to the Administrative Agent, for such Bank's account such additional amount as is necessary to enable such Bank to receive the amount of Tax so imposed on the Bank's obligations hereunder or the full amount of all payments which it would have received on the Credit Obligations (including amounts required to be paid under Sections 3.5, 3.7, 3.8 and this Section 3.6) in the absence of such Tax, as the case may be, together with interest at the Overdue Reimbursement Rate on such amount from the 15th day after receipt of such certificate until payment in full thereof. Whenever Taxes must be withheld by the Borrower with respect to any payments of the Credit Obligations, the Borrower shall promptly furnish to the Administrative Agent for the account of the applicable Bank official receipts (to the extent that the relevant governmental authority delivers such receipts) evidencing payment of any such Taxes so withheld. If the Borrower fails to pay any such Taxes when due or fails to remit to the Administrative Agent, for the account of the applicable Bank the required receipts evidencing payment of any such Taxes so withheld or deducted, the Borrower shall indemnify the affected Bank for any incremental Taxes and interest or penalties that may become payable by such Bank as a result of any such failure. The determination by such Bank of the amount of such Tax and the basis therefor shall, in the absence of manifest error, be conclusive. The Borrower shall be entitled to replace any such Bank in accordance with Section 11.3.

3.7 Capital Adequacy. If any Bank shall determine that compliance by such Bank with any Bank Legal Requirement regarding capital adequacy of banks or bank holding companies has or would have the effect of reducing the rate of return on the capital of such Bank and its Affiliates as a consequence of such Bank's commitment to make the extensions of credit contemplated hereby, or such Bank's maintenance of the extensions of credit contemplated hereby, to a level below that which such Bank could have achieved but for such compliance (taking into consideration the policies of such Bank and its Affiliates with respect to capital adequacy immediately before such compliance and assuming that the capital of such Bank and its Affiliates was fully utilized prior to such compliance) by an amount deemed by such Bank to be material, then, within 15 days after the receipt by the Borrower of a certificate from such Bank setting forth why it is claiming compensation under this Section 3.7 and computations (in reasonable detail) of the amount thereof, the Borrower shall pay to the Administrative Agent, for the account of such Bank such additional amounts as shall be sufficient to compensate such Bank for such reduced return, together with interest at the Overdue Reimbursement Rate on each such amount from the 15th day after receipt of such certificate until payment in full thereof. The determination by such Bank of the amount to be paid to it and the basis for computation thereof shall, in the absence of manifest error, be conclusive. In determining such amount, such Bank may use any reasonable averaging, allocation and attribution methods. The Borrower shall be entitled to replace any such Bank in accordance with Section 11.3.

3.8 Regulatory Changes. If any Bank shall determine that (a) any change in any Bank Legal Requirement (including any new Bank Legal Requirement) after the date hereof shall directly or indirectly (i) reduce the amount of any sum received or receivable by such Bank with respect to a Loan or the Letters of Credit or the return to be earned by such Bank on such Loan or the Letters of Credit, (ii) impose a cost on such Bank or any Affiliate of such Bank that is attributable to the making or maintaining of, or such Bank's commitment to make, its portion of such Loan or the Letters of Credit, or (iii) require such Bank or any Affiliate of such Bank to make any payment on, or calculated by reference to, the gross amount of any amount received by such Bank under any Credit Document, and (b) such reduction, increased cost or payment shall not be fully compensated for by an adjustment in the Applicable Rate or the Letter of Credit fees, then, within 15 days after the receipt by the Borrower of a certificate from such Bank setting forth why it is claiming compensation under this Section 3.8 and computations (in reasonable detail) of the amount thereof, the Borrower shall pay to such Bank such additional amounts as such Bank determines will, together with any adjustment in the Applicable Rate, fully compensate for such reduction, increased cost or payment, together with interest on such amount from the 15th day after receipt of such certificate until payment in full thereof at the Overdue Reimbursement Rate. The determination by such Bank of the amount to be paid to it and the basis for computation thereof hereunder shall, in the absence of manifest error, be conclusive. In determining such amount, such Bank may use any reasonable averaging and attribution methods.

3.9 Computations of Interest and Fees. For purposes of this Agreement, interest, commitment fees and Letter of Credit fees (and any other amount expressed as interest or such fees) shall be computed on the basis of a 360-day year for actual days elapsed. If any payment required by this Agreement becomes due on any day that is not a Banking Day, such payment shall, except as otherwise provided in the Eurodollar Interest Period, be made on the next

succeeding Banking Day. If the due date for any payment of principal is extended as a result of the immediately preceding sentence, interest shall be payable for the time during which payment is extended at the Applicable Rate, and any letter of credit fees payable pursuant to Section 3.4 shall be payable for the full number of days such applicable Letter of Credit is outstanding.

3.10 Loan Fees. Concurrent with the Closing Date, the Borrower shall pay to each Bank in immediately available funds a non-refundable and fully earned loan fee in an amount equal to 0.35% (35 basis points) of the aggregate amount of each such Bank's Commitments issued pursuant to this Agreement.

3.11 Administrative Agent's Fees. The Borrower shall pay to the Administrative Agent, for the Administrative Agent's own account, an annual fee in the amount of $25,000, payable quarterly (in the amount of $6,250) in arrears following the close of each calendar quarter by the Administrative Agent's debit to Borrower's operating account, concerning which quarterly debit therefrom Borrower hereby authorizes the Administrative Agent to automatically effect without the necessity of any further or other approval from the Borrower.

ARTICLE IV

PAYMENT

4.1 Payment at Maturity. On the Final Maturity Date with respect to each tranche or any accelerated maturity of such Loan, the Borrower will pay to the Administrative Agent, for the account of the Banks an amount equal to the remaining aggregate principal amount of such Tranche then outstanding, together with all accrued and unpaid interest thereon and all other Credit Obligations then outstanding.

4.2 Contingent Required Prepayments.

4.2.1 Excess Credit Exposure. If at any time the Acquisition Loan or the Working Capital Loan exceeds the limit set forth in Section 2.1.2 or 2.2.2, respectively, the Borrower shall within three Banking Days pay the amount of such excess to the Administrative Agent, for the account of the Banks.

4.2.2 Letter of Credit Exposure. If at any time the Letter of Credit Exposure exceeds the limit set forth in Section 2.3.1, the Borrower shall cash-collateralize such excess within three (3) Banking Days by paying the amount of such excess to the Administrative Agent, for the account of the Banks to be applied as provided in Section 4.5.

4.2.3 Contingent Prepayments on Disposition, Loss of Assets, Merger or Change of Control.

(i) If at any time the Borrower or any of its Subsidiaries disposes of assets or issues or sells Capital Stock of any Subsidiary with the result that there are Excess Sale

Proceeds, and the Borrower does not apply such Excess Sale Proceeds in the manner described in Section 7B.7(iii)(c)(ii)(x), the Borrower will prepay (at the price of the principal amount prepaid plus accrued interest thereon and any amount owing with respect thereto under Section 3.2.4 and upon notice as provided in Section 4.2.4) a principal amount of the outstanding Acquisition Notes equal to the Allocable Proceeds.

(ii) In the event of any damage to, or destruction, condemnation or other taking of, all or any portion of the properties or assets of the Borrower or any of its Subsidiaries, to the extent that the Borrower or any such Subsidiary receives insurance or condemnation proceeds with the result that Unutilized Taking Proceeds exceed $2,500,000 in respect of any fiscal year (such excess amount being herein called "Excess Taking Proceeds"), the Borrower will prepay (at the price of the principal amount prepaid plus accrued interest thereon and any amount owing with respect thereto under Section 3.2.4 and upon notice as provided in Section 4.2.4) a principal amount of the outstanding Acquisition Notes equal to the Allocable Proceeds.

(iii) (a) If at any time any Responsible Officer has knowledge of the occurrence of any Control Event, the Borrower will give notice as provided in Section 4.4 of such Control Event to the Administrative Agent. Upon the occurrence of a Control Event, the Borrower will not take any voluntary action that consummates or finalizes the Control Event resulting from such Control Event unless contemporaneously with such action, the Borrower prepays all Notes in accordance with this Section 4.2.3(iii) and upon notice as provided in Section 4.2.4 at the price of the principal amount thereof plus accrued interest thereon and any amount owing with respect thereto under Section 3.2.4.

(b) The obligation of the Borrower to prepay Acquisition Notes pursuant to the offer required by paragraph (a) of this clause (iii) and accepted in accordance with Section 4.2.4 is subject to the consummation of the Control Event in respect of which any such offer and acceptance shall have been made. In the event that such Control Event does not occur on or before the proposed prepayment date in respect thereof, the prepayment shall be deferred until and shall be made on the date on which such Control Event occurs. The Borrower shall keep the Administrative Agent reasonably and timely informed of (i) any such deferral of the date of prepayment, (ii) the date on which such Control Event and the prepayment are expected to occur, and (iii) any determination by the Borrower that efforts to effect such resulting Control Event have ceased or been abandoned (in which case the Borrower shall have no further obligation hereunder to prepay the Acquisition Notes in respect of such Control Event).

4.2.4 Prepayment Procedure for Contingent Prepayments.

(i) If at any time there are unapplied Excess Sale Proceeds or Excess Taking Proceeds (such unapplied amounts being "Excess Proceeds"), and the Borrower is required to prepay the Acquisition Notes with such Excess Proceeds

pursuant to clause (i) or (ii) of Section 4.2.3, the Borrower will give written notice as provided in Section 12.1 (which shall be in the form of an Officers' Certificate) to the Banks not later than twelve months after the date of the applicable Asset Sale or the end of the twelve month period following receipt of the applicable Unutilized Taking Proceeds, as the case may be, and (a) setting forth in reasonable detail all calculations required to determine the amount of Excess Proceeds, (b) setting forth the aggregate amount of the Allocable Proceeds and the amount of the Allocable Proceeds which is allocable to each Acquisition Note, determined by applying the Allocable Proceeds pro rata among all Acquisition Notes outstanding on the date such prepayment is to be made according to the aggregate then unpaid amounts of the Acquisition Notes, and in reasonable detail the calculations used in determining such amounts, and (c) stating that the Borrower will prepay on the date specified in such notice, which shall not be less than 25 nor more than 45 days after the date of such notice, a principal amount of each outstanding Acquisition Note equal to the amount of Allocable Proceeds allocated to such Acquisition Note as described in clause (b) above.

(ii) If at any time the Borrower is required to prepay the Notes following the occurrence of a Control Event, the Borrower will give written notice as provided in Section 12.1 (which shall be in the form of an Officer's Certificate) to the Banks not later than five Business Days following such Control Event, (a) setting forth in reasonable detail the facts and circumstances underlying such Control Event known to it, and (b) stating that the Borrower will prepay on the date the Control Event occurs.

4.3 Scheduled Required Payments.

4.3.1 Acquisition Loan. On the Final Maturity Date, the Borrower shall pay all outstanding principal of the Acquisition Loan.

4.3.2 Working Capital Loan. The Borrower shall (i) prepay the Working Capital Loan when necessary to comply with the Annual Clean-Up requirement set forth in Section 2.2.2, and (ii) on the Final Maturity Date, pay all outstanding principal of the Working Capital Loan.

4.4 Voluntary Prepayments. In addition to the prepayments required by Sections 4.2 and 4.3, the Borrower may from time to time prepay all or any portion of the Loans (in a minimum amount of $50,000 and an integral multiple of $50,000), without premium or penalty of any type (except as provided in Section 3.2.4 with respect to the early termination of Eurodollar Pricing Options). The Borrower shall give the Administrative Agent at least one Banking Day prior notice of its intention to prepay, specifying the date of payment, the total amount of the Loans to be paid on such date and the amount of interest to be paid with such prepayment.

4.5 Letters of Credit. If at the time of any Event of Default or on the stated or any accelerated maturity of the Credit Obligations the Banks shall be obligated in respect of a Letter of Credit or a draft accepted under a Letter of Credit, the Borrower immediately will either:

(a) prepay such obligation by depositing with the Administrative Agent, an amount of cash sufficient to cash-collateralize such Letter of Credit Exposure, or

(b) deliver to the Administrative Agent, a standby letter of credit (designating such Administrative Agent as beneficiary and issued by a bank and on terms reasonably acceptable to such Administrative Agent),

in each case in an amount equal to the portion of the then Letter of Credit Exposure issued for the account of the Borrower. Any such cash so deposited and the cash proceeds of any draw under any standby letter of credit so furnished, including any interest thereon, shall be returned by such Administrative Agent to the Borrower only when, and to the extent that, the amount of such cash held by such Administrative Agent exceeds the Letter of Credit Exposure at a time when no Default exists; provided, however, that if an Event of Default occurs and the Credit Obligations become or are declared immediately due and payable, such Administrative Agent may apply such cash, including any interest thereon, to the payment of any of the Credit Obligations as provided in the Intercreditor Agreement.

4.6 Reborrowing Application of Payments.

4.6.1 Reborrowing. The amounts of the Acquisition Loan and the Working Capital Loan prepaid pursuant to Section 4.2.1, 4.3.2 or 4.4 may be reborrowed from time to time, in the case of the Acquisition Loan in accordance with Section 2.1 and in the case of the Working Capital Loan prior to its Final Maturity Date, in accordance with Section 2.2 and subject to the limits set forth therein.

4.6.2 Order of Application. Each prepayment of the Loan made pursuant to Section 4.2.1 shall be applied to the Working Capital Loan or the Acquisition Loan, as appropriate. Each prepayment of the Loan made pursuant to Section 4.2.3(i) or (ii) shall be applied to the Acquisition Loan. Any amounts of the Acquisition Loan prepaid pursuant to the preceding sentence may not be reborrowed.

4.6.3 Payment with Accrued Interest. Upon all prepayments of a Loan, the Borrower shall pay to the Administrative Agent, the principal amount to be prepaid, together with unpaid interest in respect thereof accrued to the date of prepayment and any amount owing with respect thereto under Section 3.2.4. Notice of prepayment having been given in accordance with Section 4.4, and whether or not notice is given of prepayments pursuant to Sections 4.2 and 4.3, the amount specified to be prepaid shall become due and payable on the date specified for prepayment.

4.6.4 Payments for Banks. All payments of principal hereunder shall be made to the Administrative Agent, for the account of the Banks in accordance with the Banks' respective Percentage Interests.

ARTICLE V

SECURITY

5.1 Collateral. The repayment of the Indebtedness shall be secured by the Collateral as more particularly described and defined in the Security Documents previously executed and delivered pursuant to the terms, provisions and conditions of the Existing Credit Agreement, the Liens and priorities thereof which shall continue in full force and effect without any interruption thereof whatsoever subject to the Intercreditor Agreement.

The Borrower hereby acknowledges that all of the Collateral is granted as security for the repayment of all Obligations, including as evidenced by the Notes, the Private Placement Notes and the notes, if any, evidencing other Parity Debt. The Liens granted, created and perfected (including the priorities thereof subject to the Intercreditor Agreement) by virtue of the Existing Credit Agreement and the Security Documents therein described and defined are hereby ratified, confirmed and continued without interruption and re-granted by the Borrower in favor of the Collateral Agent in all respects as continuing security for the Obligations, including as evidenced by the Notes, the Private Placement Notes and the notes, if any, evidencing other Parity Debt subject to the terms and provisions of the Intercreditor Agreement. If one or more of such Notes, Private Placement Notes or other Parity Debt notes are paid in full or satisfied, but any portion of the Indebtedness evidenced by such note remains unsatisfied, the Collateral Agent may retain its security interest in all of the Collateral on behalf of the Secured Parties described therein until the remaining Indebtedness secured thereby is paid in full, even if the value of the Collateral far exceeds the amount of such outstanding Indebtedness secured thereby.

5.2 Intercreditor Agreement. The Banks and the Co-Agent hereby authorize the Administrative Agent to execute and deliver such supplements, amendments or modifications to the Intercreditor Agreement to the Collateral Agent. Borrower confirms that any setoffs shared under the terms of the Intercreditor Agreement (including without limitation Section 13(c) thereof) with the Note Purchaser of the Private Placement Notes or the holders of any Additional Parity Debt, to the extent of the portions so shared, will not be deemed to pay down the Loan evidenced by the Notes.

ARTICLE VI

CONDITIONS PRECEDENT AND SUBSEQUENT TO LOANS

6.1 Conditions Precedent to Initial Working Capital Loan and Initial Acquisition Loan. The obligation of the Banks to make the initial Working Capital Loan and the initial Acquisition Loan is subject to the satisfaction of all of the following conditions on or prior to the Closing Date (in addition to the other terms and conditions set forth herein):

(i) No Default. There shall exist no Event of Default, Noncompliance Event or Default on the Closing Date.

(ii) Representations and Warranties. The representations, warranties and covenants set forth in Article VIII shall be true and correct on and as of the Closing Date, with the same effect as though made on and as of the Closing Date unless such representation or warranty relates only to an earlier date.

(iii) Certificates. The Borrower shall have delivered or caused to be delivered to the Administrative Agent Certificates, dated as of the Closing Date, and signed by the President or Vice President and the Secretary of USPLLC and the General Partner, respectively, certifying (a) to the matters covered by the conditions specified in subsections (i) and (ii) of this Section 6.1, (b) that the Borrower and the Master Partnership have performed and complied with all agreements and conditions required to be performed or complied with by them prior to or on the Closing Date, (c) to the name and signature of each officer of USPLLC and the General Partner, respectively, authorized to execute and deliver the Loan Documents for and on behalf of the Borrower and any other documents, certificates or writings and to borrow under this Agreement, and (iv) to such other matters in connection with this Agreement which the Banks shall determine to be advisable. The Banks may conclusively rely on such Certificates until Agent receives notice in writing to the contrary.

(iv) Proceedings. On or before the Closing Date, all partnership proceedings of the Borrower shall be taken in connection with the transactions contemplated by the Loan Documents and shall be satisfactory in form and substance to the Banks and Administrative Agent's counsel; and the Agents shall have received certified copies, in form and substance satisfactory to the Banks and Agents' counsel, of the partnership agreements and certificates of the Borrower and the Certificate of Limited Partnership Agreement of the General Partner and the Articles of Organization/Certificate of Formation and Operating Agreement of USPLLC, as adopted, authorizing the execution and delivery of the Loan Documents, the borrowings under this Agreement, and the ratification, confirmation and regranting of the security interests in the Collateral pursuant to the Security Agreement, to secure the payment of the Indebtedness.

(v) Notes. The Borrower shall have delivered the Notes payable to the order of the respective Banks, to the Administrative Agent, in each case appropriately executed.

(vi) Security Agreement. The Borrower shall have ratified and confirmed its delivery to the Collateral Agent of such supplement to amendment or restatement of the Security Agreement executed in connection with the Existing Credit Agreement, appropriately executed by the Borrower and Heritage, and dated as of the Closing Date, together with such financing statements (UCC or otherwise) (collectively, the "Financing Statements"), and other documents as shall be necessary and appropriate to continue the perfection of the Collateral Agent's security interests in the Collateral covered by said Security Agreement, including, without limitation, the Security Agreement, and such certificates representing shares of Capital Stock included in the Collateral and proper stock powers with respect thereto duly endorsed in blank (collectively, the "Certificates and Stock Powers").

(vii) Opinions. The Agents shall have received from Borrower's counsel, (i) Doerner, Saunders, Daniel & Anderson, L.L.P., a favorable written closing opinion addressed to the Agents for the benefit of the Banks with respect to this Agreement, satisfactory in form and substance to the Administrative Agent's counsel including, without limitation, an opinion that all notices to or consents of the Collateral Agent or the Note Purchasers as required by the transactions contemplated by this Agreement have been duly obtained and are in full force and effect and (ii) a copy of the executed non-consolidation opinion of Winston & Strawn, L.L.P., addressed to the Note Purchasers listed on Schedule A attached thereto.

(viii) UCC Releases/Other Information. The Administrative Agent shall have received a written payoff statement from any other secured party of record concerning any of the Collateral together with applicable UCC terminations of record of all such existing security interest liens pertaining to the Collateral or any part thereof.

(ix) Other Information and Closing Documents. The Administrative Agent shall have received such other consents, information, documents, agreements and assurances as shall be reasonably requested by the Banks, including, without limitation, appropriate consents and approvals to the issuance of the Notes and the Commitments and the Intercreditor Agreement, as amended and modified, shall have been duly executed by all parties thereto and delivered to the Collateral Agent.

(x) Assignments/Replacement of Banks. Each Departing Bank shall have surrendered its Notes to BOk, as Administrative Agent, and each of Bank One, Fifth Third, MidFirst and Arvest (as Banks not party signatories to the Existing Credit Agreement) and as applicable, the other Banks, shall have paid to such Administrative Agent in immediately available funds an amount equal to their respective Percentage Interest in the outstanding principal balance of such Departing Bank of the Loan assigned hereunder thereto by the Departing Bank, for concurrent remittance by the Administrative Agent to the Departing Bank.

(xi) Co-Agent. U.S. Bank shall have submitted the resignation as Co-Agent and Bank One shall be named successor Co-Agent.

6.2 Conditions Precedent to All Loans. The Banks shall not be obligated to make any additional Loan advance(s) or to issue any Letters of Credit after the Closing Date (i) if at such time any Event of Default or any Noncompliance Event shall have occurred or any Default shall have occurred and be continuing; or (ii) if any of the representations, warranties and covenants contained in Article VIII of this Agreement shall be false or untrue in any material respect on the date of such advance or issue, as if made on such date (unless such representation or warranty relates only to an earlier date). Each request by the Borrower for an additional Working Capital Loan or Acquisition Loan shall constitute a representation by the Borrower that there is not at the time of such request an Event of Default, a Noncompliance Event or a Default, and that all representations, warranties and covenants in Article VIII of this Agreement are true and correct on and as of the date of each such applicable Loan request or request for a Letter of Credit.

ARTICLE VII

COVENANTS

The Borrower hereby covenants and agrees with the Banks that, comply with the terms and provisions of this Article VII.

7A. Affirmative Covenants.

7A.1 Financial Statements. The Borrower will maintain, and will cause each of its Subsidiaries to maintain, a system of accounting established and administered in accordance with GAAP. The Borrower covenants that it will deliver to each Bank:

(i) as soon as practicable and in any event within 50 days after the end of each quarterly period in each fiscal year, (a) consolidated statements of income, partners' capital and cash flows of the Borrower and its Subsidiaries for such quarterly period and (in the case of the second, third and fourth quarterly periods) for the period from the beginning of the current fiscal year to the end of such quarterly period, and consolidated balance sheets of the Borrower and its Subsidiaries as at the end of such quarterly period, setting forth in each case with respect to financial statements delivered as of any date and for any period after the Closing Date, in comparative form figures for the corresponding period in the preceding fiscal year, all in reasonable detail and satisfactory in form to the Required Banks and certified by an authorized financial officer of the Borrower as presenting fairly, in all material respects, the information contained therein (except for the absence of footnotes and subject to changes resulting from normal year-end adjustments), in accordance with GAAP, and (b) a copy of the Quarterly Report on Form 10-Q of the Master Partnership for such quarterly period filed with the Commission;

(ii) as soon as practicable and in any event within 95 days after the end of each fiscal year, (a) consolidated and consolidating statements of income and cash flows and a consolidated and consolidating statement of partners' capital (or stockholders' equity, as applicable) of the Borrower and its Subsidiaries for such year, and consolidated and consolidating balance sheets of the Borrower and its Subsidiaries, as at the end of such year, setting forth in each case with respect to financial statements delivered as of any date and for any period after the Closing Date, in comparative form corresponding consolidated and, where applicable, consolidating figures from the preceding annual audit, all in reasonable detail and, as to the consolidated statements, reported on by Grant Thornton, LLP, or other independent public accountants of recognized national standing selected by the Borrower whose report shall be without limitation as to the scope of the audit, (b) consolidating statements of income and cash flows and a consolidating statement of partners' capital (or stockholder equity, as applicable) of the Master Partnership and its Subsidiaries for such year and consolidated balance sheets of the Master

Partnership and its Subsidiaries, as at the end of such year, setting forth in each case, in comparative form corresponding consolidated figures from the preceding annual audit, all in reasonable detail and reported on by Grant Thornton LLP, or other independent public accountants of recognized national standing selected by the Master Partnership whose report shall be without limitation as to the scope of the audit (provided that such report shall not include within the scope of the audit the consolidating statements required by clause (c)); provided, however, that at any time when the Master Partnership 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 Master Partnership 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 (b) if all such statements required to be delivered pursuant to this clause (b) with respect to the Master Partnership and its Subsidiaries are included in such Form 10-K, or (c) consolidating statements of income and cash flows and a consolidating statement of partners' capital (or stockholders' equity, as applicable) of the Master Partnership and its Subsidiaries for such year, certified by an authorized financial officer of the Master Partnership as presenting fairly, in all material respects, the information contained therein, in accordance with GAAP (except for the absence of footnotes); provided, however, that at any time when the Master Partnership 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 Master Partnership 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 (c) if all such statements required to be delivered pursuant to this clause (c) with respect to the Master Partnership and its Subsidiaries are included in such Form 10-K and such reports are delivered separately by the Borrower together with such Form 10-K and such reports;

(iii) promptly upon receipt thereof by the Borrower, copies of all reports submitted to the Borrower by independent public accountants in connection with each special, annual or interim audit of the books of the Borrower or any Subsidiary thereof made by such accountants, including without limitation the comment letter submitted by each such accountant to management in connection with their annual audit;

(iv) promptly upon transmission thereof, copies of (a) all financial statements, proxy statements, notices and reports as the Borrower or the Master Partnership shall send or make available to the public Unitholders of the Master Partnership, (b) all registration statements (without exhibits), all prospectuses and all reports which the Borrower or the Master Partnership files with the Commission (or any governmental body or agency succeeding to the functions of the Commission), (c) all press releases and other similar written statements made available by the Borrower or the Master Partnership to the public concerning material developments in the business of the Borrower or the Master Partnership,

as the case may be, and (d) all reports, notices and other similar written statements sent or made available by the Borrower or the Master Partnership to any holder of its Indebtedness pursuant to the terms of any agreement, indenture or other instrument evidencing such Indebtedness, including without limitation the Credit Agreement, except to the extent the same substantive information is already being provided pursuant to this Section 7A.1;

(v) as soon as reasonably practicable, and in any event within 5 Business Days after a Responsible Officer obtains knowledge that any Default or Event of Default has occurred, a written statement of such Responsible Officer setting forth details of such Default or Event of Default and the action which the Borrower has taken, is taking and proposes to take with respect thereto;

(vi) as soon as reasonably practicable, and in any event within 5 Business Days after a Responsible Officer obtains knowledge of (a) the occurrence of an adverse development with respect to any litigation or proceeding involving the Borrower or any of its Subsidiaries which in the reasonable judgment of the Borrower could reasonably be expected to have a Material Adverse Effect or (b) the commencement of any litigation or proceeding involving the Borrower or any of its Subsidiaries which in the reasonable judgment of the Borrower could reasonably be expected to have a Material Adverse Effect, a written notice of such Responsible Officer describing in reasonable detail such commencement of, or adverse development with respect to, such litigation or proceeding;

(vii) as soon as possible after, and in any event within 10 Business Days after any Responsible Officer of the Borrower or any ERISA Affiliate knows or has reason to know that, any ERISA Event has occurred or is expected to occur that, alone or together with any other ERISA Events that have occurred, in the opinion of the principal financial officer of the Borrower could reasonably be expected to result in liability of the Borrower in an aggregate amount exceeding $2,000,000, a statement setting forth a detailed description of such ERISA Event and the action, if any, that the Borrower or any ERISA Affiliate has taken, is taking or proposes to take or cause to be taken with respect thereto (together with a copy of any notice, report or other written communication filed with or given to or received from the PBGC, the Internal Revenue Service or the Department of Labor with respect to such event or condition);

(viii) as soon as reasonably practicable, and in any event within five Business Days after a Responsible Officer obtains knowledge of a violation or alleged violation of any Environmental Law or the presence or release of any Hazardous Substance within, on, from, relating to or affecting any property, which in the reasonable judgment of the Borrower could reasonably be expected to have a Material Adverse Effect, notice thereof, and upon request, copies of relevant documentation;

(ix) together with each delivery of financial information pursuant to clause (i) or clause (ii) of this Section 7A.1, a statement setting forth, together with computations in reasonable detail, the amount of Available Cash, Aggregate Available Cash and the Aggregate Partner Obligations, together with a calculation of the Borrower's Percentage of Aggregate Available Cash as of the date of the balance sheet contained therein and the amounts of all Net Proceeds, Excess Sale Proceeds, Unutilized Taking Proceeds and Unused Proceeds Reserves held by the Borrower at the end of the applicable quarterly period or fiscal year, as the case may be;

(x) as soon as reasonably practicable, and in any event within 5 Business Days after a Responsible Officer obtains knowledge that the holder of any Note has given any notice to the Borrower or any Subsidiary thereof or taken any other action with respect to a claimed Default or Event of Default under this Agreement or any other Loan Documents, or that any Person has given any notice to the Borrower or any such Subsidiary or taken any other action with respect to a claimed default or event or condition of the type referred to in [Section 9.1A(iii), Event of Default] a written statement of such Responsible Officer describing such notice or other action in reasonable detail and the action which the Borrower has taken, is taking and proposes to take with respect thereto;

(xi) prior to the Closing Date and within 45 days after the end of each calendar year ending thereafter, commencing with the year ending December 31, 2003, a report prepared by the Borrower or its broker or agent (a) setting forth the insurance maintained pursuant to Section 7A.8, and including, without limitation, the amounts thereof, the names of the insurers and the property, hazards and risks covered thereby, and certifying that all premiums with respect to the policies described in such report then due thereon have been paid and that the same are in full force and effect, (b) setting forth all self-insurance maintained by the Borrower pursuant to Section 7A.8 and (c) certifying that such insurance or self insurance complies with the requirements of such Section 7A.8;

(xii) with reasonable promptness, such other information and data (financial or other) as from time to time may be reasonably requested by any Bank; and

(xiii) as soon as reasonably practicable, and in any event within 5 Business Days after a Responsible Officer obtains knowledge that the holder of any secured indebtedness or other indebtedness has given any notice to La Grange or any Subsidiary thereof or taken any other action with respect to a claimed event of default or condition of the type referred to in Section 9.1(xviii), a written statement of such Responsible Officer describing, to the best knowledge of such Responsible Officer, such notice or other action in reasonable detail and the action which La Grange has taken, is taking and proposes to take with respect thereto.

Together with each delivery of financial statements required by clauses (i) and (ii) above, the Borrower will deliver to each holder of Notes an Officers' Certificate (I) stating that the signers have reviewed the terms of this Agreement and the other Loan Documents, and have made, or caused to be made under their supervision, a review in reasonable detail of the transactions and condition of the Borrower and its Subsidiaries during the accounting period covered by such financial statements, and that no Default or Event of Default has occurred and is continuing, or, if any such Default or Event of Default then exists, specifying the nature and approximate period of existence thereof and what action the Borrower has taken or is taking or proposes to take with respect thereto, (II) specifying the amount available at the end of such accounting period for Restricted Payments in compliance with Section 7B.6 and showing in reasonable detail all calculations required in arriving at such amount, (III) demonstrating (with computations in reasonable detail) compliance at the end of such accounting period by the Borrower and its Subsidiaries with the provisions of Sections 4.6, 7B.1, 7B.2, 7B.3, 7B.4, 7B.5(v), 7B.7(i)(b), 7B.7(i)(c), 7B.7(iii) and 7B.12, and (IV) if not specified in the related financial statements being delivered pursuant to clauses (i) and (ii) above, specifying the aggregate amount of interest paid or accrued by, and aggregate rental expenses of, the Borrower and its Subsidiaries, and the aggregate amount of depreciation, depletion and amortization charged on the books of the Borrower and its Subsidiaries, during the fiscal period covered by such financial statements.

Together with each delivery of financial statements required by clause (ii) above, the Borrower will deliver a certificate of such accountants stating that they have reviewed the terms of this Agreement and the other Loan Documents and that in making the audit necessary for their report on such financial statements, they have obtained no knowledge of any Event of Default or Default, or, if they have obtained knowledge of any Event of Default or Default, specifying the nature and period of existence thereof. Such accountants, however, shall not be liable to anyone by reason of their failure to obtain knowledge of any Event of Default or Default which would not be disclosed in the course of an audit conducted in accordance with generally accepted auditing standards.

7A.2 Inspection of Property. The Borrower will permit any Person designated in writing by the Administrative Agent or the Required Lenders, at the Borrower's expense during the continuance of a Default or Event of Default and otherwise at such holder's expense, to visit and inspect any of the properties of the Borrower and its Subsidiaries, to examine the corporate books and financial records of the Borrower and its Subsidiaries and make copies thereof or extracts therefrom and to discuss the affairs, finances and accounts of any of such partnerships or corporations with the principal officers of the Borrower and its independent public accountants, all at such reasonable times and as often as such holder may reasonably request. The Borrower hereby authorizes, and agrees to cause each of its Subsidiaries to authorize, its and their independent public accountants to discuss with such Person the affairs, finances and accounts of the Borrower and its Subsidiaries in accordance with this Section 7A.2.

7A.3 Covenant to Secure Notes Equally. If the Borrower or any of its Subsidiaries shall create or assume any Lien upon any of its property or assets, whether

now owned or hereafter acquired, other than Liens permitted by the provisions of Sections 7B.3 and 7B.4 (unless prior written consent to the creation or assumption thereof shall have been obtained pursuant to Section 10.6), the Borrower will make or cause to be made effective provision whereby the Notes will be contemporaneously secured by such Lien equally and ratably with any and all other Indebtedness thereby secured so long as any such other Indebtedness shall be so secured (including, without limitation, the provision of any financial accommodations extended to the holders of such other Indebtedness in connection with the release of such Lien and/or the sale of any property subject thereto), it being understood that the provision of such equal and ratable security shall not constitute a cure or waiver of any related Event of Default.

7A.4 Partnership or Corporate Existence; Compliance with Laws.

(i) Except as otherwise expressly permitted in accordance with Section 7B.7 or 7B.11, (a) the Borrower will at all times preserve and keep in full force and effect its partnership existence and its status as a partnership not taxable as a corporation for U.S. federal income tax purposes, (b) the Borrower will cause each of its Subsidiaries to keep in full force and effect its partnership or corporate existence, as the case may be, and (c) the Borrower will, and will cause each of its Subsidiaries to, at all times preserve and keep in full force and effect all of its material rights and franchises; provided, however, that the partnership or corporate existence of any Subsidiary, and any right or franchise of the Borrower or any Subsidiary, may be terminated notwithstanding this Section 7A.4 if such termination (x) is in the best interest of the Borrower and the Subsidiaries, (y) is not disadvantageous to the holders of the Notes in any material respect and (z) could not reasonably be expected to have a Material Adverse Effect.

(ii) The Borrower will, and will cause each of its Subsidiaries to, at all times comply with all laws, regulations and statutes (including without limitation any zoning or building ordinances or code or Environmental Laws) applicable to it except for any failure to so comply which, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

(iii) The Borrower will notify the Bank a reasonable time prior to the adoption of any amendment to the Partnership Agreement, the Partnership Documents, the Note Purchase Agreements or any Operative Agreement and will include in that notice a reasonably detailed description of such amendment and the intended effects thereof.

7A.5 Payment of Taxes and Claims. The Borrower will, and will cause each of its Subsidiaries to, pay all taxes, assessments and other governmental charges imposed upon it or any of its Subsidiaries, or any of its or its Subsidiaries' properties or assets or in respect of any of its or any of its Subsidiaries' franchises, business, income or profits when the same become due and payable, and all claims (including without limitation claims for labor, services, materials and supplies) for sums which have become due and payable and which by law have or might become a Lien upon any of its or any of its

Subsidiaries' properties or assets; provided that no such tax, assessment, charge or claim need be paid if it is being contested in good faith by appropriate proceedings promptly initiated and diligently conducted and if such reserves or other appropriate provision, if any, as shall be required by GAAP shall have been made therefor and be adequate in the good faith judgment of the Board of Directors of the General Partner.

7A.6 Compliance with ERISA. The Borrower will, and will cause its Subsidiaries to, comply in all material respects with the provisions of ERISA and the Code applicable to the Borrower and its Subsidiaries and their respective employee benefit programs.

7A.7 Maintenance and Sufficiency of Properties.

(i) The Borrower will maintain or cause to be maintained in good repair, working order and condition, ordinary wear and tear excepted, all properties used in the business of the Borrower and its Subsidiaries and from time to time will make or cause to be made all appropriate repairs, renewals and replacements thereof, all to the extent necessary to avoid a Material Adverse Effect.

(ii) The Borrower will maintain and will cause to be maintained as employees of the Borrower and its Subsidiaries such number of individuals, having appropriate skills, as may be necessary from time to time to sustain continuous operation of the Business at the time. Except as described on Schedule 8.8, the Borrower will continue and will cause its Subsidiaries to continue to own or have valid rights to use all of the Assets constituting personal or intellectual property (including without limitation computer equipment, computer software and other intellectual property) reasonably necessary for the operation of the Business, in each case subject to no Liens except such as are permitted by Section 7B.3.

7A.8 Insurance.

(i) The Borrower will, and will cause its Subsidiaries to, at its or their expense, at all times maintain, or cause to be maintained, with financially sound and reputable insurers, insurance with respect to their properties and business with coverages comparable to those generally carried by companies of similar size that conduct the same or similar business and have similar properties in the same general areas in which the Borrower conducts its business; provided, however, that the Borrower may maintain a system of self-insurance in an amount not exceeding an amount as is customary for companies with established reputations engaged in the same or similar business and owning and operating similar properties.

(ii) The Borrower will, and will cause each of its Subsidiaries to, pay as and when the same become due and payable the premiums for all insurance policies that the Borrower and its Subsidiaries are required to maintain hereunder.

7A.9 Environmental Laws. The Borrower will, and will cause each of its Subsidiaries to:

(i) comply with all applicable Environmental Laws and any permit, license, or approval required under any Environmental Law, except for failures to so comply which could not reasonably be expected to have a Material Adverse Effect;

(ii) store, use, release, or dispose of any Hazardous Substance at any property owned or leased by the Borrower or any of its Subsidiaries in a manner which could not reasonably be expected to have a Material Adverse Effect;

(iii) avoid committing any act or omission which would cause any Lien to be asserted against any property owned by the Borrower or any of its Subsidiaries pursuant to any Environmental Law, except where such Lien could not reasonably be expected to have a Material Adverse Effect;

(iv) use, handle or store any propane in compliance, in all material respects, with all applicable laws.

7A.10 Operative Agreements. The Borrower will perform and comply with all of its obligations under each of the Operative Agreements to which it is a party, will enforce each such Operative Agreement against each other party thereto and will not accept the termination of any such Operative Agreement or any amendment or supplement thereof or modification or waiver thereunder, unless any such failure to perform, comply or enforce or any such acceptance could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

7A.11 After-Acquired Property. From and after the date of the Closing, the Borrower will, and will cause each of its Subsidiaries to, execute and deliver such amendments to the Security Agreement, execute and deliver such instruments and agreements (including, without limitation, such Certificates and Stock Powers) and execute and cause to be duly recorded, published, registered or filed in the appropriate jurisdictions such Financing Statements, as shall be necessary to grant to the Collateral Agent a valid, perfected, first priority security interest, subject to Liens permitted by the Security Agreement in any asset acquired by the Borrower or any Subsidiary of the Borrower (including, without limitation, the Capital Stock of any Subsidiary) after the Closing, to the extent such asset would have been included in the Collateral granted at the Closing had the Borrower or one of its Subsidiaries owned such asset as of the Closing. The Borrower will pay or cause to be paid all taxes, fees and other governmental charges in connection with the execution, delivery, recording, publishing, registration and filing of such documents and instruments in such places.

7A.12 Further Assurances. At any time and from time to time promptly, the Borrower shall, at its expense, execute and deliver to each Bank and the Collateral Agent such instruments and documents, and take such further action, as the holders of the Notes may from time to time reasonably request, in order to further carry out the intent and purpose of this Agreement and the other Loan Documents and to establish, perfect, preserve and protect the rights, interests and remedies created, or intended to be created, in favor of the Banks, and including, without limitation, the execution and delivery of Certificates and the delivery of Stock Powers and the execution, delivery, recordation and filing of Financing Statements and continuation statements under the Uniform Commercial Code of any applicable jurisdiction, and the delivery of satisfactory opinions of counsel.

7A.13 Books and Accounts. The Borrower will, and will cause each of its Subsidiaries to, maintain proper books of record and account in which full, true and proper entries shall be made of its transactions and set aside on its books from its earnings for each fiscal year all such proper reserves as in each case shall be required in accordance with GAAP.

7A.14 Available Cash Reserves. The Borrower will maintain an amount of cash reserves that is necessary or appropriate in the reasonable discretion of the General Partner to (i) provide for the proper conduct of the business of the Borrower and its Subsidiaries (including reserves for future capital expenditures) subsequent to such quarter, (ii) comply with applicable law or any loan agreement, security agreement, mortgage, debt instrument or other agreement or obligation to which the Borrower or any Subsidiary is a party or by which it is bound or its assets are subject (including the Loan Documents) and (iii) provide funds for distributions to partners of the Master Partnership and the General Partner in respect of any one or more of the next four quarters; provided that the General Partner need not establish cash reserves pursuant to clause (iii) if the effect of such reserves would be that the Master Partnership is unable to distribute the Minimum Quarterly Distribution (as defined in the Agreement of Limited Partnership of the Master Partnership) on all Common Units with respect to such quarter; and provided, further, that disbursements made by the Borrower or a Subsidiary of the Borrower or cash reserves established, increased or reduced after the end of such quarter but on or before the date of determination of Available Cash with respect to such quarter shall be deemed to have been made, established, increased or reduced for purposes of determining Available Cash, within such quarter if the General Partner so determines. In addition, without limiting the foregoing, Available Cash for any fiscal quarter shall reflect cash reserves equal to (x) 50% of the interest projected to be paid on the Private Placement Notes in the next succeeding fiscal quarter, plus (y) beginning with a date three fiscal quarters before a scheduled principal payment date on the Private Placement Notes, 25% of the aggregate principal amount thereof due on any such payment date in the third succeeding fiscal quarter, 50% of the aggregate principal amount due on any such payment date in the second succeeding fiscal quarter and 75% of the aggregate principal amount due on any quarterly payment date in the next succeeding fiscal quarter, plus (z) the Unused Proceeds Reserve as of the date of determination; provided that the foregoing

reserves for amounts to be paid on the Private Placement Notes shall be reduced by the aggregate amount of advances available to the Borrower from responsible financial institutions under binding, irrevocable (a) credit or financing commitments (which are subject to no conditions which the Borrower is unable to meet) and (b) letters of credit (which are subject to no conditions which the Borrower is unable to meet), in each case to be used to refinance such amounts to the extent such amounts could be borrowed and remain outstanding under Sections 7B.2(ii) and 7B.2(iii).

7A.15 Parity Debt.

(i) The Borrower shall ensure that the lenders from time to time in respect of any outstanding Parity Debt shall, in the documents governing the terms of such Indebtedness, (a) recognize the existence and validity of the obligations represented by the Notes and (b) agree to refrain from making or asserting any claim that the Loan Documents or the obligations represented by the Notes are invalid or not enforceable in accordance with its and their terms as a result of the circumstances surrounding the incurrence of such obligations.

(ii) Each Bank and each other Person that becomes a Bank, as evidenced by its acceptance of its Notes, (a) acknowledges the existence and validity of the obligations of the Borrower and Heritage under the Note Purchase Agreements (and any replacement, extension, renewal, refunding or refinancing thereof permitted by Section 7B.2, as the case may be) and (b) agrees to refrain from making or asserting any claim that such obligations or the instruments governing the terms thereof are invalid or not enforceable in accordance with its and their terms as a result of the circumstances surrounding the incurrence of such obligations.

7A.16 Maintenance of Separateness.

(i) The Borrower will:

(a) maintain books and records separate from those of any other Person, including any of its partnership interest holders or any Affiliate or Subsidiary;

(b) maintain its assets in such a manner that it is not more costly or difficult to segregate, identify or ascertain such assets;

(c) observe all corporate formalities;

(d) hold itself out to creditors and the public as a legal entity separate and distinct from any other Person, including any of its partnership interest holders and its Affiliates and Subsidiaries;

(e) conduct its business in its name or in business names or trade names of the Borrower or its Subsidiaries and use separate stationery, invoices and checks; and

(f) not assume, guarantee or pay the debts or obligations of or hold itself out as being available to satisfy the obligations of any other Person, including any of its partnership interest holders and its Affiliates and Subsidiaries, except as is expressly permitted by the terms of this Agreement.

(ii) To the extent that the Borrower shares the same officers or other employees as any of its Affiliates, the salaries of and the expenses relating to providing benefits to such officers and employees shall be fairly allocated among such entities, and each such entity shall bear its fair share of the salary and benefit costs associated with all such common officers and employees.

(iii) To the extent that the Borrower jointly contracts with any of its Affiliates 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 contracts or does business with vendors or service providers where the goods and services are partially for the benefit of an Affiliate, 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.

(iv) To the extent that the Borrower or its Affiliates have offices in the same location, there shall be a fair and appropriate allocation of overhead costs among them, and each such entity shall bear its fair share of such expenses.

7B. Negative Covenants.

7B.1 Financial Ratios.

(i) Ratio of Consolidated EBITDA to Consolidated Interest Expense. The Borrower will not permit the ratio, as of the last day of any fiscal quarter of the Borrower, of Consolidated EBITDA to Consolidated Interest Expense to be less than 2.25 to 1;

(ii) Ratio of Consolidated Funded Indebtedness to Consolidated EBITDA. The Borrower will not permit the ratio, as of the end of any fiscal quarter of Borrower, of Consolidated Funded Indebtedness to Consolidated EBITDA to exceed (a) 4.75 to 1 from November 30, 2003, through November 30, 2004, or (b) 4.50 to 1 from February 28, 2005, and thereafter;

(iii) Ratio of Adjusted Consolidated Funded Indebtedness to Adjusted Consolidated EBITDA. Borrower will not permit the ratio, as of the end of any fiscal quarter of Borrower, of Adjusted Consolidated Funded Indebtedness to Adjusted Consolidated EBITDA to exceed (a) 5.25 to 1.00 from November 30, 2003, through August 31, 2005, or (b) 5.00 to 1 on November 30, 2005, and thereafter.

Notwithstanding any of the provisions of this Agreement the Borrower will not, and will not permit any Subsidiary to, enter into any transaction pursuant to Section 7B.2, clauses (vii), (viii) and (xiv)(b) of Section 7B.3, Section 7B.6, of clauses (i)(b), (i)(c), (ii)(b) and (iii) of Section 7B.7, (x) if after giving effect to any such transaction a Noncompliance Event, Default or Event of Default exists or (y) if the consummation of any such transaction would result in a violation of any clause of this Section 7B.1 or a Noncompliance Event, calculated for such purpose as of the date on which such transaction were to be consummated both immediately before and after giving effect to the consummation thereof; provided, however, that in the case of transactions pursuant to Section 7B.7, the calculation shall be made on a pro forma basis in accordance with GAAP after giving effect to any such transaction, with the ratio recomputed as at the last day of the most recently ended fiscal quarter of the Borrower as if such transaction had occurred on the first day of the relevant four quarter period.

7B.2 Indebtedness. The Borrower will not, and will not permit any of its Subsidiaries to, create, incur, assume, or otherwise become directly or indirectly liable with respect to, any Indebtedness, except (subject to the provisions of Section 7B.4):

(i) the Borrower may become and remain liable with respect to Indebtedness evidenced by the Notes and Indebtedness incurred in connection with any extension, renewal, refunding or refinancing of Indebtedness evidenced by the Private Placement Notes, provided that the principal amount of such Indebtedness shall not exceed the principal amount of the Indebtedness evidenced by the Private Placement Notes, together with any accrued interest and Yield Maintenance Amount with respect thereto, being extended, renewed, refunded or refinanced and (y) such Indebtedness may not have an average life to maturity shorter than the remaining average life to maturity of the Indebtedness being extended, renewed, refunded or refinanced;

(ii) the Borrower may become and remain liable with respect to Indebtedness incurred under the Working Capital Facility and any Indebtedness incurred for such purpose which replaces, extends, renews, refunds or refinances all of such Indebtedness (in the case of a replacement, refunding or refinancing, so long as the Acquisition Facility also is replaced, refunded or refinanced in whole; provided that the aggregate principal amount of Indebtedness permitted under this clause (ii) shall not at any time exceed an amount equal to (x) $20,000,000 less (y) the amount of Indebtedness, if any, outstanding under the revolving working capital facility permitted by clause (v) of this Section 7B.2;

(iii) the Borrower may become and remain liable with respect to Indebtedness incurred by the Borrower under the Acquisition Facility and any Indebtedness incurred for such purpose which replaces, extends, renews, refunds or refinances all of such Indebtedness (in the case of a replacement refunding or refinancing, so long as the Working Capital Facility also is replaced, refunded or refinanced in whole); and up to $3,000,000 of Indebtedness owing from time to time to the Seller(s) in Asset Acquisitions provided that the aggregate principal amount of Indebtedness permitted under this clause (iii) shall not at any time exceed the lesser of $30,000,000 or the sum of the outstanding balance of such Seller(s) Asset Acquisitions debt referenced above (in no event in excess of $3,000,000) plus the aggregate Acquisition Loan Commitments described in Section 10.1, as amended from time to time;

(iv) any Subsidiary of the Borrower may become and remain liable with respect to Indebtedness of such Subsidiary owing to the Borrower or to a Wholly-Owned Subsidiary of the Borrower;

(v) Heritage Service may remain liable with respect to Indebtedness incurred under the Heritage Service Credit Agreement and any Indebtedness incurred for any permitted purpose which replaces, extends, renews, refunds or refinances such Indebtedness evidenced by the Service Revolver Notes, in whole or in part; provided that the aggregate principal amount of Indebtedness permitted under this clause (v) shall not at any time exceed $1,000,000;

(vi) the Borrower and any of its Subsidiaries may become and remain liable with respect to Indebtedness relating to any business, property or assets acquired by or contributed to the Borrower or such Subsidiary or which is secured by a loan on any property or assets acquired by or contributed to the Borrower or such Subsidiary to the extent such Indebtedness existed at the time such business, property or assets were so acquired or contributed, and if such Indebtedness is secured by such property or assets, such security interest does not extend to or cover any other property of the Borrower or any of its Subsidiaries; provided that (a) immediately after giving effect to such acquisition or contribution, the Borrower could incur at least $1.00 of additional Indebtedness pursuant to clause (xiv) of this Section 7B.2 and (b) such Indebtedness was not incurred in anticipation of such acquisition or contribution;

(vii) the Company and any of its Subsidiaries may become and remain liable with respect to Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business, provided that such Indebtedness is extinguished within 2 Business Days of its incurrence;

(viii) M-P Energy Partnership may become and remain liable with respect to Indebtedness in an aggregate principal amount not to exceed

$3,000,000, and the Borrower may become and remain liable with respect to Guarantees of such Indebtedness of M-P Energy Partnership and of Indebtedness of Bi State Propane, provided that the aggregate amount of all Guarantees permitted by this clause (viii) shall not exceed $5,000,000;

(ix) [INTENTIONALLY LEFT BLANK]

(x) any Person that after the Closing Date becomes a Subsidiary of the Borrower may become and remain liable with respect to any Indebtedness to the extent such Indebtedness existed at the time such Person became a Subsidiary; provided that (a) immediately after giving effect to such Person becoming a Subsidiary of the Borrower, the Borrower could incur at least $1.00 of additional Indebtedness in compliance with clause (xiv) of this Section 7B.2 and (b) such Indebtedness was not incurred in anticipation of such Person becoming a Subsidiary of the Borrower;

(xi) the Borrower and any of its Subsidiaries may become and remain liable with respect to Indebtedness owed to any person providing workers' compensation, health, disability or other employee benefits or property, casualty or liability insurance to the Borrower or any of its Subsidiaries, pursuant to reimbursement or indemnification obligations to such person;

(xii) the Borrower and any of its Subsidiaries may become and remain liable with respect to Indebtedness in respect of 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, and any extension, renewal or refinancing thereof to the extent not provided to secure the repayment of other Indebtedness and to the extent that the amount of refinancing Indebtedness is not greater than the amount of Indebtedness being refinanced;

(xiii) the Borrower may become and remain liable with respect to Indebtedness incurred in respect of Capitalized Lease Obligations and Non-Compete Obligations; provided, that the Lien in respect thereof is permitted by clause (viii) of Section 7B.3; and

(xiv) the Borrower and its Subsidiaries may become and remain liable with respect to Indebtedness not exceeding $100,000,000 in aggregate principal amount at any time outstanding, in addition to that otherwise permitted by the other clauses of this Section 7B.2, if (1) the stated maturity of such Indebtedness (including all scheduled amortizations of principal thereof) shall not be earlier than the last Final Maturity Date in effect on the date of incurrence of such Indebtedness and (2) on the date the Borrower or any of its Subsidiaries becomes liable with respect to any such additional Indebtedness and immediately after giving effect thereto and to the substantially concurrent repayment of any other Indebtedness (a) the ratio of Consolidated EBITDA to Consolidated Debt Service

is equal to or greater than 2.50 to 1.0 and (b) the ratio of Consolidated EBITDA to Consolidated Pro Forma Maximum Debt Service is equal to or greater than 1.25 to 1.0 and (c) no Default, Event of Default or Noncompliance Event shall exist.

7B.3 Liens. The Borrower will not, and will not permit any of its Subsidiaries to, create, assume, incur or suffer to exist any Lien upon or with respect to any of its properties or assets, whether now owned or hereafter acquired, or any income or profits therefrom (whether or not provision is made for the equal and ratable securing of the Notes in accordance with the provisions of Section 7A.3), except:

(i) Liens existing on the Initial Closing Date hereof on the property and assets of the Borrower or any of its Subsidiaries as described in Schedule 7B.3;

(ii) Liens for taxes, assessments or other governmental charges the payment of which is not yet due and payable or the validity of which is being contested in good faith in compliance with Section 7A.5;

(iii) attachment or judgment Liens not giving rise to an Event of Default and with respect to which the underlying action has been appealed or is being contested in good faith in compliance with Section 7A.5;

(iv) Liens of lessors, landlords, carriers, vendors, mechanics, materialmen, warehousemen, repairmen and other like Liens incurred in the ordinary course of business the payment of which is not yet due or which is being contested in good faith in compliance with Section 7A.5, in each case not incurred or made in connection with the borrowing of money, the obtaining of advances or credit or the payment of the deferred purchase price of property, provided that such Liens do not materially interfere with the conduct of the business of the Borrower and its Subsidiaries taken as a whole;

(v) Liens (other than any Lien imposed by ERISA) incurred and pledges and deposits made in the ordinary course of business (a) in connection with workers' compensation, unemployment insurance, old age pensions, retiree health benefits and other types of social security, or (b) to secure (or to obtain letters of credit that do not constitute Indebtedness and that secure) the performance of tenders, statutory obligations, surety and appeal bonds, bids, leases, performance bonds, contracts and other similar obligations, in each case not incurred or made in connection with the borrowing of money or the obtaining of advances or credit provided that such Liens do not materially interfere with the conduct of the business of the Borrower and its Subsidiaries taken as a whole;

(vi) zoning restrictions, easements, licenses, reservations, provisions, covenants, conditions, waivers, restrictions on the use of property or irregularities of title (and with respect to leasehold interests, mortgages, obligations, liens and other encumbrances incurred, created, assumed or permitted to exist and arising

by, through or under a landlord or owner of the leased property, with or without consent of the lessee) which do not in the aggregate materially detract from the value of its property or assets or materially impair the use thereof in the operation of its business;

(vii) Liens existing on any property of a Person at the time such Person becomes a Subsidiary of the Borrower or existing at the time of acquisition upon any property acquired by the Borrower or any of its Subsidiaries at the time such property is so acquired, through purchase, merger or consolidation or otherwise (whether or not the Indebtedness secured thereby shall have been assumed); provided, however, that in the case of any such Lien (1) such Lien shall at all times be confined solely to any such property and, if required by the terms of the instrument creating such Lien, other property which is an improvement to such acquired property, (2) such Lien was not created in anticipation of such transaction, and (3) the Indebtedness secured by such Lien shall be permitted under Section 7B.2;

(viii) Liens created to secure all or any part of the purchase price, or to secure Indebtedness (other than Parity Debt) incurred or assumed to pay all or any part of the purchase price or cost of construction, of property acquired or constructed by the Borrower or any of its Subsidiaries after the Closing Date or to secure obligations incurred in consideration of non-compete agreements ("Non-Compete Obligations") entered into in connection with any such acquisition, including an acquisition complying with clause (b)(y) of Section 7B.9; provided that (a) any such Lien shall be confined solely to the item or items of such property (or improvement thereon) so acquired or constructed and, if required by the terms of the instrument creating such Lien, other property (or improvement thereon) which is an improvement to such acquired or constructed property (and, in the case of any Lien securing Non-Compete Obligations, shall also be limited to (x) such items of property as acquired which are not of the character included in the definition of Collateral and (y) such additional items of the property so acquired, having a total fair market value (as determined in good faith by the Board of Directors of the General Partner) for the sum of (x) and (y) that is not more than the amount of the Non-Compete Obligations so secured), (b) such item or items of property so acquired and subject to such Lien are not required to become part of the Collateral under the terms of the Security Agreement, (c) any such Lien shall be created contemporaneously with, or within 180 days after, the acquisition or construction of such property, and (d) such Lien does not exceed an amount equal to 85% of the fair market value (100% in the case of Capitalized Lease Obligations and 35% in the case of Non-Compete Obligations) of such property (as determined in good faith by the Board of Directors of the General Partner) at the time of acquisition thereof and (e) after giving effect to such Lien no Noncompliance Event, Default or Event of Default shall exist;

(ix) Liens on property or assets of any Subsidiary of the Borrower securing Indebtedness of such Subsidiary owing to the Borrower or a Wholly-Owned Subsidiary;

(x) leases or subleases of equipment to customers which do not materially interfere with the conduct of the business of the Borrower and its Subsidiaries taken as a whole;

(xi) easements, exceptions or reservations in any property of the Borrower or any Subsidiary granted or reserved for the purpose of pipelines, roads, the removal of oil, gas, coal or other minerals, and other like purposes, or for the joint or common use of real property, facilities and equipment, which are incidental to, and do not materially interfere with, the ordinary conduct of the business of the Borrower or any of its Subsidiaries;

(xii) Liens (other than Liens securing Indebtedness) on the property or assets of any Subsidiary of the Borrower in favor of the Borrower or any other Wholly-Owned Subsidiary of the Borrower;

(xiii) Liens on the property or assets of Heritage Service Corp. securing the Indebtedness permitted by clause (v) of Section 7B.2 provided that (a) any such Lien shall at all times be contained to property or assets having an aggregate fair market value not exceeding $2,000,000 and (b) such indebtedness permitted by clause (v) of Section 7B.2 is owed to one or more of the Banks;

(xiv) Liens created by any of the Security Documents securing (a) Indebtedness evidenced by the Notes, the Acquisition Credit or the Working Capital Credit) and (b) Additional Parity Debt; and

(xv) any Lien renewing, extending or refunding any Lien permitted by this Section 7B.3, provided that (a) the principal amount of the Indebtedness secured by any such Lien shall not exceed the principal amount of such Indebtedness outstanding immediately prior to the renewal, extension or refunding of such Lien and (b) no assets encumbered by any such Lien other than the assets encumbered immediately prior to such renewal, extension or refunding shall be encumbered thereby.

Notwithstanding the foregoing, the Borrower will not, and will not permit any of its Subsidiaries to, create, assume or incur any Lien upon or with respect to (a) any Subsidiary stock held by the Borrower or any other Subsidiary of the Borrower, or (b) any of its proprietary software developed by or on behalf of the Borrower or its Affiliates necessary and useful for the conduct of the Business. No Lien permitted under this Section 7B.3 shall result in over-collateralization except as required by conventional practice for specific types of borrowings.

7B.4 Priority Debt. The Borrower will not permit Priority Debt, at any time, to exceed the sum of (i) $5,000,000 plus (ii) 10% of the then Consolidated Tangible Net Worth of the Borrower and its Subsidiaries(but only to the extent such Consolidated Tangible Net Worth is positive). The provisions of this Section 7B.4 are further limitations on Priority Debt that shall otherwise be permitted by Section 7B.1, 7B.2 or 7B.3.

7B.5 Loans, Advances, Investments and Contingent Liabilities. The Borrower will not, and will not permit any of its Subsidiaries to, directly or indirectly, purchase or own any stock, obligations or securities of, or any other interest in, or make any capital contribution to, any Person, make or permit to remain outstanding any loan or advance to, or guarantee, endorse or otherwise be or become contingently liable, directly or indirectly, in connection with the obligations of any Person, or make any other Investment, except:

(i) the Borrower or any of its Subsidiaries may make and own Investments (w) consisting of Units issued for purposes of making acquisitions, (x) arising out of loans and advances to employees incurred in the ordinary course of business, and consisting of advances to pay reimbursable expenditures, (y) arising out of extensions of trade credit or advances to third parties in the ordinary course of business and (z) acquired by reason of the exercise of customary creditors' rights upon default or pursuant to the bankruptcy, insolvency or reorganization of a debtor;

(ii) Guarantees that constitute Indebtedness to the extent permitted by Sections 7B.1 and 7B.2 and other Guarantees that are not Guarantees of Indebtedness and are undertaken in the ordinary course of business;

(iii) investment in (collectively, "Cash Equivalents")

(a) marketable obligations issued or unconditionally guaranteed by the United States of America, or issued by any agency thereof and backed by the full faith and credit of the United States of America, in each case maturing one year or less from the date of acquisition thereof,

(b) marketable direct obligations issued by any state of the United States of America or any political subdivision of any such state or any public instrumentality thereof maturing within one year from the date of acquisition thereof and having as at such date the highest rating obtainable from either Standard & Poor's Rating Group or Moody's Investors Service, Inc.,

(c) commercial paper maturing no more than 270 days from the date of creation thereof and having as at the date of acquisition thereof

one of the two highest ratings obtainable from either Standard & Poor's Rating Group or Moody's Investors Service, Inc.,

(d) certificates of deposit maturing one year or less from the date of acquisition thereof (1) issued by commercial banks incorporated under the laws of the United States of America or any state thereof or the District of Columbia or Canada or issued by the United States branch of any commercial bank organized under the laws of any country in Western Europe or Japan, with capital and stockholders' equity of at least $500,000,000 (or the equivalent in the currency of such country), (A) the commercial paper or other short term unsecured debt obligations of which are as at such date rated either A-2 or better (or comparably if the rating system is changed) by Standard & Poor's Rating Group or Prime-2 or better (or comparably if the rating system is changed) by Moody's Investors Service, Inc. or (B) the long-term debt obligations of which are as at such date rated either A or better (or comparably if the rating system is changed) by Standard & Poor's Rating Group or A2 or better (or comparably if the rating system is changed) by Moody's Investors Service, Inc.("Permitted Banks") or (2) issued by BOk in an aggregate amount for all such certificates of deposit issued by BOk not to exceed $1,000,000,

(e) Eurodollar time deposits having a maturity of less than 270 days from the date of acquisition thereof purchased directly from any Permitted Bank,

(f) bankers' acceptances eligible for rediscount under requirements of The Board of Governors of the Federal Reserve System and accepted by Permitted Banks, and

(g) obligations of the type described in clause (a), (b), (c), (d) or (e) above purchased from a securities dealer designated as a "primary dealer" by the Federal Reserve Bank of New York or from a Permitted Bank as counterparty to a written repurchase agreement obligating such counterparty to repurchase such obligations not later than 14 days after the purchase thereof and which provides that the obligations which are the subject thereof are held for the benefit of the Borrower or any of its Subsidiaries by a custodian which is a Permitted Bank and which is not a counterparty to the repurchase agreement in question;

(iv) the Borrower or any of its Subsidiaries may acquire Capital Stock or other ownership interests of a Person (i) located in the United States of America or Canada, (ii) incorporated or otherwise formed pursuant to the laws of the United States of America or Canada or any state or province thereof or the District of Columbia and (iii) engaged in substantially the same business as the Borrower which Person at the time of such acquisition is, or as a result thereof becomes, a Subsidiary of the Borrower;

(v) the Borrower or any of its Subsidiaries may make and own Investments (in addition to Investments permitted by clauses (i), (ii), (iii), and (iv) of this Section 7B.5) in any Person incorporated or otherwise formed pursuant to the laws of the United States of America or Canada or any state or province thereof or the District of Columbia; provided, however, that (i) the sum of (a) the aggregate amount of all such Investments made by the Borrower and its Subsidiaries following the Closing Date which are outstanding pursuant to this clause (v) plus (b) all other Investments held by the Borrower and its Subsidiaries which are outstanding as of the Closing Date and listed on Schedule 7B.5 shall not at any date of determination exceed $10,000,000 (the "Investment Limit"); (ii) the representation in Section 8.18 shall be true and correct as of the date of determination; and (iii) the aggregate amount of all such Investments made by the Borrower and its Subsidiaries and outstanding pursuant to this clause (v) in Persons engaged in a business which is not substantially the same as a line of business described in Section 7B.8 shall not at any date exceed $12,500,000, including Investments in La Grange and its Subsidiaries which shall not at any time exceed $1,000,000 and (iv) no Investment pursuant to this clause (v) may be made unless if after giving effect thereto no Default or Event of Default exists;

(vi) the Borrower may make and become liable with respect to any Interest Rate Agreements; and

(vii) any Subsidiary of the Borrower may make Investments in the Borrower or in a Wholly-Owned Subsidiary of the Borrower.

7B.6 Restricted Payments. The Borrower will not directly or indirectly declare, order, pay, make or set apart any sum for any Restricted Payment, except that the Borrower may declare or order, and make, pay or set apart, during each fiscal quarter a Restricted Payment if (i) such Restricted Payment together with all other Restricted Payments during such fiscal quarter, do not in the aggregate exceed the amount of Available Cash with respect to the immediately preceding quarter, and (ii) no Default, Event of Default or Noncompliance Event exists before or immediately after any such proposed action and Borrower shall be in pro forma compliance with the financial covenants of Section 7B.1(i), (ii) and (iii). Notwithstanding the foregoing, the Borrower will not directly or indirectly declare, order or pay Restricted Payments, individually or in the aggregate, for any fiscal quarter in an amount greater than the product of (i) the Borrower's Percentage of Aggregate Available Cash times (ii) the Aggregate Partner Obligations.

7B.7 Consolidation, Merger, Sale of Assets. The Borrower will not, and will not permit any of its Subsidiaries to, directly or indirectly,

(i) consolidate with or merge into any other Person or permit any other Person to consolidate with or merge into it, except that:

(a) any Subsidiary of the Borrower may consolidate with or merge into the Borrower or a Wholly-Owned Subsidiary of the Borrower if the Borrower or a Wholly-Owned Subsidiary of the Borrower, as the case may be, shall be the surviving Person; and

(b) any entity (other than a Subsidiary of the Borrower) may consolidate with or merge into the Borrower or a Subsidiary if the Borrower or a Subsidiary of the Borrower, as the case may be, shall be the surviving Person and if, immediately after giving effect to such transaction, (i) the Borrower and its Subsidiaries (x) shall not have a Consolidated Net Worth, determined in accordance with GAAP applied on a basis consistent with the consolidated financial statements of the Borrower most recently delivered pursuant to Section 7A.1, of less than the Consolidated Net Worth of the Borrower immediately prior to the effectiveness of such transaction, satisfaction of this requirement to be set forth in reasonable detail in an Officers' Certificate delivered to each holder of a Note at the time of such transaction, and (y) could incur at least $1.00 of additional Indebtedness in compliance with Section 7B.1 and clause (xiv) of Section 7B.2, (ii) substantially all of the assets of the Borrower and its Subsidiaries, taken as a whole, shall be located and substantially all of their business shall be conducted within the continental United States of America or Canada and (iii) no Default, Event of Default or Noncompliance Event shall exist and be continuing;

(ii) sell, lease, abandon or otherwise dispose of all or substantially all its assets, except that any Subsidiary of the Borrower may sell, lease or otherwise dispose of all or substantially all its assets to the Borrower or to a Wholly-Owned Subsidiary of the Borrower; or

(iii) sell, lease, convey, abandon or otherwise dispose of (including, without limitation, in connection with a Sale and Lease-Back Transaction) any of its assets (except in a transaction permitted by clause (i)(a), (i)(b), (i)(c), (ii)(a) or (ii)(b) of this Section 7B.7 or sales of inventory in the ordinary course of business consistent with past practice) or issue or sell Capital Stock of any Subsidiary of the Borrower, whether in a single transaction or a series of related transactions (each of the foregoing non-excepted transactions, an "Asset Sale"), unless:

(a) immediately after giving effect to such proposed disposition no Default, Event of Default or Noncompliance Event shall exist and be continuing, satisfaction of this requirement to be set forth in reasonable detail in an Officer's Certificate delivered to each holder of a Note at the time of such transaction in the case of any Asset Sale involving assets that generates EBITDA and such Asset Sale involves consideration of $250,000 or more;

(b) such sale or other disposition is for cash consideration or for consideration consisting of not less than 75% cash and not more than 25% interest-bearing promissory notes; provided, that the 75% limitation referred to in this clause (b) shall not apply to any Asset Sale consisting solely of a sale or other disposition of land and buildings for an interest bearing promissory note as long as the amount of such promissory note does not exceed $250,000;

(c) one of the following two conditions must be satisfied:

(i) (x) the aggregate Net Proceeds of all assets so disposed of (whether or not leased back) over the immediately preceding 12-month period does not exceed $3,000,000 and (y) the aggregate Net Proceeds of all assets so disposed of (whether or not leased back) from the Closing Date through the date of such disposition does not exceed $10,000,000; or

(ii) in the event that such Net Proceeds (less the amount thereof previously applied in accordance with clause (x) of this clause (c)(ii)) exceeds the limitations determined pursuant to clauses (x) and (y) of clause (c)(i) of this Section 7B.7 (such excess amount being herein called "Excess Sale Proceeds"), the Borrower shall within 12 calendar months of the date on which such Net Proceeds exceeded any such limitation, cause an amount equal to such Excess Sale Proceeds to be applied (x) to the acquisition of assets in replacement of the assets so disposed of or of assets which may be productively used in the United States of America or Canada in the conduct of the Business, or (y) to the extent not applied pursuant to the immediately preceding clause (x), to offer to make prepayments on the Notes pursuant to Section 4.2.3 hereto and, allocated on the basis specified for such prepayments in the definition of Allocable Proceeds, to offer to repay other Parity Debt (other than Indebtedness under Section 7B.2 (ii) or that by its terms does not permit such offer to be made); and

(d) the Borrower shall have delivered to the Noteholders a Certificate of the Board of Directors of the General Partner, certifying that such sale or other disposition is for fair value and is in the best interests of the Borrower.

Notwithstanding the foregoing, Asset Sales shall not be deemed to include (1) any transfer of assets or issuance or sale of Capital Stock by the Borrower or any of its Subsidiaries to the Borrower or a Wholly-Owned Subsidiary of the Borrower, (2) any transfer of assets or issuance or sale of Capital Stock by the Borrower or any of its Subsidiaries to any Person in exchange for, or the Net Proceeds of which are applied

within 12 months to the purchase of, other assets used in a line of business permitted under Section 7B.8 and having a fair market value (as determined in good faith by the Board of Directors of the General Partner) not less than that of the assets so transferred or Capital Stock so issued or sold and (3) any transfer of assets pursuant to an Investment permitted by Section 7B.5.

7B.8 Business. The Borrower will not and will not permit any of its Subsidiaries to engage in any line of business if as a result thereof the Borrower and its Subsidiaries would not be principally and predominately engaged in the Business and related general and administrative operations, as more fully described in the Memorandum and subject in all respects to the provisions of clause (iii) of the proviso to Section 7B.5(v).

7B.9 Transactions with Affiliates. The Borrower will not, and will not permit any of its Subsidiaries to, directly or indirectly, engage in any transaction with any Affiliate unless (i) (a) such transaction is on fair and reasonable terms that are no less favorable to the Borrower or such Subsidiary, as the case may be, than those which would be obtained in an arm's-length transaction from a Person other than an Affiliate and (b) such transaction is entered into in the ordinary course of business and pursuant to the reasonable requirements at the time of the Borrower's or such Subsidiary's operations, or (y) such transaction involves the acquisition by the Borrower from the General Partner of assets formerly owned by an entity, the Capital Stock of which was purchased by the General Partner, which acquisition is for a substantially equivalent value as the value of such purchase consummated within ten days after the consummation of such purchase, as long as such transaction otherwise would be permitted hereunder had the Borrower acquired such assets directly from such entity (including, for example, the acquisition by the Borrower from the General Partner of assets formerly owned by Kingston Propane, Inc.) (ii) such transaction is in connection with the incurrence of Indebtedness pursuant to Section 7B.2(viii), (iii) such transaction is in connection with the making of an Investment pursuant to Section 7B.5(i) and Section 7B.5(v)(iii) with respect to Investments in La Grange or its Subsidiaries, (iv) such transaction is a Restricted Payment permitted by Section 7B.6, (v) such transaction involves performance under the Contribution Agreement (substantially in the form in effect on the Closing Date), (vi) such transaction involves indemnification and contribution under Section 7.7 of the Partnership Agreement (as said section is in effect on the Closing Date), to the extent such indemnification or contribution arises from operations or activities in connection with the Business (including securities issuances in connection with funding the Business) or (vii) such transaction is a specific transaction described in the Registration Statement.

7B.10 Subsidiary Stock and Indebtedness.

(i) The Borrower will not permit any of its Subsidiaries directly or indirectly to issue or sell any Equity Interest of such Subsidiary of the Borrower to any Person other than the Borrower or a Wholly-Owned Subsidiary of the Borrower except (a) for the purpose of qualifying directors or (b) in satisfaction of

pre-emptive rights of holders of minority interests which are triggered by an issuance of Equity Interests to the Borrower or a Subsidiary of the Borrower and permit such holders to maintain their pro rata interests.

(ii) The Borrower will not directly or indirectly sell, assign, pledge or otherwise dispose of any Equity Interest in or any Indebtedness of any of its Subsidiaries, and will not permit any of its Subsidiaries directly or indirectly to sell, assign, pledge or otherwise dispose of any Equity Interest in or any Indebtedness of any other Subsidiary of the Borrower except to the Borrower or a Wholly-Owned Subsidiary of the Borrower, unless (a) simultaneously with such sale, transfer or disposition, all of the Equity Interests (other than an Equity Interest representing less than 2% of the outstanding Equity Interests of all classes of such Subsidiary taken together, provided that such Equity Interest is considered an Investment pursuant to Section 7B.5(v) and is permitted thereunder) or Indebtedness of such Subsidiary owned by the Borrower and its Subsidiaries is sold, transferred or disposed of as an entirety, (b) the Board of Directors of the General Partner shall have determined, as evidenced by a resolution thereof, that the proposed sale, transfer or disposition of such Equity Interests or Indebtedness is in the best interests of the Borrower, (c) such Equity Interests or Indebtedness are sold, transferred or otherwise disposed of for cash or Cash Equivalents or other assets used in a line of business permitted by Section 7B and having a fair market value (as determined in good faith by the Board of Directors of the General Partner) not less than that of the Equity Interests or Indebtedness so transferred, to a Person upon terms deemed by the Board of Directors of the General Partner to be acceptable, (d) the Subsidiary being sold, transferred or otherwise disposed of shall not have any continuing investment in the Borrower or any Subsidiary of the Borrower not being so sold, transferred or disposed and (e) such sale, transfer or disposition is permitted by Section 7B.7.

7B.11 Payment of Dividends by Subsidiaries. The Borrower will not, and will not permit any of its Subsidiaries to, be subject to or enter into any agreement which restricts the ability of any Subsidiary of the Borrower to declare or pay any dividend to the Borrower, to make any distribution on any Equity Interest of such Subsidiary to the Borrower, or to lend money to the Borrower.

7B.12 Sales of Receivables. The Borrower will not, and will not permit any of its Subsidiaries to, discount, pledge, sell (with or without recourse), or otherwise sell for less than face value thereof any of its accounts or notes receivable, except for sales of receivables (i) without recourse which are seriously past due and which have been substantially written off as uncollectible or collectible only after extended delays, or (ii) made in connection with the sale of a business but only with respect to the receivables directly generated by the business so sold.

7B.13 Material Agreements; Tax Status. The Borrower will not:

(i) amend or directly or indirectly modify in any manner the definitions of "Allocable Proceeds" or "Excess Proceeds" of the Note Purchase Agreements or any similar provisions of any agreement applicable to any extensions, renewals or refundings thereof as Parity Debt under the provisions of paragraph 7B.2(i);

(ii) amend or modify in any manner adverse to the holders of the Notes, or grant any waiver or release under (if such action shall be adverse to the holders of the Notes), any Partnership Document, any notes evidencing Parity Debt or any agreement relating to Parity Debt or terminate in any manner any Partnership Document, it being understood, without limitation, that no modification that reduces principal, interest or fees, premiums, make-wholes or penalty charges, or extends any scheduled or mandatory payment, prepayment or redemption of principal or interest, or makes less restrictive any agreement or releases away any security, or waives any condition precedent or default shall be adverse to the holders of the Notes for purposes of this Agreement; or

(iii) permit the Master Partnership or the Borrower to be treated as an association taxable as a corporation or otherwise to be taxed as an entity for federal income tax purposes.

7B.14 Commingling of Deposit Accounts and Accounts. The Borrower will not, nor will it permit any of its Subsidiaries to, commingle their respective deposit accounts or accounts with the deposit accounts of La Grange or any of its Subsidiaries.

ARTICLE VIII

REPRESENTATIONS, COVENANTS AND WARRANTIES

The Borrower represents, covenants and warrants as follows:

8.1 Organization. The Borrower is a limited partnership duly organized, validly existing and in good standing under the laws of the State of Delaware and has all requisite partnership power and authority to own and operate its properties (including without limitation the assets owned and operated by it), to conduct its business, to enter into this Agreement and the other Loan Documents to which it is a party and the Operative Agreements and to carry out the terms of this Agreement, the Notes, such other Loan Documents and Operative Agreements. Each Subsidiary of the Borrower is duly organized, validly existing and in good standing under the laws of its state of organization and has all requisite power and authority to own and operate its properties (including without limitation the assets owned and operated by it).

8.2 Partnership Interests. The sole general partner of the Borrower is U.S. Propane. The sole general partner of U.S. Propane is USPLLC. At the Closing Date, the Borrower does not have any Subsidiary other than the Subsidiaries of the Borrower as set forth on Schedule 8.2 or any Investments in any Person (other than as set forth on Schedules 7B.5 or 8.2 or Investments of the types described in Section 7B.5(i), (ii), (iii) or (vi)).

8.3 Qualification. The Borrower is duly qualified or registered and is in good standing as a foreign limited partnership for the transaction of business, and each of the Subsidiaries of the Borrower is duly qualified or registered and is in good standing as a foreign corporation or partnership, as the case may be, for the transaction of business, in the states and to the extent listed in Schedule 8.3, and, except as reflected on Schedule 8.3, on the Closing Date there are no other jurisdictions in which the nature of their respective activities or the character of the properties they own, lease or use makes such qualification or registration necessary and in which the failure so to qualify or to be so registered would have a Material Adverse Effect. The Borrower has taken all necessary partnership action to authorize the execution, delivery and performance by it of this Agreement, the other Financing Documents to which it is a party and the Operative Agreements. The Borrower has duly executed and delivered each of this Agreement, the other Loan Documents and the Operative Agreements to which it is a party, and each of such documents and agreements and the Notes and the Security Documents constitute the legal, valid and binding obligation of the Borrower enforceable against it in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, moratorium or similar laws affecting creditors' rights generally and general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

8.4 Financial Statements. The Borrower has delivered to the Administrative Agent complete and correct copies of the audited financial statements of the Borrower as of August 31, 2003, together with any unaudited financial statements available or provided to the Borrower for periods after August 31, 2003. Such financial statements have been prepared in accordance with GAAP and fairly present in all material respects the financial position of the Borrower as of the close of the applicable period covered thereby.

8.5 Actions Pending. There is no action, suit, investigation or proceeding pending or, to the knowledge of the Borrower, threatened against the Borrower or the General Partner or any of the Subsidiaries of the Borrower, or any properties or rights of the Borrower or the General Partner or any of the Subsidiaries of the Borrower, by or before any court, arbitrator or administrative or governmental body (i) which questions the validity or enforceability of this Agreement, the Notes, any other Financing Document or any Operative Agreement or any action to be taken pursuant to this Agreement, the Notes, any other Loan Document or any Operative Agreement or (ii) which could reasonably be expected to result in a Material Adverse Effect.

8.6 Changes. Except as contemplated by this Agreement, the Notes, the other Financing Documents or the Operative Agreements or as described in the Registration Statement or the Memorandum, (i) neither the Borrower nor any of the Subsidiaries of the Borrower has incurred any material liabilities or obligations, direct or contingent, nor entered into any material transaction, in each case other than in the ordinary course of business, and (ii) there has not been any material adverse change in or effect on the business, assets, financial condition (including as reflected on the audited financial statements for August 31, 2003) or prospects of the Borrower or any of the Subsidiaries of the Borrower.

8.7 Outstanding Indebtedness. Other than the Credit Obligations represented by the Notes, neither the Borrower nor any of the Subsidiaries of the Borrower as set forth on Schedule

8.2 has outstanding any Indebtedness except as set forth on Schedule 8.7 and any such Indebtedness which is indicated in Schedule 8.7 to be paid in full on the Closing Date will be paid in full at the time of Closing. There exists no default under the provisions of any instrument evidencing such Indebtedness or of any agreement relating thereto. On the Closing Date, no instrument or agreement to which the Borrower or any of the Subsidiaries of the Borrower is a party or by which the Borrower, any such Subsidiary, or their respective properties is bound (other than this Agreement and the Note Purchase Agreements and other than as indicated in Schedule 8.7) will contain any restriction on the incurrence by the Operating Partnership or any of the Subsidiaries of the Borrower of additional Indebtedness.

8.8 Transfer of Assets and Business; Title to Properties.

(i) Except as set forth on Schedule 8.8, the Borrower and the Subsidiaries of the Borrower will at the Closing Date be in possession of, and operating in compliance with, all franchises, grants, authorizations, approvals, licenses, permits, easements, rights-of-way, consents, certificates and orders (collectively, the "Permits") required (a) to own, lease or use its properties (including without limitation to own, lease or use the Assets owned, leased or used by it) and (b) considering all such Permits in the possession of, and complied with by, the Borrower and its Subsidiaries taken together, to permit the conduct of the Business as now conducted and proposed to be conducted, except for those Permits (x) which are routine and administrative in nature and are expected in the reasonable judgment of the Borrower to be obtained or given in the ordinary course of business from time to time after the Closing Date, and (y) which, if not obtained or given, would not, individually or in the aggregate, present a reasonable likelihood of having a Material Adverse Effect,

(ii) Except as set forth on Schedule 8.8, on and after the Closing Date, the Borrower and the Subsidiaries of the Borrower will have, (i) good and marketable title to, or valid leasehold interests in, all of the Assets constituting real property except for defects in, or lack of recorded, title and exceptions to leasehold interests that either alone or in the aggregate could not reasonably be expected to result in a Material Adverse Effect, and (ii) good and sufficient title to, or valid rights to use, all of the Assets constituting personal property reasonably necessary for the operation of such personal property as it is used on the date hereof and proposed to be used in the Business, in each case subject to no Liens except such as are permitted by Section 7B.3. The Assets owned by the Borrower and the Subsidiaries of the Borrower will be all of the assets and properties reasonably necessary to enable the Borrower and its Subsidiaries to conduct the Business on the Closing Date. Subject to such exceptions as would not, individually or in the aggregate, present a reasonable likelihood of having a Material Adverse Effect (A) on the date hereof the Borrower and its Subsidiaries enjoy, peaceful and undisturbed possession under all leases and subleases necessary in any material respect for the conduct of the Business, and (B) all such leases and subleases are valid and subsisting and are in full force and effect. None of the properties or assets of the Borrower or any of the Subsidiaries of the Borrower is subject to any Lien other than Liens that would be permitted hereunder.

8.9 Taxes. On the Closing Date each of the Operating Partnership and its Subsidiaries will have filed all federal, state and other income tax returns which, to the knowledge of the Borrower, are required to be filed or will have properly filed for extensions of time for the filing thereof, and has paid all taxes, assessments and other governmental charges levied upon it or any of its properties, assets, income or franchises as shown to be due on such returns, except those which are not past due or are being contested in good faith in compliance with Section 7A.5. The Borrower is a limited partnership not subject to taxation with respect to its income or gross receipts under applicable state laws and that is treated as a pass-through entity for U.S. federal income tax purposes.

8.10 Compliance with Other Instruments; Solvency.

(i) On the Closing Date, immediately prior to the completion of the transactions contemplated by this Agreement, the Notes, the other Loan Documents and the Operative Agreements), neither the Borrower nor any of the Subsidiaries of the Borrower will be in violation of (a) any provision of its certificate or articles of incorporation or other constitutive documents or its by-laws, (b) any provision of any agreement or instrument to which it is a party or by which any of its properties is bound or (c) any applicable law, ordinance, rule or regulation of any Governmental Authority or any applicable order, judgment or decree of any court, arbitrator or Governmental Authority except (in the case of clauses (b) and (c) above only) for such violations which would not, individually or in the aggregate, present a reasonable likelihood of having a Material Adverse Effect.

(ii) The execution, delivery and performance of this Agreement, the Notes, the other Loan Documents and the Operative Agreements, and the completion of the transactions contemplated by the Registration Statement to occur prior to the Closing Date (including without limitation the transactions contemplated by this Agreement, the Notes, the other Loan Documents and the Operative Agreements) will not violate (a) any provision of the certificate or articles of incorporation or other constitutive documents or by-laws of the Borrower, the General Partner or any of the Subsidiaries of the Borrower, (b) any applicable law, ordinance, rule or regulation of any Governmental Authority or any applicable order, judgment or decree of any court, arbitrator or Governmental Authority, or (c) any provision of any agreement or instrument to which the Borrower, the General Partner or any of the Subsidiaries of the Borrower is a party or by which any of its properties is bound.

(iii) Upon completion of the transactions contemplated by this Agreement, the Notes, the other Loan Documents and the Operative Agreements), none of the Borrower, the General Partner or any Subsidiary of the Borrower shall (a) be insolvent, (b) be engaged or about to engage in business or a transaction at a time the Borrower, the General Partner or any Subsidiary of the Borrower could be viewed as having unreasonably small capital, or (c) intend to incur, or believe that it would incur, debts that would be beyond its ability to pay as such debts matured.

8.11 Governmental Consent. No consent, approval or authorization of, or declaration or filing with, any Governmental Authority is required for the valid execution, delivery and performance of this Agreement, the Notes, the other Loan Documents or the Operative Agreements.

8.12 Use of Proceeds. None of the proceeds of the Loans will be used, directly or indirectly, for the purpose, whether immediate, incidental or ultimate, of purchasing or carrying any margin stock (as defined in Section 8.17 hereof) or for the purpose of maintaining, reducing or retiring any indebtedness which was originally incurred to purchase or carry any stock that is currently a margin stock or for any other purpose which might constitute this transaction a "purpose credit" within the meaning of such Regulation U or X. The Borrower nor anyone acting on their respective behalfs has taken or will take any action which might cause this Agreement or the Notes to violate Regulation U, Regulation T or any other regulation of the Board of Governors of the Federal Reserve System or to violate the Exchange Act, in each case as in effect now or as the same may hereafter be in effect.

8.13 ERISA. The Borrower and their respective ERISA Affiliates is in compliance in all material respects with the applicable provisions of ERISA and the Code and the regulations and published interpretations thereunder. No ERISA Event has occurred or is reasonably expected to occur that, when taken together with all other such ERISA Events, could reasonably be expected to result in a Material Adverse Effect. The present value of all benefit liabilities under each Plan (based on those assumptions used for purposes of Statement of Financial Accounting Standards No. 87) did not, as of the last annual valuation date applicable thereto, exceed by more than $2,000,000 the fair market value of the assets of such Plan, and the present value of all benefit liabilities of all underfunded Plans (based on those assumptions used for purposes of Statement of Financial Accounting Standards No. 87) did not, as of the last annual valuation dates applicable thereto, exceed by more than $2,000,000 the fair market value of the assets of all such underfunded Plans.

8.14 Environmental Compliance.

(i) Except where the failure to be in compliance could not present a reasonable likelihood of having a Material Adverse Effect, as of the date hereof the Borrower and each Subsidiary of the Borrower is in compliance with all Environmental Laws applicable to it and to the Business or Assets. The Borrower and each Subsidiary of the Borrower is in compliance with all franchises, grants, authorizations, permits, licenses, and approvals required under Environmental Laws, except for any non-compliance or failure to obtain such Permits which could not reasonably be expected to have a Material Adverse Effect. The Borrower has caused U.S. Propane or the Master Partnership to submit timely and complete applications to renew any expired or expiring Permits required pursuant to any Environmental Law, except for any non-compliance or failure to obtain such permits which could not reasonably be expected to have a Material Adverse Effect. All reports, documents, or other submissions required by Environmental Laws to be submitted by the Borrower to any Governmental Authority or Person have been filed by or on behalf of the Borrower, except where the failure to do so would not present a reasonable likelihood of having a Material Adverse Effect.

(ii) (a) There is no Hazardous Substance present at any of the real property currently owned or leased by the Borrower or any of the Subsidiaries of the Borrower except to the extent that such presence could not reasonably be expected to have a Material Adverse Effect, and (b) to the knowledge of the Borrower, there was no Hazardous Substance present at any of the real property formerly owned or leased by U.S. Propane or the Master Partnership during the period of ownership or leasing by such Person; and with respect to such real property and subject to the same knowledge and temporal qualifiers concerning Hazardous Substances with respect to formerly owned or leased real properties, there has not occurred (x) any release, or to the knowledge of the Borrower, any threatened release of a Hazardous Substance, or (y) any discharge or, to the knowledge of the Borrower, any threatened discharge of any Hazardous Substance into the ground, surface or navigable waters which discharge or threatened discharge violates any federal, state, local or foreign laws, rules or regulations concerning water pollution.

(iii) Neither the Borrower nor any of the Subsidiaries of the Borrower has disposed of, transported, or arranged for the transportation or disposal of any Hazardous Substance where such disposal, transportation, or arrangement would give rise to liability pursuant to CERCLA or any analogous state statute other than any such liabilities that could not reasonably be expected to have a Material Adverse Effect.

(iv) Except as disclosed to the Banks in writing, (a) no Lien has been asserted by any Governmental Authority or person resulting from the use, spill, discharge, removal, or remediation of any Hazardous Substance with respect to any real property currently owned or leased by U.S. Propane or the Master Partnership or the Borrower, and (b) to the knowledge of the Borrower, no such Lien was asserted with respect to any of the real property formerly owned or leased by Heritage during the period of ownership or leasing of the real property by such Person.

(v) (a) There are no underground storage tanks, asbestos-containing materials, polychlorinated biphenyls, or urea formaldehyde insulation at any of the real property currently owned or leased by the Borrower in violation of any Environmental Law, and (b) to the knowledge of the Borrower, there were no underground storage tanks, asbestos-containing materials, polychlorinated biphenyls, or urea formaldehyde insulation at any of the real property formerly owned or leased by U.S. Propane or the Master Partnership in violation of any Environmental Law during the period of ownership or leasing of such real property by such Person.

(vi) As of the date hereof, any propane is stored, used and handled by the Borrower and the Subsidiaries of the Borrower in compliance with all applicable Environmental Laws except for any storage, use or handling of propane that could not reasonably be expected to have a Material Adverse Effect.

8.15 Pre-emptive Rights. There are no pre-emptive rights to which a holder of a minority interest in any Subsidiary of the Borrower is entitled.

8.16 Disclosure. This Agreement, the Notes, the other Loan Documents, the Operative Agreements, the Memorandum and any other document, certificate or statement furnished to any Bank by or on behalf of the Borrower, the General Partner or their respective Subsidiaries or Affiliates, in connection herewith, taken together, do not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained herein and therein, in light of the circumstances under which they were made, not misleading. There is no fact known to the Borrower which has or in the future could reasonably be expected to have (so far as the Borrower can now foresee) a Material Adverse Effect and which has not been set forth in this Agreement or in the other documents, certificates and statements furnished to each the Banks hereunder by or on behalf of the Borrower.

8.17 Federal Reserve Regulations. Neither the Borrower nor the Subsidiary of the Borrower will, directly or indirectly, use any of the proceeds of any Loan for the purpose, whether immediate, incidental or ultimate, of buying a "margin stock" or of maintaining, reducing or retiring any indebtedness originally incurred to buy a stock that is currently a "margin stock", or for any other purpose which might constitute this transaction a "purpose credit" which is secured "directly or indirectly by margin stock", in each case within the meaning of Regulation U of the Board of Governors of the Federal Reserve System (12 C.F.R. 207, as amended), or otherwise take or permit to be taken any action which would involve a violation of such Regulation U or of Regulation X (12 C.F.R. 224, as amended) or any other applicable regulation of such Board. No indebtedness being retired, directly or indirectly, out of the proceeds of the Loans will be incurred for the purpose of buying or carrying any stock which is currently a "margin stock", and the Borrower neither owns or has any present intention of acquiring any amount of such "margin stock".

8.18 Investment Borrower Act. None of the Borrower or any Subsidiary of the Borrower is an "investment Borrower", or a Borrower "controlled" by an "investment Borrower", within the meaning of the Investment Borrower Act of 1940, as amended.

8.19 Public Utility Holding Company Act. The Borrower, the General Partner and each Subsidiary of the Borrower is exempt from all of the provisions of the Public Utility Holding Company Act of 1935, as amended (the "PUHCA") and the rules thereunder other than Section 9(a)(2) thereof based upon a no-action letter from the Commission dated June 19, 1996.

ARTICLE IX

EVENTS OF DEFAULT

9.1 Acceleration. If any of the following conditions or events ("Events of Default") shall occur and be continuing for any reason whatsoever (and whether such occurrence shall be voluntary or involuntary or come about or be effected by operation of law or otherwise):

(i) the Borrower defaults in the payment of any principal of on any Note when the same becomes due and payable, either by the terms thereof or otherwise as herein provided; or

(ii) the Borrower defaults in the payment of any interest on any Note for more than 5 days after the same becomes due and payable; or

(iii) the Borrower or any Subsidiary of the Borrower (whether as primary obligor or as guarantor or other surety) defaults in any payment of principal of or interest on any Parity Debt or any other Indebtedness other than the Notes (including without limitation any Capitalized Lease Obligation, any obligation under a conditional sale or other title retention agreement, any obligation issued or assumed as full or partial payment for property whether or not secured by a purchase money mortgage or any obligation under notes payable or drafts accepted representing extensions of credit), beyond any period of grace provided with respect thereto, or the Borrower or any Subsidiary of the Borrower fails to perform or observe any other agreement or term or condition contained in any agreement under which any such obligation is created (or if any other event thereunder or under any such agreement shall occur and be continuing) and the effect of such failure or other event is to cause, or to permit the holder or holders of such Indebtedness (or a trustee on behalf of such holder or holders) to cause, such obligation to become due or to be repurchased prior to any stated maturity, provided that the aggregate amount of all Indebtedness as to which such a default (payment or other) shall occur and be continuing or such a failure or other event causing or permitting acceleration (or resale to the Borrower or any Subsidiary of the Borrower) shall occur and be continuing exceeds $2,000,000; provided, further, that no waiver, modification or amendment relating to any such a default (payment or other) or such a failure or other event with respect to any Parity Debt or agreement or instrument relating to any Parity Debt shall be effective for purposes of this clause (iii) if any consideration (other than the payment of reasonable attorney's fees) is given, directly or indirectly, by the Borrower or any of its Subsidiaries or Affiliates in respect thereof, unless substantially the same consideration is given to the holders of the Notes; or

(iv) any representation or warranty made in any writing by or on behalf of the Borrower, General Partner or the Master Partnership in this Agreement, any other Loan Document or any instrument furnished pursuant to this Agreement or any Loan Document shall prove to have been false or incorrect in any material respect on the date as of which made; or

(v) the Borrower fails to perform, observe or comply with any agreement contained in Sections 7B.1 through 7B.14; or

(vi) the Borrower fails to perform or observe any other agreement, term or condition contained in this Agreement or the other Loan Documents and such failure shall not be remedied within 30 days after any Responsible Officer obtains actual knowledge or notice thereof; or

(vii) the General Partner, the Borrower or any Significant Subsidiary Group makes an assignment for the benefit of creditors or is generally not paying its debts as such debts become due; or

(viii) any decree or order for relief in respect of the General Partner, the Borrower or any Significant Subsidiary Group is entered under any bankruptcy, reorganization, compromise, arrangement, insolvency, readjustment of debt, dissolution or liquidation or similar law, whether now or hereafter in effect (herein called the "Bankruptcy Law"), of any jurisdiction; or

(ix) The General Partner, the Borrower or any Significant Subsidiary Group petitions or applies to any tribunal for, or consents to, the appointment of, or taking possession by, a trustee, receiver, custodian, liquidator or similar official of the General Partner, the Borrower or any Significant Subsidiary Group, or of any substantial part of the assets of the General Partner, the Borrower or any Significant Subsidiary Group, or commences a voluntary case under the Bankruptcy Law of the United States or any proceedings (other than proceedings for the voluntary liquidation and dissolution of the General Partner, the Borrower or any Significant Subsidiary Group) relating to the General Partner, the Borrower or any Significant Subsidiary Group under the Bankruptcy Law of any other jurisdiction; or

(x) any such petition or application is filed, or any such proceedings are commenced, against the General Partner, the Borrower or any Significant Subsidiary Group and the General Partner, the Borrower or any Significant Subsidiary Group by any act indicates its approval thereof, consents thereto or acquiesces therein, or an order, judgment or decree is entered appointing any such trustee, receiver, custodian, liquidator or similar official, or approving the petition in any such proceedings, and such order, judgment or decree remains unstayed and in effect for more than 30 days; or

(xi) a judgment or judgments for the payment of money in excess of $2,000,000 in the aggregate (except to the extent covered by insurance as to which the insurer has acknowledged in writing its obligation to cover in full) shall be rendered against the Borrower or any Subsidiary of the Borrower and either (i) enforcement proceedings have been commenced by any creditor upon such judgment or order or (ii) within 45 days after entry thereof, such judgment is not discharged or execution thereof stayed pending appeal, or within 45 days after the expiration of any such stay, such judgment is not discharged; or

(xii) any order, judgment or decree is entered in any proceedings against the General Partner, the Borrower or any Significant Subsidiary Group decreeing the dissolution of the General Partner, the Borrower or any Significant Subsidiary Group and such order, judgment or decree remains unstayed and in effect for more than 30 days or any other event occurs that results in the termination, dissolution or winding up of the Borrower, subject to Section 7B.7, the General Partner or any Significant Subsidiary Group; or

(xiii) any order, judgment or decree is entered in any proceedings against the Borrower or any of its Subsidiaries decreeing a split-up of the Borrower or such Subsidiary which requires the divestiture of assets representing a substantial part, or the

divestiture of the stock of a Subsidiary of the Borrower whose assets represent a substantial part of the consolidated assets of the Borrower and its Subsidiaries (determined in accordance with GAAP) or which requires the divestiture of assets, or stock of a Subsidiary of the Borrower, which shall have contributed a substantial part of the Consolidated Net Income of the Borrower and its Subsidiaries for any of the three fiscal years then most recently ended, and such order, judgment or decree shall not be dismissed or execution thereon stayed pending appeal or review within 45 days after entry thereof, or in the event of such a stay, such order, judgment or decree shall not be dismissed within 45 days after such stay expires; or

(xiv) any of the Security Documents shall at any time, for any reason cease to be in full force and effect or shall fail to constitute a valid, perfected first priority Lien with respect to the Collateral subject to Liens permitted by the Security Agreement or shall be declared to be null and void in whole or in any material respect (i.e., relating to the validity or priority of the Liens created by the Security Documents or the remedies available thereunder) by the judgment of any court or other Governmental Authority having jurisdiction in respect thereof, or if the validity or the enforceability of any of the Security Documents shall be contested by or on behalf of the Borrower, or the Borrower shall renounce any of the Security Documents, or deny that it is bound by the terms of any of the Security Documents; or

(xv) any of the events described in clauses (a), (b), (c) or (d) shall occur: (a) the General Partner shall be engaged in any business or activities other than those permitted by the Partnership Agreement as in effect from time to time and in accordance with Section 7B.8, or (b) U.S. Propane ceases to be the sole general partner of the Borrower or the Master Partnership, or (c) the Specified Entities shall own, directly or indirectly through Wholly-Owned Subsidiaries, in the aggregate less than 51% of the Capital Stock of the General Partner; or (d) a Change of Control during not more than any twelve (12) month consecutive period of time.

(xvi) an ERISA Event shall have occurred that, when taken together with all other such ERISA Events that have occurred, could reasonably be expected to result in liability of the Borrower and its ERISA Affiliates in an aggregate amount exceeding $2,000,000; or

(xvii) an event of default under any of the Security Documents has occurred and is continuing; or

(xviii) the occurrence of an event of default under the La Grange Credit Agreement or any other agreement governing secured indebtedness of La Grange relating to (a) bankruptcy, reorganization, compromise, arrangement, insolvency, readjustment of debt, dissolution or liquidation or similar law with respect to La Grange or any of its Subsidiaries, beyond any period of grace provided with respect thereto in such agreement, (b) non-payment of such secured indebtedness or any other indebtedness of LaGrange or any of its Subsidiaries, 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 3 business days beyond any period of grace provided with respect thereto in such agreement, unless, prior to the end of the 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 La Grange of any scheduled "restricted payment" distribution in respect of any partnership or other equity interest in La Grange, in which case such 3 business-day period shall no longer apply, or (c) any financial covenant default with respect to La Grange which has not been cured, waived or amended within 45 days of the date on notice of such default was given to the lenders party to such agreement, unless, prior to the end of the 45-day period, the lenders party to such agreement shall have blocked the payment or otherwise limited the payment by La Grange of any scheduled "restricted payment" distribution in respect of any partnership or other equity interest in La Grange or shall have accelerated the maturity of such indebtedness, in which case such 45 day period shall no longer apply.

9.2 Remedies. Upon the occurrence of any Event of Default referred to in (viii), (ix) or (x) of this Section 9.1 the Commitments shall immediately terminate and the Notes and all other Indebtedness shall be immediately due and payable, without further notice of any kind. Upon the occurrence of any other Event of Default, and without prejudice to any right or remedy of the Banks under this Agreement or the Loan Documents or under applicable Law of under any other instrument or document delivered in connection herewith, the Banks may (i) declare the Commitments terminated or (ii) declare the Commitments terminated and declare the Notes and the other Indebtedness, or any part thereof, to be forthwith due and payable, whereupon the Notes and the other Indebtedness, or such portion as is designated by the Banks shall forthwith become due and payable, without presentment, demand, notice or protest of any kind, all of which are hereby expressly waived by the Borrower. No delay or omission on the part of the Banks in exercising any power or right hereunder or under the Notes, the Loan Documents or under applicable law shall impair such right or power or be construed to be a waiver of any default or any acquiescence therein, nor shall any single or partial exercise by the Banks of any such power or right preclude other or further exercise thereof or the exercise of any other such power or right by the Banks. In the event that all or part of the Indebtedness becomes or is declared to be forthwith due and payable as herein provided, the Banks shall have the right to set off the amount of all the Indebtedness of the Borrower owing to the Banks against, and shall have, and is hereby granted by the Borrower, a lien upon and security interest in, all property of each of the Borrower in the Banks' possession at or subsequent to such default, regardless of the capacity in which the Banks possess such property, including but not limited to any balance or share of any deposit, collection or agency account. After Default all proceeds received by the Banks may be applied to the Indebtedness in such order of application and such proportions as the Banks, in their discretion, shall choose. At any time after the occurrence of any Event of Default, the Banks may, at their option, cause an audit of any and/or all of the books, records and documents of the Borrower to be made by auditors satisfactory to the Banks at the expense of the Borrower. The Banks also shall have, and may exercise, each and every right and remedy granted to them for default under the terms of the Security Documents and the other Loan Documents.

9.3 Other Remedies. If any Event of Default or Default shall occur and be continuing, the holder of any Note may proceed to protect and enforce its rights under this

Agreement and such Note by exercising such remedies as are available to such holder in respect thereof under applicable law, either by suit in equity or by action at law, or both, whether for specific performance of any covenant or other agreement contained in this Agreement or in aid of the exercise of any power granted in this Agreement. No remedy conferred in this Agreement upon the holder of any Note is intended to be exclusive of any other remedy, and each and every such remedy shall be cumulative and shall be in addition to every other remedy conferred herein or now or hereafter existing at law or in equity or by statute or otherwise.

ARTICLE X

LOAN OPERATIONS

10.1 Interests in Loans/Commitments. The percentage interest of each Bank in the Loans and Letters of Credit, and the Commitments, shall be computed based on the maximum principal amount for each Bank as set forth below (the "Lenders Schedule"):

BANK	MAXIMUM ACQUISITION LOAN COMMITMENTS	MAXIMUM WORKING CAPITAL LOAN COMMITMENTS	MAXIMUM COMMITMENTS AMOUNT	PERCENTAGE INTEREST
BOK	$16,000,000	$16,000,000	$ 32,000,000	22.535%
Bank One	$15,000,000	$15,000,000	$ 30,000,000	21.127%
MidFirst	$10,000,000	$10,000,000	$ 20,000,000	14.085%
Local	$ 7,500,000	$ 7,500,000	$ 15,000,000	10.563%
Fifth Third	$ 7,500,000	$ 7,500,000	$ 15,000,000	10.563%
Arvest	$ 2,500,000	$ 2,500,000	$ 5,000,000	3.521%
US Bank	$12,500,000	$12,500,000	$ 25,000,000	17.606%
TOTAL	$71,000,000	$71,000,000	$142,000,000	100.000%

The Lenders Schedule percentage interests, as from time to time in effect and reflected in the Register, are referred to as the "Percentage Interests" with respect to all or any portion of the Loans and Letters of Credit, and the Commitments.

10.2 Administrative Agent's Authority to Act. Each of the Banks appoints and authorizes BOk to act for the Banks as Administrative Agent in connection with the transactions contemplated by this Agreement and the other Loan Documents on the terms set forth herein. In acting hereunder, such Administrative Agent is acting for the account of BOk to the extent of its Percentage Interest and for the account of each other Bank to the extent of such Bank's Percentage Interest, and all action in connection with the enforcement of, or the exercise of any remedies (other than the Banks' rights of set-off as provided herein or in any other Loan Document) in respect of the Loans and the Indebtedness shall be taken by such Administrative Agent.

10.3 Borrower to Pay Administrative Agent. The Borrower shall be fully protected in making all payments in respect of the Notes evidencing the Credit Obligations to the Administrative Agent, in relying upon consents, modifications and amendments executed by such Administrative Agent purportedly on the Banks' behalf, and in dealing with such Administrative Agent as herein provided. Upon three (3) Business Days notice, such Administrative Agent may charge the accounts of the Borrower, on the dates when the amounts thereof become due and payable, with the amounts of the principal of and interest on the Loans, including any amounts paid by such Administrative Agent to third parties under Letters of Credit or drafts presented thereunder, commitment fees, Letter of Credit issuance fees and processing/application fees pertaining thereto and all other fees and amounts owing under any Loan Document.

10.4 Bank Operations for Advances, Letters of Credit.

10.4.1 Advances. On the funding date for each Loan, each Bank shall advance to the Administrative Agent in immediately available funds such Bank's Percentage Interest in the portion of a Loan advanced on such funding date prior to 12:00 noon (Tulsa, Oklahoma time). If such funds are not received at such time, but all applicable conditions set forth in Article VI have been satisfied, each Bank authorizes and requests such Administrative Agent to advance for the Bank's account, pursuant to the terms hereof, the Bank's respective Percentage Interest in such portion of such Loan and agrees to reimburse such Administrative Agent in immediately available funds for the amount thereof prior to 3:00 p.m. (Tulsa, Oklahoma time) on the day any portion of such Loan is advanced hereunder; provided, however, that such Administrative Agent is not authorized to make any such advance for the account of any Bank who has previously notified the Administrative Agent in writing that such Bank will not be performing its obligations to make further advances hereunder; and provided, further, that such Administrative Agent shall be under no obligation to make any such advance.

10.4.2 Letters of Credit. Each of the Banks authorizes and requests each Letter of Credit Issuer to issue the Letters of Credit provided for in Section 2.3 and agrees to purchase a participation in each of such Letters of Credit in an amount equal to its Percentage Interest in the amount of each such Letter of Credit. Promptly upon the request of any Letter of Credit Issuer, each Bank shall reimburse such Letter of Credit Issuer in immediately available funds for such Bank's Percentage Interest in the amount of all obligations to third parties incurred by the Letter of Credit Issuer in respect of each Letter of Credit and each draft accepted under a Letter of Credit to the extent not timely reimbursed by the Borrower. Each Letter of Credit Issuer will notify each Bank (and the Administrative Agent if the Administrative Agent is not the Letter of Credit Issuer) of the issuance of each Letter of Credit, the amount and date of payment of any draft drawn or accepted under a Letter of Credit and whether in connection with the payment of any such draft the amount thereof was added to the Working Capital Loan or was reimbursed by the Borrower.

10.4.3 Administrative Agent to Allocate Payments. All payments of principal and interest in respect of the extensions of credit made pursuant to this Agreement,

reimbursement of amounts paid by each Letter of Credit Issuer to third parties under Letters of Credit or drafts presented thereunder, commitment fees, Letter of Credit issuance fees and other fees under this Agreement (except for the standard Letter of Credit application/processing fees of any Letter of Credit Issuer and any fees due to the Administrative Agent), which shall not be shared by the Banks shall, as a matter of convenience, be made by the Borrower to the applicable Letter of Credit Issuer or the applicable Agent, as the case may be. The share of each Bank shall be credited to such Bank by the Administrative Agent, in immediately available funds in such manner that the principal amount of the Loans constituting Credit Obligations to be paid shall be paid proportionately in accordance with the Banks' respective Percentage Interests in such Loans, except as otherwise provided in this Agreement. Under no circumstances shall any Bank be required to produce or present its Notes as evidence of its interests in the Loans constituting Credit Obligations in any action or proceeding relating to the Loans constituting Credit Obligations.

10.4.4 Delinquent Banks; Nonperforming Banks. In the event that any Bank fails to reimburse the Administrative Agent, pursuant to Section 10.4.1 for the Percentage Interest of such Bank (a "Delinquent Bank") in any credit advanced by such Administrative Agent pursuant hereto, overdue amounts (the "Delinquent Payment") due from the Delinquent Bank to such Administrative Agent shall bear interest, payable by the Delinquent Bank on demand, at a per annum rate equal to (a) the Federal Funds Rate for the first three days overdue and (b) the sum of two percentage points (2%) plus the Federal Funds Rate for any longer period. Such interest shall be payable to such Administrative Agent for its own account for the period commencing on the date of the Delinquent Payment and ending on the date the Delinquent Bank reimburses such Administrative Agent on account of the Delinquent Payment (to the extent not paid by the Borrower as provided below) and the accrued interest thereon (the "Delinquency Period"), whether pursuant to the assignments referred to below or otherwise. Upon notice by such Administrative Agent, the Borrower will pay to such Administrative Agent the principal (but not the interest) portion of the Delinquent Payment. During the Delinquency Period, in order to make reimbursements for the Delinquent Payment and accrued interest thereon, the Delinquent Bank shall be deemed to have assigned to such Administrative Agent all interest, commitment fees and other payments made by the Borrower under Articles II, III and IV hereof that would have thereafter otherwise been payable under the Loan Documents to the Delinquent Bank. During any other period in which any Bank is not performing its obligations to extend credit under Article II hereof (a "Nonperforming Bank"), the Nonperforming Bank shall be deemed to have assigned to each Bank that is not a Nonperforming Bank (a "Performing Bank") such Performing Banks' respective Percentage Interest in all principal and other payments made by the Borrower that would have thereafter otherwise been payable thereunder to the Nonperforming Bank. Such Administrative Agent shall credit a portion of such payments to each Performing Bank in an amount equal to the Percentage Interest of such Performing Bank in an amount equal to the Percentage Interest of such Performing Bank divided by one minus the Percentage Interest of the Nonperforming Bank until the respective portions of the Loans owed to all the Banks are the same as the Percentage Interests of the Banks immediately prior to the failure of the Nonperforming Bank to

perform its obligations under Article II hereof. The foregoing provisions shall be in addition to any other remedies the Administrative Agent, the Performing Banks or the Borrower may have under law or equity against the Delinquent Bank as a result of the Delinquent Payment or against the Nonperforming Bank as a result of its failure to perform its obligations under Article II hereof.

10.5 Sharing of Payments. To the extent permitted by applicable Bank Legal Requirements and subject to the provisions of the Intercreditor Agreement, each Bank agrees that (i) if by exercising any right of set-off or counterclaim or otherwise, it shall receive payment of (a) a proportion of the aggregate amount due with respect to its Percentage Interest in the Loans and Letter of Credit Exposure which is greater than (b) the proportion received by any other Bank in respect of the aggregate amount due with respect to such other Bank's Percentage Interest in the Loans and Letter of Credit Exposure and (ii) if such inequality shall continue for more than 10 days, the Bank receiving such proportionately greater payment shall purchase participations in the Percentage Interests in the Loans and Letter of Credit Exposure held by the other Banks, and such other adjustments shall be made from time to time (including rescission of such purchases of participations in the event the unequal payment originally received is recovered from such Bank through bankruptcy proceedings or otherwise), as may be required so that all such payments of principal and interest with respect to the Loans and Letter of Credit Exposure held by the Banks shall be shared by the Banks pro rata in accordance with their respective Percentage Interests; provided, however, that this Section 10.5 shall not impair the right of any Bank to exercise any right of set-off or counterclaim it may have and to apply the amount subject to such exercise to the payment of Indebtedness of Borrower other than Borrower's Indebtedness with respect to the Loans and Letter of Credit Exposure. Each Bank that grants a participation in the Loans and Commitments to a Credit Participant shall require as a condition to the granting of such participation that such Participant agree to share payments received in respect of the Indebtedness as provided in this Section 10.5. The provisions of this Section 10.5 are for the sole and exclusive benefit of the Banks and no failure of any Bank to comply with the terms hereof shall be available to either Borrower as a defense to the payment of the Loans.

10.6 Amendments, Consents, Waivers. Except as otherwise set forth herein, the Administrative Agent may (and upon the written request of the Required Banks the Administrative Agent shall) take or refrain from taking any action under this Agreement or any other Loan Document, including giving its written consent to any modification of or amendment to and waiving in writing compliance with any covenant or condition in this Agreement or any other Loan Document or any Default or Event of Default, all of which actions shall be binding upon all of the Banks; provided, however, that:

(i) Without the written consent of the Banks owning at least two thirds (2/3) of the Percentage Interests (other than Delinquent Banks during the existence of a Delinquency Period so long as such Delinquent Bank is treated the same as the other Banks with respect to any actions enumerated below), no written modification of, amendment to, consent with respect to, waiver of compliance with or waiver of a Default under, any of the Loan Documents shall be made, including without limitation, Sections

7B.1 through 7B.14 of this Agreement, the related defined terms or this Section 10.6(i) shall be made.

(ii) Without the written consent of such Banks as own 100% of the Percentage Interests (other than Delinquent Banks during the existence of a Delinquency Period so long as such Delinquent Bank is treated the same as the other Banks with respect to any actions enumerated below):

(a) No reduction shall be made in (A) the amount of principal of any of the Loans or reimbursement obligations for payments made under Letters of Credit, (B) the interest rate on the Loans or (C) the Letter of Credit issuance fees (excluding, however, Letter of Credit processing/application fees, the amount of which shall be within the sole discretion of each Letter of Credit Issuer) or commitment (non-usage) fees.

(b) No change shall be made in the stated time of payment of all or any portion of any of the Loans or interest thereon or reimbursement of payments made under Letters of Credit or fees relating to any of the foregoing payable to all of the Banks and no waiver shall be made of any Default under Section 9.1(i) and (ii) hereof.

(c) No increase shall be made in the amount, or extension of the term, of either Commitment beyond that provided for under Article II.

(d) Except as otherwise provided in the Intercreditor Agreement, no alteration shall be made of the Banks' rights of set-off contained herein or in the other Loan Documents.

(e) Except as otherwise provided in the Intercreditor Agreement, no release of any Collateral shall be made (except that the Collateral Agent may release particular items of Collateral in dispositions permitted by the Security Documents in accordance with the terms and provisions of the Intercreditor Agreement and may release all Collateral upon payment in full of the Loans evidenced by the Notes and termination of the Commitments together with payment of all of the Private Placement Notes and Parity Debt without the written consent of the Banks).

(f) No amendment to or modification of this Section 10.6(ii) shall be made.

10.7 Administrative Agent's Resignation. The Administrative Agent may resign at any time by giving at least 30 days' prior written notice of its intention to do so to each other of the Banks and the Borrower and upon the appointment by the Required Banks of a successor Administrative Agent satisfactory to the Borrower. If no successor Administrative Agent shall have been so appointed and shall have accepted such appointment within 45 days after the retiring Administrative Agent's giving of such notice of resignation, then the retiring

Administrative Agent may with the consent of the Borrower, which shall not be unreasonably withheld, appoint a successor Administrative Agent which shall be a bank or a trust company organized under the laws of the United States of America or any state thereof and having a combined capital, surplus and undivided profit of at least $50,000,000; provided, however, that any successor Administrative Agent appointed under this sentence may be removed upon the written request of the Required Banks, which request shall also appoint a successor Administrative Agent satisfactory to the Borrower. Upon the appointment of a new Administrative Agent hereunder, the term "Administrative Agent" shall for all purposes of this Agreement thereafter mean such successor. After any retiring Administrative Agent's resignation hereunder as an Administrative Agent, or the removal hereunder of any successor Administrative Agent, the provisions of this Agreement shall continue to inure to the benefit of such Administrative Agent as to any actions taken or omitted to be taken by it while it was an Administrative Agent under this Agreement.

10.8 Concerning the Agents.

10.8.1 Action in Good Faith. The Agents and their respective officers, directors, employees and agents shall be under no liability to any of the Banks or to any future holder of any interest in the Indebtedness for any action or failure to act taken or suffered in good faith, and any action or failure to act in accordance with an opinion of its counsel shall conclusively be deemed to be in good faith. The Agents shall in all cases be entitled to rely, and shall be fully protected in relying, on instructions given to the Agents by the Required Holders of the Notes evidencing the Indebtedness as provided in this Agreement.

10.8.2 No Implied Duties. The Agents shall have and may exercise such powers as are specifically delegated to the Agents under this Agreement or any other Loan Document together with all other powers incidental thereto. The Agents shall have no implied duties to any Person or any obligation to take any action under this Agreement or any other Loan Document except for action specifically provided for in this Agreement or any other Loan Document to be taken by the Agents. Before taking any action under this Agreement or any other Loan Document, the Agents may request an appropriate specific indemnity satisfactory to it from each Bank in addition to the general indemnity provided for in Section 10.11. Until the Agents have received such specific indemnity, the Agents shall not be obligated to take (although such Agent may in its sole discretion take) any such action under this Agreement or any other Loan Document. Each Bank confirms that the Agents do not have a fiduciary relationship to them under the Loan Documents. The Borrower and its Subsidiaries party hereto confirm that neither the Agents nor any other Bank has a fiduciary relationship to them under the Loan Documents.

10.8.3 Validity. The Agents shall not be responsible to any Bank or any future holder of any interest in the Loans and Indebtedness (a) for the legality, validity, enforceability or effectiveness of this Agreement or any other Loan Document, (b) for any recitals, reports, representations, warranties or statements contained in or made in connection with this Agreement or any other Loan Document, (c) for the existence or

value of any assets included in any security for the Loans and Indebtedness, (d) for the effectiveness of any Lien purported to be included in the Collateral, (e) for the specification or failure to specify any particular assets to be included in the Collateral, or (f) unless the Agents shall have failed to comply with Section 10.8.1, for the perfection of the security interests in the Collateral.

10.8.4 Compliance. The Agents shall not be obligated to ascertain or inquire as to the performance or observance of any of the terms of this Agreement or any other Loan Document; and in connection with any extension of credit under this Agreement or any other Loan Document, the Agents shall be fully protected in relying on a certificates of the Borrower as to the fulfillment by the Borrower of any conditions to such extension of credit.

10.8.5 Employment Agents and Counsel. The Agents may execute any of their respective duties as Agents under this Agreement or any other Loan Document by or through employees, agents and attorneys-in-fact and shall not be responsible to any of the Banks, the Borrower for the default or misconduct of any such Agents or attorneys-in-fact selected by the Agent acting in good faith. The Agents shall be entitled to advice of counsel concerning all matters pertaining to the agency hereby created and its duties hereunder or under any other Loan Document.

10.8.6 Reliance on Documents and Counsel. The Agents shall be entitled to rely, and shall be fully protected in relying, upon any affidavit, certificate, cablegram, consent, instrument, letter, notice, order, document, statement, telecopy, telegram, telex or teletype message or writing reasonably believed in good faith by the Agents to be genuine and correct and to have been signed, sent or made by the Person in question, including any telephonic or oral statement made by such Person, and, with respect to legal matters, upon an opinion or the advice of counsel selected by such Agent.

10.8.7 Agents' Reimbursement. Each of the Banks severally agrees to reimburse the Agents, in the amount of such Bank's Percentage Interest, for any reasonable expenses not reimbursed by the Borrower (without limiting the obligation of the Borrower to make such reimbursement): (a) for which the Agents are entitled to reimbursement by the Borrower under this Agreement or any other Loan Document, and (b) after the occurrence of a Default, for any other reasonable expenses incurred by the Agents on the Banks' behalf in connection with the enforcement of the Banks' rights under this Agreement or any other Loan Document.

10.9 Rights as a Bank. With respect to any Loan(s) or advance(s) extended by it hereunder, each of the Agents shall have the same rights, obligations and powers hereunder as any other Bank and may exercise such rights and powers as though it were not an Agent, and unless the context otherwise specifies, the Agents shall be treated in their respective individual capacities as though they were not the Agents hereunder. Without limiting the generality of the foregoing, the Percentage Interest of each Agent shall be included in any computations of Percentage Interests. Each Agent and its Affiliates may accept deposits from, lend money to, act as trustee for and generally engage in any kind of banking or trust business with the Borrower, any of its Subsidiaries or any Affiliate of any of them and any Person who may do business with or own an equity interest in the Borrower,

any of its Subsidiaries or any Affiliate of any of them, all as if such Agent were not one of the Agents and without any duty to account therefor to the other Banks.

10.10 Independent Credit Decision. Each of the Banks acknowledges that it has independently and without reliance upon either of the Agents, based on the financial statements and other documents referred to in Section 8.4, on the other representations and warranties contained herein and on such other information with respect to the Borrower and its Subsidiaries as such Bank deemed appropriate, made such Bank's own credit analysis and decision to enter into this Agreement and to make the extensions of credit provided for hereunder. Each Bank represents to the Agents that such Bank will continue to make its own independent credit and other decisions in taking or not taking action under this Agreement or any other Loan Document. Each Bank expressly acknowledges that neither the Agents nor any of their respective officers, directors, employees, Agents, attorneys-in-fact or Affiliates has made any representations or warranties to such Bank, and no act by either of the Agents taken under this Agreement or any other Loan Document, including any review of the affairs of the Borrower and its Subsidiaries, shall be deemed to constitute any representation or warranty by either of the Agents. Except for notices, reports and other documents expressly required to be furnished to each Bank by the Administrative Agent under this Agreement or any other Loan Document, the Agents shall not have any duty or responsibility to provide any Bank with any credit or other information concerning the business, operations, property, condition, financial or otherwise, or creditworthiness of the Borrower or any Subsidiary which may come into the possession of either of the Agents or any of their respective officers, directors, employees, agents, attorneys-in-fact or Affiliates.

10.11 Indemnification. The holders of the Indebtedness shall indemnify the Agents and their respective officers, directors, employees and Agents (to the extent not reimbursed by the Borrower and without limiting the obligation of the Borrower to do so), pro rata in accordance with their respective Percentage Interests, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind whatsoever which may at any time be imposed on, incurred by or asserted against either of the Agents or such Persons relating to or arising out of this Agreement, any other Loan Document, the transactions contemplated hereby or thereby, or any action taken or omitted by either of the Agents in connection with any of the foregoing; provided, however, that the foregoing shall not extend to actions or omissions which are taken by either or both of the Agents with gross negligence or willful misconduct.

10.12 Procedure for Commitment Increases and Additional Banks. This Agreement permits certain increases in a Bank's Commitments and the admission of Additional Banks providing new Commitments, it being acknowledged that the existing aggregate Maximum Commitment Amount of the Banks listed in the Lenders Schedule is $142,000,000 and that this Agreement (without further amendment or modification) contemplates and permits Commitments in the aggregate maximum amount of $150,000,000. Any amendment hereto for such an increase or addition shall be in the form attached hereto as Exhibit 10.12 and shall only require the written signatures of the Administrative Agent, the Borrower and the Bank(s) being

added or increasing their Commitments. In addition, within a reasonable time after the effective date of any increase, the Administrative Agent shall, and is hereby authorized and directed to, revise the Lenders Schedule reflecting such increase and shall distribute such revised Lenders Schedule to each of the Banks and the Borrowers, whereupon such revised Lenders Schedule shall replace the old Lenders Schedule and become part of this Agreement. On the Business Day following any such increase, all outstanding Base Rate Loans shall be reallocated among the Banks (including any newly added Banks) in accordance with the Banks' respective revised Percentage Interests. Eurodollar Loans shall not be reallocated among the Banks prior to the expiration of the applicable Eurodollar Interest Period in effect at the time of any such increase.

ARTICLE XI

ASSIGNMENTS/PARTICIPATIONS

11. Successors and Assigns; Bank Assignment and Participations. Any reference in this Agreement to any party hereto shall be deemed to include the successors and assigns of such party, and all covenants and agreements by or on behalf of the Borrower, the Agents or the Banks that are contained in this Agreement or any other Loan Documents shall bind and inure to the benefit of their respective successors and assigns; provided, however, that (a) the Borrower may not assign its rights or obligations under this Agreement except for mergers or liquidations permitted by Section 7B.7, and (b) the Banks shall be not entitled to assign their respective Percentage Interests in the Loans evidenced by the Notes hereunder except as set forth below in this Section 11.

11.1 Assignments by Banks.

11.1.1 Assignees and Assignment Procedures. Each Bank may (i) without the consent of the Agents or the Borrower if the proposed assignee is already a Bank hereunder or a Wholly Owned Subsidiary of the same corporate parent of which the assigning Bank is a Subsidiary, or (ii) otherwise with the consents of the Agents and (so long as no Event of Default exists) the Borrower (which consents will not be unreasonably withheld), in compliance with applicable laws in connection with such assignment, assign to one or more commercial banks or other financial institutions (each, an "Assignee") all or a portion of its interests, rights and obligations under this Agreement and the other Loan Documents, including all or a portion, which need not be pro rata among the Loans and the Letter of Credit Exposure, of its Commitments, the portion of the Loans and Letter of Credit Exposure at the time owing to it and the Notes held by it, but excluding its rights and obligations as one of the Agents; provided, however, that:

(i) the aggregate amount of the Commitments of the assigning Bank subject to each such assignment to any Assignee other than another Bank (determined as of the date the Assignment and Acceptance with respect to such assignment is delivered to the Administrative Agent) shall be not less than $1,000,000 and in increments of $500,000; and

(ii) the parties to each such assignment shall execute and deliver to the Administrative Agent an Assignment and Acceptance (the "Assignment and Acceptance") in the form satisfactory to the Administrative Agent and the Collateral Agent, together with the Note or Notes subject to such assignment and a processing and recordation fee of $500 payable to the Administrative Agent by the assigning Bank or the Assignee.

Upon acceptance and recording pursuant to Section 11.1.4, from and after the effective date specified in each Assignment and Acceptance (which effective date shall be at least five (5) Banking Days after the execution thereof unless waived in writing by the Administrative Agent):

(A) the Assignee shall be a party hereto and, to the extent provided in such Assignment and Acceptance, have the rights and obligations of a Bank under this Agreement; and

(B) the assigning Bank shall, to the extent provided in such assignment, be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all or the remaining portion of an assigning Bank's rights and obligations under this Agreement, such Bank shall cease to be a party hereto but shall continue to be entitled to the benefits of the Applicable Rate provisions hereof, as well as to any fees accrued for its account hereunder and not yet paid).

11.1.2 Terms of Assignment and Acceptance. By executing and delivering an Assignment and Acceptance, the assigning Bank and Assignee shall be deemed to confirm to and agree with each other and the other parties hereto as follows:

(a) other than the representation and warranty that it is the legal and beneficial owner of the interest being assigned thereby free and clear of any adverse claim, such assigning Bank makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement, any other Loan Document or any other instrument or document furnished pursuant hereto;

(b) such assigning Bank makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Borrower and its Subsidiaries or the performance or observance by the Borrower or any of its Subsidiaries of any of its obligations under this Agreement, any other Loan Document or any other instrument or document furnished pursuant hereto;

(c) such Assignee confirms that it has received a copy of this Agreement, together with copies of the most recent quarterly or annual financial statements delivered pursuant to Section 7A.1 and such other documents and

information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance;

(d) such Assignee will independently and without reliance upon the Administrative Agent, such assigning Bank or any other Bank, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement;

(e) such Assignee appoints and authorizes the Administrative Agent to take such action as the Administrative Agent on its behalf and to exercise such powers under this Agreement as are delegated to the Administrative Agent by the terms hereof, together with such powers as are reasonably incidental thereto; and

(f) such Assignee agrees that it will perform in accordance with the terms of this Agreement all the obligations which are required to be performed by it as a Bank.

11.1.3 Register. The Administrative Agent, shall maintain at its main Tulsa, Oklahoma, banking office a register (the "Register") for the recordation of (a) the names and addresses of the Banks and the Assignees which assume rights and obligations pursuant to an assignment under Section 11.1.1, (b) the Percentage Interest of each such Bank as set forth in Section 11.1 and (c) the amount of the Loans and Letter of Credit Exposure owing to each Bank from time to time. The entries in the Register shall be conclusive, in the absence of manifest error, and the Borrower, BOK, as such Administrative Agent and the Banks may treat each Person whose name is registered therein for all purposes as a party to this Agreement. The Register shall be available for inspection by the Borrower or any Bank at any reasonable time and from time to time upon reasonable prior notice.

11.1.4 Acceptance of Assignment and Assumption. Upon its receipt of a completed Assignment and Acceptance executed by an assigning Bank and an Assignee, in exchange for the Notes subject to such assignment, together with the Note or Notes subject to such assignment, and the processing and recordation fee referred to in Section 11.1.1, the Administrative Agent shall (a) accept such Assignment and Acceptance, (b) record the information contained therein in the Register and (c) give prompt notice thereof to the Borrower. Within five (5) Business Days after receipt of notice, the Borrower, at its own expense, shall execute and deliver to the Administrative Agent, in exchange for the surrendered Note or Notes, a new Note or Notes to the order of such Assignee in a principal amount equal to the applicable Commitments and Loans assumed by it pursuant to such Assignment and Acceptance and, if the assigning Bank has retained Commitments and Loans, a new Note or Notes to the order of such assigning Bank in a principal amount equal to the applicable Commitments and its Percentage Interest in the Loans retained by it. Such new Note or Notes shall be in an aggregate principal amount equal to the aggregate principal amount of such surrendered Note or Notes, and shall be dated the date of the surrendered Note or Notes which it or they replace. All such Notes so replaced shall be delivered by the Administrative Agent to the Borrower or,

alternatively, at such Administrative Agent's election, marked appropriately to evidence the replacement thereof by such replacement Note(s).

11.1.5 Federal Reserve Bank. Notwithstanding the foregoing provisions of this Section 11, any Bank may at any time pledge or assign all or any portion of such Bank's rights under this Agreement and the other Loan Documents to a Federal Reserve Bank; provided, however, that no such pledge or assignment shall release such Bank from such Bank's obligations hereunder or under any other Loan Document.

11.1.6 Further Assurances. The Borrower and its Subsidiaries shall sign such documents and take such other actions from time to time reasonably requested by an Assignee to enable it to share in the benefits of the rights created by the Loan Documents.

11.2 Credit Participants. Each Bank may, without the consent of the Borrower and with the consent of the Administrative Agent, in compliance with applicable laws in connection with such participation, sell to one or more commercial banks or other financial institutions (each a "Credit Participant") participations in all or a portion of its interests, rights and obligations under this Agreement and the other Loan Documents (including all or a portion of its Commitments, the Loans and Letter of Credit exposure owing to it and the Notes held by it); provided, however, that:

(i) such Bank's obligations under this Agreement shall remain unchanged;

(ii) such Bank shall remain solely responsible to the other parties hereto for the performance of such obligations;

(iii) the Credit Participant shall be entitled to the benefit of any cost protection provisions contained in the Credit Agreement, but shall not be entitled to receive any greater payment thereunder than the selling Bank would have been entitled to receive with respect to the interest so sold if such interest had not been sold; and

(iv) the Borrower, the Administrative Agent and the other Banks shall continue to deal solely and directly with such Bank in connection with such Bank's rights and obligations under this Agreement, and such Bank shall retain the sole right as one of the Banks to vote with respect to the enforcement of the obligations of the Borrower relating to the Loans and Letter of Credit Exposure and the approval of any amendment, modification or waiver of any provision of this Agreement (other than amendments, modifications, consents or waivers described in Section 10.6(ii)).

Borrower agrees, to the fullest extent permitted by applicable law, that any Credit Participant and any Bank purchasing a participation from another Bank pursuant to Section 11.1 may exercise all rights of payment (including the right of set-off), with respect to its participation as fully as if such Credit Participant or such Bank were the direct creditor of the Borrower and a Bank hereunder in the amount of such participation. Upon receipt of notice of the address of each Credit Participant, the Borrower shall thereafter supply such Credit Participants with the same information and reports

communicated to the Banks. The Borrower hereby acknowledges and agrees that Credit Participants shall be deemed a holder of the applicable Notes to the extent of their respective participation, and the Borrower hereby waives its right, if any, to offset amounts owing to the Borrower from the Banks against each Credit Participant's portion of the applicable Notes.

11.3 Replacement of Bank. In the event that any Bank or, to the extent applicable, any Credit Participant (the "Affected Bank"):

(a) fails to perform its obligations to fund any portion of the Loans or to issue any Letter of Credit when required to do so by the terms of the Loan Documents, or fails to provide its portion of any Eurodollar Pricing Option pursuant to Section 3.2.1 or on account of a Bank Legal Requirement as contemplated by Section 3.2.5;

(b) demands payment under the Reserve provisions of Section 3.5, the Tax provisions of Section 3.6, the Capital Adequacy provisions of Section 3.7 or the Regulatory Change provisions in Section 3.8 in an amount the Borrower deems materially in excess of the amounts with respect thereto demanded by the other Banks; or

(c) refuses to consent to a proposed amendment, modification, waiver or other action requiring consent of the holders of 100% of the Percentage Interests under Section 10.6(ii) that is consented to by the other Banks;

then, so long as no Event of Default exists, the Borrower shall have the right to seek a replacement Bank which is reasonably satisfactory to the Administrative Agent (the "Replacement Bank"). The Replacement Bank shall purchase the interests of the Affected Bank in the Loans, Letters of Credit and its Commitments and shall assume the obligations of the Affected Bank hereunder and under the other Loan Documents upon execution by the Replacement Bank of an Assignment and Acceptance and the tender by it to the Affected Bank of a purchase price agreed between it and the Affected Bank (or, if they are unable to agree, a purchase price in the amount of the Affected Bank's Percentage Interest in the Loans and Letter of Credit Exposure, or appropriate credit support for contingent amounts included therein, and all other outstanding Credit Obligations then owed to the Affected Bank). Such assignment by the Affected Bank shall be deemed an early termination of any Eurodollar Pricing Option to the extent of the Affected Bank's portion thereof, and the Borrower will pay to the Affected Bank any resulting amounts due under Section 3.2.4. Upon consummation of such assignment, the Replacement Bank shall become party to this Agreement as a signatory hereto and shall have all the rights and obligations of the Affected Bank under this Agreement and the other Loan Documents with a Percentage Interest equal to the Percentage Interest of the Affected Bank, the Affected Bank shall be released from its obligations hereunder and under the Loan Documents, and no further consent or action by any party shall be required. Upon the consummation of such assignment, the Borrower, the Administrative Agent and the Affected Bank shall make appropriate arrangements so that a new Note or Notes are issued to the Replacement Bank. The Borrower shall sign such documents and take such other actions reasonably requested by the Replacement Bank to enable it to share in the benefits of the rights created by the Loan Documents. Until the consummation of an assignment in accordance with the foregoing

provisions of this Section 11.3, the Borrower shall continue to pay the Affected Bank any Loan Obligations as they become due and payable.

ARTICLE XII

MISCELLANEOUS

12.1 Notices. Unless otherwise provided herein, all notices, requests, consents and demands shall be in writing and shall be either hand-delivered (by courier or otherwise) or mailed by certified mail, postage prepaid, or sent by facsimile transmission (confirmed as aforesaid) to the respective addresses specified below, or, as to any party, to such other address as may be designated by it in notice to the other parties in accordance with this Section 12.1:

If to the Borrower, to:

Heritage Operating, L.P.
8801 South Yale Avenue, Suite 310
Tulsa, Oklahoma 74137
Attention: Chief Financial Officer
FAX: (918) 493-7290

If to the Banks, to:

Bank of Oklahoma, National Association
P. O. Box 2300
Bank of Oklahoma Tower
One Williams Center
Tulsa, Oklahoma 74192
Attention: Energy Department - 8th Floor
FAX: (918) 588-6880

The Administrative Agent, is hereby designated and appointed and shall serve as notice agent for all of the Banks insofar as notices hereunder are concerned and notice to the Administrative Agent shall be deemed notice to each of the Banks with the same force and effect as if each such Bank were individually notified in accordance herewith. All notices, requests, consents and demands hereunder will be effective when hand-delivered to the applicable notice address set forth above or when mailed by certified mail, postage prepaid, addressed as aforesaid.

12.2 Place of Payment. All sums payable hereunder shall be paid in immediately available funds to the Administrative Agent, at its Tulsa, Oklahoma main banking offices, or at such other place as such Administrative Agent shall notify the Borrower in writing. If any interest, principal or other payment falls due on a date other than a Business Day, then (unless otherwise provided herein) such due date shall be extended to the next succeeding Business Day, and such extension of time will in such case be included in computing interest, if any, in connection with such payment.

12.3 Survival of Agreements. All covenants, agreements, representations and warranties made herein shall survive the execution and the delivery of Loan Documents. All statements contained in any certificate or other instrument delivered by the Borrower hereunder shall be deemed to constitute representations and warranties by the Borrower.

12.4 Parties in Interest. All covenants, agreements and obligations contained in this Agreement shall bind and inure to the benefit of the respective successors and assigns of the parties hereto, except that the Borrower may not assign their rights or obligations hereunder without the prior written consent of the Banks.

12.5 Governing Law and Jurisdiction. This Agreement and the Notes shall be deemed to have been made or incurred and delivered under the laws of the State of Oklahoma and shall be construed and enforced in accordance with and governed by the Laws of Oklahoma.

12.6 SUBMISSION TO JURISDICTION. THE BORROWER HEREBY CONSENTS TO THE JURISDICTION OF ANY OF THE LOCAL, STATE, AND FEDERAL COURTS LOCATED WITHIN TULSA COUNTY, OKLAHOMA AND WAIVES ANY OBJECTION WHICH BORROWER MAY HAVE BASED ON IMPROPER VENUE OR FORUM NON CONVENIENS TO THE CONDUCT OF ANY PROCEEDING IN ANY SUCH COURT AND WAIVES PERSONAL SERVICE OF ANY AND ALL PROCESS UPON ANY OF THEM, AND CONSENTS THAT ALL SUCH SERVICE OF PROCESS BE MADE BY MAIL OR MESSENGER DIRECTED TO ANY OF THEM AT THE ADDRESS SET FORTH IN SUBSECTION 12.1 HEREOF AND THAT SERVICE SO MADE SHALL BE DEEMED TO BE COMPLETED UPON THE EARLIER OF ACTUAL RECEIPT OR THREE (3) BUSINESS DAYS AFTER MAILED OR DELIVERED BY MESSENGER.

12.7 Maximum Interest Rate. Regardless of any provision herein, the Banks shall never be entitled to receive, collect or apply, as interest on the Indebtedness any amount in excess of the maximum rate of interest permitted to be charged by the Banks by applicable Law, and, in the event the Banks shall ever receive, collect or apply, as interest, any such excess, such amount which would be excessive interest shall be applied to other Indebtedness and then to the reduction of principal; and, if all other Indebtedness and principal are paid in full, then any remaining excess shall forthwith be paid to the Borrower.

12.8 No Waiver; Cumulative Remedies. No failure to exercise, and no delay in exercising, on the part of the Banks, any right, power or privilege hereunder or under any other Loan Document or applicable Law shall preclude any other or further exercise thereof or the exercise of any other right, power or privilege of the Banks. The rights and remedies herein provided are cumulative and not exclusive of any other rights or remedies provided by any other instrument or by law. No amendment, modification or waiver of any provision of this Agreement or any other Loan Document shall be effective unless the same shall be in writing and signed by the Banks. No notice to or demand on the Borrower in any case shall entitle the Borrower to any other or further notice or demand in similar or other circumstances.

12.9 Costs. The Borrower agrees to pay to the Banks on demand all reasonable costs, fees and expenses (including without limitation reasonable attorneys fees and legal expenses) incurred or accrued by the Banks in connection with the negotiation, preparation, execution, delivery, filing, recording, facilitation, administration and enforcement of this Agreement, the Notes, the Security Documents, the Intercreditor Agreement and the other Loan Documents, or any amendment, waiver, consent, supplement, restatement or modification hereof or hereto or thereto or thereof, or any enforcement thereof or otherwise relating to this Agreement. The Borrower further agrees that the fees and expenses of the Banks, including the Agents, incurred in connection with the negotiation and preparation of this Agreement and the other Loan Documents shall be paid regardless of whether or not the transactions provided for in this Agreement are eventually closed and regardless of whether or not any or all sums evidenced by the Notes are advanced to the Borrower by the Banks.

12.10 WAIVER OF JURY. BORROWER FULLY, VOLUNTARILY AND EXPRESSLY WAIVES ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO ENFORCE OR DEFEND ANY RIGHTS UNDER THIS AGREEMENT OR UNDER ANY AMENDMENT, INSTRUMENT, DOCUMENT OR AGREEMENT DELIVERED (OR WHICH MAY IN THE FUTURE BE DELIVERED) IN CONNECTION HEREWITH OR ARISING FROM ANY BANKING RELATIONSHIP EXISTING IN CONNECTION WITH THIS AGREEMENT, THE NOTES OR THE SECURITY DOCUMENTS. BORROWER AGREES THAT ANY SUCH ACTION OR PROCEEDING SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY.

Borrower acknowledges that it have been informed by the Agents that the provisions of this Section 12.10 constitute a material inducement upon which each of the Banks has relied and will rely in entering into this Agreement and the other Loan Documents, and that Borrower has reviewed the provisions of this Section 12.10 with its legal counsel. Any of the Banks, the Agents or the Borrower may file an original counterpart or copy of this Section 12.10 with any court or Tribunal as written evidence of the express consent of the Borrower, the Agents and the Banks to the waiver of their rights to trial by jury.

12.11 Full Agreement. This Agreement and the other Loan Documents contain the full agreement of the parties and supersede all negotiations and agreements prior to the date hereof.

12.12 Headings. The article and section headings of this Agreement are for convenience of reference only and shall not constitute a part of the text hereof nor alter or otherwise affect the meaning hereof.

12.13 Severability. The unenforceability or invalidity as determined by a court of competent jurisdiction, of any provision or provisions of this Agreement shall not render unenforceable or invalid any other provision or provisions hereof.

12.14 Exceptions to Covenants. The Borrower shall not be deemed to be permitted to take any action or fail to take any action which is permitted as an exception to any of the covenants contained herein or which is within the permissible limits of any of the covenants

contained herein if such action or omission would result in the breach of any other covenant contained herein.

12.15 Conflict with Security Documents. To the extent the terms and provisions of any of the Security Documents are in conflict with the terms and provisions hereof, this Agreement shall be deemed controlling.

12.16 Confidentiality. Each Bank will make no disclosure of confidential information furnished to it by the Borrower or any of its Subsidiaries unless such information shall have become public, except:

(i) in connection with operations under or the enforcement of this Agreement or any other Loan Document;

(ii) pursuant to any statutory or regulatory requirement or any mandatory court order, subpoena or other legal process;

(iii) to any parent or corporate Affiliate of such Bank or to any Credit Participant, proposed Credit Participant or proposed Assignee; provided, however, that any such Person shall agree to comply with the restrictions set forth in this Section 12.16 with respect to such information;

(iv) to its independent counsel, auditors and other professional advisors with an instruction to such Person to keep such information confidential; and

(v) with the prior written consent of the Borrower, to any other Person.

12.17 Existing Credit Agreement. This Agreement amends, modifies and replaces the Existing Credit Agreement in all respects and refinances the Obligations defined therein; provided, however the liens and the priorities thereof granted in the Existing Credit Agreement and the Security Documents therein described and defined (including the Security Agreement) are hereby ratified, confirmed and continued in full force and effect for all purposes without any interruption whatsoever.

12.18 USA PATRIOT Act Notice. IMPORTANT INFORMATION ABOUT PROCEDURES FOR OPENING A NEW ACCOUNT. To help the government fight the funding of terrorism and money laundering activities, federal law requires all financial institutions to obtain, verify, and record information that identifies each person or entity that opens an account, including any deposit account, treasury management account, loan, other extension of credit, or other financial services product. What this means for borrowers: When a borrower opens an account, the Bank will ask for the borrower's name, residential address, tax identification number, and other information that will allow the Bank to identify the borrower, including the borrower's date of birth if the borrower is an individual. The Bank may also ask, if the borrower is an individual, to see the borrower's driver's license or other identifying documents, and, if the borrower is not an individual, to see the borrower's legal organizational documents or other identifying documents. The Bank will verify and record the information the

Bank obtains from the borrower pursuant to the USA PATRIOT Act, and will maintain and retain that record in accordance with the regulations promulgated under the USA PATRIOT Act.

12.19 Not a Reportable Transaction. The parties signatory hereto acknowledge and stipulate and the Borrower represents to the Administrative Agent, the Co-Agent and the Banks that the transactions contemplated by this Agreement do not constitute a "Reportable Event" as that term is described and defined in regulations of the Treasury Department of the United States.

12.20 Counterparts. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument. Delivery of an executed counterpart of a signature page of this Agreement by telecopier or facsimile shall be as effective as delivery of a manually executed counterpart hereof.

SIGNATURE PAGES TO FOLLOW

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered in Tulsa, Oklahoma, effective as of the day and year first above written.

"Borrower"

HERITAGE OPERATING, L.P., a
Delaware limited partnership

By: U.S. Propane, L.P., a Delaware
limited partnership, its
general partner

By: U.S. Propane, L.L.C., a
Delaware limited liability
company, its general
partner

By: _____
Michael L. Greenwood
Vice President and
Chief Financial Officer

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered in Tulsa, Oklahoma, effective as of the day and year first above written.

"Banks"

BANK OF OKLAHOMA, NATIONAL ASSOCIATION

By_____
T. Coy Gallatin,
Senior Vice President

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered in Tulsa, Oklahoma, effective as of the day and year first above written.

LOCAL OKLAHOMA BANK

By_____
Name:_____
Title:_____

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered in Tulsa, Oklahoma, effective as of the day and year first above written.

MIDFIRST BANK

By_____
Name:_____
Title:_____

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered in Tulsa, Oklahoma, effective as of the day and year first above written.

BANK ONE, NA

By_____
Name:_____
Title:_____

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered in Tulsa, Oklahoma, effective as of the day and year first above written.

ARVEST BANK

By_____
Name:_____
Title:_____

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered in Tulsa, Oklahoma, effective as of the day and year first above written.

U.S. BANK NATIONAL ASSOCIATION

By_____
Name:_____
Title:_____

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered in Tulsa, Oklahoma, effective as of the day and year first above written.

FIFTH THIRD BANK

By_____
Name:_____
Title:_____

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered in Tulsa, Oklahoma, effective as of the day and year first above written.

"Administrative Agent"

BANK OF OKLAHOMA, NATIONAL ASSOCIATION

By_____
T. Coy Gallatin,
Senior Vice President

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered in Tulsa, Oklahoma, effective as of the day and year first above written.

"Co-Agent"

_____

By_____
Name:_____
Title:_____

EXHIBIT 10.34

SECOND AMENDED AND RESTATED CREDIT AGREEMENT

LA GRANGE ACQUISITION, L.P.,
as Borrower,

FLEET NATIONAL BANK,
as Administrative Agent,

FLEET SECURITIES, INC. and WACHOVIA CAPITAL MARKETS, LLC
as Joint Lead Arrangers and Book Runners,

WACHOVIA BANK, NATIONAL ASSOCIATION,
as Syndication Agent,

THE ROYAL BANK OF SCOTLAND PLC and BNP PARIBAS,
as Co-Documentation Agents,

BANK OF SCOTLAND,
as Senior Managing Agent,

U.S. BANK NATIONAL ASSOCIATION and FORTIS CAPITAL CORP.,
as Co-Agents

and CERTAIN FINANCIAL INSTITUTIONS,

as Lenders

$175,000,000 Revolving Credit Facility
$325,000,000 Term Loan Facility

January 20, 2004

SECOND AMENDED AND RESTATED CREDIT AGREEMENT

TABLE OF CONTENTS

Schedules and Exhibits:

SECOND AMENDED AND RESTATED CREDIT AGREEMENT

THIS SECOND AMENDED AND RESTATED CREDIT AGREEMENT is made as of January 20, 2004, by and among LA GRANGE ACQUISITION, L.P. ("Borrower"), a Texas limited partnership, and FLEET NATIONAL BANK, as administrative agent, FLEET SECURITIES, INC. and WACHOVIA CAPITAL MARKETS, LLC, as joint lead arrangers and book runners, WACHOVIA BANK, NATIONAL ASSOCIATION, as syndication agent, THE ROYAL BANK OF SCOTLAND PLC and BNP PARIBAS, as co-documentation agents, BANK OF SCOTLAND, as senior managing agent, U.S. BANK NATIONAL ASSOCIATION and FORTIS CAPITAL CORP., as co-agents, and the Lenders referred to below.

W I T N E S S E T H:

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, 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 References

Section 1.1 Defined Terms. As used in this Agreement, each of the following terms has the meaning given to such term in this Section 1.1 or in the sections and subsections referred to below:

"Acquisition Agreement" means that certain Acquisition Agreement dated November 6, 2003 among La Grange Energy and General Partner.

"Additional Indebtedness" means Indebtedness for borrowed money other than Indebtedness described in Section 7.1.

"Adjusted Consolidated EBITDA" means, as of any date of determination for any applicable period, Consolidated EBITDA calculated (x) with respect to the Consolidated group comprised of General Partner and Master Partnership and its Subsidiaries (rather than with respect to the Consolidated group comprised of Borrower and its Subsidiaries), and (y) as if the term "Consolidated Net Income" were calculated with respect to the Consolidated group comprised of General Partner and Master Partnership and its Subsidiaries (rather than with respect to the Consolidated group comprised of Borrower and its Subsidiaries).

"Adjusted Consolidated Funded Indebtedness" means Consolidated Funded Indebtedness calculated with respect to the Consolidated group comprised of General Partner and Master Partnership and its Subsidiaries (rather than with respect to the Consolidated group comprised of Borrower and its Subsidiaries).

"Administrative Agent" means Fleet National Bank, as Administrative Agent hereunder, and its successors in such capacity.

"Affiliate" means, as to any Person, each other Person that directly or indirectly (through one or more intermediaries or otherwise) controls, is controlled by, or is under common control with, such Person; provided that a Person shall not be treated as an Affiliate solely as a result of the ownership of equity interests in such Person by Natural Gas Partners, if Ray Davis and Kelcy Warren have no direct or indirect interest in such Person. A Person shall be deemed to be "controlled by" any other Person if such other Person possesses, directly or indirectly, power

(a) to vote 20% or more of the securities (on a fully diluted basis) having ordinary voting power for the election of directors or managing general partners; or

(b) to direct or cause the direction of the management and policies of such Person whether by contract or otherwise.

"Aggregate Available Cash" means, with respect to any Fiscal Year, the sum of (i) the Available Cash of Borrower and its Subsidiaries with respect to such Fiscal Year (but not less than zero) plus (ii) the "available cash" (as defined in the Heritage Note Purchase Agreements as in effect on the date of this Agreement) of Heritage OLP and its Subsidiaries with respect to such Fiscal Year (but not less than zero).

"Aggregate Partner Obligations" means, with respect to any Fiscal Year, the aggregate amount of payment obligations of the Master Partnership, including, without limitation, the Minimum Quarterly Distribution (as defined in the Partnership Agreement) on all Units with respect to such Fiscal Year.

"Agreement" means this Second Amended and Restated Credit Agreement.

"Applicable Lending Office" means, with respect to each Lender, such Lender's Domestic Lending Office in the case of Base Rate Loans and such Lender's Eurodollar Lending Office in the case of Eurodollar Loans.

"Applicable Leverage Level" means the level set forth below that corresponds to the applicable Leverage Ratio:

Applicable Leverage Level	Leverage Ratio
Level I	greater than or equal to 3.25 to 1.0
Level II	greater than or equal to 2.50 to 1.0 but less than 3.25 to 1.0
Level III	greater than or equal to 2.00 to 1.0 but less than 2.50 to 1.0
Level IV	less than 2.00 to 1.00

On the date hereof the Applicable Leverage Level shall be Level I. The Leverage Ratio shall be determined quarterly after the date hereof from time to time by Administrative Agent within two (2) Business Days after Administrative Agent's receipt of Borrower's Consolidated financial statements for the immediate preceding Fiscal Quarter beginning with its receipt of the financial statements for the Fiscal Quarter ended February 28, 2004. The Applicable Leverage Level shall become effective upon such determination of the Leverage Ratio by Administrative Agent and shall remain effective until the next such determination by Administrative Agent of the Leverage Ratio.

"Available Cash" means, with respect to any Fiscal Quarter: (1) the sum, without duplication, of (a) all cash and Cash Equivalents of Borrower and its Subsidiaries on hand at the end of such Fiscal Quarter (including any reserves that have been established by Borrower to provide for the payment of distributions with respect to such Fiscal Quarter) and (b) all additional cash and Cash Equivalents of Borrower and its Subsidiaries on hand on the date of determination of Available Cash with respect to such Fiscal Quarter resulting from borrowings for working capital purposes made subsequent to the end of such Fiscal Quarter, less (2) the amount of any cash reserves that the General Partner determines in its reasonable discretion in accordance with the Partnership Agreement to be necessary or appropriate to (a) provide for the proper conduct of the business of Borrower and its Subsidiaries (including reserves for future capital expenditures) subsequent to such Fiscal Quarter, (b) comply with applicable law or any loan agreement, security agreement, mortgage, debt instrument or other agreement or obligation to which Borrower or any of its Subsidiaries is a party or by which it is bound or its assets are subject and (c) provide funds from cash and Cash Equivalents of Borrower and its Subsidiaries for distributions to partners of Master Partnership in respect of any one or more of the next four Fiscal Quarters; provided that disbursements made by Borrower or a Subsidiary of Borrower of cash reserves established, increased or reduced after the end of such Fiscal Quarter but on or before the date of determination of Available Cash with respect to such Fiscal Quarter shall be deemed to have been made, established, increased or reduced for purposes of determining Available Cash, within such Fiscal Quarter if General Partner so determines. In addition, without limiting the foregoing, Available Cash for any Fiscal Quarter shall reflect reserves equal to the Unused Proceeds Amount as of the date of determination.

"Base Rate" means the higher of (a) the variable per annum rate of interest so designated from time to time by Administrative Agent as its "prime rate," or (b) the Federal Funds Rate plus one-half percent (0.5%) per annum. The "prime rate" is a reference rate and does not necessarily represent the lowest or best rate being charged to any customer. Changes in the Base Rate resulting from changes in the "prime rate" shall take place immediately without notice or demand of any kind.

"Base Rate Loan" means a Loan which does not bear interest at the Eurodollar Rate.

"Base Rate Margin" means, on any day, the percent per annum set forth below based on the Applicable Leverage Level in effect on such day.

Applicable Leverage Level	Base Rate Margin
Level I	1.750%
Level II	1.375%
Level III	1.000%
Level IV	0.750%

Changes in the applicable Base Rate Margin will occur automatically without prior notice as changes in the Applicable Leverage Level occur. Administrative Agent will give notice promptly to Borrower and Lenders of changes in the Base Rate Margin.

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

"Borrower's Percentage of Aggregate Available Cash" means, with respect to any Fiscal Quarter, the percentage determined by multiplying (a) a fraction consisting of a numerator equal to Borrower's Available Cash for such Fiscal Quarter and a denominator equal to the Aggregate Available Cash, by (b) 100.

"Borrowing" means (a) a borrowing of new Loans of a single Type pursuant to Section 2.2 or (b) a Continuation or Conversion of all or a portion of an existing Revolver Loan (whether alone or as a combination with a new Revolver Loan) or all or a portion of an existing Term Loan into a single Type (and, in the case of Eurodollar Loans, with the same Interest Period) pursuant to Section 2.3.

"Borrowing Notice" means a written or telephonic request, or a written confirmation, made by Borrower which meets the requirements of Section 2.2.

"Bossier Project" means the construction by Borrower of the approximately 78 mile natural gas pipeline extension from Limestone County, Texas that will connect with Borrower's existing infrastructure at the hub in Katy, Texas.

"Business Day" means any day, other than a Saturday, Sunday or day which shall be in the Commonwealth of Massachusetts a legal holiday or day on which banking institutions are required or authorized to close. Any Business Day in any way relating to Eurodollar Loans (such as the day on which an Interest Period begins or ends) must also be a day on which commercial banks settle payments in London.

"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 Equivalents" means Investments in:

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

(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 of America 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.

"CE/PA Revolver Loans" means Revolver Loans used for (a) capital expenditures, including the Bossier Project, or (b) Permitted Acquisitions.

"CE/PA Sublimit" means a sublimit for CE/PA Revolver Loans of $150,000,000.

"CERCLA" means the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended.

"CERCLIS" means the Comprehensive Environmental Response, Compensation and Liability Information System List of the Environmental Protection Agency.

"Change of Control" means the existence of any of the following: (i) General Partner shall be engaged in any business or activities other than those permitted by the Partnership Agreement, as amended, (ii) General Partner shall not be the sole legal and beneficial owner (within the meaning of Rule 13d-3 under the Exchange Act) of all of the general partner interests of Master Partnership, (iii) the Control Group shall not be in Control of General Partner, (iv) Master Partnership, either directly or indirectly through ownership of the Intermediate Entities, shall cease to be the sole legal and beneficial owner of all of the Equity interests of LA GP or the Borrower, (v) LA GP shall cease to be the sole general partner of Borrower, (vi) any Person or group of Persons acting in concert as a partnership or other group, other than the Control Group, shall be the legal or beneficial owner (within the meaning of Rule 13d-3 of the Exchange Act) of more than 50% of the combined voting power of the then total partnership interests (including all securities that are convertible into partnership interests) of Master Partnership, or (vii) neither Ray Davis, Kelcy Warren nor any individual that has replaced either of such

individuals and has been approved by the Administrative Agent in its sole discretion, shall be members of the executive management team of General Partner. As used herein "Control" means (i) with respect to a corporation or limited liability company, the legal and beneficial ownership (as defined above) of a majority of the securities (on a fully diluted basis) having ordinary voting power for the election of directors, managers, or managing members of such entity; (ii) with respect to a limited partnership with a corporation or limited liability company as a general partner, the Control of such general partner, (iii) with respect to a limited partnership with a limited partnership as general partner, the Control of the general partner of the limited partnership that acts as general partner and the legal and beneficial ownership (as defined above) of limited partnership securities (on a fully diluted basis) having the ordinary power sufficient for the removal or selection of the general partner of such limited partnership or the possession of control over the removal and selection of the general partner of such limited partnership by voting agreement or other agreement binding upon the other limited partners of such limited partnership; and (iv) with respect to a general partnership, the legal and beneficial ownership (as defined above) of all the partnership securities. As used herein "Control Group" means a group of Persons that includes Ray Davis or Kelcy Warren or a limited partnership or other Person managed by Natural Gas Partners, which group includes only (A) Ray Davis, (B) Kelcy Warren, (C) Persons 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), or (D) limited partnerships or other Persons managed by Natural Gas Partners.

"Closing Date" means the date on which all of the conditions precedent set forth in Sections 4.1 and 4.2 shall have been satisfied or waived.

"Code" means the Internal Revenue Code of 1986, as amended from time to time, together with all rules and regulations promulgated with respect thereto.

"Collateral" means all property of any kind which is subject to a Lien in favor of Lenders (or in favor of Administrative Agent for the benefit of Lenders) or which, under the terms of any Security Document, is purported to be subject to such a Lien, in each case granted or created to secure all or part of the Obligations.

"Commission" means the United States Securities Exchange Commission.

"Commitment Fee Rate" means, on any day, the percent per annum set forth below based on the Applicable Leverage Level in effect on such day.

Applicable Leverage Level	Commitment Fee Rate
Level I	0.500%
Level II, Level III or Level IV	0.375%

Changes in the applicable Commitment Fee Rate will occur automatically without prior notice as changes in the Applicable Leverage Level occur. Administrative Agent will give notice promptly to Borrower and Lenders of changes in the Commitment Fee Rate.

"Commitment Period" means the period from and including the date hereof until January 18, 2008 (or, if earlier, the day on which (i) the obligation of Lenders to make Loans hereunder and the obligation of LC Issuer to issue Letters of Credit hereunder have terminated or (ii) the Notes first become due and payable in full, whichever shall first occur).

"Common Units" shall mean common units representing a limited partnership interest in Master Partnership.

"Compliance Certificate" means Exhibit F hereto.

"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 position, financial condition, liabilities, etc. refer to the consolidated financial statements, financial position, financial condition, liabilities, etc. of such Person and its properly consolidated subsidiaries.

"Consolidated EBITDA" means, for any period, the sum of (1) the Consolidated Net Income of Borrower and its Consolidated Subsidiaries during such period, plus (2) all Consolidated Interest Expense which was deducted in determining such Consolidated Net Income, plus (3) all income taxes (including any franchise taxes to the extent based upon net income) which were deducted in determining such Consolidated Net Income, plus (4) all depreciation and amortization (including amortization of good will and debt issue costs) and any other non-cash charges which were deducted in determining such Consolidated Net Income, plus (5) one time costs incurred in connection with the closing of this Agreement and the Transactions up to the amount of $10,000,000, minus (6) all non-cash items of income which were included in determining such Consolidated Net Income. 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 asset disposition or acquisition, 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 (i) in good faith by the chief financial officer, principal accounting officer or treasurer of Borrower and acceptable to Administrative Agent, and (ii) without giving effect to any anticipated or proposed change in operations, revenues, expenses or other items included in the computation of Consolidated EBITDA, except (A) cost reductions specifically identified at the time of disposition, acquisition, consolidation or merger that are attributable to personnel reductions, non-recurring maintenance costs, environmental costs, and allocated corporate overhead costs to the extent approved by Administrative Agent and (B) otherwise with the consent of Majority Lenders. Unless or until the Bossier Project shall have been sold or transferred (other than to another Restricted Person) or abandoned, with respect to each Fiscal Quarter beginning prior to the earlier of (i) September 1, 2004 or (ii) the 60th day following the commencement of commercial operations of the Bossier Project, Consolidated EBITDA for such Fiscal Quarter shall be increased by the amount of $6,250,000 and shall be decreased by the portion of Consolidated EBITDA, if any, derived from the operation of the Bossier Project during such Fiscal Quarter

"Consolidated Funded Indebtedness" means as of any date, the sum of the following (without duplication): (i) all Indebtedness which is classified as "long-term indebtedness" on a Consolidated balance sheet of Borrower and its Consolidated 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, (ii) indebtedness for borrowed money of Borrower and its Consolidated 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, and (iii) Indebtedness in respect of Capital Leases of Borrower and its Consolidated Subsidiaries.

"Consolidated Interest Expense" means, for any period, all interest paid or accrued during such period on, and all fees and related charges in respect of, Indebtedness (including amortization of original issue discount and the interest component of any deferred payment obligations and Capital Lease Obligations) which was deducted in determining Consolidated Net Income during such period.

"Consolidated Net Income" means, for any period, Borrower's and its Consolidated Subsidiaries' gross revenues for such period, minus Borrower's and its Consolidated 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 Subsidiary in which Borrower or any of its Subsidiaries has an ownership interest. Consolidated Net Income shall not include (i) any gain or loss from the sale of assets other than in the ordinary course of business, (ii) any extraordinary gains or losses, or (iii) 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 include any cash dividends and distributions actually received during such period from any Person other than a Subsidiary in which Borrower or any of its Subsidiaries has an ownership interest.

"Continuation/Conversion Notice" means a written or telephonic request, or a written confirmation, made by Borrower which meets the requirements of Section 2.3.

"Continue," "Continuation," and "Continued" shall refer to the continuation pursuant to Section 2.3 hereof of a Eurodollar Loan as a Eurodollar Loan from one Interest Period to the next Interest Period.

"Contribution Agreement" means that certain Contribution Agreement of dated as of November 6, 2003 between La Grange Energy and Master Partnership.

"Convert," "Conversion," and "Converted" shall refer to a conversion pursuant to Section 2.3 or Article III of one Type of Loan into another Type of Loan.

"Default" means any Event of Default and any default, event or condition which would, with the giving of any requisite notices and the passage of any requisite periods of time, constitute an Event of Default.

"Default Rate" means, at the time in question, (i) two percent (2%) per annum plus the applicable Eurodollar Rate Margin plus the Eurodollar Rate then in effect for any Eurodollar Loan (up to the end of the applicable Interest Period), (ii) two percent (2%) per annum plus the applicable Base Rate Margin plus the Base Rate for each Base Rate Loan or Matured LC Obligation, or (iii) two percent (2%) per annum plus the applicable Letter of Credit Fee Rate for each Letter of Credit; provided, however, the Default Rate shall never exceed the Highest Lawful Rate

"Default Rate Period" means any period during which an Event of Default is continuing.

"Disclosure Schedule" means Schedule 2 hereto.

"Dollars" and "$" means the lawful currency of the United States of America, except where otherwise specified.

"Domestic Lending Office" means, with respect to any Lender, the office of such Lender specified as its "Domestic Lending Office" in the Lender Schedule hereto, or such other office as such Lender may from time to time specify to Borrower and Administrative Agent; with respect to LC Issuer, the office, branch, or agency through which it issues Letters of Credit; and, with respect to Administrative Agent, the office, branch, or agency through which it administers this Agreement.

"Eligible Transferee" means a Person which either (a) is a Lender or an Affiliate of a Lender, or (b) is consented to as an Eligible Transferee by Administrative Agent and, so long as no Default or Event of Default is continuing, by Borrower, which consents in each case will not be unreasonably withheld (provided that no Person organized outside the United States may be an Eligible Transferee if Borrower would be required to pay withholding taxes on interest or principal owed to such Person).

"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" means shares of capital stock or a partnership, profits, capital or member interest, or options, warrants or any other right to substitute for or otherwise acquire the capital stock or a partnership, profits, capital or member interest of any Person.

"Equity Contribution" means any contribution to the equity capital of any Person whether or not occurring in connection with the issuance or sale of Equity by such Person.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, 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 Lending Office" means, with respect to any Lender, the office of such Lender specified as its "Eurodollar Lending Office" on the Lender Schedule hereto (or, if no such office is specified, its Domestic Lending Office), or such other office of such Lender as such Lender may from time to time specify to Borrower and Administrative Agent.

"Eurodollar Loan" means a Loan that bears interest at a rate based upon the Eurodollar Rate.

"Eurodollar Rate" means, as applicable to any Eurodollar Loan within a Borrowing and with respect to the related Interest Period therefor, the rate per annum (rounded upwards, if necessary, to the nearest 1/100 of 1%) as determined on the basis of offered rates for deposits in U.S. dollars, for a period of time comparable to such Interest Period which appears on Telerate Page 3750 (or any successor page) as of 11:00 a.m. London time on the day that is two Business Days preceding the first day of such Interest Period; provided, however, if the rate described above does not appear on the Telerate system on any applicable interest determination date, the Eurodollar Rate shall be the rate (rounded upwards as described above, if necessary) for deposits in dollars for a period substantially equal to such Interest Period on the Reuters Page "LIBO" (or such other page as may replace the LIBO Page on that service for the purpose of displaying such rates), as of 11:00 a.m. (London time), on the date that is two Business Days preceding the first day of such Interest Period; provided, however, if more than one rate is specified on Reuters Screen LIBO Page, the applicable rate shall be the arithmetic mean of all such rates (rounded upwards, if necessary, to the nearest 1/1000 of 1%). If both the Telerate and Reuters system are unavailable, then the Eurodollar Rate for that date will be determined on the basis of the offered rates for deposits in U.S. dollars for a period of time comparable to such Interest Period which are offered by four major banks in the London interbank market at approximately 11:00 a.m. London time, on the day that is two Business Days preceding the first day of such Interest Period as selected by Administrative Agent. The principal London office of each of the four major London banks will be requested to provide a quotation of its U.S. dollar deposit offered rate. If at least two such quotations are provided, the rate for that date will be the arithmetic mean of the quotations. If fewer than two quotations are provided as requested, the rate for that date will be determined on the basis of the rates quoted for loans in U.S. dollars to leading European banks for a period of time comparable to such Interest Period offered by major banks in New York City at approximately 11:00 a.m. New York City time, on the day that is two Business Days preceding the first day of such Interest Period. In the event that Administrative Agent is unable to obtain any such quotation as provided above, it will be deemed that the Eurodollar Rate pursuant to such Eurodollar Loan cannot be determined. In the event that the Board of Governors of the Federal Reserve System shall impose a Reserve Percentage with respect to

Eurodollar deposits of any Lender, then for any period during which such Reserve Percentage shall apply, the Eurodollar Rate shall be equal to the amount determined above divided by an amount equal to 1 minus the Reserve Percentage. "Reserve Percentage" means the maximum aggregate reserve requirement (including all basic, supplemental, marginal, special, emergency and other reserves) which is imposed on member banks of the Federal Reserve System against "Euro-currency Liabilities" as defined in Regulation D. Without limiting the effect of the foregoing, the Reserve Percentage shall reflect any other reserves required to be maintained by such member banks with respect to (a) any category of liabilities which includes deposits by reference to which the Eurodollar Rate is to be determined, or (b) any category of extensions of credit or other assets which include Eurodollar Loans. The Eurodollar Rate for any Eurodollar Loan shall change whenever the Reserve Percentage changes.

"Eurodollar Rate Margin" means, on any day, the percent per annum set forth below based on the Applicable Leverage Level in effect on such day.

Applicable Leverage Level	Eurodollar Rate Margin
Level I	3.000%
Level II	2.625%
Level III	2.250%
Level IV	2.000%

Changes in the applicable Eurodollar Rate Margin will occur automatically without prior notice as changes in the Applicable Leverage Level occur. Administrative Agent will give notice promptly to Borrower and Lenders of changes in the Eurodollar Rate Margin.

"Event of Default" has the meaning given to such term in Section 8.1.

"Excess Sale Proceeds" shall have the meaning set forth in Section 7.5(d).

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

"Existing Credit Agreement" means that certain Amended and Restated Credit Agreement dated as of December 27, 2002 among Borrower, Administrative Agent and the financial institutions party thereto, as amended or supplemented to the date hereof.

"Exiting Lender" means any Lender (as defined in the Existing Credit Agreement) that does not execute and deliver this Agreement, and does not have any commitments under this Agreement with respect to Revolver Loans, Term Loans or Letters of Credit.

"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 (rounded upwards, if necessary, to the nearest 1/1000th of one percent) 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 (i) if the day for which such rate is to be determined 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 (ii) if such rate is not so published for any day, the Federal Funds Rate for such day shall be the average rate quoted to Administrative Agent on such day on such transactions as determined by Administrative Agent.

"First Purchase Payables" means the unpaid amount of any payable obligation related to the purchase of Hydrocarbon Inventory by Borrower which Administrative Agent determines will be secured by a statutory Lien, including but not limited to the statutory Liens, if any, created under the laws of Texas, New Mexico, Oklahoma or any other state.

"Fiscal Quarter" means a three-month period ending on the last day of November, February, May and August. With respect to any period prior to the completion of four full Fiscal Quarters after the date of this Agreement (with respect to which Borrower's fiscal quarters had been on a calendar quarter basis), all calculations and determinations shall be made as if the actual fiscal quarter of Borrower during such period had been the three month periods ended on the last day of November, February, May and August.

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

"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 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 Borrower or with respect to 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 Borrower and Majority Lenders agree to such change insofar as it affects the accounting of Borrower or of Borrower and its Consolidated Subsidiaries.

"General Partner" means U.S. Propane, L.P., a Delaware limited partnership

"Guarantors" means any Person who has guaranteed some or all of the Obligations and who has been accepted by Administrative Agent as a Guarantor and any Subsidiary of Borrower, which now or hereafter executes and delivers a guaranty to Administrative Agent pursuant to Section 6.17.

"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.

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

"Heritage OLP" means Heritage Operating, L.P., a Delaware limited partnership.

"Highest Lawful Rate" means, with respect to each Lender Party to whom Obligations are owed, the maximum nonusurious rate of interest that such Lender Party is permitted under applicable Law to contract for, take, charge, or receive with respect to such Obligations. All determinations herein of the Highest Lawful Rate, or of any interest rate determined by reference to the Highest Lawful Rate, shall be made separately for each Lender Party as appropriate to assure that the Loan Documents are not construed to obligate any Person to pay interest to any Lender Party at a rate in excess of the Highest Lawful Rate applicable to such Lender Party.

"HHI" means Heritage Holdings, Inc., a Delaware corporation.

"Hydrocarbon Inventory" means natural gas and all other gaseous hydrocarbons including the liquid products of processing and any other natural gas liquids.

"Indebtedness" of any Person means its Liabilities (without duplication) in any of the following categories:

(a) Liabilities for borrowed money,

(b) Liabilities constituting an obligation to pay the deferred purchase price of property or services,

(c) Liabilities evidenced by a bond (other than Liabilities in respect of surety bonds issued in the ordinary cause of business), debenture, note or similar instrument,

(d) Liabilities (other than reserves for taxes and reserves for contingent obligations) which (i) would under GAAP be shown on such Person's balance sheet as a liability and (ii) are payable more than one year from the date of creation or incurrence thereof,

(e) Liabilities arising under Hedging Contracts (on a net basis to the extent netting is provided for in the applicable Hedging Contract),

(f) Liabilities constituting principal under Capital Leases,

(g) Liabilities arising under conditional sales or other title retention agreements,

(h) Liabilities owing under direct or indirect guaranties of Liabilities of any other Person or otherwise constituting obligations to purchase or acquire or to otherwise protect or insure a creditor against loss in respect of Liabilities of any other Person (such as obligations under working capital maintenance agreements, agreements to keep-well, or agreements to purchase Liabilities, assets, goods, securities or services), but excluding endorsements in the ordinary course of business of negotiable instruments in the course of collection,

(i) Liabilities consisting of an obligation to purchase or redeem securities or other property, if such Liabilities arise out of or in connection with the sale or issuance of the same or similar securities or property (for example, repurchase agreements, mandatorily redeemable preferred stock and sale/leaseback agreements),

(j) Liabilities with respect to letters of credit or applications or reimbursement agreements therefor,

(k) Liabilities with respect to banker's acceptances, or

(l) Liabilities with respect to obligations to deliver goods or services in consideration of advance payments therefor;

provided, however, that the "Indebtedness" of any Person shall not include Liabilities that were incurred in the ordinary course of business by such Person on ordinary trade terms to vendors, suppliers or other Persons providing goods and services for use by such Person in the ordinary course of its business, unless and until (i) such Liabilities are outstanding more than 120 days after the date the respective goods are delivered or the respective services are rendered, and (ii) such Person is not in good faith contesting such Liabilities by appropriate proceedings, if required, or is not maintaining adequate reserves with respect to such Liabilities on its books in accordance with GAAP.

"Initial Borrower Financial Statements" means (a) the unaudited quarterly Consolidated financial statements of Borrower as of September 30, 2003, and (b) the audited annual financial statements of Borrower as of August 31, 2003.

"Initial Financial Statements" means (a) the Initial Borrower Financial Statements, (b) the Initial Master Partnership Financial Statements, and (c) the Initial Pro Forma Financial Statements.

"Initial Master Partnership Financial Statements" means (a) the unaudited quarterly Consolidated financial statements of Master Partnership as of November 30, 2003, and (b) the audited annual financial statements of Master Partnership as of August 31, 2003.

"Initial Pro Forma Financial Statements" means (a) the pro forma balance sheet of Borrower and its Consolidated Subsidiaries as of December 31, 2003 and the pro forma statements of total earnings and cash flows of Borrower and its Consolidated Subsidiaries for the 12 month period ended as of December 31, 2003, giving effect to the Transactions as if the Transactions had been consummated on such date, and reflecting results of operations on a pro forma basis satisfactory to Administrative Agent, and (b) the pro forma combined financial statements of Master Partnership and its Subsidiaries, including Borrower and its Subsidiaries, as of August 31, 2003, giving effect to the Transactions as if the Transactions had been consummated on such date, as included in the Form S-3 Registration Statement of the Master Partnership as amended and filed with the Commission as of January 9, 2004.

"Initial Projections" means (a) a business and financial plan for Borrower and its Subsidiaries (in form reasonably satisfactory to Administrative Agent), prepared or caused to be prepared by a senior financial officer of Borrower, setting forth the financial projections and budgets of Borrower for each of the four annual periods beginning January 1, 2004, 2005, 2006 and 2007, and (b) a Consolidated business and financial plan for Master Partnership and its Subsidiaries (in form reasonably satisfactory to Administrative Agent), prepared or caused to be prepared by a senior financial officer of General Partner, setting forth the financial projections and budgets of Borrower for each of the four annual periods beginning January 1, 2004, 2005, 2006 and 2007.

"Insurance Schedule" means Schedule 4 attached hereto.

"Interest Period" means, with respect to each particular Eurodollar Loan in a Borrowing, the period specified in the Borrowing Notice or Continuation/Conversion Notice applicable thereto, beginning on and including the date specified in such Borrowing Notice or Continuation/Conversion Notice (which must be a Business Day), and ending one, two, three, six or, if available to each Lender, twelve months thereafter, as Borrower may elect in such notice; provided that: (a) any Interest Period which would otherwise end on a day which 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 which begins on the last Business Day in 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 in a calendar month; and (c) notwithstanding the foregoing, no Interest Period may be selected that would end after the last day of the Commitment Period.

"Intermediate Entities" means Heritage ETC, L.P., which is a Delaware limited partnership, a wholly owned subsidiary of Master Partnership and the owner of all of the limited partnership interests in Borrower, and Heritage ETC GP, L.L.C., which is a Delaware limited liability company, a wholly owned subsidiary of Master Partnership and the owner of all of the general partnership interests in Heritage ETC, L.P.

"Investment" means any investment made, directly or indirectly in any Person, whether by acquisition of shares of capital stock, indebtedness or other obligations or securities or by

loan, advance, capital contribution or otherwise and whether made in cash, by the transfer of property or by any other means.

"LA GP" means LA GP LLC, a Texas limited liability company and the general partner of Borrower.

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

"Law" 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 Application" means any application for a Letter of Credit hereafter made by Borrower to LC Issuer.

"LC Collateral" has the meaning given to such term in Section 2.11(a).

"LC Issuer" means Fleet National Bank, in its capacity as the issuer of Letters of Credit hereunder, and its successors in such capacity. Administrative Agent may, with the consent of Borrower and the Lender in question, appoint any Lender hereunder as an LC Issuer in place of or in addition to Fleet National Bank.

"LC Obligations" means, at the time in question, the sum of all Matured LC Obligations plus the maximum amounts which LC Issuer might then or thereafter be called upon to advance under all Letters of Credit then outstanding.

"Lender Hedging Obligations" means all obligations arising from time to time under Hedging Contracts entered into from time to time between Borrower or any of its Subsidiaries and a counterparty that is a Lender or an Affiliate of a Lender; provided (a) that if such counterparty ceases to be a Lender hereunder or an Affiliate of a Lender hereunder, Lender Hedging Obligations shall only include such obligations to the extent arising from transactions entered into at the time such counterparty was a Lender hereunder or an Affiliate of a Lender hereunder, and (b) that for any of the forgoing to be included within "Lender Hedging Obligations" hereunder, the applicable counterparty and Borrower must have provided Administrative Agent written notice of the existence thereof certifying that such transaction is a Lender Hedging Obligation and is not prohibited under this Agreement.

"Lender Parties" means Administrative Agent, LC Issuer, and all Lenders.

"Lender Schedule" means Schedule 1 hereto, as it may be revised pursuant to Section 10.5(c)(iii).

"Lenders" means each signatory hereto (other than Borrower and any Restricted Person that is a party hereto), including Fleet National Bank, in its capacity as a Lender hereunder rather than as Administrative Agent and LC Issuer, and Wachovia Bank, in its capacity as a Lender

hereunder rather than as Syndication Agent, and the successors and each permitted assign of each such party as holder of a Note.

"Letter of Credit" means any letter of credit issued by LC Issuer hereunder.

"Letter of Credit Fee Rate" means, on any day, the percent per annum set forth below based on the Applicable Leverage Level in effect on such day.

Applicable Leverage Level	LC Fee Rate
Level I	3.000%
Level II	2.625%
Level III	2.250%
Level IV	2.000%

Changes in the applicable Letter of Credit Fee Rate will occur automatically without prior notice as changes in the Applicable Leverage Level occur. Administrative Agent will give notice promptly to Borrower and Lenders of changes in the Letter of Credit Fee Rate.

"Leverage Ratio" means, as of any date of determination, the ratio of (a) Consolidated Funded Indebtedness to (b) Consolidated EBITDA for the four Fiscal Quarter period most recently ended prior to the date of determination for which financial statements contemplated by Section 6.2(a) or (b) are available to Borrower.

"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.

"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 Revolver Loans and the Term Loans.

"Loan Documents" means this Agreement, the Notes, the Security Documents, the Letters of Credit, the LC Applications, 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).

"Maintenance Capital Expenditures" means, for any period, all amounts properly classified as capital expenditures under GAAP for maintenance of or repair or replacement of existing assets during such period or that are incurred to maintain existing operations, excluding all costs associated with new well hook-ups.

"Majority Lenders" means any Lenders whose aggregate Percentage Shares equal or exceed fifty-one percent (51%).

"Master Partnership" means Heritage Propane Partners, L.P., a Delaware limited partnership.

"Material Adverse Change" means a material and adverse change, from the state of affairs presented in the Initial Borrower Financial Statements or as represented or warranted in any Loan Document, to (a) Borrower's Consolidated financial condition, (b) Borrower's Consolidated operations, properties or prospects, considered as a whole, (c) Borrower's ability to timely pay the Obligations, or (d) the enforceability of the material terms of any Loan Document.

"Material Adverse Effect" means (a) with respect to Borrower, (i) a material adverse effect on the financial condition, operations, properties or prospects of Borrower and Restricted Persons, taken as a whole, after giving effect to the Transactions, (ii) a material impairment of the ability of any Restricted Person to perform any of its obligations under the Loan Documents to which it is a party, or (iii) a material adverse effect on the enforceability of any of the Loan Documents, and (b) with respect to any other Person, a material adverse effect on the financial condition, operations, properties or prospects of such Person and its Subsidiaries, taken as a whole.

"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 LC Application for any Letter of Credit, to the extent the same have not been repaid to LC Issuer (with the proceeds of Loans or otherwise).

"Maturity Date" means January 18, 2008.

"Maximum Facility Amount" means the sum of $500,000,000.

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

"Net Sale Proceeds" shall have the meaning set forth in Section 7.5(d).

"Notes" means all Revolver Notes and all Term Notes.

"Obligations" means all Liabilities from time to time owing by any Restricted Person to any Lender Party under or pursuant to any of the Loan Documents, including all LC Obligations. "Obligation" means any part of the Obligations.

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

"Percentage Share" means, with respect to any Lender, the percentage obtained by dividing (a) the sum of the unpaid principal balance of such Lender's Term Loans at the time in question plus such Lender's Revolver Commitment (or, if such Lender's Revolver Commitment has been terminated, the unpaid principal balance of such Lender's Revolver Loans) by (b) the sum of the aggregate unpaid principal balance of all Term Loans at such time plus the Revolver Commitment of all Lenders (or, if the Revolver Commitment of all Lenders has been terminated, the unpaid principal balance of the Revolver Loans).

"Permitted Acquisitions" means (A) the acquisition of all of the capital stock or other equity interest 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; (ii) all representations and warranties contained in the Loan Documents shall be true and correct as if restated immediately following the consummation of such acquisition; and (iii) substantially all of such business, assets and operations so acquired, or of the Person so acquired, consist of Hydrocarbon Inventory marketing, gathering, transmission, processing, treating and pipeline operations.

"Permitted HHI Investments" means: (a) a loan in an amount not to exceed $50,000,000 to HHI for the sole purpose of repaying the Seller Note delivered pursuant to the Stock Purchase Agreement, such loan to be evidenced by a promissory note on terms reasonably satisfactory to the Administrative Agent, or (b) the Subscription Agreement, described in the Disclosure Schedule, between HHI and Oasis Pipeline Company as such Subscription Agreement exists on the date of this Agreement and purchases of shares of HHI required to be made pursuant thereto.

"Permitted Inventory Liens" means any Lien, and the amount of any Liability secured thereby, on Hydrocarbon Inventory which would be a Permitted Lien under Section 7.2(ii)(b) (so long as such Lien is inchoate) or Section 7.2(ii)(d).

"Permitted Investments" means:

(a) Cash Equivalents,

(b) Investments now owned or hereafter acquired in Dorado joint venture,

(c) Investments by Borrower in any Wholly Owned Subsidiary of Borrower,

(d) Permitted HHI Investments, or

(e) Investment in VanTex Energy Services, Ltd., VanTex Gas Pipeline Company, LLC and VES Inc. described in the Disclosure Schedule.

"Permitted Lien" has the meaning given to such term in Section 7.2.

"Permitted Reinvestment" has the meaning given to such term in Section 7.5(d)(iii).

"Permitted Subordinated Debt" means unsecured Indebtedness of Borrower (a) that by its express terms provides that it ranks subordinate or junior in right of payment to the payment and performance of the Obligations on terms acceptable to Majority Lenders, (b) incurred solely to finance working capital and capital expenditures related to Hydrocarbon Inventory gathering, transmission, processing, treating and pipeline operations, (c) in an aggregate amount outstanding at any time not to exceed an amount consented to by Majority Lenders pursuant to a written notification thereof from such Majority Lenders to Borrower, and (d) otherwise in form, substance and on terms acceptable to Administrative Agent and Majority Lenders.

"Person" means an individual, corporation, partnership, limited liability company, association, joint stock company, trust or trustee thereof, estate or executor thereof, unincorporated organization or joint venture, Tribunal, or any other legally recognizable entity.

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

"Regulation D" means Regulation D of the Board of Governors of the Federal Reserve System as from time to time in effect.

"Release" has the meaning given such term in 42 U.S.C. Section 9601(22).

"Restricted Person" means any of LA GP, Borrower and each Subsidiary of Borrower.

"Revolver Commitment" means the amount of $175,000,000, as such amount may be reduced from time to time as provided in Section 2.6 or as such amount may be reduced by Borrower from time to time as provided in Section 2.12. Each Lender's Revolver Commitment shall be the amount set forth for such Lender on the Lender Schedule.

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

"Revolver Loan" has the meaning given such term in Section 2.1(a).

"Revolver Note" has the meaning given such term in Section 2.1(a).

"Revolver Percentage" means, with respect to any Lender, the percentage set forth as such Lender's Revolver Percentage, if any, on the Lender Schedule hereto.

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

"Security Documents" means the instruments listed in the Security Schedule and all other security agreements, deeds of trust, mortgages, chattel mortgages, pledges, guaranties, financing statements, continuation statements, extension agreements and other agreements or instruments now, heretofore, or hereafter delivered by any Restricted Person to Administrative Agent in connection with this Agreement or any transaction contemplated hereby to secure or guarantee the payment of any part of the Obligations or Lender Hedging Obligations or the performance of any Restricted Person's other duties and obligations under the Loan Documents.

"Security Schedule" means Schedule 3 hereto.

"Stock Purchase Agreement" means that certain Stock Purchase Agreement dated November 6, 2003 by and among General Partner, certain Sellers named therein, and Master Partnership.

"Subordinated Units" shall mean subordinated units representing all of the limited partnership interest in Master Partnership not represented by Common Units.

"Subsidiary" means, with respect to any Person, any corporation, association, partnership, limited liability company, joint venture, or other business or corporate entity, enterprise or organization which is directly or indirectly (through one or more intermediaries) controlled or owned more than fifty percent by such Person.

"Subsidiary GP" means LG PL, LLC, LGM LLC and ETC Oasis GP, LLC, each a Texas limited liability company and a general partner of a Subsidiary of the Borrower.

"Syndication Agent" means Wachovia Bank, National Association, as syndication agent, and its successors in such capacity.

"Systems" means all gathering systems, transmission pipelines, plants, compressors, storage facilities, injection stations, terminals, trucking operations, pumps and heaters, and the equipment, fixtures and improvements located thereon or used in connection therewith, in which any Restricted Person owns an interest.

"Term Commitment" means $325,000,000. Each Lender's Term Commitment shall be the amount set forth for such Lender on the Lender Schedule.

"Term Loan" has the meaning given such term in Section 2.1(b).

"Term Note" has the meaning given such term in Section 2.1(b).

"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.

"Transactions" means, collectively, the transactions contemplated by the Transaction Documents.

"Transaction Documents" means, collectively, (a) the Acquisition Agreement, (b) the Contribution Agreement, and (c) the Stock Purchase Agreement.

"Tribunal" means any government, any arbitration panel, any court or any governmental department, commission, board, bureau, agency or instrumentality of the United States of America 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 any Loans, the characterization of such Loans as either Base Rate Loans or Eurodollar Loans.

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

"Units" shall mean, collectively, the Common Units and the Subordinated Units.

"Unused Proceeds Amount" has the meaning given in Section 7.5.

"Wholly Owned Subsidiary" means any Subsidiary of a 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.

Section 1.2 Exhibits and Schedules; Additional Definitions. All Exhibits and Schedules attached to this Agreement are a part hereof for all purposes. Reference is hereby made to the Security Schedule for the meaning of certain terms defined therein and used but not defined herein, which definitions are incorporated herein by reference.

Section 1.3 Amendment of Defined Instruments. Unless the context otherwise requires or unless otherwise provided herein the terms defined in this Agreement which refer to a particular agreement, instrument or document also refer to and include all renewals, extensions,

modifications, amendments and restatements of such agreement, instrument or document, provided that nothing contained in this section shall be construed to authorize any such renewal, extension, modification, amendment or restatement.

Section 1.4 References and Titles. All references in this Agreement to Exhibits, Schedules, articles, sections, subsections and other subdivisions refer to the Exhibits, Schedules, articles, sections, subsections and other subdivisions of this Agreement unless expressly provided otherwise. Exhibits and Schedules to any Loan Document shall be deemed incorporated by reference in such Loan Document. References to any document, instrument, or agreement (a) shall include all exhibits, schedules, and other attachments thereto, and (b) shall include all documents, instruments, or agreements issued or executed in replacement thereof. Titles appearing at the beginning of any subdivisions are for convenience only and do not constitute any part of such subdivisions and shall be disregarded in construing the language contained in such subdivisions. The words "this Agreement," "this instrument," "herein," "hereof," "hereby," "hereunder" and words of similar import refer to this Agreement as a whole and not to any particular subdivision unless expressly so limited. The phrases "this section" and "this subsection" and similar phrases refer only to the sections or subsections hereof in which such phrases occur. The word "or" is not exclusive, and the word "including" (in its various forms) means "including without limitation." Pronouns in masculine, feminine and neuter genders shall be construed to include any other gender, and words in the singular form shall be construed to include the plural and vice versa, unless the context otherwise requires. Accounting terms have the meanings assigned to them by GAAP, as applied to the entity to which such terms refer. References to "days" shall mean calendar days, unless the term "Business Day" is used. Unless otherwise specified, references herein to any particular Person also refer to its successors and permitted assigns.

Section 1.5 Calculations and Determinations. All calculations under the Loan Documents of interest chargeable with respect to Eurodollar Loans 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 Base Rate Loans 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. Each determination by a Lender Party of amounts to be paid under Article III or any other matters which are to be determined hereunder by a Lender Party (such as any Eurodollar Rate, Business Day, Interest Period, or Reserve Percentage) shall, in the absence of manifest error, be conclusive and binding. Unless otherwise expressly provided herein or unless Majority Lenders otherwise consent all financial statements and reports furnished to any Lender Party hereunder shall be prepared and all financial computations and determinations pursuant hereto shall be made in accordance with GAAP, subject to the last sentence of the definition of GAAP.

Section 1.6 Joint Preparation; Construction of Indemnities and Releases. This Agreement and the other Loan Documents have been reviewed and negotiated by sophisticated parties with access to legal counsel and no rule of construction shall apply hereto or thereto which would require or allow any Loan Document to be construed against any party because of its role in drafting such Loan Document. All indemnification and release provisions of this

Agreement shall be construed broadly (and not narrowly) in favor of the Persons receiving indemnification or being released.

ARTICLE II - The Loans and Letters of Credit

Section 2.1 Commitments to Lend; Notes.

(a) Revolver Loans. Subject to the terms and conditions hereof, each Lender agrees to make loans to Borrower (herein called such Lender's "Revolver Loans") upon Borrower's request from time to time during the Commitment Period, provided that (i) subject to Sections 3.3, 3.4 and 3.6, all Lenders are requested to make Loans of the same Type in accordance with their respective Revolver Percentages and as part of the same Borrowing, (ii) after giving effect to such Revolver Loans, the Revolver Facility Usage does not exceed the Revolver Commitment, and (iii) if such Revolver Loans are CE/PA Revolver Loans, after giving effect to such CE/PA Revolver Loans, the aggregate amount of all outstanding CE/PA Revolver Loans does not exceed the CE/PA Sublimit. The aggregate amount of all Revolver Loans in any Borrowing must be equal to $500,000 or any higher integral multiple of $100,000. Borrower may have no more than five (5) Borrowings of Eurodollar Loans that are Revolver Loans outstanding at any time. The obligation of Borrower to repay to each Lender the aggregate amount of all Revolver Loans made by such Lender, together with interest accruing in connection therewith, shall be evidenced by a single promissory note (herein called such Lender's "Revolver Note") made by Borrower payable to the order of such Lender in the form of Exhibit A-1 with appropriate insertions. The amount of principal owing on any Lender's Revolver Note at any given time shall be the aggregate amount of all Revolver Loans theretofore made by such Lender minus all payments of principal theretofore received by such Lender on such Revolver Note. Interest on each Revolver Note shall accrue and be due and payable as provided herein and therein. Each Revolver Note shall be due and payable as provided herein and therein, and shall be due and payable in full on the last day of the Commitment Period. Subject to the terms and conditions of this Agreement, Borrower may borrow, repay, and reborrow under this Section 2.1(a). Unless otherwise directed by Borrower at the time of repayment, any repayment of principal of Revolver Loans shall be applied, first, to reduce the principal amount of CE/PA Revolver Loans, and then to the principal amount of the Revolver Loans other than CE/PA Revolver Loans.

(b) Term Loans. Subject to the terms and conditions hereof (including Section 10.14), each Lender agrees to make a single advance to Borrower (herein called such Lender's "Term Loans") on the Closing Date in the amount of such Lender's Term Commitment set forth on the Lender Schedule, provided that the aggregate amount of all Term Loans does not exceed the total Term Commitment. Term Loans shall consist of Base Rate Loans or Eurodollar Loans, or a combination thereof as Borrower may request in writing as provided in Section 2.2 or as otherwise provided in Section 2.3; provided that Borrower may have no more than five (5) Borrowings of Eurodollar Loans that are Term Loans outstanding at any time. The obligation of Borrower to repay to each Lender the amount of the Term Loan made by such Lender, together with interest accruing in connection therewith, shall be evidenced by a single promissory note (herein called such Lender's "Term Note") made by Borrower payable to the order of such Lender in the form of Exhibit A-2 with appropriate insertions. The amount of principal owing on any Lender's Term Note at any given time shall be the amount of such Lender's Term Loan

minus all payments of principal theretofore received by such Lender on such Term Note. Interest on each Term Note shall accrue and be due and payable as provided herein and therein. Each Term Note shall be due and payable as provided herein and therein, and shall be due and payable in full on the Maturity Date. No portion of any Term Loan that has been repaid may be reborrowed.

Section 2.2 Requests for New Loans. Borrower must give to 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 "Borrowing 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;

(b) in the case of the Loans on the Closing Date, specify whether the Loans are Revolver Loans or Term Loans; and

(c) if applicable, designate Revolver Loans as CE/PA Revolver Loans; and

(d) be received by Administrative Agent not later than 1:00 p.m., Boston, Massachusetts time, 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 "Borrowing Notice" attached hereto as Exhibit B, duly completed. Each such telephonic request shall be deemed a representation, warranty, acknowledgment and agreement by Borrower as to the matters which are required to be set out in such written confirmation. Upon receipt of any such Borrowing Notice, 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 Administrative Agent at Administrative Agent's office in Boston, Massachusetts 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, Administrative Agent shall promptly make such Loans available to Borrower. Unless Administrative Agent shall have received prompt notice from a Lender that such Lender will not make available to Administrative Agent such Lender's new Loan, Administrative Agent may in its discretion assume that such Lender has made such Loan available to Administrative Agent in accordance with this section and Administrative Agent may if it chooses, in reliance upon such assumption, make such Loan available to Borrower. If and to the extent such Lender shall not so make its new Loan available to Administrative Agent, such Lender and Borrower severally agree to pay or repay to Administrative Agent within three days after demand the amount of such Loan together with interest thereon, for each day from the date such amount was made available to Borrower until the date such amount is paid or repaid to Administrative Agent, with interest at (i) the Federal

Funds Rate, if such Lender is making such payment and (ii) the interest rate applicable at the time to the other new Loans made on such date, if Borrower is making such repayment. If neither such Lender nor Borrower pays or repays to Administrative Agent such amount within such three-day period, Administrative Agent shall be entitled to recover from Borrower, on demand, in lieu of the interest provided for in the preceding sentence, interest thereon at the Default Rate, calculated from the date such amount was made available to Borrower. The failure of any Lender to make any new Loan to be made by it hereunder shall not relieve any other Lender of its obligation hereunder, if any, to make its new Loan, but no Lender shall be responsible for the failure of any other Lender to make any new Loan to be made by such other Lender.

Section 2.3 Continuations and Conversions of Existing Loans. Borrower may make the following elections with respect to Term Loans or Revolver 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, 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) Borrower may have no more than five (5) Borrowings of Eurodollar Loans that are Revolver Loans or five (5) Borrowings of Eurodollar Loans that are Term Loans outstanding at any time and (ii) no combinations may be made between Borrowings constituting Revolver Loans on the one hand and Borrowings constituting Term Loans on the other hand. To make any such election, Borrower must give to 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 constitutes a "Continuation/Conversion Notice" hereunder and 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 Administrative Agent not later than 1:00 p.m., Boston, Massachusetts time, on (i) the day on which any such Continuation or 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 "Continuation/Conversion Notice" attached hereto as Exhibit C, duly completed. Each such telephonic request shall be deemed a representation, warranty, acknowledgment and agreement

by Borrower as to the matters which are required to be set out in such written confirmation. Upon receipt of any such Continuation/Conversion Notice, Administrative Agent shall give each Lender prompt notice of the terms thereof. Each Continuation/Conversion Notice shall be irrevocable and binding on Borrower. During the continuance of any Default, 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) Borrower fails to timely and properly give any Continuation/Conversion 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 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.

Section 2.4 Use of Proceeds. Borrower shall use all proceeds of the Term Loans (i) to refinance the term loans and the revolving loans under the Existing Credit Agreement and (ii) to pay in the ordinary course, on or after the Closing Date, the current liabilities of Borrower existing on the Closing Date, (iii) to finance a portion of the Transactions, (iv) to provide working capital after giving effect to the Transactions, and (v) to pay the out-of-pocket expenses incurred and fees payable in respect of the Transactions and this Agreement. Borrower shall use the proceeds of all Revolver Loans (i) to pay the out-of-pocket expenses incurred and fees payable in respect of the Transactions and this Agreement, (ii) to the extent of Revolver Loans designated as CE/PA Revolver Loans, for capital expenditures, including the Bossier Project, and Permitted Acquisitions, (iii) for working capital purposes, and (iv) for general business purposes not specified in clauses (i), (ii) and (iii) of this sentence. Borrower may use the proceeds of the Term Loans or the Revolver Loans to fund a loan to HHI pursuant to clause (a) of the definition of Permitted HHI Investments. Borrower shall use all Letters of Credit solely for the purposes specified in Section 2.7(e). In no event shall any Loan or any Letter of Credit be used (i) directly or indirectly by any Person for personal, family, household or agricultural purposes, (ii) for the purpose, whether immediate, incidental or ultimate, of purchasing, acquiring or carrying any "margin stock" (as such term is defined in Regulation U promulgated by the Board of Governors of the Federal Reserve System) or (iii) to extend credit to others directly or indirectly for the purpose of purchasing or carrying any such margin stock. Borrower represents and warrants that Borrower is not engaged principally, or as one of Borrower's important activities, in the business of extending credit to others for the purpose of purchasing or carrying such margin stock.

Section 2.5 Optional Prepayments of Loans. Borrower may, upon three Business Days' notice to Administrative Agent (which notice shall be irrevocable, and 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) prepay the Loans, in whole or in part, so long as the aggregate amounts of all partial prepayments of principal on the Loans equals $200,000 or any higher integral multiple of $100,000. 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.

Section 2.6 Mandatory Prepayments.

(a) Upon receipt of Net Sale Proceeds that are Excess Sale Proceeds, Borrower will immediately apply such Excess Sale Proceeds (i) first, prepay a principal amount of the outstanding Term Loans equal to the Excess Sale Proceeds and (ii) next, to the extent such Excess Sale Proceeds exceed the principal amount of the Term Loans, repay the Revolver Loans.

(b) If at any time any Restricted Person shall incur any Additional Indebtedness, Borrower will (i) first, prepay a principal amount of the outstanding Term Loans equal to the net cash proceeds (net of underwriters', purchasers' or arrangers' discounts, commissions and fees, legal, accountancy, registration, or printing fees and expenses and other fees and expenses incurred in connection with such offering to be paid or reimbursed by the issuer and net of any taxes, if any, paid or payable as a result thereof) of such Additional Indebtedness and (ii) next, to the extent such net cash proceeds exceed the principal amount of the Term Loans, repay the Revolver Loans. The foregoing shall not be construed to permit the incurrence of Indebtedness not otherwise permitted by Section 7.1.

(c) If at any time any Restricted Person shall receive any cash Equity Contribution (other than contributions from Borrower or a Subsidiary of Borrower), Borrower will (i) first, prepay a principal amount of the outstanding Term Loans equal to fifty percent (50%) of the net cash proceeds thereof (net of underwriters' or purchasers' discounts and commissions, legal, accountancy, registration, or printing fees and expenses and other fees and expenses incurred in connection with an offering of Equity to be paid or reimbursed by the issuer and net of any taxes, if any, paid or payable as a result thereof) and (ii) next, to the extent that such fifty percent (50%) of net cash proceeds exceeds the principal amount of the Term Loans, repay the Revolver Loans.

Section 2.7 Letters of Credit. Subject to the terms and conditions hereof, during the Commitment Period Borrower may request LC Issuer to issue, amend, or extend the expiration date of, one or more Letters of Credit, provided that:

(a) after taking such Letter of Credit into account, the aggregate amount of all outstanding LC Obligations does not exceed $40,000,000;

(b) after taking such Letter of Credit into account, the Revolver Facility Usage does not exceed the Revolver Commitment at such time;

(c) the expiration date of such Letter of Credit is prior to the earlier of (i) (A) 75 days after the issuance thereof if issued for the purposes set forth in clause (e)(i) of this Section, or (B) 365 days after the issuance thereof if issued for the purposes set forth in clause (e)(ii) of this Section, and (ii) 30 days prior to the end of the Commitment Period;

(d) 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;

(e) such Letter of Credit is (i) related to the purchase or exchange by Borrower of Hydrocarbon Inventory or (ii) used to satisfy or secure bonding requirements arising in the ordinary course of business (all such Letters of Credit for the purposes set forth in this clause (e)(ii) shall not exceed an aggregate amount at any one time outstanding of $5,000,000) and, in either case, is in form and upon terms as shall be acceptable to LC Issuer in its sole and absolute discretion;

(f) 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 (f) (in the following Section 2.8 called the "LC Conditions") have been met as of the date of issuance, amendment, or extension of such Letter of Credit.

Section 2.8 Requesting Letters of Credit. Borrower must make written application for any Letter of Credit at least two Business Days before the date on which Borrower desires for LC Issuer to issue such Letter of Credit. By making any such written application, unless otherwise expressly stated therein, Borrower shall be deemed to have represented and warranted that the LC Conditions described in Section 2.7 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 writing in the form and substance of Exhibit E, the terms and provisions of which are hereby incorporated herein by reference (or in such other form as may mutually be agreed upon by LC Issuer and Borrower). If all LC Conditions for a Letter of Credit have been met as described in Section 2.7 on any Business Day before 1:00 p.m., Boston, Massachusetts time, LC Issuer will issue such Letter of Credit on the same Business Day at LC Issuer's Domestic Lending Office. If the LC Conditions are met as described in Section 2.7 on any Business Day on or after 1:00 p.m., Boston, Massachusetts time, LC Issuer will issue such Letter of Credit on the next succeeding Business Day at LC Issuer's Domestic 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.

Section 2.9 Reimbursement and Participations.

(a) Reimbursement. Each Matured LC Obligation shall constitute a loan by LC Issuer to Borrower. 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 Base Rate Margin to and including the second Business Day after the Matured LC Obligation is incurred 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 Borrower may, during the interval between the

making thereof and the honoring thereof by LC Issuer, request Lenders to make Revolver Loans to Borrower in the amount of such draft or demand, which Revolver 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 a request by Borrower shall be made in compliance with all of the provisions hereof, provided that for the purposes of the first sentence of Section 2.1, the amount of such Revolver Loans shall be considered, but the amount of the Matured LC Obligation to be concurrently paid by such Revolver 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 Revolver 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 Borrower in accordance with the terms of this Agreement and the related LC Application (including any reimbursement by means of concurrent Revolver 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 address for notices hereunder, such Lender's Revolver Percentage of such Matured LC Obligation (or any portion thereof which has not been reimbursed by 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 Revolver 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 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 Revolver Percentage), LC Issuer will distribute to such Lender its Revolver 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 Borrower or any Lender from time to time, shall be conclusive, absent manifest error, as to the amounts thereof.

Section 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. Borrower releases each Lender Party from, and agrees to hold each Lender Party 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 LENDER PARTY, provided only that no Lender Party 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 Borrower, or if the amount of any Letter of Credit is increased at the request of Borrower, this Agreement shall be binding upon all Restricted Persons with respect to such Letter of Credit as so extended, increased 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 Party in accordance with such extension, increase 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 Borrower releases each Lender Party from, and agrees to hold each Lender Party 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 LENDER PARTY, provided only that no Lender Party 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.

Section 2.11 LC Collateral.

(a) Acceleration of LC Obligations. If the Obligations or any part thereof become immediately due and payable pursuant to Section 8.1 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), all LC Obligations shall become immediately due and payable without regard to whether or not actual drawings or payments on the Letters of Credit have occurred, and 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 any Lender Party may have to otherwise apply any payments by Borrower and any LC Collateral under Section 3.1.

(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 Borrower's reimbursement obligations in connection therewith have been satisfied in full, LC Issuer shall release any remaining LC Collateral. 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, and Borrower agrees that such LC Collateral, Investments and proceeds shall be subject to all of the terms and conditions of the Security Documents. 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 Borrower is required to provide LC Collateral for any reason but fails to do so as required, LC Issuer or Administrative Agent may without prior notice to Borrower or any other Restricted Person provide such LC Collateral (whether by application of proceeds of other Collateral, by transfers from other accounts maintained with LC Issuer, or otherwise) using any available funds of Borrower or any other Person also liable to make such payments, and LC Issuer or Administrative Agent will give notice thereof to 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, for purposes of each Security Document, be considered past due Obligations owing hereunder, and LC Issuer is hereby authorized to exercise its respective rights under each Security Document to obtain such amounts.

Section 2.12 Interest Rates and Fees; Reduction in Commitment.

(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 Base Rate Margin 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 Eurodollar Rate Margin 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 Base Rate Margin, the Eurodollar Rate or the Eurodollar Rate Margin changes. In no event shall the interest rate on any Loan exceed the Highest Lawful Rate.

(b) Commitment Fees. In consideration of each Lender's commitment to make Revolver Loans, Borrower will pay to Administrative Agent for the account of each Lender a commitment fee determined on a daily basis equal to the Commitment Fee Rate in effect on such day times such Lender's Revolver Percentage of the unused portion of the Revolver Commitment on each day during the Commitment Period, determined for each such day by deducting from the amount of the Revolver Commitment at the end of such day the Revolver 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) Reduction in Revolver Commitment. Borrower shall have the right from time to time to permanently reduce the Revolver Commitment, provided that (i) notice of such reduction is given not less than two Business Days prior to such reduction, (ii) the resulting Revolver Commitment is not less than the Revolver Facility Usage, and (iii) each partial reduction shall be in an amount at least equal to $1,000,000 and in multiples of $500,000 in excess thereof.

(d) Letter of Credit Fees. In consideration of LC Issuer's issuance of any Letter of Credit, Borrower agrees to pay to Administrative Agent, for the account of all Lenders in accordance with their respective Revolver Percentages, a letter of credit fee equal to the Letter of Credit Fee Rate (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, Borrower will pay to LC Issuer 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.

(e) Administrative Agent's Fees. In addition to all other amounts due to Administrative Agent under the Loan Documents, Borrower will pay fees to Administrative Agent as described in a letter agreement of even date herewith between Administrative Agent and Borrower.

ARTICLE III - Payments to Lenders

Section 3.1 General Procedures. Borrower will make each payment which it owes under the Loan Documents to Administrative Agent for the account of the Lender Party to whom such payment is owed in lawful money of the United States of America, (unless otherwise expressly provided in this Agreement), without set-off, deduction or counterclaim, and in immediately available funds. Each such payment must be received by Administrative Agent not later than noon, Boston, Massachusetts time, on the date such payment becomes due and payable. Any payment received by Administrative Agent after such time will be deemed to have been made on the next following Business Day. Should any such payment become due and payable on a day other than a Business Day, the maturity of such payment shall be extended to the next succeeding Business Day, and, in the case of a payment of principal or past due interest, interest shall accrue and be payable thereon for the period of such extension as provided in the Loan Document under which such payment is due. Each payment under a Loan Document shall be due and payable at the place provided therein and, if no specific place of payment is provided, shall be due and payable at the place of payment of Administrative Agent's Note. When Administrative Agent collects or receives money on account of the Obligations, Administrative Agent shall promptly distribute all money so collected or received, and each Lender Party shall apply all such money so distributed, as follows:

(a) first, for the payment of all Obligations which are then due (and if such money is insufficient to pay all such Obligations, first to any reimbursements due Administrative Agent under Section 6.9 or 10.4 and then to the partial payment of all other Obligations then due in proportion to the amounts thereof, or as Lender Parties shall otherwise agree);

(b) then for the prepayment of amounts owing under the Loan Documents (other than principal on the Notes) if so specified by Borrower;

(c) then for the prepayment of principal on the Notes, together with accrued and unpaid interest on the principal so prepaid, and then held as LC Collateral pursuant to Section 2.11(c); and

(d) last, for the payment or prepayment of any other Obligations.

All payments applied to principal or interest on any Note shall be applied first to any interest then due and payable, then to principal then due and payable, and last to any prepayment of principal and accrued interest thereon in compliance with Sections 2.5 and 2.6, as applicable. All distributions of amounts described in any of subsections (b), (c) or (d) above shall be made by Administrative Agent pro rata to each Lender Party then owed Obligations described in such subsection in proportion to all amounts owed to all Lender Parties which are described in such subsection; provided that if any Lender then owes payments to LC Issuer for the purchase of a participation under Section 2.9(c) or to Administrative Agent under Section 9.4, any amounts otherwise distributable under this section to such Lender shall be deemed to belong to LC Issuer or Administrative Agent, respectively, to the extent of such unpaid payments, and Administrative Agent shall apply such amounts to make such unpaid payments rather than distribute such

amounts to such Lender. Administrative Agent shall be required to make payments to each Lender by wire transfer to such Lender's Applicable Lending Office.

Section 3.2 Capital Reimbursement. If either (a) the introduction or implementation of or the compliance with or any change in or in the interpretation of any Law, or (b) the introduction or implementation of or the compliance with any request, directive or guideline from any central bank or other governmental authority (whether or not having the force of Law) affects or would affect the amount of capital required or expected to be maintained by any Lender Party or any corporation controlling any Lender Party, then, within five Business Days after demand by such Lender Party, Borrower will pay to Administrative Agent for the benefit of such Lender Party, from time to time as specified by such Lender Party, such additional amount or amounts which such Lender Party shall determine to be appropriate to compensate such Lender Party or any corporation controlling such Lender Party in light of such circumstances, to the extent that such Lender Party reasonably determines that the amount of any such capital would be increased or the rate of return on any such capital would be reduced by or in whole or in part based on the existence of the face amount of such Lender Party's Loans, Letters of Credit, participations in Letters of Credit or commitments under this Agreement.

Section 3.3 Increased Cost of Eurodollar Loans or Letters of Credit. If any applicable Law (whether now in effect or hereinafter enacted or promulgated, including Regulation D) or any interpretation or administration thereof by any governmental authority charged with the interpretation or administration thereof (whether or not having the force of Law):

(a) shall change the basis of taxation of payments to any Lender Party of any principal, interest, or other amounts attributable to any Eurodollar Loan or Letter of Credit or otherwise due under this Agreement in respect of any Eurodollar Loan or Letter of Credit (other than taxes imposed on, or measured by, the overall net income of such Lender Party or any Applicable Lending Office of such Lender Party by any jurisdiction in which such Lender Party or any such Applicable Lending Office is located); or

(b) shall change, impose, modify, apply or deem applicable any reserve, special deposit or similar requirements in respect of any Eurodollar Loan or any Letter of Credit (excluding those for which such Lender Party is fully compensated pursuant to adjustments made in the definition of Eurodollar Rate) or against assets of, deposits with or for the account of, or credit extended by, such Lender Party; or

(c) shall impose on any Lender Party or the interbank eurocurrency deposit market any other condition affecting any Eurodollar Loan or Letter of Credit, the result of which is to increase the cost to any Lender Party of funding or maintaining any Eurodollar Loan or of issuing any Letter of Credit or to reduce the amount of any sum receivable by any Lender Party in respect of any Eurodollar Loan or Letter of Credit by an amount deemed by such Lender Party to be material,

then such Lender Party shall promptly notify Administrative Agent and Borrower in writing of the happening of such event and of the amount required to compensate such Lender Party for such event (on an after-tax basis, taking into account any taxes on such compensation),

whereupon (i) Borrower shall, within five Business Days after demand therefor by such Lender Party, pay such amount to Administrative Agent for the account of such Lender Party and (ii) Borrower may elect, by giving to Administrative Agent and such Lender Party not less than three Business Days' notice, to Convert all (but not less than all) of any such Eurodollar Loans into Base Rate Loans.

Section 3.4 Notice; Change of Applicable Lending Office. A Lender Party shall notify Borrower of any event occurring after the date of this Agreement that will entitle such Lender Party to compensation under Section 3.2, 3.3 or 3.5 hereof as promptly as practicable, but in any event within 90 days, after such Lender Party obtains actual knowledge thereof; provided, that (i) if such Lender Party fails to give such notice within 90 days after it obtains actual knowledge of such an event, such Lender Party shall, with respect to compensation payable pursuant to Section 3.2, 3.3 or 3.5 in respect of any costs resulting from such event, only be entitled to payment under Section 3.2, 3.3 or 3.5 hereof for costs incurred from and after the date 90 days prior to the date that such Lender Party does give such notice and (ii) such Lender Party will designate a different Applicable Lending Office for the Loans affected by such event if such designation will avoid the need for, or reduce the amount of, such compensation and will not, in the sole opinion of such Lender Party, be disadvantageous to such Lender Party, except that such Lender Party shall have no obligation to designate an Applicable Lending Office located in the United States of America. Each Lender Party will furnish to Borrower a certificate setting forth the basis and amount of each request by such Lender Party for compensation under Section 3.2, 3.3 or 3.5 hereof.

Section 3.5 Availability. If (a) any change in applicable Laws, or in the interpretation or administration thereof of or in any jurisdiction whatsoever, domestic or foreign, shall make it unlawful or impracticable for any Lender Party to fund or maintain Eurodollar Loans or to issue or participate in Letters of Credit, or shall materially restrict the authority of any Lender Party to purchase or take offshore deposits of dollars (i.e., "eurodollars"), or (b) any Lender Party determines that matching deposits appropriate to fund or maintain any Eurodollar Loan are not available to it, or (c) any Lender Party determines that the formula for calculating the Eurodollar Rate does not fairly reflect the cost to such Lender Party of making or maintaining loans based on such rate, then, upon notice by such Lender Party to Borrower and Administrative Agent, Borrower's right to elect Eurodollar Loans from such Lender Party (or, if applicable, to obtain Letters of Credit) shall be suspended to the extent and for the duration of such illegality, impracticability or restriction and all Eurodollar Loans of such Lender Party which are then outstanding or are then the subject of any Borrowing Notice and which cannot lawfully or practicably be maintained or funded shall immediately become or remain, or shall be funded as, Base Rate Loans of such Lender Party. Borrower agrees to indemnify each Lender Party and hold it harmless against all costs, expenses, claims, penalties, liabilities and damages which may result from any such change in Law, interpretation or administration. Such indemnification shall be on an after-tax basis, taking into account any taxes imposed on the amounts paid as indemnity.

Section 3.6 Funding Losses. In addition to its other obligations hereunder, Borrower will indemnify each Lender Party against, and reimburse each Lender Party on demand for, any loss or expense incurred or sustained by such Lender Party (including any loss or expense

incurred by reason of the liquidation or reemployment of deposits or other funds acquired by a Lender Party to fund or maintain Eurodollar Loans), as a result of (a) any payment or prepayment (whether or not authorized or required hereunder) of all or a portion of a Eurodollar Loan on a day other than the day on which the applicable Interest Period ends, (b) any payment or prepayment, whether or not required hereunder, of a Loan made after the delivery, but before the effective date, of a Continuation/Conversion Notice, if such payment or prepayment prevents such Continuation/Conversion Notice from becoming fully effective, (c) the failure of any Loan to be made or of any Continuation/Conversion Notice to become effective due to any condition precedent not being satisfied or due to any other action or inaction of any Restricted Person, or (d) any Conversion (whether or not authorized or required hereunder) of all or any portion of any Eurodollar Loan into a Base Rate Loan or into a different Eurodollar Loan on a day other than the day on which the applicable Interest Period ends. Such indemnification shall be on an after-tax basis, taking into account any taxes imposed on the amounts paid as indemnity.

Section 3.7 Reimbursable Taxes. Borrower covenants and agrees that:

(a) Borrower will indemnify each Lender Party against and reimburse each Lender Party for all present and future stamp and other taxes, duties, levies, imposts, deductions, charges, costs, and withholdings whatsoever imposed, assessed, levied or collected on or in respect of this Agreement or any Eurodollar Loans or Letters of Credit (whether or not legally or correctly imposed, assessed, levied or collected), excluding, however, any taxes imposed on or measured by the overall net income of Administrative Agent or such Lender Party or any Applicable Lending Office of such Lender Party (or franchise or equivalent taxes) by any jurisdiction in which such Lender Party or any such Applicable Lending Office is located (all such non-excluded taxes, levies, costs and charges being collectively called "Reimbursable Taxes" in this section). Such indemnification shall be on an after-tax basis, taking into account any taxes imposed on the amounts paid as indemnity.

(b) All payments on account of the principal of, and interest on, each Lender Party's Loans and Note, and all other amounts payable by Borrower to any Lender Party hereunder, shall be made in full without set-off or counterclaim and shall be made free and clear of and without deductions or withholdings of any nature by reason of any Reimbursable Taxes, all of which will be for the account of Borrower. In the event of Borrower being compelled by Law to make any such deduction or withholding from any payment to any Lender Party, Borrower shall pay on the due date of such payment, by way of additional interest, such additional amounts as are needed to cause the amount receivable by such Lender Party after such deduction or withholding to equal the amount which would have been receivable in the absence of such deduction or withholding. If Borrower should make any deduction or withholding as aforesaid, Borrower shall within 60 days thereafter forward to such Lender Party an official receipt or other official document evidencing payment of such deduction or withholding.

(c) If Borrower is ever required to pay any Reimbursable Tax with respect to any Eurodollar Loan, Borrower may elect, by giving to Administrative Agent and such Lender Party not less than three Business Days' notice, to Convert all (but not less than all) of any such Eurodollar Loan into a Base Rate Loan, but such election shall not diminish Borrower's obligation to pay all Reimbursable Taxes.

(d) Notwithstanding the foregoing provisions of this section, Borrower shall be entitled, to the extent it is required to do so by Law, to deduct or withhold (and not to make any indemnification or reimbursement for) income or other similar taxes imposed by the United States of America (other than any portion thereof attributable to a change in federal income tax Laws effected after the date hereof) from interest, fees or other amounts payable hereunder for the account of any Lender Party, other than a Lender Party (i) who is a U.S. person for Federal income tax purposes or (ii) who has the Prescribed Forms on file with Administrative Agent (with copies provided to Borrower) for the applicable year to the extent deduction or withholding of such taxes is not required as a result of the filing of such Prescribed Forms, provided that if Borrower shall so deduct or withhold any such taxes, it shall provide a statement to Administrative Agent and such Lender Party, setting forth the amount of such taxes so deducted or withheld, the applicable rate and any other information or documentation which such Lender Party may reasonably request for assisting such Lender Party to obtain any allowable credits or deductions for the taxes so deducted or withheld in the jurisdiction or jurisdictions in which such Lender Party is subject to tax. As used in this section, "Prescribed Forms" means such duly executed forms or statements, and in such number of copies, which may, from time to time, be prescribed by Law and which, pursuant to applicable provisions of (x) an income tax treaty between the United States and the country of residence of the Lender Party providing the forms or statements, (y) the Code, or (z) any applicable rules or regulations thereunder, permit Borrower to make payments hereunder for the account of such Lender Party free of such deduction or withholding of income or similar taxes.

Section 3.8 Replacement of Lenders. If any Lender Party seeks reimbursement for increased costs under Sections 3.2 through 3.7, then within ninety days thereafter - provided no Event of Default then exists - Borrower shall have the right (unless such Lender Party withdraws its request for additional compensation) to replace such Lender Party by requiring such Lender Party to assign its Loans and Notes and its commitments hereunder to an Eligible Transferee reasonably acceptable to Administrative Agent and Borrower, provided that: (i) all Obligations of Borrower owing to such Lender Party being replaced (including such increased costs and any breakage costs with respect to any outstanding Eurodollar Loans), but excluding principal and accrued interest on the Notes being assigned) shall be paid in full to such Lender Party concurrently with such assignment, and (ii) the replacement Eligible Transferee shall purchase the Note being assigned by paying to such Lender Party a price equal to the principal amount thereof plus accrued and unpaid interest and accrued and unpaid commitment fees thereon. In connection with any such assignment Borrower, Administrative Agent, such Lender Party and the replacement Eligible Transferee shall otherwise comply with Section 10.5. Notwithstanding the foregoing rights of Borrower under this section, however, Borrower may not replace any Lender Party which seeks reimbursement for increased costs under Section 3.2 through 3.7 unless Borrower is at the same time replacing all Lender Parties which are then seeking such compensation.

ARTICLE IV - Conditions Precedent to Credit

Section 4.1 Documents to be Delivered. No Lender has any obligation to make its first Loan, and LC Issuer has no obligation to issue the first Letter of Credit unless Administrative Agent shall have received all of the following, at Administrative Agent's office in

Boston, Massachusetts, duly executed and delivered and in form, substance and date satisfactory to Administrative Agent and Syndication Agent:

(a) This Agreement and any other documents that Lenders are to execute in connection herewith.

(b) Each Note.

(c) Each Security Document listed in the Security Schedule.

(d) Certain certificates including:

(i) An "Omnibus Certificate" of the secretary and of the president of LA GP, which shall contain the names and signatures of the officers of LA GP authorized to execute Loan Documents and which shall certify to the truth, correctness and completeness of the following exhibits attached thereto: (1) a copy of resolutions duly adopted by the Board of Directors of LA GP and in full force and effect at the time this Agreement is entered into, authorizing the execution of this Agreement and the other Loan Documents delivered or to be delivered in connection herewith and the consummation of the transactions contemplated herein and therein, (2) a copy of the charter documents of each Restricted Person and all amendments thereto, certified by the appropriate official of such Restricted Person's jurisdiction of organization, and (3) a copy of any bylaws, agreement of limited partnership or operating agreement of each Restricted Person; and

(ii) A certificate of the president and of the chief financial officer of LA GP, regarding satisfaction of Section 4.3(a) through (d).

(e) A certificate (or certificates) of the due formation, valid existence and good standing of each Restricted Person in its respective jurisdiction of organization, issued by the appropriate authorities of such jurisdiction, and certificates of each Restricted Person's good standing and due qualification to do business, issued by appropriate officials in any jurisdictions in which such Restricted Person owns property subject to Security Documents.

(f) Documents similar to those specified in subsections (d)(i) and (e) of this section with respect to each Guarantor and the execution by it of its guaranty of Borrower's Obligations.

(g) A favorable opinion of Vinson & Elkins L.L.P., counsel to Restricted Persons, substantially in the form set forth in Exhibit G, and a favorable opinion of local counsel to Administrative Agent for the state of Oklahoma satisfactory to Administrative Agent.

(h) The Initial Financial Statements and Initial Projections.

(i) Certificates or binders evidencing Restricted Persons' insurance in effect on the date hereof accompanied by a certificate of an appropriate officer confirming that the insurance is in effect as of such date.

(j) Copies of such permits and approvals regarding the property and business of Restricted Persons as Administrative Agent may request.

(k) Payment of all commitment, facility, agency and other fees required to be paid to any Lender pursuant to any Loan Documents or any commitment or fee agreement heretofore entered into.

(l) A certificate of the chief financial officer of LA GP (i) certifying the Initial Pro Forma Financial Statements of Borrower delivered pursuant to clause (h) above and reflecting pro forma compliance with each event specified in Section 7.14, and (ii) certifying that Borrower's Consolidated EBITDA for the twelve month period ended September 30, 2003 was not less than $90,000,000.

(m) A certificate of the chief financial officer of General Partner certifying the Initial Pro Forma Financial Statements of Master Partnership delivered pursuant to clause (h) above and reflecting pro forma compliance with each event specified in Section 7.14.

(n) Borrower shall have delivered to Administrative Agent copies of all charter or other formation documents of Master Partnership and the Intermediate Entities.

Section 4.2 Contemporaneous Closings. No Lender has any obligation to make its first Loan, and LC Issuer has no obligation to issue its first Letter of Credit, unless contemporaneously with the first Loan or Letter of Credit hereunder the following conditions have been met in form and substance satisfactory to Administrative Agent and Syndication Agent:

(a) All Transactions contemplated by the Transaction Documents shall have been consummated in compliance with each of the terms and conditions thereof. No amendment, modification or waiver shall have been made to any of the Transaction Documents except as shall have been approved by Administrative Agent and Syndication Agent.

(b) After giving effect to the consummation of the Transactions, all representations and warranties made in any Loan Document shall be true on and as of such date.

(c) Master Partnership shall have received proceeds of an issuance of Common Units on or after December 31, 2003 in an amount of not less than $200,000,000 (prior to the payment of applicable discounts, fees, expenses and commissions).

(d) Administrative Agent shall have received a certificate of General Partner confirming compliance with the requirements of Section 4.2 (a), (b) and (c), with attached copies of the Transaction Documents, each certified as being true, correct and complete.

(e) All obligations under the Existing Credit Agreement shall have been paid in full, except to the extent they are continued under this Agreement with respect to any Lender.

Section 4.3 Additional Conditions Precedent. 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) All representations and warranties made by any Restricted Person in any Loan Document shall be true on and as of the date of such Loan or the date of issuance of such Letter of Credit as if such representations and warranties had been made as of the date of such Loan or the date of issuance of such Letter of Credit except to the extent that such representation or warranty was made as of a specific date or updated, modified or supplemented as of a subsequent date with the consent of Majority Lenders.

(b) No Default shall exist at the date of such Loan or the date of issuance of such Letter of Credit.

(c) (i) No Material Adverse Change shall have occurred, (ii) no event or circumstance shall have occurred that would reasonably be expected to cause a Material Adverse Change, (iii) no material adverse change shall have occurred in the consolidated financial condition, business, operations, assets or prospects of the Master Partnership and (iv) no event or circumstance shall have occurred that would reasonably be expected to cause a material adverse change in the consolidated financial condition, business, operations, assets or prospects of the Master Partnership, other than, in the case of clauses (iii) and (iv), changes resulting solely from general, regional, industry-wide, or economy-wide developments.

(d) Each Restricted Person shall have performed and complied with all agreements and conditions required in the Loan Documents to be performed or complied with by it on or prior to the date of such Loan or the date of issuance of such Letter of Credit.

(e) The making of such Loan or the issuance of such Letter of Credit shall not be prohibited by any Law and shall not subject any Lender or any LC Issuer to any penalty or other onerous condition under or pursuant to any such Law.

(f) Administrative Agent shall have received all documents and instruments which Administrative Agent has then reasonably requested, in addition to those described in Section 4.1 (including opinions of legal counsel for Restricted Persons and Administrative Agent; corporate documents and records; documents evidencing governmental authorizations, consents, approvals, licenses and exemptions; and certificates of public officials and of officers and representatives of Borrower and other Persons), as to (i) the accuracy and validity of or compliance with all representations, warranties and covenants made by any Restricted Person in this Agreement and the other Loan Documents, (ii) the satisfaction of all conditions contained herein or therein, and (iii) all other matters pertaining hereto and thereto. All such additional documents and instruments shall be satisfactory to Administrative Agent in form, substance and date.

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, Borrower represents and warrants to each Lender that:

Section 5.1 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.

Section 5.2 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.

Section 5.3 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. Borrower is duly authorized to borrow funds hereunder.

Section 5.4 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 any of its Affiliates, or (3) any agreement, judgment, license, order or permit applicable to or binding upon any Restricted Person or any of its Affiliates, (ii) result in the acceleration of any Indebtedness owed by any Restricted Person or any of its Affiliates, or (iii) result in or require the creation of any Lien upon any assets or properties of any Restricted Person or any of its Affiliates except as expressly contemplated in the Loan Documents. 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.

Section 5.5 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.

Section 5.6 Initial Financial Statements.

(a) Borrower has heretofore delivered to each Lender true, correct and complete copies of the Initial Financial Statements.

(b) The Initial Borrower Financial Statements fairly present Borrower's Consolidated and consolidating financial position at the date thereof and the Consolidated and consolidating results of Borrower's operations for the periods thereof, and in the case of the annual Initial Borrower Financial Statements, Consolidated cash flows for the period thereof. Since the date of the annual Initial Borrower Financial Statements, no Material Adverse Change has occurred, except as reflected in the quarterly Initial Borrower Financial Statements or in the Disclosure Schedule. All Initial Borrower Financial Statements were prepared in accordance with GAAP.

(c) To the knowledge of Borrower, the Initial Master Partnership Financial Statements fairly present Master Partnership's Consolidated and consolidating financial position at the date thereof and the Consolidated and consolidating results of Master Partnership's operations for the period thereof. Since the date of the Initial Master Partnership Financial Statements, no Material Adverse Change has occurred, except as reflected in the Disclosure Schedule. To the knowledge of Borrower, all Initial Master Partnership Financial Statements were prepared in accordance with GAAP.

(d) All Initial Pro Forma Financial Statements of Borrower were prepared in good faith in accordance with GAAP based upon assumptions specified therein with such pro forma adjustments as have been specified therein. The Initial Projections of Borrower were prepared in good faith based upon assumptions specified therein with such pro forma adjustments as have been accepted by Administrative Agent.

(e) To the knowledge of Borrower, all Initial Pro Forma Financial Statements of Master Partnership were prepared in good faith in accordance with GAAP based upon assumptions specified therein with such pro forma adjustments as have been specified therein. To the knowledge of Borrower, the Initial Projections of Master Partnership were prepared in good faith based upon assumptions specified therein with such pro forma adjustments as have been accepted by Administrative Agent.

Section 5.7 Other 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 $1,000,000 in the aggregate and not shown in the Initial Financial Statements, disclosed in the Disclosure Schedule or otherwise permitted under Section 7.1. Each Restricted Person 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 6.7.

Section 5.8 Full Disclosure. No written certificate, statement or other information 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 furnished after the date hereof by or on behalf of any Restricted Person to Administrative Agent or any Lender Party 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 could cause a Material Adverse Change.

Section 5.9 Litigation. Except as disclosed in the Initial Financial Statements or in the Disclosure Schedule and except for matters that could not reasonably be expected to exceed $1,000,000 (net of insurance) in the aggregate: (i) there are no actions, suits or legal, equitable, arbitrative or administrative proceedings pending, or to the knowledge of any Restricted Person threatened, against any Restricted Person or affecting any Collateral (including, without limitation, any which challenge or otherwise pertain to any Restricted Person's title to any Collateral) before any Tribunal, 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 Collateral.

Section 5.10 Labor Disputes and Acts of God. Except as disclosed in the Disclosure Schedule, neither the business nor the properties of any Restricted Person has been affected by any fire, explosion, accident, strike, lockout or other labor dispute, drought, storm, hail, earthquake, embargo, act of God or of the public enemy or other casualty (whether or not covered by insurance), which has had, or could reasonably be expected to have, a Material Adverse Effect.

Section 5.11 ERISA Plans and Liabilities. 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 $500,000.

Section 5.12 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. As used herein, "agency" includes the Federal Energy Regulatory Commission and each other US federal, state, or local governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over any Restricted Person or its properties.

Section 5.13 Environmental Laws. Without limiting the provisions of Section 5.12 and except as set forth in the Disclosure Schedule:

(a) No notice, notification, demand, request for information, citation, summons or order has been issued, no complaint has been filed, no penalty has been assessed, and, to Borrower's knowledge, no investigation or review is pending or threatened by any Tribunal or any other Person with respect to any of the following which in the aggregate has had, or could reasonably be expected to have, a Material Adverse Effect (i) any alleged generation, treatment, storage, recycling, transportation, disposal, or Release of any Hazardous Materials, either by any Restricted Person or on any property owned by any Restricted Person, (ii) any remedial action which might be needed to respond to any such alleged generation, treatment, storage, recycling, transportation, disposal, or Release, or (iii) any alleged failure by any Restricted Person to have any permit, license or authorization required in connection with the conduct of its business or with respect to any such generation, treatment, storage, recycling, transportation, disposal, or Release.

(b) No Restricted Person otherwise has any known material contingent liability in connection with any alleged generation, treatment, storage, recycling, transportation, disposal, or Release of any Hazardous Materials.

(c) No Restricted Person has handled any Hazardous Materials, other than as a generator, on any properties now or previously owned or leased by any Restricted Person to an extent that such handling has had, or could reasonably be expected to have, a Material Adverse Effect.

(d) Except to the extent that the following in the aggregate has not had, and could not reasonably be expected to have, a Material Adverse Effect:

(i) no PCBs are or have been present at any properties now or previously owned or leased by any Restricted Person;

(ii) no asbestos is or has been present at any properties now or previously owned or leased by any Restricted Person;

(iii) there are no underground storage tanks for Hazardous Materials, active or abandoned, at any properties now or previously owned or leased by any Restricted Person; and

(iv) no Hazardous Materials have been Released at, on or under any properties now or previously owned or leased by any Restricted Person.

(e) No Restricted Person has transported or arranged for the transportation of any Hazardous Material to any location which is listed on the National Priorities List under CERCLA, any location listed for possible inclusion on the National Priorities List by the Environmental Protection Agency in CERCLIS, nor, except to the extent that has not had, and could not reasonably be expected to have, a Material Adverse Effect, any location listed on any similar state list or which is the subject of federal, state or local enforcement actions or other investigations which may lead to claims against any Restricted Person for clean-up costs, remedial work, damages to natural resources or for personal injury claims, including, but not limited to, claims under CERCLA.

(f) No property now or previously owned or leased by any Restricted Person is listed or proposed for listing on the National Priority list promulgated pursuant to CERCLA, in CERCLIS, nor, except to the extent that has not had, and could not reasonably be expected to have, a Material Adverse Effect, on any similar state list of sites requiring investigation or clean-up.

(g) There are no Liens arising under or pursuant to any Environmental Laws on any of the real properties or properties owned or leased by any Restricted Person, and no government actions of which Borrower is aware have been taken or are in process which could subject any of such properties to such Liens; nor to the knowledge of Borrower, is any Restricted Person required to place any notice or restriction relating to the presence of Hazardous Materials at any properties owned by such Restricted Person in any deed to such properties.

(h) There have been no environmental investigations, studies, audits, tests, reviews or other analyses for ground water or soil contamination relating to the Release of Hazardous Materials conducted by or which are in the possession of any Restricted Person in relation to any properties or facility now or previously owned or leased by any Restricted Person which have not been made available to Administrative Agent.

(i) All Restricted Persons are conducting their businesses in material compliance with all applicable Environmental Laws, and have and are in compliance with all licenses and permits required under any such Laws, unless failure to so comply has not had, and could not reasonably be expected to have, a Material Adverse Effect; (ii) none of the operations or properties of Borrower or any of its Subsidiaries is the subject of federal, or local investigation evaluating whether any material remedial action is needed to respond to a release of any Hazardous Materials into the environment or to the improper storage or disposal (including storage or disposal at offsite locations) of any Hazardous Materials, unless such remedial action has not had, and could not reasonably be expected to have, a Material Adverse Effect; and (iii) no Restricted Person has filed any notice under any Law indicating that any such Person is

responsible for the improper release into the environment, or the improper storage or disposal, of any material amount of any Hazardous Materials or that any Hazardous Materials have been improperly released, or are improperly stored or disposed of, upon any property of any such Person, unless such failure so to comply has not had, and could not reasonably be expected to have, a Material Adverse Effect.

Section 5.14 Names and Places of Business. No Restricted Person has, during the preceding five years, had, been known by, or used any other trade or fictitious name, except as disclosed in the Disclosure Schedule. Except as otherwise indicated in the Disclosure Schedule, the chief executive office and principal place of business of each Restricted Person are (and for the preceding five years have been) located at the address of Borrower set out in Section 10.3. Except as indicated in the Disclosure Schedule or otherwise disclosed in writing to Administrative Agent, no Restricted Person has any other office or place of business.

Section 5.15 Borrower's Subsidiaries. Borrower does not presently have any Subsidiary or own any stock in any other corporation or association except those listed in the Disclosure Schedule or disclosed to Administrative Agent in writing. Neither Borrower nor any Restricted Person 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 Administrative Agent in writing. 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 Administrative Agent in writing.

Section 5.16 Title to Properties; Licenses. Each Restricted Person has good and defensible title to 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 such failure or violation has not had, and could not reasonably be expected to have, a Material Adverse Effect.

Section 5.17 Government Regulation. Neither Borrower nor any other Restricted Person owing Obligations is subject to regulation under the Public Utility Holding Company Act of 1935, 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, including Laws relating to common contract carriers or the sale of electricity, gas, steam, water or other public utility services.

Section 5.18 Insider. No Restricted Person, nor any Person having "control" (as that term is defined in 12 U.S.C. Section 375b(9) or in regulations promulgated pursuant thereto) of any Restricted Person, is a "director" or an "executive officer" or "principal shareholder" (as those terms are defined in 12 U.S.C. Section 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.

Section 5.19 Solvency. Upon giving effect to the issuance of the Notes, the execution of the Loan Documents by Borrower and each Guarantor and the consummation of the transactions contemplated hereby, (i) Borrower and each Guarantor will be solvent (as such term is used in applicable bankruptcy, liquidation, receivership, insolvency or similar Laws), and the sum of Borrower's and each Guarantor's absolute and contingent liabilities, including the Obligations or guarantees thereof, shall not exceed the fair market value of such Restricted Person's assets, and (ii) Borrower's and each Guarantor's capital should be adequate for the businesses in which such Restricted Person is engaged and intends to be engaged. Neither Borrower nor any Restricted Person has incurred (whether under the Loan Documents or otherwise), nor does any Restricted Person intend to incur or believe that it will incur, debts which will be beyond its ability to pay as such debts mature.

Section 5.20 Credit Arrangements. Except as set forth on the Disclosure Schedule, neither Master Partnership nor any of its Subsidiaries (other than any Restricted Person) (for purposes of this Section, the "related party") is party to or subject to any credit agreement, loan agreement, indenture, purchase agreement, guaranty or other arrangement providing for or otherwise relating to any Indebtedness or any extension of credit (or commitment for any extension of credit) that requires, by a covenant of such related party or otherwise, such related party to limit or restrict any action of any Restricted Person or that obligates such related party to cause any Restricted Person to take any action (other than (i) limitations or restrictions on transactions or dealings between any related party or any Restricted Person, and (ii) provisions of the type contained in the Heritage Note Purchase Agreements as in effect on the date of this Agreement).

Section 5.21 Consummation of Transaction. The Transactions have been consummated in accordance with the Transaction Documents.

ARTICLE VI - Affirmative Covenants

To conform with the terms and conditions under which each Lender is willing to have credit outstanding to Borrower, and to induce each Lender to enter into this Agreement and extend credit hereunder, 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 10.1, have previously agreed otherwise:

Section 6.1 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.

Section 6.2 Books, Financial Statements and Reports. Each Restricted Person will at all times maintain full and accurate books of account and records. Borrower will maintain and will cause its Subsidiaries to maintain a standard system of accounting, will maintain its Fiscal

Year, and will furnish the following statements and reports to each Lender at Borrower's expense:

(a) As soon as available, and in any event within ninety-five (95) days after (i) August 31, 2004 and (ii) the end of each Fiscal Year thereafter, (A) complete Consolidated financial statements of Borrower 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 KPMG Peat Marwick LLP, or other independent certified public accountants selected by General Partner and acceptable to Administrative Agent, stating that such Consolidated financial statements have been so prepared and (B) supporting unaudited consolidating balance sheets, consolidating statements of income and cash flows and consolidating statement of partners' capital (or stockholders' equity, as applicable) of each other Restricted Person. These financial statements shall contain a Consolidated and consolidating balance sheet as of the end of such Fiscal Year and Consolidated and consolidating statements of earnings for such Fiscal Year. Such Consolidated financial statements shall set forth in comparative form the corresponding figures for the preceding Fiscal Year (or comparable period). In addition, at the time of delivery of such statements, Borrower will furnish a certificate signed by such accountants (A) stating that they have read this Agreement, (B) confirming the calculations made by Borrower showing compliance (or non-compliance) at the end of such Fiscal Year with the requirements of Section 7.14, and (C) further stating that in making their examination and reporting on the Consolidated financial statements described above they obtained no knowledge of any Default existing at the end of such Fiscal Year, or, if they did so conclude that a Default existed, specifying its nature and period of existence.

(b) As soon as available, and in any event no later than January 30, 2004 with respect to the Fiscal Quarter ended on November 30, 2003, and within fifty (50) days after the end of each Fiscal Quarter thereafter, (i) Borrower's Consolidated balance sheet as of the end of such Fiscal Quarter and 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, and (ii) supporting consolidating balance sheets and statements of income of each other Restricted Person, all in reasonable detail and prepared in accordance with GAAP, subject to changes resulting from normal year-end adjustments. Such Consolidated financial statements shall set forth in comparative form the corresponding figures for the preceding Fiscal Year. In addition 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 certificate in the form of Exhibit F, signed on behalf of Borrower 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), 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 7.14, 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) As soon as practical and in any event within ninety five (95) days after the end of each Fiscal Year, (i) complete Consolidated financial statements of Master Partnership, together

with all notes thereto, setting forth in each case, in comparative form, corresponding Consolidated figures from the preceding annual audit, all in reasonable detail supported by Grant Thornton LLP, or other independent public accountants of recognized national standing selected by Master Partnership, whose report shall be without limitation as to the scope of the audit (provided that such report shall not include within the scope of the audit the consolidating statements required by clause (ii)); provided however, that at any time when Master Partnership 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 Master Partnership 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 (c)(i), and (ii) if requested by Administrative Agent, consolidating balance sheets, statements of income and cash flows and a consolidating statement of partners' capital (or stockholders' equity, as applicable) of Master Partnership and its Subsidiaries 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 Master Partnership as presenting fairly, in all material respects, the information contained therein, in accordance with GAAP (except for the absence of footnotes).

(d) As soon as practical and in any event within fifty (50) days after the end of each Fiscal Quarter, (i) Master Partnership's Consolidated balance sheet as of the end of such Fiscal Quarter and Master Partnership's Consolidated statements of income, partners' capital and cash flows for such Fiscal Quarter for the period from the beginning of the current Fiscal Year to the end of such Fiscal Quarter, setting forth in each case, in comparative form, figures for the corresponding period in the preceding Fiscal Year, all in reasonable detail and satisfactory in form to Administrative Agent and certified by an authorized financial officer of Master Partnership as presenting fairly, in all material respects, the information contained therein (except for the absence of footnotes and subject to changes resulting from normal year-end adjustments), in accordance with GAAP; provided however, that at any time when Master Partnership 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 Master Partnership 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 (d)(i), and (ii) if requested by Administrative Agent, consolidating balance sheets and statements of income of Master Partnership and its Subsidiaries for such Fiscal Quarter, setting forth in each case, in comparative form, figures for the corresponding period in the preceding Fiscal Year, all in reasonable detail and satisfactory in form to Administrative Agent and certified by an authorized financial officer of Master Partnership as presenting fairly, in all material respects, the information contained therein (except for the absence of footnotes and subject to changes resulting from normal year-end adjustments), in accordance with GAAP.

(e) As soon as available, and in any event within one hundred twenty (120) days after the end of each Fiscal Year, a business and financial plan for Borrower (in form reasonably satisfactory to Administrative Agent), prepared or caused to be prepared by a senior financial officer thereof, setting forth for the first year thereof, quarterly financial projections and budgets for Borrower, and thereafter yearly financial projections during the Commitment Period.

(f) As soon as available, and in any event within thirty (30) days after the end of each Fiscal Year, an environmental compliance certificate signed by the president or chief executive officer of General Partner in the form attached hereto as Exhibit H. Further, if requested by Administrative Agent, Restricted Persons shall permit and cooperate with an environmental and safety review made in connection with the operations of Restricted Persons' properties one time during each Fiscal Year, by consultants selected by Administrative Agent and reasonably acceptable to Borrower, which review shall, if requested by Administrative Agent, be arranged and supervised by environmental legal counsel for Administrative Agent, and the reasonable cost and expense of such consultant shall be paid by Borrower. The consultant shall render a verbal or written report, as specified by Administrative Agent, based upon such review at Restricted Persons' cost and expense and, if in writing, a copy thereof will be provided to Restricted Persons.

(g) Concurrently with the annual renewal of Restricted Persons' insurance policies, Restricted Persons shall at their own cost and expense, if requested by Administrative Agent in writing, cause a certificate or report to be issued by Administrative Agent's professional insurance consultants or other insurance consultants satisfactory to Administrative Agent certifying that Restricted Persons' insurance for the next succeeding year after such renewal (or for such longer period for which such insurance is in effect) complies with the provisions of this Agreement and the Security Documents.

(h) By 10:00 a.m., Boston Massachusetts time, the first Monday of each Fiscal Quarter, a report on a mark to market basis of all Hedging Contracts in respect of commodities or purchase, sale or other contracts related to commodities that are not priced on an index that eliminates price risk as of the close of business on the previous Friday, and together with such report a complete list of all net realized losses on any contracts of that type for the prior twelve months in form satisfactory to Administrative Agent.

(i) As soon as available, and in any event no later than the time of delivery of the financial statements under Section 6.2(b), a report setting forth volumes, prices and margins for all marketing, gathering and processing activities of Borrower and its Subsidiaries, in form satisfactory to Administrative Agent.

(j) As soon as available, and in any event no later than the time of delivery of the financial statements under Section 6.2(b), reports of commodity price-risk mitigation activities (which shall include all Lender Hedging Obligation positions), plant operating statements, capital expenditures, and other acquisitions and divestitures of Borrower and its Subsidiaries, in form satisfactory to Administrative Agent.

Section 6.3 Other Information and Inspections. Each Restricted Person will furnish to each Lender any information which Administrative Agent or any Lender may from time to time reasonably request concerning any 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 Administrative Agent (including independent accountants, auditors, agents, attorneys, appraisers and any other Persons) to visit and inspect during normal business hours 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 Administrative Agent or its representatives to investigate and verify the accuracy of the information furnished to 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 Borrower, its representatives. Without limitation of the foregoing, within ninety (90) days after the Closing Date and on each anniversary of the Closing Date, and in addition once during each Fiscal Year, if requested by Administrative Agent at the instruction of Majority Lenders, Borrower shall permit commercial financial examiners appointed by Administrative Agent to conduct a commercial finance examination of the business and assets of Restricted Persons and in connection with such examination to have full access to and the right to examine, audit, make abstracts and copies from, and inspect Restricted Persons' records, files, books of account and all other documents, instruments and agreements to which a Restricted Person is a party. Borrower shall pay all reasonable costs and expenses of Administrative Agent associated with any such examination.

Section 6.4 Notice of Material Events and Change of Address. Each Restricted Person will notify each Lender Party, not later than five (5) Business Days after any executive officer of Restricted Persons has knowledge thereof, stating that such notice is being given pursuant to this Agreement, of:

(a) the occurrence of any Material Adverse Change,

(b) the occurrence of any Default,

(c) the acceleration of the maturity of any Indebtedness owed by any Restricted Person or of any default by any Restricted Person under any indenture, mortgage, agreement, contract or other instrument to which any of them is a party or by which any of them or any of their properties is bound, if such acceleration or default could cause a Material Adverse Change,

(d) the occurrence of any Termination Event,

(e) Under any Environmental Law, any claim of $1,000,000 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 Master Partnership 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 in the

consolidated financial condition, business, operations, assets or prospects of the Master Partnership, or (ii) any Indebtedness.

Upon the occurrence of any of the foregoing (other than with respect to Master Partnership 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. Restricted Persons will also notify Administrative Agent and Administrative Agent's counsel in writing at least twenty Business Days prior to the date that any Restricted Person changes its name or its location under the Uniform Commercial Code, furnishing with such notice any necessary financing statement amendments or requesting Administrative Agent and its counsel to prepare the same.

Section 6.5 Maintenance of Properties. Each Restricted Person will maintain, preserve, protect, and keep all Collateral and all other property used or useful in the conduct of its business in good condition (ordinary wear and tear excepted) and in compliance with all applicable Laws, and will from time to time make all repairs, renewals and replacements needed to enable the business and operations carried on in connection therewith to be promptly and advantageously conducted at all times.

Section 6.6 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.

Section 6.7 Payment of Trade Liabilities, Taxes, etc. Each Restricted Person will (a) timely file all required tax returns including any extensions; (b) timely pay all taxes, assessments, and other governmental charges or levies imposed upon it or upon its income, profits or property; (c) except with respect to purchases of Hydrocarbon Inventory, within one hundred twenty (120) days after the date such goods are delivered or such services are rendered, 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; (d) pay all Liabilities owed by it to sellers of Hydrocarbon Inventory on or before the thirty-fifth (35th) day following the last day of the month in which such Hydrocarbon Inventory was delivered or, if later, the due date for such Liability that may be specified in the purchase agreement for such Hydrocarbon Inventory (provided such amounts that are customarily paid following the submission of invoices have been properly invoiced to such Restricted Person for at least twenty-five (25) days), (e) 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 it is in good faith contesting the validity thereof (or the amount thereof that remains unpaid) by appropriate proceedings, if necessary, and has set aside on its books adequate cash reserves therefor in amounts that are required by GAAP.

Section 6.8 Insurance. Each Restricted Person shall at all times maintain insurance for its property in accordance with the Insurance Schedule which insurance shall be by financially sound and reputable insurers. Each Restricted Person will maintain any additional insurance coverage as described in the respective Security Documents. Upon demand by Administrative Agent any insurance policies covering Collateral shall be endorsed (a) to provide for payment of losses to Administrative Agent as its interests may appear, (b) to provide that such policies may not be canceled or reduced or affected in any material manner for any reason without fifteen days prior notice to Administrative Agent, and (c) to provide for any other matters specified in any applicable Security Document or which Administrative Agent may reasonably require. Each Restricted Person shall at all times maintain insurance against its liability for injury to persons or property in accordance with the Insurance Schedule, which insurance shall be by financially sound and reputable insurers. Without limiting the foregoing, each Restricted Person shall at all time maintain liability insurance in accordance with the Insurance Schedule.

Section 6.9 Performance on Borrower's Behalf. If any Restricted Person fails to pay any taxes, insurance premiums, expenses, attorneys' fees or other amounts it is required to pay under any Loan Document, Administrative Agent may pay the same after notice of such payment by Administrative Agent is given to Borrower. Borrower shall immediately reimburse Administrative Agent for any such payments and each amount paid by Administrative Agent shall constitute an Obligation owed hereunder which is due and payable on the date such amount is paid by Administrative Agent.

Section 6.10 Interest. 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 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.

Section 6.11 Compliance with Agreements and Law. Each Restricted Person will perform all material obligations it is required to perform under the terms of each indenture, mortgage, deed of trust, security agreement, lease, and franchise, and each 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.

Section 6.12 Environmental Matters; Environmental Reviews.

(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 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 $1,000,000 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 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 $1,000,000 or could reasonably be expected to have a Material Adverse Effect if resolved adversely against any Restricted Person.

Section 6.13 Evidence of Compliance. Each Restricted Person will furnish to each Lender at such Restricted Person's expense all evidence which Administrative Agent from time to time reasonably requests in writing as to the accuracy and validity of or compliance with all representations, warranties and covenants made by any Restricted Person in the Loan Documents, the satisfaction of all conditions contained therein, and all other matters pertaining thereto.

Section 6.14 Agreement to Deliver Security Documents. Restricted Persons will deliver to further secure the Obligations and any Lender Hedging Obligations whenever requested by Administrative Agent in its sole and absolute discretion, deeds of trust, mortgages, chattel mortgages, security agreements, financing statements and other Security Documents in form and substance satisfactory to Administrative Agent for the purpose of granting, confirming, and perfecting first and prior liens or security interests in any real or personal property now owned or hereafter acquired by any Restricted Person.

Section 6.15 Perfection and Protection of Security Interests and Liens. Each Restricted Person will from time to time deliver to Administrative Agent any financing statements, continuation statements, extension agreements and other documents, properly completed and executed (and acknowledged when required) by Restricted Persons in form and substance satisfactory to Administrative Agent, which Administrative Agent requests for the purpose of perfecting, confirming, or protecting any Liens or other rights in Collateral securing any Obligations.

Section 6.16 Bank Accounts; Offset. To secure the repayment of the Obligations, each Restricted Person hereby grants to each Lender a security interest, a lien, and a right of offset, each of which shall be in addition to all other interests, liens, and rights of any Lender at common Law, under the Loan Documents, or otherwise, and each of which shall be upon and against (a) any and all moneys, securities or other property (and the proceeds therefrom) of such

Restricted Person now or hereafter held or received by or in transit to any Lender from or for the account of such Restricted Person, whether for safekeeping, custody, pledge, transmission, collection or otherwise, (b) any and all deposits (general or special, time or demand, provisional or final) of such Restricted Person with any Lender, and (c) any other credits and claims of such Restricted Person at any time existing against any Lender, including claims under certificates of deposit. At any time and from time to time during the continuance of any Event of Default, each Lender is hereby authorized to foreclose upon, or to offset against the Obligations then due and payable (in either case without notice to any Restricted Person), any and all items herein above referred to. The remedies of foreclosure and offset are separate and cumulative, and either may be exercised independently of the other without regard to procedures or restrictions applicable to the other.

Section 6.17 Guaranties of Subsidiaries. Each Subsidiary of Borrower now existing or created, acquired or coming into existence after the date hereof shall execute and deliver to Administrative Agent an absolute and unconditional guaranty of the timely repayment of the Obligations and the due and punctual performance of the obligations of Borrower hereunder, which guaranty shall be satisfactory to Administrative Agent in form and substance. Each Subsidiary of Borrower existing on the date hereof shall duly execute and deliver such a guaranty prior to the making of any Loan hereunder. Borrower will cause each of its Subsidiaries to deliver to Administrative Agent, simultaneously with its delivery of such a guaranty, written evidence satisfactory to 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.

Section 6.18 Compliance with Agreements. Each Restricted Person shall observe, perform or comply 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 or materially significant to any Guarantor, 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.

Section 6.19 Rents. By the terms of the various Security Documents, certain Restricted Persons are and will be assigning to Administrative Agent, for the benefit of Lender Parties, all of the "Rents" (as defined therein) accruing to the property covered thereby. Notwithstanding any such assignments, so long as no Default has occurred and is continuing, (i) such Restricted Persons may continue to receive and collect from the payors of such Rents all such Rents, subject, however, to the Liens created under the Security Documents, which Liens are hereby affirmed and ratified, and free and clear of such Liens, use the proceeds of the Rents, and (ii) Administrative Agent will not notify the obligors of such Rents or take any other action to cause proceeds thereof to be remitted to Administrative Agent. Upon the occurrence of a Default, Administrative Agent may exercise all rights and remedies granted under the Security Documents, including the right to obtain possession of all Rents then held by such Restricted Persons or to receive directly from the payors of such Rents all other Rents until such time as such Default is no longer continuing. If Administrative Agent shall receive any Rent proceeds from any payor at any time other than during the continuance of a Default, then it shall notify

Borrower thereof and (i) upon request and pursuant to the instructions of Borrower, it shall, if no Default is then continuing, remit such proceeds to the Borrower and (ii) at the request and expense of Borrower, execute and deliver a letter to such payors confirming Restricted Persons' right to receive and collect Rents until otherwise notified by Administrative Agent. In no case shall any failure, whether purposed or inadvertent, by Administrative Agent to collect directly any such Rents constitute in any way a waiver, remission or release of any of its rights under the Security Documents, nor shall any release of any Rents by Administrative Agent to such Restricted Persons constitute a waiver, remission, or release of any other Rents or of any rights of Administrative Agent to collect other Rents thereafter.

Section 6.20 Operating Practices. Each Restricted Person shall operate its business in a manner that is consistent with the policies and procedures approved by the board of directors of General Partner and in effect on, and delivered to Administrative Agent and Lenders prior to, the date hereof, and revisions thereto referred to in the following sentence. Borrower shall review such policies and procedures at least annually, and shall promptly recommend to the board of directors of General Partner such revisions to such policies and procedures as may be recommended by Restricted Persons' or, upon consultation with Borrower and its consultants and at the request of Administrative Agent, Administrative Agent's third party consultants, to remedy deficiencies in internal controls, and Borrower shall promptly provide a report to Lenders regarding such policies and procedures, including such policies and procedures which the board of directors of General Partner could adopt and has adopted.

Section 6.21 Regarding the Systems. Each Restricted Person will cause to be maintained in full force and effect all easements, rights of way, servitudes, leases, and other agreements necessary to the operations of the Systems and will properly and timely pay all rents and other payments due under the provisions thereof. No Restricted Person will permit any of the Systems to be subject to any contractual or other arrangement for gathering, transporting, storage or other services (except for contractual or other arrangements existing on the date of this Agreement which represent not more than two percent (2%) of the Consolidated annual revenue of Borrower) (i) whereby payment is or can be deferred for a substantial period after the month in which performance occurred or is or can be made other than in cash, (ii) which is not on a bona fide arms-length basis and at commercial reasonable prices, on terms which are customary in the industry, or (iii) for which prepayments have been received other than prepayments for services to be performed and settled within 60 days after the date of such prepayment in the ordinary course of business. No Restricted Person will permit to exist any imbalances in respect to the Systems except for those imbalances incurred in the ordinary course of business that are settled within 60 days after the end of the month in which such imbalance occurs. No Restricted Person will permit to exist curtailment of services in connection with the Systems other than as required by applicable Laws or as a result of events of force majeure. Restricted Persons will use reasonable efforts to cure any events of force majeure. No Restricted Person will permit to exist any contract in connection with the Systems for consideration or other terms in contravention of applicable Laws and will not receive consideration other than in accordance with applicable contracts and applicable Laws. Each Restricted Person will cause all material equipment, improvements, fixtures and other tangible personal property forming a part of the Systems to remain located on the real property constituting part of the Systems except for (i) portions thereof temporarily located elsewhere in the course of normal operations of the Systems, (ii)

temporary relocation of meters, treatment units, and other equipment at storage locations and on terms acceptable to Administrative Agent, and (iii) sales or disposals permitted by Section 7.5. Each Restricted Person will at all times cause to be maintained all material governmental licenses and permits necessary or appropriate to own and operate the Systems. No Restricted Person will permit any Systems or any material part thereof to be leased to a third party, to cease to operate (except as a result of customary events of force majeure) or to be abandoned.

Section 6.22 Maintenance of Separateness.

(a) Borrower will, and will cause each other Restricted Person to:

(i) maintain books and records separate from those of any other Person, including any of its partnership interest holders or any Affiliate or Subsidiary;

(ii) maintain its assets in such a manner that it is not more costly or difficult to segregate, identify or ascertain such assets; and

(iii) observe all organizational formalities.

(b) 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 General Partner, Master Partnership and their Subsidiaries (other than Restricted Persons);

(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 General Partner, Master Partnership and their Subsidiaries (other than Restricted Persons); 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 General Partner, Master Partnership and their Subsidiaries (other than Restricted Persons), except as is expressly permitted by the terms of this Agreement.

(c) To the extent that Borrower or any other Restricted Person shares the same officers or other employees as any of its Affiliates (other than another Restricted Person), the salaries of and expenses relating to providing benefits to such officers and employees shall be fairly allocated among such entities, and each such entity shall bear its fair share of the salary and benefit costs associates with all such common officers and employees.

(d) To the extent that Borrower or any other Restricted Person jointly contracts with any of its Affiliates (other than another Restricted Person) 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 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 an Affiliate (other than

another Restricted Person), 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.

(e) To the extent that Borrower or any other Restricted Person have officers in the same location as any of its Affiliates, (other than another Restricted Person), there shall be a fair and appropriate allocation of overhead costs among them, and each such entity shall bear its fair share of such expenses.

ARTICLE VII - Negative Covenants

To conform with the terms and conditions under which each Lender is willing to have credit outstanding to Borrower, and to induce each Lender to enter into this Agreement and make the Loans, 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 10.1, have previously agreed otherwise:

Section 7.1 Indebtedness. No Restricted Person will in any manner owe or be liable for Indebtedness except:

(a) the Obligations;

(b) Indebtedness of Borrower arising under Hedging Contracts permitted under Section 7.3;

(c) Indebtedness of any Restricted Person owing to another Restricted Person;

(d) guaranties by Borrower of trade payables of any of its Subsidiaries incurred and paid in the ordinary course of business on ordinary trade terms;

(e) Permitted Subordinated Debt;

(f) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business, provided that such Indebtedness is extinguished within 2 Business Days after its incurrence;

(g) Indebtedness owed to any Person providing workers' compensation, health, disability or other employee benefits or property, casualty or liability insurance to any Restricted Person in the ordinary course of business, pursuant to reimbursement or indemnification obligations to such Person;

(h) Indebtedness in respect of 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; and

(i) other Indebtedness of Borrower not to exceed in the aggregate principal amount of $5,000,000 at any one time outstanding.

Section 7.2 Limitation on Liens. No Restricted Person will create, assume or permit to exist (i) any Lien upon any accounts, inventory, cash or investment securities which constitute Collateral except (A) Permitted Inventory Liens, (B) statutory Liens in respect of First Purchase Payables, (C) Liens described in clauses (a), (c), (e) and (f) of clause (ii) below, and (D) any other Liens expressly permitted to encumber such Collateral under any Security Document covering such Collateral or (ii) any Lien upon any of the properties or assets, other than such Collateral described in clause (i) above which it now owns or hereafter acquires except the following (Liens, to the extent permitted by this Section, herein called "Permitted Liens"):

(a) Liens created pursuant to this Agreement or the Security Documents and 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) Liens on cash margin collateral securing only Hedging Contracts permitted under Section 7.3;

(f) 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;

(g) 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;

(h) Liens in respect of operating leases and Capital Leases permitted under Section 7.1 covering only the property subject thereto;

(i) 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;

(j) 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;

(k) 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;

(l) inchoate Liens in respect of pending litigation or with respect to a judgment which has not resulted in an Event of Default under Section 8.1; and

(m) Liens existing on any property of a Person at the time such Person becomes a Restricted Person or existing at the time of acquisition upon any property acquired by the purchase, merger or consolidation or otherwise (whether or not the Indebtedness secured thereby shall have been assumed); provided, however, that in the case of any such Lien (i) such Lien shall at all times be confined solely to any such property and, if required by the terms of the instrument creating such Lien, other property which is an improvement to such acquired property, (ii) such Lien was not created in anticipation of such transaction, and (iii) the Indebtedness secured by such Lien shall be permitted under Section 7.1.

Section 7.3 Hedging Contracts. No Restricted Person will be a party to or in any manner be liable on:

(a) any Hedging Contract, except:

(i) Hedging Contracts entered into by Borrower with the purpose and effect of fixing interest rates on a principal amount of indebtedness of Borrower that is accruing interest at a variable rate; provided that (A) the aggregate notional amount of such contracts never exceeds one hundred percent (100%) of the anticipated outstanding principal balance of the Indebtedness to be hedged by such contracts or an average of such principal balances calculated using a generally accepted method of matching interest swap contracts to declining principal balances, (B) the floating rate index of each such contract generally matches the index used to determine the floating rates of interest on the corresponding Indebtedness to be hedged by such contract and (C) each such contract is with a counterparty or has a guarantor of the obligation of the counterparty who (unless such counterparty is a Lender or an Affiliate of any Lender at the time such contract is entered into) at the time the contract is made has long-term unsecured and unenhanced debt obligations rated BBB+ or Baa1 or better, respectively, by either Rating Agency or is otherwise acceptable to Majority Lenders.

(ii) Hedging Contracts by a Restricted Person with the purpose and effect of fixing the price for Hydrocarbon Inventory not to exceed 100% of Projected Open Hydrocarbon Inventory for the current month and future months; provided, that each such contract is with a counterparty or has a guarantor of the obligation of the counterparty who (unless such counterparty is a Lender or an Affiliate of any Lender at the time such contract is entered into) at the time the contract is made has long-term unsecured and unenhanced debt obligations rated BBB+ or Baa1 or better, respectively, by either Rating Agency or is otherwise acceptable to Majority Lenders. "Projected Open Hydrocarbon Inventory" means (A) the Hydrocarbon Inventory held by such Restricted Person for which price risk is not otherwise substantially eliminated, or (B) the Hydrocarbon Inventory anticipated to be acquired and received, or anticipated to be sold and delivered, by such Restricted Person (including, without limitation, natural gas liquids from processing by a Restricted Person), with such volume and period as corresponds to the volume and period under such Hedging Contract, for which price risk is not otherwise substantially eliminated (such as Hydrocarbon Inventory to be acquired or sold under any contract that is priced on index that substantially eliminates price risk for such Hydrocarbon Inventory).

(b) any commodity, interest rate, currency or other swap, option, collar or other derivative transaction pursuant to which any Restricted Person speculates on the movement of commodity prices, securities prices, interest rates, financial markets, currency markets or other items; provided, that nothing contained in this sentence shall prohibit any Restricted Person from entering into non-speculative transactions permitted by Section 7.3(a).

Section 7.4 Limitation on Mergers, Issuances of Securities. Except as expressly provided in this section, no Restricted Person will (a) enter into any transaction of merger or consolidation or amalgamation, or liquidate, wind up or dissolve itself (or suffer any liquidation or dissolution), or acquire 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) of, or capital stock of, or be a party to any acquisition of, any Person, except (i) Permitted Investments and (ii) Permitted Acquisitions; or (b) sell, transfer, lease, exchange, alienate or otherwise dispose of, in one transaction or a series of transactions, any part of its business or property, whether now owned or hereafter acquired, except for sales or transfers not prohibited under Section 7.5 hereof. Any Person, other than Borrower, that is a Subsidiary of a Restricted Person may, however, be merged into or consolidated with (i) another Subsidiary of such Restricted Person, so long as a Restricted Person is the surviving business entity, or (ii) such Restricted Person, so long as such Restricted Person is the surviving business entity. Borrower will not issue any securities other than (i) limited partnership interests and any options or warrants giving the holders thereof only the right to acquire such interests, (ii) general partnership interests issued to LA GP and (iii) debt securities permitted by Section 7.1. No Subsidiary of Borrower will issue any additional shares of its capital stock or other securities or any options, warrants or other rights to acquire such additional shares or other securities except a direct Subsidiary of a Restricted Person may issue additional shares or other securities to such Restricted Person or to Borrower so long as such Subsidiary is a Wholly Owned Subsidiary of Borrower after giving effect thereto. No Subsidiary of Borrower which is a partnership will allow any diminution of Borrower's interest (direct or indirect) therein.

Section 7.5 Limitation on Sales of Property. No Restricted Person will sell, transfer, lease, exchange, alienate or dispose of any Collateral or any of its other assets or properties 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) sales or transfers, subject to the Security Documents, by a Person (other than Borrower) that is a Subsidiary of a Restricted Person to such Restricted Person or to a Wholly Owned Subsidiary of such Restricted Person; and

(d) sales, transfers or other dispositions of other property for fair consideration that are in the best interests of Borrower and do not and will not materially impair or diminish the value of any Restricted Person's financial condition, business or operations; provided that:

(i) prior to and immediately after giving effect to such proposed sale no Default or Event of Default shall exist and be continuing, and the consummation of any such transaction would not result in a violation of Section 7.14, calculated for such purpose as of the date on which such sale is to be consummated on a pro forma basis after giving effect to any such sale, with Consolidated EBITDA calculated as at the last day of the most recently ended Fiscal Quarter as if such sale had occurred on the first day of the relevant four quarter period;

(ii) such sale is for consideration consisting of not less than 90% cash;

(iii) the proceeds of such sale, net of legal fees and other fees and expenses incurred in connection with such sale (the "Net Sale Proceeds"), shall have been applied as follows: (x) within one hundred twenty (120) days after the date of such receipt of Net Sale Proceeds to a Permitted Reinvestment, or (y) to the extent Net Sale Proceeds have not been applied pursuant to the immediately preceding clause (x), such amount (the "Excess Sale Proceeds") shall have been applied to prepay the Term Loans and Revolver Loans as provided in Section 2.6(b) (as used herein, "Permitted Reinvestment" means capital assets that will become a part of the Restricted Persons' Hydrocarbon Inventory marketing, gathering, transmission, processing, treating and pipeline operations, excluding Maintenance Capital Expenditures, and well hook up costs;

(iv) upon receipt of Net Sale Proceeds by a Restricted Person and until the application thereof as provided in clause (iii)(x) or (y) (such amount herein called the "Unused Proceeds Amount"), such Restricted Person shall either, or in combination equal to the total of such Net Sale Proceeds, both (A) maintain such Net Sale Proceeds in a segregated account with Administrative Agent or (B) apply such Net Sale Proceeds to prepay the Revolver Loans but without reduction of the Revolver Commitment; and

(v) Administrative Agent shall have received an officer's certificate, satisfactory to Administrative Agent, at least 30 days prior to the consummation of such sale setting forth in reasonable detail satisfaction of the requirements of clauses (i) and (ii) of this Section 7.5 (d) and the calculation of the projected Net Sale Proceeds.

Any proceeds of insurance in respect of casualty to property that Borrower has determined (which determination must be made with reasonable promptness following such casualty) will not be applied to the repair or replacement thereof in accordance with the Security Documents shall be treated as Net Sale Proceeds upon such determination. No Restricted Person will sell, transfer or otherwise dispose of capital stock of or interest in any of its Subsidiaries except to Borrower or a Wholly Owned Subsidiary of Borrower. No Restricted Person will discount, sell, pledge or assign any notes payable to it, accounts receivable or future income. So long as no Default then exists, Administrative Agent will, at Borrower's request and expense, execute a release, satisfactory to Borrower and Administrative Agent, of any Collateral so sold, transferred, leased, exchanged, alienated or disposed of pursuant to clauses (a), (b) or (d) of this Section. No Restricted Person will engage in "trading" of Hydrocarbon Inventory or in the purchase or sale of Hydrocarbon Inventory other than pipeline loss allowance and physical gains.

Section 7.6 Limitation on Dividends and Redemptions. No Restricted Person will declare or pay any dividends on, or make any other distribution in respect of, any class of its capital stock or any partnership, limited liability company or other interest in it, nor will any Restricted Person directly or indirectly make any capital contribution of any nature to or purchase, redeem, acquire or retire any shares of the capital stock of or partnership or limited liability company interests in any Restricted Person (whether such interests are now or hereafter issued, outstanding or created), or cause or permit any reduction or retirement of the capital stock of any Restricted Person, while any Loan or commitment hereunder is outstanding. Notwithstanding the foregoing, (i) Subsidiaries of a Restricted Person shall not be restricted, directly or indirectly, from declaring and paying dividends or making any other distributions to such Restricted Person, and to such Subsidiary's Subsidiary GP pursuant to and in accordance with such Subsidiary's partnership agreement, (ii) no Restricted Person shall be restricted from making capital contributions of any nature to a Wholly Owned Subsidiary of such Restricted Person, and (iii) so long as Borrower shall be in pro forma compliance with each covenant set forth in Section 7.14 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, Borrower may declare or order and make, pay or set apart, during each Fiscal Quarter, a distribution in respect of its partnership interests if such distribution, together with all other such distributions during such Fiscal Quarter do not exceed Available Cash for the immediately preceding Fiscal Quarter.

Section 7.7 Limitation on Investments and New Businesses. No Restricted Person will (a) make any expenditure or commitment or incur any obligation or enter into or engage in any transaction except in the ordinary course of business, (b) engage directly or indirectly in any business or conduct any operations except in connection with or incidental to its present businesses and operations, (c) make any acquisitions of or capital contributions to or other Investments in any Person, other than Permitted Investments, or (d) make any other acquisitions of properties or assets except in the ordinary course of business; provided that the forgoing shall not prohibit any Restricted Person from making any acquisition of assets consisting of capital

assets that will become a part of the Restricted Persons' Hydrocarbon Inventory marketing, gathering, transmission, processing, treating and pipeline operations or any acquisition that is permitted by the terms of this Agreement including Permitted Acquisitions. All transactions permitted under the foregoing subsections (a) through (d), inclusive, are subject to Section 7.5. LA GP will not engage in any business other than the ownership of the general partnership interest of the Borrower.

Section 7.8 Limitation on Credit Extensions. Except for Permitted Investments and Hedging Contracts permitted under Section 7.3(a) hereof, no Restricted Person will extend credit, make advances or make loans other than normal and prudent extensions of credit to customers buying goods and services 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.

Section 7.9 Transactions with Affiliates. No Restricted Person will engage in any material transaction with any of its Affiliates except: (a) transactions among Borrower and Wholly Owned Subsidiaries of Borrower, subject to the other provisions of this Agreement, (b) Permitted HHI Investments, and (c) 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 other than such Affiliates.

Section 7.10 Prohibited Contracts. 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 Subsidiary of Borrower to: (a) pay dividends or make other distributions to Borrower, (b) redeem equity interests held in it by Borrower, (c) repay loans and other indebtedness owing by it to Borrower, or (d) transfer any of its assets to Borrower. 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. No Restricted Person will enter into any "take-or-pay" contract or other contract or arrangement for the purchase of goods or services which obligates it to pay for such goods or service regardless of whether they are delivered or furnished to it other than contracts for pipeline capacity or for services in either case reasonably anticipated to be utilized in the ordinary course of business. No Restricted Person will amend or permit any amendment to any contract or lease which releases, qualifies, limits, makes contingent or otherwise detrimentally affects the rights and benefits of Administrative Agent or any Lender under or acquired pursuant to any Security Documents. No ERISA Affiliate will incur any obligation to contribute to any "multiemployer plan" as defined in Section 4001 of ERISA that is subject to Title IV of ERISA.

Section 7.11 Open Position; Trading. No Restricted Person shall at any time hold any inventory (excluding any inventory classified as a long term asset and working inventory not held for resale) or enter into or be obligated under any purchase or sale contract that is not priced on an index that eliminates price risk, in either case for which there is not an offsetting sale or purchase agreement, an offsetting physical inventory position (excluding inventory classified as

a long term asset and working inventory not held for resale), or an offsetting Hedging Contract, in each case that eliminates price risk, provided that any such offsetting agreement, inventory or Hedging Contract shall also eliminate any unusual or speculative basis risk. No Restricted Person shall fail to settle within thirty (30) days after the occurrence thereof, any pipeline delivery or receipt imbalance position or any other imbalance position. However, Restricted Persons may have such inventory, such purchase or sale obligations, and such imbalance positions not otherwise permitted by the forgoing sentences of this Section 7.11; provided, that the aggregate liability of Restricted Persons on same does not exceed $5,000,000 at any one time. No Restricted Person will engage in trading, purchasing, selling or exchanging Hydrocarbon Inventory or any contract therefor except incidental to the business of gathering, transmitting, blending, storing or marketing by Restricted Persons.

Section 7.12 Deposit Accounts. No Restricted Person shall at any time maintain any Deposit Account at any Bank (as such terms are defined in Article 9 of the UCC) other than Administrative Agent, except for Deposit Accounts whose deposits do not at any time exceed the aggregate amount of $1,500,000. No proceeds of Accounts or other Collateral shall be deposited (whether by check, wire transfer or lock-box service arrangement) in any Deposit Account other than a Deposit Account maintained at Administrative Agent or an account subject to an account access control agreement satisfactory to Administrative Agent.

Section 7.13 Commingling of Deposit Accounts and Accounts. Borrower will not, nor will it permit any of its Subsidiaries to, commingle their respective Deposit Accounts or Accounts with the Deposit Accounts or Accounts of (i) Heritage OLP or any of its Subsidiaries or (ii) Master Partnership or any of the Intermediate Entities.

Section 7.14 Financial Covenants.

(a) Interest Coverage Ratio. The ratio of Consolidated EBITDA for each period of four consecutive Fiscal Quarters, to Consolidated Interest Expense for such period, will never be less than 2.75 to 1.0.

(b) Leverage Ratio. (i) At the end of each Fiscal Quarter, (ii) on each date on which Borrower makes a distribution permitted under Section 7.6, and (iii) on the date of each Permitted Acquisition, both immediately prior to and after giving effect to the consummation thereof, the Leverage Ratio will not be greater than 4.0 to 1.0.

(c) Adjusted Consolidated Funded Indebtedness to Consolidated EBITDA. (i) At the end of each Fiscal Quarter, (ii) on each date on which Borrower makes a distribution permitted under Section 7.6, and (iii) on the date of each Permitted Acquisition, both immediately prior to and after giving effect to the consummation thereof, the ratio of Adjusted Consolidated Funded Indebtedness to Adjusted Consolidated EBITDA will not be greater than (a) 5.25 to 1.0 on any applicable date of determination from the Closing Date and prior to November 30, 2005, and (b) 5.0 to 1.0 on any applicable date of determination thereafter.

ARTICLE VIII - Events of Default and Remedies

Section 8.1 Events of Default. Each of the following events constitutes an Event of Default under this Agreement:

(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 three Business Days after the same becomes due;

(c) Any event defined as a "default" or "event of default" in any Loan Document 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 6.7(d) and such failure remains unremedied for ten (10) days; or any Restricted Person fails to duly observe, perform or comply with any covenant, agreement or provision of Section 6.4, Section 6.21 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 Administrative Agent to 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 5.5 for any reason other than its release or subordination by Lenders or Administrative Agent (as permitted under Section 10.1);

(h) Any Restricted Person shall default in the payment when due of any principal of or interest on any of its other Indebtedness in excess of $1,500,000 in the aggregate (other than Indebtedness the validity of which is being contested in good faith by appropriate proceedings and for which adequate reserves with respect thereto are maintained on the books of such Restricted Person in accordance with GAAP), or any event specified in any note, agreement, indenture or other document evidencing or relating to any such Indebtedness shall occur if the effect of such event is to cause, or (with the giving of any notice or the lapse of time or both) to permit the holder or holders of such Indebtedness (or a trustee or agent on behalf of such holder or holders) to cause, such Indebtedness to become due, or to be prepaid in full (whether by redemption, purchase, offer to purchase or otherwise), prior to its stated maturity;

(i) Either (i) any "accumulated funding deficiency" (as defined in Section 412(a) of the Code) in excess of $1,000,000 exists 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 $1,000,000 (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) Any Restricted Person:

(i) has entered against it of 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 the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of any part of the Collateral 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

(v) has entered against it a final judgment for the payment of money in excess of $1,500,000 (in each case not covered by insurance satisfactory to Administrative Agent in its discretion), unless the same is discharged within thirty 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

(vi) 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 or any part of the Collateral, and such writ or warrant of attachment or any similar process is not stayed or released within thirty days after the entry or levy thereof or after any stay is vacated or set aside;

(k) Any Change of Control occurs;

(l) Borrower directly or indirectly declares, orders or pays any dividend on, any distribution in respect of, or any purchase, redemption, acquisition or retirement of, any partnership or other equity interest in Borrower, individually or in the aggregate, for any Fiscal Year in an amount greater than the product of (i) Borrower's Percentage of Aggregate Available Cash, multiplied by (ii) the Aggregate Partner Obligations;

(m) Master Partnership or any of the Intermediate Entities shall incur any Indebtedness that is secured or has a weighted average life or maturity of less than six (6) months after the Maturity Date; or

(n) Any event of default under any agreement governing secured indebtedness of Heritage OLP relating to (i) bankruptcy, reorganization, compromise, arrangement, insolvency, readjustment of debt, dissolution or liquidation or similar law with respect to Heritage OLP or any of its Subsidiaries, 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 Heritage OLP or any of its Subsidiaries, 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 Heritage OLP of any scheduled "restricted payment" distribution in respect of any partnership or other equity interest in Heritage OLP, in which case such three (3) Business Day period shall no longer apply.

Upon the occurrence of an Event of Default described in subsection (j)(i), (j)(ii) or (j)(iii) of this section with respect to Borrower, all of the Obligations shall thereupon be immediately due and payable, without demand, presentment, notice of demand or of dishonor and nonpayment, protest, notice of protest, notice of intention to accelerate, declaration or notice of acceleration, or any other notice or declaration of any kind, all of which are hereby expressly waived by Borrower and each Restricted Person who at any time ratifies or approves this Agreement. Upon any such acceleration, any obligation of any Lender to make any further Loans and any obligation of LC Issuer to issue Letters of Credit hereunder shall be permanently terminated. During the continuance of any other Event of Default, Administrative Agent at any time and from time to time may with the consent of Majority Lenders (and upon written instructions from Majority Lenders, Administrative Agent shall), without notice to Borrower or any other Restricted Person, do either or both of the following: (1) terminate any obligation of Lenders to make Loans hereunder and any obligation of LC Issuer to issue Letters of Credit hereunder, and (2) declare any or all of the Obligations immediately due and payable, and all such Obligations shall thereupon be immediately due and payable, without demand, presentment, notice of

demand or of dishonor and nonpayment, protest, notice of protest, notice of intention to accelerate, declaration or notice of acceleration, or any other notice or declaration of any kind, all of which are hereby expressly waived by Borrower and each Restricted Person who at any time ratifies or approves this Agreement.

Section 8.2 Remedies. If any Default shall occur and be continuing, each Lender Party may protect and enforce its rights under the Loan Documents by any appropriate proceedings, including proceedings for specific performance of any covenant or agreement contained in any Loan Document, and each Lender Party may enforce the payment of any Obligations due it or enforce any other legal or equitable right which it may have. All rights, remedies and powers conferred upon Lender Parties under the Loan Documents shall be deemed cumulative and not exclusive of any other rights, remedies or powers available under the Loan Documents or at Law or in equity.

Section 8.3 Application of Proceeds after Acceleration. If Administrative Agent collects or receives money on account of the Obligations after the acceleration of the Obligations as provided in Section 8.1, Administrative Agent shall distribute all money so collected or received:

(a) first to any reimbursements due Administrative Agent hereunder or under any of the Security Documents; and

(b) then ratably to the payment of the Obligations, including LC Obligations (and among the outstanding Obligations in the manner provided in Section 3.1), and the Lender Hedging Obligations.

Administrative Agent shall have no responsibility to determine the existence or amount of Lender Hedging Obligations and may reserve from the application of amounts under this Section amounts distributable in respect of Lender Hedging Obligations until it has received evidence satisfactory to it of the existence and amount of such Lender Hedging Obligations.

ARTICLE IX - Administrative Agent

Section 9.1 Appointment and Authority. Each Lender Party hereby irrevocably authorizes Administrative Agent, and Administrative Agent hereby undertakes, to receive payments of principal, interest and other amounts due hereunder as specified herein and to take all other actions and to exercise such powers under the Loan Documents as are specifically delegated to Administrative Agent by the terms hereof or thereof, together with all other powers reasonably incidental thereto. The relationship of Administrative Agent to the other Lender Parties is only that of one commercial lender acting as administrative agent for others, and nothing in the Loan Documents shall be construed to constitute Administrative Agent a trustee or other fiduciary for any Lender Party or any holder of any participation in a Note nor to impose on Administrative Agent duties and obligations other than those expressly provided for in the Loan Documents. With respect to any matters not expressly provided for in the Loan Documents and any matters which the Loan Documents place within the discretion of Administrative Agent, Administrative Agent shall not be required to exercise any discretion or take any action, and it

may request instructions from Lenders with respect to any such matter, in which case it shall be required to act or to refrain from acting (and shall be fully protected and free from liability to all Lender Parties in so acting or refraining from acting) upon the instructions of Majority Lenders (including itself) or all Lenders, if required, provided, however, that Administrative Agent shall not be required to take any action which exposes it to a risk of personal liability that it considers unreasonable or which is contrary to the Loan Documents or to applicable Law. Upon receipt by Administrative Agent from Borrower of any communication calling for action on the part of Lenders or upon notice from Borrower or any Lender to Administrative Agent of any Default or Event of Default, Administrative Agent shall promptly notify each other Lender thereof.

Section 9.2 Exculpation, Administrative Agent's Reliance, Etc. Neither Administrative Agent nor any of its directors, officers, agents, attorneys, or employees shall be liable for any action taken or omitted to be taken by any of them under or in connection with the Loan Documents, INCLUDING THEIR NEGLIGENCE OF ANY KIND, except that each shall be liable for its own gross negligence or willful misconduct. Without limiting the generality of the foregoing, Administrative Agent (a) may treat the payee of any Note as the holder thereof until Administrative Agent receives written notice of the assignment or transfer thereof in accordance with this Agreement, signed by such payee and in form satisfactory to Administrative Agent; (b) may consult with legal counsel (including counsel for Borrower), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts; (c) makes no warranty or representation to any other Lender Party and shall not be responsible to any other Lender Party for any statements, warranties or representations made in or in connection with the Loan Documents; (d) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of the Loan Documents on the part of any Restricted Person or to inspect the property (including the books and records) of any Restricted Person; (e) shall not be responsible to any other Lender Party for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of any Loan Document or any instrument or document furnished in connection therewith; (f) may rely upon the representations and warranties of each Restricted Person or Lender Party in exercising its powers hereunder; and (g) shall incur no liability under or in respect of the Loan Documents by acting upon any notice, consent, certificate or other instrument or writing (including any facsimile, telegram, cable or telex) believed by it to be genuine and signed or sent by the proper Person or Persons.

Section 9.3 Credit Decisions. Each Lender Party acknowledges that it has, independently and without reliance upon any other Lender Party, made its own analysis of Borrower and the transactions contemplated hereby and its own independent decision to enter into this Agreement and the other Loan Documents. Each Lender Party also acknowledges that it will, independently and without reliance upon any other Lender Party and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Documents.

Section 9.4 Indemnification. EACH LENDER AGREES TO INDEMNIFY ADMINISTRATIVE AGENT (TO THE EXTENT NOT REIMBURSED BY BORROWER WITHIN TEN (10) DAYS AFTER DEMAND) FROM AND AGAINST SUCH LENDER'S PERCENTAGE SHARE OF ANY AND

ALL LIABILITIES, OBLIGATIONS, CLAIMS, LOSSES, DAMAGES, PENALTIES, FINES, ACTIONS, JUDGMENTS, SUITS, SETTLEMENTS, COSTS, EXPENSES OR DISBURSEMENTS (INCLUDING REASONABLE FEES OF ATTORNEYS, ACCOUNTANTS, EXPERTS AND ADVISORS) OF ANY KIND OR NATURE WHATSOEVER (IN THIS SECTION COLLECTIVELY CALLED "LIABILITIES AND COSTS") WHICH TO ANY EXTENT (IN WHOLE OR IN PART) MAY BE IMPOSED ON, INCURRED BY, OR ASSERTED AGAINST ADMINISTRATIVE AGENT GROWING OUT OF, RESULTING FROM OR IN ANY OTHER WAY ASSOCIATED WITH ANY OF THE COLLATERAL, THE LOAN DOCUMENTS AND THE TRANSACTIONS AND EVENTS (INCLUDING THE ENFORCEMENT THEREOF) AT ANY TIME ASSOCIATED THEREWITH OR CONTEMPLATED THEREIN (WHETHER ARISING IN CONTRACT OR IN TORT OR OTHERWISE AND INCLUDING ANY VIOLATION OR NONCOMPLIANCE WITH ANY ENVIRONMENTAL LAWS BY ANY PERSON OR ANY LIABILITIES OR DUTIES OF ANY PERSON WITH RESPECT TO HAZARDOUS MATERIALS FOUND IN OR RELEASED INTO THE ENVIRONMENT).

THE FOREGOING INDEMNIFICATION SHALL APPLY WHETHER OR NOT SUCH LIABILITIES AND COSTS ARE IN ANY WAY OR TO ANY EXTENT OWED, IN WHOLE OR IN PART, UNDER ANY CLAIM OR THEORY OF STRICT LIABILITY OR CAUSED, IN WHOLE OR IN PART, BY ANY NEGLIGENT ACT OR OMISSION OF ANY KIND BY ADMINISTRATIVE AGENT,

provided only that no Lender shall be obligated under this section to indemnify Administrative Agent for that portion, if any, of any liabilities and costs which is proximately caused by Administrative Agent's own individual gross negligence or willful misconduct, as determined in a final judgment. Cumulative of the foregoing, each Lender agrees to reimburse Administrative Agent promptly upon demand for such Lender's Percentage Share of any costs and expenses to be paid to Administrative Agent by Borrower under Section 10.4(a) to the extent that Administrative Agent is not timely reimbursed for such expenses by Borrower as provided in such section. As used in this section the term "Administrative Agent" shall refer not only to the Person designated as such in Section 1.1 but also to each director, officer, agent, attorney, employee, representative and Affiliate of such Person.

Section 9.5 Rights as Lender. In its capacity as a Lender, Administrative Agent shall have the same rights and obligations as any Lender and may exercise such rights as though it were not Administrative Agent. Administrative Agent may accept deposits from, lend money to, act as trustee under indentures of, and generally engage in any kind of business with any Restricted Person or their Affiliates, all as if it were not Administrative Agent hereunder and without any duty to account therefor to any other Lender.

Section 9.6 Sharing of Set-Offs and Other Payments. Each Lender Party agrees that if it shall, whether through the exercise of rights under Security Documents or rights of banker's lien, set off, or counterclaim against Borrower or otherwise, obtain payment of a portion of the aggregate Obligations owed to it which, taking into account all distributions made by Administrative Agent under Section 3.1, causes such Lender Party to have received more than it would have received had such payment been received by Administrative Agent and distributed pursuant to Section 3.1, then (a) it shall be deemed to have simultaneously purchased and shall be obligated to purchase interests in the Obligations as necessary to cause all Lender Parties to

share all payments as provided for in Section 3.1, and (b) such other adjustments shall be made from time to time as shall be equitable to ensure that Administrative Agent and all Lender Parties share all payments of Obligations as provided in Section 3.1; provided, however, that nothing herein contained shall in any way affect the right of any Lender Party to obtain payment (whether by exercise of rights of banker's lien, set-off or counterclaim or otherwise) of indebtedness other than the Obligations. Borrower expressly consents to the foregoing arrangements and agrees that any holder of any such interest or other participation in the Obligations, whether or not acquired pursuant to the foregoing arrangements, may to the fullest extent permitted by Law and, subject to the provisions of Section 6.16, exercise any and all rights of banker's lien, set-off, or counterclaim as fully as if such holder were a holder of the Obligations in the amount of such interest or other participation. If all or any part of any funds transferred pursuant to this section is thereafter recovered from the seller under this section which received the same, the purchase provided for in this section shall be deemed to have been rescinded to the extent of such recovery, together with interest, if any, if interest is required pursuant to the order of a Tribunal to be paid on account of the possession of such funds prior to such recovery.

Section 9.7 Investments. Whenever Administrative Agent in good faith determines that it is uncertain about how to distribute to Lender Parties any funds which it has received, or whenever Administrative Agent in good faith determines that there is any dispute among Lender Parties about how such funds should be distributed, Administrative Agent may choose to defer distribution of the funds which are the subject of such uncertainty or dispute. If Administrative Agent in good faith believes that the uncertainty or dispute will not be promptly resolved, or if Administrative Agent is otherwise required to invest funds pending distribution to Lender Parties, Administrative Agent shall invest such funds pending distribution; all interest on any such Investment shall be distributed upon the distribution of such Investment and in the same proportion and to the same Persons as such Investment. All moneys received by Administrative Agent for distribution to Lender Parties (other than to the Person who is Administrative Agent in its separate capacity as a Lender Party) shall be held by Administrative Agent pending such distribution solely as Administrative Agent for such Lender Parties, and Administrative Agent shall have no equitable title to any portion thereof.

Section 9.8 Benefit of Article IX. The provisions of this Article are intended solely for the benefit of Lender Parties, and no Restricted Person shall be entitled to rely on any such provision or assert any such provision in a claim or defense against any Lender (other than in relation to the reference to Section 6.16 contained in Section 9.6 or the right to reasonably approve a successor Administrative Agent under Section 9.9). Lender Parties may waive or amend such provisions as they desire without any notice to or consent of Borrower or any other Restricted Person.

Section 9.9 Resignation. Administrative Agent may resign at any time by giving written notice thereof to Lenders and Borrower. Each such notice shall set forth the date of such resignation. Upon any such resignation Majority Lenders shall have the right to appoint a successor Administrative Agent, subject to the approval of Borrower, unless a Default has occurred and is continuing, which approval will not be unreasonably withheld. A successor must be appointed for any retiring Administrative Agent, and such Administrative Agent's resignation

shall become effective when such successor accepts such appointment. If, within thirty days after the date of the retiring Administrative Agent's resignation, no successor Administrative Agent has been appointed and has accepted such appointment, then the retiring Administrative Agent may appoint a successor Administrative Agent, which shall be a commercial bank organized or licensed to conduct a banking or trust business under the Laws of the United States of America or of any state thereof. Upon the acceptance of any appointment as Administrative Agent hereunder by a successor Administrative Agent, the retiring Administrative Agent shall be discharged from its duties and obligations under this Agreement and the other Loan Documents. After any retiring Administrative Agent's resignation hereunder the provisions of this Article IX shall continue to inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under the Loan Documents.

Section 9.10 Other Agents. The Persons identified herein as the Joint Lead Arrangers and Book Runners, the Syndication Agent, the Co-Documentation Agents, the Senior Managing Agent, and the Co-Agents (collectively the "Co-Agents"), in such capacities, shall not have any duties or responsibilities or incur any liabilities in such agency capacities (as opposed to its capacity as a Lender) under or in connection with this Agreement or under any of the other Loan Documents. The relationship between Borrower, on the one hand, and the Co-Agents and Administrative Agent, on the other hand, shall be solely that of borrower and lender. None of the Co-Agents shall have any fiduciary responsibilities to Borrower or any of its Affiliates. None of the Co-Agents undertakes any responsibility to Borrower or any of its respective Affiliates to review or inform Borrower of any matter in connection with any phase of Borrower's or such Affiliate's business or operations.

ARTICLE X - Miscellaneous

Section 10.1 Waivers and Amendments; Acknowledgments.

(a) Waivers and Amendments. No failure or delay (whether by course of conduct or otherwise) by any Lender in exercising any right, power or remedy which such Lender Party may have under any of the Loan Documents shall operate as a waiver thereof or of any other right, power or remedy, nor shall any single or partial exercise by any Lender Party of any such right, power or remedy preclude any other or further exercise thereof or of any other right, power or remedy. No waiver of any provision of any Loan Document and no consent to any departure therefrom shall ever be effective unless it is in writing and signed as provided below in this section, and then such waiver or consent shall be effective only in the specific instances and for the purposes for which given and to the extent specified in such writing. No notice to or demand on any Restricted Person shall in any case of itself entitle any Restricted Person to any other or further notice or demand in similar or other circumstances. This Agreement and the other Loan Documents set forth the entire understanding between the parties hereto with respect to the transactions contemplated herein and therein and supersede all prior discussions and understandings with respect to the subject matter hereof and thereof, and no waiver, consent, release, modification or amendment of or supplement to this Agreement or the other Loan Documents shall be valid or effective against any party hereto unless the same is in writing and signed by (i) if such party is Borrower or a Restricted Person, by Borrower or such Restricted Person, (ii) if such party is Administrative Agent or LC Issuer, by such party, and (iii) if such

party is a Lender, by such Lender or by Administrative Agent on behalf of Lenders with the written consent of Majority Lenders, (which consent has already been given as to the termination of the Loan Documents as provided in Section 10.9). Notwithstanding the foregoing or anything to the contrary herein, Administrative Agent shall not, without the prior consent of each individual Lender, execute and deliver on behalf of such Lender any waiver or amendment which would: (1) waive any of the conditions specified in Article IV (provided that Administrative Agent may in its discretion withdraw any request it has made under Section 4.3(f)), (2) increase the Percentage Share of any such Lender or the maximum amount any such Lender is committed to fund in respect of Letter of Credit Obligations and Loans or subject such Lender to any additional obligations (other than pursuant to Section 10.5(c)), (3) reduce any fees payable to such Lender hereunder, or the principal of, or interest on, such Lender's Note, or change any date fixed for any payment of any such fees or interest, (4) reduce any principal amount payable under Section 2.6, change the date for any such payment, or extend the Maturity Date, (5) amend this Section 10.1(a) or the definitions herein of "Majority Lenders" or "Percentage Share" or otherwise change the aggregate amount of Percentage Shares which is required for Administrative Agent, Lenders or any of them to take any particular action under the Loan Documents, (6) release Borrower from its obligation to pay such Lender's Note or any Guarantor from its guaranty of such payment, (7) release any Collateral, except such releases relating to sales of property permitted under Section 7.5, (8) create additional restrictions on participations, assignments or transfers by a Lender, or (9) amend the definition of "Interest Period" to permit Interest Periods of greater than six months unless such period is subject to availability to each Lender.

(b) Acknowledgments and Admissions. Borrower hereby represents, warrants, acknowledges and admits that (i) it has been advised by counsel in the negotiation, execution and delivery of the Loan Documents to which it is a party, (ii) it has made an independent decision to enter into this Agreement and the other Loan Documents to which it is a party, without reliance on any representation, warranty, covenant or undertaking by Administrative Agent or any other Lender Party, whether written, oral or implicit, other than as expressly set out in this Agreement or in another Loan Document delivered on or after the date hereof, (iii) there are no representations, warranties, covenants, undertakings or agreements by any Lender Party as to the Loan Documents except as expressly set out in this Agreement or in another Loan Document delivered on or after the date hereof, (iv) no Lender Party has any fiduciary obligation toward Borrower with respect to any Loan Document or the transactions contemplated thereby, (v) the relationship pursuant to the Loan Documents between Borrower and the other Restricted Persons, on one hand, and each Lender Party, on the other hand, is and shall be solely that of debtor and creditor, respectively, (vi) no partnership or joint venture exists with respect to the Loan Documents between any Restricted Person and any Lender Party, (vii) Administrative Agent is not Borrower's Administrative Agent, but Administrative Agent for Lenders, (viii) should an Event of Default or Default occur or exist, each Lender Party will determine in its sole discretion and for its own reasons what remedies and actions it will or will not exercise or take at that time, (ix) without limiting any of the foregoing, Borrower is not relying upon any representation or covenant by any Lender Party, or any representative thereof, and no such representation or covenant has been made, that any Lender Party will, at the time of an Event of Default or Default, or at any other time, waive, negotiate, discuss, or take or refrain from taking any action permitted under the Loan Documents with respect to any such Event of Default or

Default or any other provision of the Loan Documents, and (x) all Lender Parties have relied upon the truthfulness of the acknowledgments in this section in deciding to execute and deliver this Agreement and to become obligated hereunder.

(c) Representation by Lenders. Each Lender hereby represents that it will acquire its Note for its own account in the ordinary course of its commercial lending business; however, the disposition of such Lender's property shall at all times be and remain within its control and, in particular and without limitation, such Lender may sell or otherwise transfer its Note, any participation interest or other interest in its Note, or any of its other rights and obligations under the Loan Documents subject to compliance with Sections 10.5(b) through (f), inclusive, and applicable Law.

(d) Joint Acknowledgment. THIS WRITTEN AGREEMENT AND THE OTHER LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES.

THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

Section 10.2 Survival of Agreements; Cumulative Nature. All of Restricted Persons' various representations, warranties, covenants and agreements in the Loan Documents shall survive the execution and delivery of this Agreement and the other Loan Documents and the performance hereof and thereof, including the making or granting of the Loans and the delivery of the Notes and the other Loan Documents, and shall further survive until all of the Obligations are paid in full to each Lender Party and all of Lender Parties' obligations to Borrower are terminated. All statements and agreements contained in any certificate or other instrument delivered by any Restricted Person to any Lender Party under any Loan Document shall be deemed representations and warranties by Borrower or agreements and covenants of Borrower under this Agreement. The representations, warranties, indemnities, and covenants made by Restricted Persons in the Loan Documents, and the rights, powers, and privileges granted to Lender Parties in the Loan Documents, are cumulative, and, except for expressly specified waivers and consents, no Loan Document shall be construed in the context of another to diminish, nullify, or otherwise reduce the benefit to any Lender Party of any such representation, warranty, indemnity, covenant, right, power or privilege. In particular and without limitation, no exception set out in this Agreement to any representation, warranty, indemnity, or covenant herein contained shall apply to any similar representation, warranty, indemnity, or covenant contained in any other Loan Document, and each such similar representation, warranty, indemnity, or covenant shall be subject only to those exceptions which are expressly made applicable to it by the terms of the various Loan Documents.

Section 10.3 Notices. All notices, requests, consents, demands and other communications required or permitted under any Loan Document shall be in writing, unless otherwise specifically provided in such Loan Document (provided that Administrative Agent may give telephonic notices to the other Lender Parties), and shall be deemed sufficiently given or furnished if delivered by personal delivery, by facsimile or other electronic transmission, by

delivery service with proof of delivery, or by registered or certified United States mail, postage prepaid, to Borrower and Restricted Persons at the address of Borrower specified on the signature pages hereto and to each Lender Party at its address specified on the signature pages hereto (unless changed by similar notice in writing given by the particular Person whose address is to be changed). Any such notice or communication shall be deemed to have been given (a) in the case of personal delivery or delivery service, as of the date of first attempted delivery during normal business hours at the address provided herein, (b) in the case of facsimile or other electronic transmission, upon receipt, or (c) in the case of registered or certified United States mail, three days after deposit in the mail; provided, however, that no Borrowing Notice or Continuation/Conversion Notice shall become effective until actually received by Administrative Agent.

Section 10.4 Payment of Expenses; Indemnity.

(a) Payment of Expenses. Whether or not the transactions contemplated by this Agreement are consummated, Borrower will promptly (and in any event, within 30 days after any invoice or other statement or notice) pay: (i) all transfer, stamp, mortgage, documentary or other similar taxes, assessments or charges levied by any governmental or revenue authority in respect of this Agreement or any of the other Loan Documents or any other document referred to herein or therein, (ii) all reasonable costs and expenses incurred by or on behalf of Administrative Agent (including attorneys' fees, consultants' fees and engineering fees, travel costs and miscellaneous expenses) in connection with (1) the negotiation, preparation, execution and delivery of the Loan Documents, and any and all consents, waivers or other documents or instruments relating thereto, (2) the filing, recording, refiling and re-recording of any Loan Documents and any other documents or instruments or further assurances required to be filed or recorded or refiled or re-recorded by the terms of any Loan Document, (3) the borrowings hereunder and other action reasonably required in the course of administration hereof, (4) monitoring or confirming (or preparation or negotiation of any document related to) any Restricted Person's compliance with any covenants or conditions contained in this Agreement or in any Loan Document, and (iii) all reasonable costs and expenses incurred by or on behalf of any Lender Party (including attorneys' fees, consultants' fees and accounting fees) in connection with the defense or enforcement of any of the Loan Documents (including this section), any attempt to cure any breach thereunder by any Restricted Person or the defense of any Lender Party's exercise of its rights thereunder. In addition to the foregoing, until all Obligations have been paid in full, Borrower will also pay or reimburse Administrative Agent for all reasonable out-of-pocket costs and expenses of Administrative Agent or its agents or employees in connection with the continuing administration of the Loans and the related due diligence of Administrative Agent, including travel and miscellaneous expenses and fees and expenses of Administrative Agent's outside counsel, reserve engineers and consultants engaged in connection with the Loan Documents.

(b) Indemnity. Borrower agrees to indemnify each Lender Party, upon demand, from and against any and all liabilities, obligations, claims, losses, damages, penalties, fines, actions, judgments, suits, settlements, costs, expenses or disbursements (including reasonable fees of attorneys, accountants, experts and advisors) of any kind or nature whatsoever (in this section collectively called "liabilities and costs") which to any extent (in whole or in part) may be

imposed on, incurred by, or asserted against such Lender Party growing out of, resulting from or in any other way associated with any of the Collateral, the Loan Documents and the transactions and events (including the enforcement or defense thereof) at any time associated therewith or contemplated therein whether arising in contract or in tort or otherwise and including any violation or noncompliance with any Environmental Laws by any Lender Party or any other Person or any liabilities or duties of any Lender Party or any other Person with respect to Hazardous Materials found in or released into the environment).

THE FOREGOING INDEMNIFICATION SHALL APPLY WHETHER OR NOT SUCH LIABILITIES AND COSTS ARE IN ANY WAY OR TO ANY EXTENT OWED, IN WHOLE OR IN PART, UNDER ANY CLAIM OR THEORY OF STRICT LIABILITY OR CAUSED, IN WHOLE OR IN PART, BY ANY NEGLIGENT ACT OR OMISSION OF ANY KIND BY ANY LENDER PARTY,

provided only that no Lender Party shall be entitled under this section to receive indemnification for that portion, if any, of any liabilities and costs which is proximately caused by its own individual gross negligence or willful misconduct, as determined in a final judgment. If any Person (including Borrower or any of its Affiliates) ever alleges such gross negligence or willful misconduct by any Lender Party, the indemnification provided for in this section shall nonetheless be paid upon demand, subject to later adjustment or reimbursement, until such time as a court of competent jurisdiction enters a final judgment as to the extent and effect of the alleged gross negligence or willful misconduct. As used in this section the term "Lender Party" shall refer not only to each Person designated as such in Section 1.1 but also to each director, officer, agent, trustee, attorney, employee, representative and Affiliate of such Persons.

Section 10.5 Joint and Several Liability; Parties in Interest; Assignments; Replacement Notes.

(a) All Obligations which are incurred by two or more Restricted Persons shall be their joint and several obligations and liabilities. All grants, covenants and agreements contained in the Loan Documents shall bind and inure to the benefit of the parties thereto and their respective successors and permitted assigns; provided, however, that no Restricted Person may assign or transfer any of its rights or delegate any of its duties or obligations under any Loan Document without the prior consent of all Lenders. Neither Borrower nor any Affiliates of Borrower shall directly or indirectly purchase or otherwise retire any Obligations owed to any Lender nor will any Lender accept any offer to do so, unless each Lender shall have received substantially the same offer with respect to the same Percentage Share of the Obligations owed to it. If Borrower or any Affiliate of Borrower at any time purchases some but less than all of the Obligations owed to all Lender Parties, such purchaser shall not be entitled to any rights of any Lender under the Loan Documents unless and until Borrower or its Affiliates have purchased all of the Obligations.

(b) No Lender shall sell any participation interest in its commitment hereunder or any of its rights under its Loans or under the Loan Documents to any Person unless the agreement between such Lender and such participant at all times provides: (i) that such participation exists

only as a result of the agreement between such participant and such Lender and that such transfer does not give such participant any right to vote as a Lender or any other direct claims or rights against any Person other than such Lender, (ii) that such participant is not entitled to payment from any Restricted Person under Sections 3.2 through 3.6 of amounts in excess of those payable to such Lender under such sections (determined without regard to the sale of such participation), and (iii) unless such participant is an Affiliate of such Lender, that such participant shall not be entitled to require such Lender to take any action under any Loan Document or to obtain the consent of such participant prior to taking any action under any Loan Document, except for actions which would require the consent of all Lenders under subsection (a) of Section 10.1. No Lender selling such a participation shall, as between the other parties hereto and such Lender, be relieved of any of its obligations hereunder as a result of the sale of such participation. Each Lender which sells any such participation to any Person (other than an Affiliate of such Lender) shall give prompt notice thereof to Administrative Agent and Borrower; provided, however, that no liability shall arise if any Lender fails to give such notice to Borrower.

(c) Except for sales of participations under the immediately preceding subsection, no Lender shall make any assignment or transfer of any kind of its commitments or any of its rights under its Loans or under the Loan Documents, except for assignments to an Eligible Transferee, or, subject to the provisions of subsection (g) below, to an Affiliate and then only if such assignment is made in accordance with the following requirements:

(i) Each such assignment shall apply to all Obligations owing to the assignor Lender hereunder and to the unused portion of the assignor Lender's commitments, so that after such assignment is made the assignor Lender shall have a fixed (and not a varying) Percentage Share in its Loans and Notes and be committed to make that Percentage Share of all future Loans, the assignee shall have a fixed Percentage Share in such Loans and Notes and be committed to make that Percentage Share of all future Loans, and the Percentage Share of the Maximum Facility Amount of each of the assignor (if not an assignment of all of its Obligations and commitments) and of the assignee shall equal or exceed $1,000,000 (provided, that all amounts assigned shall be aggregated in calculating the $1,000,000 minimum in the event of simultaneous assignments to or from two or more Affiliates).

(ii) The parties to each such assignment shall execute and deliver to Administrative Agent, for its acceptance and recording in the "Register" (as defined below in this section), an Assignment and Acceptance in the form of Exhibit D, appropriately completed, together with the Note subject to such assignment and a processing fee payable by such assignor Lender (and not at Borrower's expense) to Administrative Agent of $3,500. Upon such execution, delivery, and payment and upon the satisfaction of the conditions set out in such Assignment and Acceptance, then (i) Borrower shall issue new Notes to such assignor and assignee upon return of the old Notes to Borrower, and (ii) as of the "Settlement Date" specified in such Assignment and Acceptance the assignee thereunder shall be a party hereto and a Lender hereunder and Administrative Agent shall thereupon deliver to Borrower and each Lender a revised Schedule 1

hereto showing the revised Percentage Shares of such assignor Lender and such assignee Lender and the Percentage Shares of all other Lenders.

(iii) Each assignee Lender that is not a United States person (as such term is defined in Section 7701(a)(30) of the Code) for Federal income tax purposes, shall (to the extent it has not already done so) provide Administrative Agent and Borrower with the "Prescribed Forms" referred to in Section 3.7(d).

(d) Any Lender may at any time pledge all or any portion of its Loan and Note (and related rights under the Loan Documents including any portion of its Note) to any of the twelve (12) Federal Reserve Banks organized under Section 4 of the Federal Reserve Act, 12 U.S.C. Section 341. No such pledge or enforcement thereof shall release any such Lender from its obligations under any of the Loan Documents; provided that all related costs, fees and expenses in connection with any such pledge shall be for the sole account of such Lender.

(e) By executing and delivering an Assignment and Acceptance, each assignee Lender thereunder will be confirming to and agreeing with Borrower, Administrative Agent and each other Lender Party that such assignee understands and agrees to the terms hereof, including Article IX hereof.

(f) Administrative Agent shall maintain a copy of each Assignment and Acceptance and a register for the recordation of the names and addresses of Lenders and the Percentage Shares of, and principal amount of the Loans owing to, each Lender from time to time (in this section called the "Register"). The entries in the Register shall be conclusive, in the absence of manifest error, and Borrower and each Lender Party may treat each Person whose name is recorded in the Register as a Lender Party hereunder for all purposes. The Register shall be available for inspection by Borrower or any Lender Party at any reasonable time and from time to time upon reasonable prior notice.

(g) Any Lender may assign or transfer its commitment or its rights under its Loans or under the Loan Documents to (i) any Affiliate that is wholly-owned direct or indirect subsidiary of such Lender or of any Person that wholly owns, directly or indirectly, such Lender, or (ii) if such Lender is a fund that invests in bank loans, any other fund that invests in bank loans and is advised or managed by (A) the same investment advisor as any Lender or (B) any Affiliate of such investment advisor that is a wholly-owned direct or indirect subsidiary of any Person that wholly owns, directly or indirectly, such investment advisor, subject to the following additional conditions:

(x) any right of such Lender assignor (if assignor remains a Lender) and such assignee to vote as a Lender, or any other direct claims or rights against any other Persons, shall be uniformly exercised or pursued in the manner that such Lender assignor would have so exercised such vote, claim or right if it had not made such assignment or transfer;

(y) such assignee shall not be entitled to payment from any Restricted Person under Sections 3.2 through 3.7 of amounts in excess of those payable to such Lender assignor under such sections (determined without regard to such assignment or transfer); and

(z) if such Lender assignor assigns or transfers to such assignee any of such Lender's commitment, such assignee may become primarily liable for such commitment, but such assignment or transfer shall not relieve or release such Lender from such commitment.

(h) Upon receipt of an affidavit reasonably satisfactory to Borrower of an officer of any Lender as to the loss, theft, destruction or mutilation of its Note or any Security Document which is not of public record, and, in the case of any such loss, theft, destruction or mutilation, upon cancellation of such Note or such Security Document, Borrower will execute and deliver, in lieu thereof, a replacement Note in the same principal amount thereof and otherwise of like tenor (or each Restricted Person a party to any such Security Document will execute and deliver a replacement Security Document of like tenor).

Section 10.6 Confidentiality. Each Lender Party agrees (on behalf of itself and each of its Affiliates, and each of its and their directors, officers, agents, attorneys, employees, and representatives) that it (and each of them) will take all reasonable steps to keep confidential any non-public information supplied to it by or at the direction of any Restricted Person so identified when delivered, provided, however, that this restriction shall not apply to (a) information which has at the time in question entered the public domain, (b) information which is required to be disclosed by Law (whether valid or invalid) of any Tribunal, (c) any disclosure to any Lender Party's Affiliates, auditors, attorneys, or agents, (d) any disclosure to any other Lender Party or to any purchaser or prospective purchaser of participations or other interests in any Loan or Loan Document (provided each such Person first agrees to hold such information in confidence on the terms provided in this section), or (e) any disclosure in the course of enforcing its rights and remedies during the existence of an Event of Default.

Section 10.7 Governing Law; Submission to Process. EXCEPT TO THE EXTENT THAT THE LAW OF ANOTHER JURISDICTION IS EXPRESSLY ELECTED IN A LOAN DOCUMENT, THE LOAN DOCUMENTS SHALL BE DEEMED CONTRACTS AND INSTRUMENTS MADE UNDER THE LAWS OF THE STATE OF NEW YORK AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK AND THE LAWS OF THE UNITED STATES OF AMERICA. BORROWER HEREBY AGREES THAT ANY LEGAL ACTION OR PROCEEDING AGAINST BORROWER WITH RESPECT TO THIS AGREEMENT, THE NOTES OR ANY OF THE LOAN DOCUMENTS MAY BE BROUGHT IN THE COURTS OF THE STATE OF NEW YORK OR OF THE UNITED STATES OF AMERICA FOR THE SOUTHERN DISTRICT OF NEW YORK AS LENDER PARTIES MAY ELECT, AND, BY EXECUTION AND DELIVERY HEREOF, BORROWER ACCEPTS AND CONSENTS FOR ITSELF AND IN RESPECT TO ITS PROPERTY, GENERALLY AND UNCONDITIONALLY, THE NON-EXCLUSIVE JURISDICTION OF THE AFORESAID COURTS. BORROWER AGREES THAT SECTIONS 5-1401 AND 5-1402 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK SHALL APPLY TO THE LOAN DOCUMENTS AND WAIVES ANY RIGHT TO STAY OR

TO DISMISS ANY ACTION OR PROCEEDING BROUGHT BEFORE SAID COURTS ON THE BASIS OF FORUM NON CONVENIENS. IN FURTHERANCE OF THE FOREGOING, BORROWER HEREBY IRREVOCABLY DESIGNATES AND APPOINTS CORPORATION SERVICE COMPANY, 80 STATE STREET, ALBANY, NEW YORK 12207, AS AGENT OF BORROWER TO RECEIVE SERVICE OF ALL PROCESS BROUGHT AGAINST BORROWER WITH RESPECT TO ANY SUCH PROCEEDING IN ANY SUCH COURT IN NEW YORK, SUCH SERVICE BEING HEREBY ACKNOWLEDGED BY BORROWER TO BE EFFECTIVE AND BINDING SERVICE IN EVERY RESPECT. COPIES OF ANY SUCH PROCESS SO SERVED SHALL ALSO, IF PERMITTED BY LAW, BE SENT BY REGISTERED MAIL TO BORROWER AT ITS ADDRESS SET FORTH BELOW, BUT THE FAILURE OF BORROWER TO RECEIVE SUCH COPIES SHALL NOT AFFECT IN ANY WAY THE SERVICE OF SUCH PROCESS AS AFORESAID. BORROWER SHALL FURNISH TO LENDER PARTIES A CONSENT OF CORPORATION SERVICE COMPANY AGREEING TO ACT HEREUNDER PRIOR TO THE EFFECTIVE DATE OF THIS AGREEMENT. NOTHING HEREIN SHALL AFFECT THE RIGHT OF LENDER PARTIES TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR SHALL LIMIT THE RIGHT OF LENDER PARTIES TO BRING PROCEEDINGS AGAINST BORROWER IN THE COURTS OF ANY OTHER JURISDICTION. IF FOR ANY REASON CORPORATION SERVICE COMPANY SHALL RESIGN OR OTHERWISE CEASE TO ACT AS BORROWER'S AGENT, BORROWER HEREBY IRREVOCABLY AGREES TO (A) IMMEDIATELY DESIGNATE AND APPOINT A NEW AGENT ACCEPTABLE TO ADMINISTRATIVE AGENT TO SERVE IN SUCH CAPACITY AND, IN SUCH EVENT, SUCH NEW AGENT SHALL BE DEEMED TO BE SUBSTITUTED FOR CORPORATION SERVICE COMPANY FOR ALL PURPOSES HEREOF AND (B) PROMPTLY DELIVER TO AGENT THE WRITTEN CONSENT (IN FORM AND SUBSTANCE SATISFACTORY TO ADMINISTRATIVE AGENT) OF SUCH NEW AGENT AGREEING TO SERVE IN SUCH CAPACITY.

Section 10.8 Limitation on Interest. Lender Parties, Restricted Persons and any other parties to the Loan Documents intend to contract in strict compliance with applicable usury Law from time to time in effect. In furtherance thereof such Persons stipulate and agree that none of the terms and provisions contained in the Loan Documents shall ever be construed to create a contract to pay, for the use, forbearance or detention of money, interest in excess of the maximum amount of interest permitted to be contracted for, charged, or received by applicable Law from time to time in effect. Neither any Restricted Person nor any present or future guarantors, endorsers, or other Persons hereafter becoming liable for payment of any Obligation shall ever be liable for unearned interest thereon or shall ever be required to pay interest thereon in excess of the maximum amount that may be lawfully contracted for, charged, or received under applicable Law from time to time in effect, and the provisions of this Section 10.8 shall

control over all other provisions of the Loan Documents which may be in conflict or apparent conflict herewith. Lender Parties expressly disavow any intention to contract for, charge, or receive excessive unearned interest or finance charges in the event the maturity of any Obligation is accelerated. If (a) the maturity of any Obligation is accelerated for any reason, (b) any Obligation is prepaid and as a result any amounts held to constitute interest are determined to be in excess of the legal maximum, or (c) any Lender or any other holder of any or all of the Obligations shall otherwise collect moneys which are determined to constitute interest which would otherwise increase the interest on any or all of the Obligations to an amount in excess of that permitted to be contracted for, charged or received by applicable Law then in effect, then all sums determined to constitute interest in excess of such legal limit shall, without penalty, and to the extent permitted by applicable Law be promptly applied to reduce the then outstanding principal of the related Obligations or, at such Lender's or holder's option, promptly returned to Borrower or other payor thereof upon such determination. In determining whether or not the interest paid or payable, under any specific circumstance, exceeds the maximum amount permitted under applicable Law, Lender Parties and Restricted Persons (and any other payors thereof) shall to the greatest extent permitted under applicable Law, (i) characterize any non-principal payment as an expense, fee or premium rather than as interest, (ii) exclude voluntary prepayments and the effects thereof, and (iii) amortize, prorate, allocate, and spread the total amount of interest throughout the entire contemplated term of the instruments evidencing the Obligations in accordance with the amounts outstanding from time to time thereunder and the maximum legal rate of interest from time to time in effect under applicable Law in order to lawfully charge the maximum amount of interest permitted under applicable Law.

Section 10.9 Termination; Limited Survival. In its sole and absolute discretion Borrower may at any time that no Obligations are owing or outstanding elect in a written notice delivered to Administrative Agent to terminate this Agreement. Upon receipt by Administrative Agent of such a notice, if no Obligations are then owing or outstanding this Agreement and all other Loan Documents shall thereupon be terminated and the parties thereto released from all prospective obligations thereunder. Notwithstanding the foregoing or anything herein to the contrary, any waivers or admissions made by any Restricted Person in any Loan Document, any Obligations under Sections 3.2 through 3.6, and any obligations which any Person may have to indemnify or compensate any Lender Party shall survive any termination of this Agreement or any other Loan Document. At the request and expense of Borrower, Administrative Agent shall prepare and execute all necessary instruments to reflect and effect such termination of the Loan Documents. Administrative Agent is hereby authorized to execute all such instruments on behalf of all Lenders, without the joinder of or further action by any Lender.

Section 10.10 Severability. If any term or provision of any Loan Document shall be determined to be illegal or unenforceable all other terms and provisions of the Loan Documents shall nevertheless remain effective and shall be enforced to the fullest extent permitted by applicable Law.

Section 10.11 Counterparts; Fax. This Agreement may be separately executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to constitute one and the same Agreement. This Agreement

and the Loan Documents may be validly executed and delivered by facsimile or other electronic transmission.

Section 10.12 Waiver of Jury Trial, Punitive Damages, etc. RESTRICTED PERSONS AND LENDER PARTIES MUTUALLY HEREBY KNOWINGLY, VOLUNTARILY, AND INTENTIONALLY WAIVE THE RIGHT TO A TRIAL BY JURY IN RESPECT OF ANY CLAIM BASED HEREON, ARISING OUT OF, UNDER OR IN CONNECTION WITH, THIS AGREEMENT OR ANY OTHER LOAN DOCUMENTS CONTEMPLATED TO BE EXECUTED IN CONNECTION HEREWITH OR ANY COURSE OF CONDUCT, COURSE OF DEALINGS, STATEMENTS (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF ANY PARTY. THIS WAIVER CONSTITUTES A MATERIAL INDUCEMENT FOR LENDERS TO ENTER INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS AND MAKE THE LOANS. BORROWER AND EACH LENDER PARTY HEREBY FURTHER (A) IRREVOCABLY WAIVES, TO THE MAXIMUM EXTENT NOT PROHIBITED BY LAW, ANY RIGHT IT MAY HAVE TO CLAIM OR RECOVER IN ANY SUCH LITIGATION ANY "SPECIAL DAMAGES," AS DEFINED BELOW, (B) CERTIFIES THAT NO PARTY HERETO NOR ANY REPRESENTATIVE OR AGENT OR COUNSEL FOR ANY PARTY HERETO HAS REPRESENTED, EXPRESSLY OR OTHERWISE, OR IMPLIED THAT SUCH PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVERS, AND (C) ACKNOWLEDGES THAT IT HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT, THE OTHER LOAN DOCUMENTS AND THE TRANSACTIONS CONTEMPLATED HEREBY AND THEREBY BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS CONTAINED IN THIS SECTION. AS USED IN THIS SECTION, "SPECIAL DAMAGES" INCLUDES ALL SPECIAL, CONSEQUENTIAL, EXEMPLARY, OR PUNITIVE DAMAGES (REGARDLESS OF HOW NAMED), BUT DOES NOT INCLUDE ANY PAYMENTS OR FUNDS WHICH ANY PARTY HERETO HAS EXPRESSLY PROMISED TO PAY OR DELIVER TO ANY OTHER PARTY HERETO.

Section 10.13 Restatement. This Agreement amends and restates the Existing Credit Agreement in its entirety. Borrower hereby agrees that (i) the Indebtedness outstanding under the Existing Credit Agreement and all accrued and unpaid interest thereon and (ii) all accrued and unpaid fees under the Existing Credit Agreement shall be deemed to be outstanding under and governed by this Agreement. Borrower hereby acknowledges, warrants, represents and agrees that this Agreement is not intended to be, and shall not be deemed or construed to be, a novation or release of the Existing Credit Agreement.

Section 10.14 Special Provisions.

(a) From and after the Closing Date, (i) each Exiting Lender shall cease to be a party to this Agreement, (ii) no Exiting Lender shall have any obligations or liabilities under this Agreement with respect to the period from and after the Closing Date and, without limiting the foregoing, no Exiting Lender shall have any Revolver Commitment or Term Commitment under this Agreement or any participation on any Letter of Credit outstanding hereunder, and (iii) no Exiting Lender shall have any rights under the Existing Credit Agreement, this Agreement or any other Loan Document (other than rights under the Existing Credit Agreement expressly stated to survive the termination of the Existing Credit Agreement and the repayment of amounts outstanding thereunder).

(b) Lenders (that are Lenders under the Existing Credit Agreement) hereby waive any requirements for notice of prepayment, minimum amounts of prepayments of the loans thereunder, ratable reductions of the commitments of Lenders under the Existing Credit Agreement and ratable payments on account of the principal or interest of any loan under the Existing Credit Agreement to the extent that any such prepayment, reductions or payments are required to ensure that, upon the effectiveness of this Agreement, the Revolver Loans of Lenders shall be outstanding on a ratable basis in accordance with their respective Percentage Shares.

(c) Lenders hereby authorize the Administrative Agent and the Borrower to request Borrowings from Lenders, to make prepayments of Revolver Loans (as defined in the Existing Credit Agreement) and to reduce commitments under the Existing Credit Agreement among Lenders (as defined in the Existing Credit Agreement) in order to ensure that, upon the effectiveness of this Agreement and satisfaction of all conditions precedent under Article IV, the Revolver Loans of Lenders shall be outstanding on a ratable basis in accordance with their respective Percentage Shares and no such Borrowing, prepayment or reduction shall violate any provisions of the Existing Credit Agreement or this Agreement. Lenders hereby confirm that, from and after the Closing Date, all participations of Lenders in respect of Letters of Credit outstanding hereunder pursuant to subsection 2.9(c) shall be based upon the Percentage Shares of the Lenders (after giving effect to this Agreement).

(d) Effective as of the Closing Date, Borrower hereby terminates in full the commitments of the Exiting Lenders under the Existing Credit Agreement.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]

IN WITNESS WHEREOF, this Agreement is executed as of the date first written above.

BORROWER: LA GRANGE ACQUISITION,L.P.

By: LA GP, LLC, its general partner

By: _____
Ray C. Davis
Co-Chief Executive Officer

Address for Borrower:
2838 Woodside Street
Dallas, Texas 75204
Attention: Lon Kile
Telephone: 214-981-0700
Fax: 214-981-0701

FLEET NATIONAL BANK,
Administrative Agent, LC Issuer and
a Lender
By: _____
Allison Rossi
Director

Address:

100 Federal Street
Boston, Massachusetts 02110
Attention: Allison Rossi
Mail Code: MADE 10008A
Telephone: (617) 434-9061
Fax: (617)434-3652

FLEET SECURITIES, INC.,
Joint Lead Arranger and Book Runner

By: _____
Jeffrey Bloomquist
Vice President

WACHOVIA BANK, NATIONAL
ASSOCIATION,
as Syndication Agent and a Lender

By: _____
David E. Humphreys
Vice President

Address:

1001 Fannin Street, Suite 2255
Houston, TX 77002
Attention: David Humphreys
Telephone: (713) 346-2717
Fax: (713) 650-6354

WACHOVIA CAPITAL MARKETS, LLC,
Joint Lead Arranger and Book Runner

By: _____
David E. Humphreys
Vice President

THE ROYAL BANK OF SCOTLAND PLC,
as Co-Documentation Agent and
aLender

By: _____
Name: Adam Pettifer
Title: Senior Vice President

Address:

101 Park Avenue
New York, New York 10178
Attention: Chris Clarke
Telephone: (212) 401-1406
Fax: (212) 401-1494:

BNP PARIBAS,
as Co-Documentation Agent and a
Lender

By: _____
Name:
Title:

By: _____
Name:
Title:

Address:

919 Third Avenue
New York, New York
Attention: Coryn Lantin
Telephone: (212) 471-6631
Fax: (212) 841-2683

BANK OF SCOTLAND,
as Senior Managing Agent and a
Lender

By: _____
Joseph Fratus
First Vice President

Address:

565 Fifth Avenue
New York, New York 10017
Attention: Shirley Vargas
Telephone: (212) 450-0875
Fax: (212) 450-2807

FORTIS CAPITAL CORP.,
as Co-Agent and a Lender

By: _____
Name:
Title:

By: _____
Name:
Title:

Address:

15455 North Dallas Parkway, Suite 1400
Addison, Texas 75001
Attention: Casey Lowary

Telephone: (214) 953-9308
Fax: (214) 754-5982

U.S. BANK NATIONAL ASSOCIATION,
as Co-Agent and a Lender

By: _____
Name:
Title:

Address:

918 17TH Street DNCOBB3E
Denver, Colorado 80202
Attention: Mark Thompson
Telephone: (303) 585-4213
Fax: (303) 585-4362

BMO NESBITT BURNS FINANCING, INC.,
Lender

By: _____
Cahal Carmody
Vice President

Address:

700 Louisiana Street, Suite 4400
Houston, Texas 77002
Attention: Cahal Carmody

Telephone: (713) 546-9750
Fax: (713)23-4007

AUSTRALIA AND NEW ZEALAND BANKING
GROUP LIMITED,
as a Lender

By: _____
Name: R. Scott McInnis
Title: Country Head - USA

Address: 177 Avenue of the Americas
New York, NY 10036
Attention: Joel Kaplan
Telephone: (212) 801 9894
Fax: (212) 536 9294

BANK ONE, NA,
as a Lender

By: _____
Name:
Title:

Address:

1 Bank One Plaza, Suite IL 1-0010
Chicago, Illinois 60670
Attention: Jim Moore
Telephone: (312) 385-7057
Fax: (312) 385-7096

COMERICA BANK,

as a Lender

By:

Michele L. Jones
Vice President - Texas Division

Address:

1601 Elm Street, 2nd Floor
Dallas, Texas 75201
Attention: Michele L. Jones
Telephone: (214) 969-6563
Fax: (214) 969-6561

KEY BANK NATIONAL ASSOCIATION,
as a Lender

By:

Name: Kevin D. Smith
Title: Vice President

Address:

127 Public Square
Cleveland, Ohio 44114
Attention: Melissa Pelham
Telephone: (216) 689-0206
Fax: (216) 689-5962

WEST LB AG, New York Branch

as a Lender

By:

Name:

Title:

By:

Name:

Title:

Address: 1211 Ave of Americas
New York, New York 10036

Attention: Jeffrey S. Davidson
Telephone: 212-852-6204
Fax: 212-597-1106

COMPASS BANK,

as a Lender

By:

Dorothy Marchand
Senior Vice President

Address:

24 Greenway Plaza, Suite 1400A
Houston, Texas 77046
Attention: Dorothy Marchand
Telephone: (713) 968-8272
Fax: (713) 968-8292

UFJ BANK LIMITED,
as a Lender

By:

Name: L. J. Perenyi
Title: Vice President

Address: Structured Finance Department
55 East 52nd Street, 26th Floor
New York, NY 10055

Attention: Seiji Tate
Telephone: 212-339-6235
Fax: 212-754-2368

HSH NORDBANK, AG, NEW YORK BRANCH,
as a Lender

By:

Name:
Title:

Address:

590 Madison Avenue
New York, New York, 10022
Attention: Rohan Singh
Telephone: (212) 407-6042
Fax: (212) 407-6033

NATEXIS BANQUES POPULAIRES,
as a Lender

By:

Daniel Payer
Vice President

By:

Louis P. Laville, III
Vice President

Address:

Houston Representative Office
333 Clay Street, Suite 4340
Houston, Texas 77002
Attention: Daniel Payer
Telephone: (713) 759-9495
Fax: (713) 571-6167

BANK OF AMERICA, N.A.
as a Lender

By:

Steven A. Mackenzie
Vice President - Credit Products

Address:

910 Main Street, 67th Floor
Dallas, Texas 75202
Attention: Steven A. Mackenzie
Telephone: (214) 209-3680
Fax: (214) 209-3140

GUARANTY BANK

as a Lender

By:

Jim R. Hamilton
Senior Vice President

Address:

1100 NE Loop 410
San Antonio, Texas78209
Attention: Jim R. Hamilton

Telephone: (210) 930-2926
Fax: (210) 930-1783

STERLING BANK,

as a Lender

By:

Name: C. Scott Wilson
Title: Vice President

Address: 2550 North Loop West, Suite 100
Houston, Texas 77092
Attention: Cheri Allen - Administrator
Telephone: (713) 507-7918
Fax: (713) 507-7948

ALLIED IRISH BANKS P.L.C,
as a Lender

By:

Name:
Title:

Address:

405 Park Avenue, 2nd Floor
New York, New York 10022
Attention: Vaughn Buck / Aidan Lanigan
Telephone: (212) 515-6768 / (212) 515-6837
Fax: (212) 339-8325

SCHEDULE 1

LENDER SCHEDULE

Lender: FLEET NATIONAL BANK

Lender's Revolver Commitment: $ 26,075,000

Lender's Term Commitment: $ 92,675,000

Revolver Percentage: 14.9%

Domestic Lending Office:

100 Federal Street
Boston, Massachusetts 02110
Attention: Allison Rossi
Mail Code: MADE 10008A
Telephone: (617) 434-9061
Fax: (617) 434-3652

Eurodollar Lending Office:

Same.

Notices:

Same.

SCHEDULE 1

LENDER SCHEDULE

Lender: WACHOVIA BANK, NATIONAL ASSOCIATION

Lender's Revolver Commitment:	$ 26,075,000
Lender's Term Commitment:	$ 10,675,000
Revolver Percentage:	14.9%

Domestic Lending Office:

1001 Fannin Street, Suite 2255
Houston, TX 77002
Attention: David Humphreys
Telephone: (713) 346-2717

Fax: (713) 650-6354

Eurodollar Lending Office:

Same.

Notices:

Same.

SCHEDULE 1

LENDER SCHEDULE

Lender: THE ROYAL BANK OF SCOTLAND PLC

Lender's Revolver Commitment: $ 10,500,000

Lender's Term Commitment: $ 19,500,000

Revolver Percentage: 6.0%

Domestic Lending Office:

101 Park Avenue
New York, New York 10178
Attention: Sheila Shaw
Telephone: (212) 401-1406
Fax: (212) 401-1494

Eurodollar Lending Office:

Same.

Notices:

600 Travis Street, Suite 6070
Houston, Texas 77002
Attention: Chris Clarke
Telephone: (713) 221-2400

Fax: (713) 221-2430

SCHEDULE 1

LENDER SCHEDULE

Lender: BNP PARIBAS

Lender's Revolver Commitment: $ 10,500,000

Lender's Term Commitment: $ 19,500,000

Revolver Percentage: 6.0%

Domestic Lending Office:

919 Third Avenue
New York, New York 10022
Attention: Coryn Lantin
Telephone: (212) 471-6631
Fax: (212) 841-2683

Eurodollar Lending Office:

Same.

Notices:

1200 Smith Street, Suite 3100
Houston, Texas 77002
Attention: Brian Malone
Telephone: (713) 982-1100

Fax: (713) 659-6915

SCHEDULE 1

LENDER SCHEDULE

Lender: BANK OF SCOTLAND

Lender's Revolver Commitment: $ 11,200,000

Lender's Term Commitment: $ 20,800,000

Revolver Percentage: 6.4%

Domestic Lending Office:

565 Fifth Avenue
New York, New York 10017
Attention: Shirley Vargas
Telephone: (212) 450-0800
Fax: (212) 450-2806

Eurodollar Lending Office:

Same.

Notices:

One City Centre
1021 Main Street, Suite 1370
Houston, Texas 77002

Attention: Justin Alexander / Rex McSwain
Telephone: (713) 650-0212 / (713) 650-0636
Fax: (713) 651-9714

SCHEDULE 1

LENDER SCHEDULE

Lender: FORTIS CAPITAL CORP.

Lender's Revolver Commitment: $ 10,150,000

Lender's Term Commitment: $ 18,850,000

Revolver Percentage: 5.8%

Domestic Lending Office:

15455 North Dallas Parkway, Suite 1400
Addison, Texas 75001
Attention: Casey Lowary

Telephone: (214) 953-9303
Fax: (214) 754-5982

Eurodollar Lending Office:

Same.

Notices:

Same.

SCHEDULE 1

LENDER SCHEDULE

Lender: U.S. BANK NATIONAL ASSOCIATION

Lender's Revolver Commitment: $ 10,150,000

Lender's Term Commitment: $ 18,850,000

Revolver Percentage: 5.8%

Domestic Lending Office:

918 17TH Street DNCOBB3E
Denver, Colorado 80202
Attention: Mark Thompson
Telephone: (303) 585-4213
Fax: (303) 585-4362

Eurodollar Lending Office:

Same.

Notices:

Same.

SCHEDULE 1

LENDER SCHEDULE

Lender: BMO NESBITT BURNS FINANCING, INC.

Lender's Revolver Commitment: $ 7,000,000

Lender's Term Commitment: $ 13,000,000

Revolver Percentage: 4.0%

Domestic Lending Office:

700 Louisiana Street, Suite 4400
Houston, Texas 77002
Attention: Cahal Carmody
Telephone: (713) 546-9750

Fax: (713) 23-4007

Eurodollar Lending Office:

Same.

Notices:

Same.

SCHEDULE 1

LENDER SCHEDULE

Lender: AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED

Lender's Revolver Commitment: $ 8,050,000

Lender's Term Commitment: $ 14,950,000

Revolver Percentage: 4.6%

Domestic Lending Office:

1177 Avenue of the Americas, 6th Floor
New York, New York 10036
Attention: Joel Kaplan

Telephone: (212) 801-9894
Fax: (212) 536-9294

Eurodollar Lending Office:

Same.

Notices:

Same.

SCHEDULE 1

LENDER SCHEDULE

Lender: BANK ONE, NA

Lender's Revolver Commitment: $ 7,000,000

Lender's Term Commitment: $ 13,000,000

Revolver Percentage: 4.0%

Domestic Lending Office:

1 Bank One Plaza, Suite IL 1-0010
Chicago, Illinois 60670
Attention: Jim Moore
Telephone: (312) 385-7057

Fax: (312) 385-7096

Eurodollar Lending Office:

Same.

Notices:

910 Travis Street, TX2-4375
Houston, Texas 77002

Attention: Jeanie Gonzalez / Pete Torres
Telephone: (713) 751-6174 / (713) 751-6214
Fax: (713) 751-3982

SCHEDULE 1

LENDER SCHEDULE

Lender: COMERICA BANK

Lender's Revolver Commitment: $ 7,000,000

Lender's Term Commitment: $ 13,000,000

Revolver Percentage: 4.0%

Domestic Lending Office:

1601 Elm Street, 2nd Floor
Dallas, Texas 75201
Attention: Michele L. Jones
Telephone: (214) 969-6563
Fax: (214) 969-6561

Eurodollar Lending Office:

Same.

Notices:

Same.

SCHEDULE 1

LENDER SCHEDULE

Lender: KEY BANK NATIONAL ASSOCIATION

Lender's Revolver Commitment: $ 4,900,000

Lender's Term Commitment: $ 9,100,000

Revolver Percentage: 2.8%

Domestic Lending Office:

127 Public Square
Cleveland, Ohio 44114
Attention: Melissa Pelham
Telephone: (216) 689-0206
Fax: (216) 689-5962

Eurodollar Lending Office:

Same.

Notices:

601 108th Avenue, NE 5th Floor
Bellevue, Washington 98009
Telephone: (425) 709-4579

Fax: (425) 709-4587

SCHEDULE 1

LENDER SCHEDULE

Lender: WEST LB AG, NEW YORK BRANCH

Lender's Revolver Commitment: $ 4,900,000

Lender's Term Commitment: $ 9,100,000

Revolver Percentage: 2.8%

Domestic Lending Office:

1211 Avenue of the Americas
New York, New York 10036
Attention: Jeffrey S. Davidson
Telephone: (212) 852-6204
Fax: (212) 597-1106

Eurodollar Lending Office:

Same.

Notices:

1211 Avenue of the Americas
New York, New York 10036
Attention: Cheryl Wilson
Telephone: (212) 852-6152
Fax: (212) 302-7946

SCHEDULE 1

LENDER SCHEDULE

Lender: COMPASS BANK

Lender's Revolver Commitment: $ 6,300,000

Lender's Term Commitment: $ 11,700,000

Revolver Percentage: 3.6%

Domestic Lending Office:

24 Greenway Plaza, Suite 1400A
Houston, Texas 77046
Attention: Dorothy Marchand
Telephone: (713) 968-8272

Fax: (713) 968-8292

Eurodollar Lending Office:

Same.

Notices:

Same.

SCHEDULE 1

LENDER SCHEDULE

Lender: UFJ BANK LIMITED

Lender's Revolver Commitment: $ 4,550,000

Lender's Term Commitment: $ 8,450,000

Revolver Percentage: 2.6%

Domestic Lending Office:

55 East 52nd Street
New York, New York 10055
Attention: Seiji Tate
Telephone: (212) 339-6235
Fax: (212) 754-2368

Eurodollar Lending Office:

Same

Notices:

1200 Smith Street, Suite 2265
Houston, Texas 77002
Attention: Lad Perenyi
Telephone: (713) 654-9970

Fax: (713) 654-1462

SCHEDULE 1

LENDER SCHEDULE

Lender: HSH NORDBANK, AG, NEW YORK BRANCH

Lender's Revolver Commitment: $ 4,550,000

Lender's Term Commitment: $ 8,450,000

Revolver Percentage: 2.6%

Domestic Lending Office:

590 Madison Avenue
New York, New York, 10022
Attention: Rohan Singh
Telephone: (212) 407-6042
Fax: (212) 407-6033

Eurodollar Lending Office:

Same.

Notices:

Same.

SCHEDULE 1

LENDER SCHEDULE

Lender: NATEXIS BANQUES POPULAIRES

Lender's Revolver Commitment: $ 3,500,000

Lender's Term Commitment: $ 6,500,000

Revolver Percentage: 2.0%

Domestic Lending Office:

Houston Representative Office
333 Clay Street, Suite 4340
Houston, Texas 77002
Attention: Daniel Payer
Telephone: (713) 759-9495
Fax: (713) 571-6167

Eurodollar Lending Office:

Same.

Notices:

Same, with a copy to:

1251 Avenue of the Americas, 34th Floor
New York, New York 10020
Attention: Stacey Caruth

Fax: (212) 872-5160

SCHEDULE 1

LENDER SCHEDULE

Lender: BANK OF AMERICA, N.A.

Lender's Revolver Commitment: $ 2,450,000

Lender's Term Commitment: $ 4,550,000

Revolver Percentage: 1.4%

Domestic Lending Office:

910 Main Street, 67th Floor
Dallas, Texas 75202
Attention: Steven A. Mackenzie
Telephone: (214) 209-3680
Fax: (214) 209-3140

Eurodollar Lending Office:

Same.

Notices:

Same.

SCHEDULE 1

LENDER SCHEDULE

Lender: GUARANTY BANK

Lender's Revolver Commitment: $ 3,500,000

Lender's Term Commitment: $ 6,500,000

Revolver Percentage: 2.0%

Domestic Lending Office:

1100 NE Loop 410
San Antonio, Texas78209
Attention: Jim R. Hamilton
Telephone: (210) 930-2926
Fax: (210) 930-1783

Eurodollar Lending Office:

Same.

Notices:

8333 Douglas Avenue
Dallas, Texas 75225
Attention: Kim Thompson

Telephone: (214) 360-2609
Fax: (214) 360-5109

SCHEDULE 1

LENDER SCHEDULE

Lender: STERLING BANK

Lender's Revolver Commitment: $ 3,150,000

Lender's Term Commitment: $ 5,850,000

Revolver Percentage: 1.8%

Domestic Lending Office:

2550 North Loop West, Suite 100
Houston, Texas 77092
Attention: C. Scott Wilson
Telephone: (713) 577-7918
Fax: (713) 577-7948

Eurodollar Lending Office:

Same.

Notices:

Same.

SCHEDULE 1

LENDER SCHEDULE

Lender: ALLIED IRISH BANKS P.L.C.

Lender's Revolver Commitment: $ 3,500,000

Lender's Term Commitment: $ 0

Revolver Percentage: 2.0%

Domestic Lending Office:

Bankcentre,
Ballsbridge
Dublin 4
Ireland
Attention:
Telephone: 011 353 1 6411324
Fax: 011 353 1 6089795

Eurodollar Lending Office:

Same.

Notices:

405 Park Avenue, 2nd Floor
New York, New York 10022

Attention: Vaughn Buck / Aidan Lanigan
Telephone: (212) 515-6768 / (212) 515-6837
Fax: (212) 339-8325

SCHEDULE 2

DISCLOSURE SCHEDULE

Section 5.4. No Conflict or Consents:

None.

Section 5.6. Initial Financial Statements:

None.

Section 5.7. Other Obligations and Restrictions:

None.

Section 5.9. Litigation:

None

Section 5.10. Labor Disputes and Acts of God:

None.

Section 5.11. ERISA Plans and Liabilities:

None.

Section 5.12. Compliance with Laws:

None.

Section 5.13 Environmental Laws:

None.

Section 5.14. Names and Places of Business:

a. Fictitious name(s):

The Restricted Person(s) have the following fictitious names:

ETC Oklahoma Pipeline, Ltd. - ETC Oklahoma Pipeline, L.P.

ETC Marketing, Ltd. - ETC Marketing, L.P.

LaGrange Acquisition, L.P. - Energy Transfer Company

b. Principal Place of Business:

The Restricted Person(s) have the following additional principal places of business:

None.

c. Other offices:

The Restricted Person(s) have the following additional offices:

LaGrange Acquisition, L.P.
800 E. Sonterra Blvd.
Suite 400
San Antonio, TX 78258

ETC Oklahoma Pipeline, Ltd.
Business Office
7134 S. Yale
Tulsa, OK 74136

ETC Oklahoma Pipeline, Ltd.
Elk City Plant
Rt 4 Box 28-4 Hwy 6
Elk City, OK 73644

ETC Texas Pipeline, Ltd.
Giddings Office
3945 E Austin St
Hwy 290 E
Giddings, TX 78942

ETC Texas Pipeline, Ltd.
Grimes County Plant
County Road 180
Anderson, TX 77830

ETC Texas Pipeline, Ltd.
Hallettsville Treating Plant 1.25 mi W of Hwy 77 on FM 318
Halletsville, TX 77964

ETC Texas Pipeline, Ltd.
Holland Creek Plant
2277 County Road 246
Navasota, TX 77868-0969

ETC Texas Pipeline, Ltd.
La Grange Plant
7307 N US Hwy 77
LaGrange, TX 78945

ETC Texas Pipeline, Ltd.
Latium Treating Plant
Washington City, TX

ETC Texas Pipeline, Ltd.
Navasota Plant Site & Field Office

11386 County Road 419
Grimes, Texas 77868-0969

ETC Texas Pipeline, Ltd.
Snook Office

12935 FM 50

LaGrange, TX 78945

ETC Texas Pipeline, Ltd.
Somerville Plant & Office

1218 FM 1361

Burleson, TX 77879

ETC Marketing, Ltd.
Trucking Operations Office

1218 FM 1361

Burleson, TX 77879

ETC Texas Pipeline, Ltd.
LaGrange Field Office
7234 N US Hwy 77
LaGrange, TX 78945

ETC Oasis, L.P.
911 Main Street, Suite 300
Kansas City, MO 64105

ETC Oasis, L.P.
1100 Walnut, Suite 3300
Kansas City, MO 64106

ETC Oasis, L.P.
20 West 9th Street
Kansas City, MO 64105

Oasis Pipe Line Company Texas, L.P.
12012 Wickchester Lane, Suite 540
Houston, TX 77079

Section 5.15 Borrower's Subsidiaries:

Borrower owns all of the limited liability company interests in LG PL, LLC; LGM, LLC; ETC Oasis GP, LLC; Five-Dawaco, LLC and TETC, LLC

Borrower directly owns the 99.9% limited partnership interests, and LG PL, LLC owns the .1% general partnership interest, in the following entities:

ETC Gas Company, Ltd.
ETC Texas Pipeline, Ltd.
ETC Oklahoma Pipeline, Ltd.
ETC Texas Processing, Ltd.

Borrower directly owns the 99.9% limited partnership interests in the following entities and LGM, LLC; ETC Oasis GP, LLC; and Five-Dawaco, LLC, respectively, own the .1% general partnership interest in such entities:

ETC Marketing, Ltd.
ETC Oasis, L.P.
ET Company I, Ltd.

ET Company I, Ltd. directly owns the 99% limited partnership interests, and Five-Dawaco LLC owns the 1% general partnership interest, in the following entities:

Whiskey Bay Gathering Company, Ltd.
Whiskey Bay Gas Company, Ltd.
Chalkley Transmission Company, Ltd.

ET Company I, Ltd. directly owns the 99% limited partnership interest, and TETC, LLC owns the 1% general partnership interest, in Texas Energy Transfer Company, Ltd.

ETC Oasis, L.P. directly owns all of the outstanding shares of Oasis Pipe Line Company.

Oasis Pipeline Company owns all of the outstanding shares of the following entities:

Oasis Pipe Line Finance Company
Oasis Partner Company

Oasis Pipe Line Management Company

Oasis Partner Company owns the 99% limited partnership interest, and Oasis Pipe Line Management Company owns the 1% general partnership interest, in Oasis Pipe Line Company Texas L.P.

ETC Gas Company owns a 50% interest in South Texas Gathering and Treating Joint Venture.

ETC Company I, Ltd. owns a direct or indirect 50% interest in VanTex Energy Services, Ltd., VanTex Gas Pipeline Company, LLC and VES Inc.

Section 5.20. Credit Agreements

None.

Section 7.2. Limitation on Liens

None.

Section 7.10. Prohibit Contracts

None.

SCHEDULE 3

SECURITY SCHEDULE

1. Second Amended and Restated Guaranty by ETC Gas Company, Ltd., ETC Texas Pipeline, Ltd., ETC Oklahoma Pipeline, Ltd., ETC Marketing, Ltd., ETC Oasis, L.P., Texas Energy Transfer Company, Ltd., Whiskey Bay Gathering Company, Ltd., Whiskey Bay Gas Company, Ltd., Chalkley Transmission Company, Ltd., ET Company I, Ltd., Oasis Pipe Line Company, Oasis Pipe Line Company Texas, L.P., Oasis Pipe Line Finance Company, Oasis Partner Company, Oasis Pipe Line Management Company, LA GP, LLC, LG PL, LLC, LGM, LLC, ETC Oasis GP, LLC, FIVE-DAWACO, LLC, TETC, LLC, and ETC Texas Processing, Ltd. in favor of Administrative Agent.

2. Second Amended and Restated Pledge Agreement by Borrower in favor of Administrative Agent (Partnership Pledge).

3. Second Amended and Restated Pledge Agreement by Borrower in favor of Administrative Agent (LLC Pledge).

4. Second Amended and Restated Security Agreement by Borrower in favor of Administrative Agent.

5. Second Amended and Restated Pledge Agreement by LA GP, LLC, LG PL, LLC, LGM, LLC, ETC Oasis GP, LLC, Oasis Pipe Line Management Company, FIVE-DAWACO, LLC, TETC, LLC, ET Company I, Ltd., and Oasis Partner Company in favor of Administrative Agent.

6. Second Amended and Restated Security Agreement by ETC Marketing, Ltd., Oasis Pipe Line Company, Texas Energy Transfer Company, Ltd., Whiskey Bay Gathering Company, Ltd., Whiskey Bay Gas Company, Ltd., Chalkley Transmission Company, Ltd., ET Company I, Ltd., ETC Oasis, L.P., Oasis Pipe Line Management Company, Oasis Pipe Line Finance Company, Oasis Partner Company and ETC Gas Company, Ltd. in favor of Administrative Agent.

7. Amended and Restated Stock Pledge Agreement by ETC Oasis, L.P. and Oasis Pipe Line Company in favor of Administrative Agent.

8. First Amended and Restated Deed of Trust, Mortgage, Assignment, Security Agreement, Fixture Filing and Financing Statement by ETC Texas Pipeline, Ltd. and ETC Oklahoma Pipeline, Ltd., ETC Texas Processing, Ltd. and Oasis Pipe Line Texas L.P. in favor of Administrative Agent.

9. UCC-1 Financing Statements relating to the foregoing Security Documents.

SCHEDULE 4

INSURANCE SCHEDULE

SECOND AMENDED AND RESTATED CREDIT AGREEMENT

PROMISSORY NOTE

[REVOLVER NOTE]

$_____ _____, 200__

FOR VALUE RECEIVED, the undersigned, La Grange Acquisition, L.P., a Texas limited partnership (herein called "Borrower"), hereby promises to pay to the order of _____, a _____ (herein called "Lender"), the principal sum of _____ Dollars ($ _____), or, if greater or less, the aggregate unpaid principal amount of the Revolver Loans made under this Note by Lender to Borrower pursuant to the terms of the Credit Agreement (as hereinafter defined), together with interest on the unpaid principal balance thereof as hereinafter set forth, both principal and interest payable as herein provided in lawful money of the United States of America at the offices of Administrative Agent under the Credit Agreement, 100 Federal Street, Boston, Massachusetts, or at such other place as from time to time may be designated by the holder of this Note.

This Note (a) is issued and delivered under that certain Second Amended and Restated Credit Agreement dated January 20, 2004, among Borrower, Fleet National Bank, as Administrative Agent, and the lenders (including Lender) referred to therein (herein, as from time to time supplemented, amended or restated, called the "Credit Agreement"), and is a "Revolver Note" as defined therein, (b) is subject to the terms and provisions of the Credit Agreement, which contains provisions for payments and prepayments hereunder and acceleration of the maturity hereof upon the happening of certain stated events, (c) is secured by and entitled to the benefits of certain Security Documents (as identified and defined in the Credit Agreement), and (d) is given in renewal and restatement of certain Indebtedness described in the Credit Agreement. Payments on this Note shall be made and applied as provided herein and in the Credit Agreement. Reference is hereby made to the Credit Agreement for a description of certain rights, limitations of rights, obligations and duties of the parties hereto and for the meanings assigned to terms used and not defined herein and to the Security Documents for a description of the nature and extent of the security thereby provided and the rights of the parties thereto.

For the purposes of this Note, the following terms have the meanings assigned to them below:

"Base Rate Payment Date" means (i) the last day of each March, June, September and December, beginning March 31, 2004, and (ii) any day on which past due interest or principal is owed hereunder and is unpaid. If the terms hereof or of the Credit Agreement provide that payments of interest or principal hereon shall be deferred from one Base Rate Payment Date to another day, such other day shall also be a Base Rate Payment Date.

"Eurodollar Rate Payment Date" means, with respect to any Eurodollar Loan: (i) the day on which the related Interest Period ends and, if such Interest Period is six or twelve months in length, each date specified by Administrative Agent that is approximately three, six or nine months (as applicable) after such Interest Period begins, and (ii) any day on which past due interest or past due principal is owed hereunder with respect to such Eurodollar Loan and is unpaid. If the terms hereof or of the Credit Agreement provide that payments of interest or principal with respect to such Eurodollar Loan shall be deferred from one Eurodollar Rate Payment Date to another day, such other day shall also be a Eurodollar Rate Payment Date.

The principal amount of this Note, together with all interest accrued hereon, shall be due and payable in full on the Maturity 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 Base Rate Margin 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 Eurodollar Rate Margin in effect on such day. During a Default Rate Period, all Loans shall bear interest on each day outstanding at the Default Rate. The interest rate shall change whenever the applicable Base Rate, the applicable Base Rate Margin, the applicable Eurodollar Rate or the applicable Eurodollar Rate Margin changes. In no event shall the interest rate on any Loan exceed the Highest Lawful Rate.

Notwithstanding the foregoing paragraph and all other provisions of this Note, in no event shall the interest payable hereon, whether before or after maturity, exceed the maximum interest which, under applicable Law, may be charged on this Note, and this Note is expressly made subject to the provisions of the Credit Agreement which more fully set out the limitations on how interest accrues hereon.

On each Base Rate Payment Date, Borrower shall pay to the holder hereof all unpaid interest which has accrued on the Base Rate Loans to but not including such Base Rate Payment Date. On each Eurodollar Rate Payment Date relating to such Eurodollar Loan, Borrower shall pay to the holder hereof all unpaid interest which has accrued on such Eurodollar Loan to but not including such Eurodollar Rate Payment Date. All interest on past due principal of and past due interest on the Loan shall be due and payable daily as it accrues.

If this Note is placed in the hands of an attorney for collection after default, or if all or any part of the indebtedness represented hereby is proved, established or collected in any court or in any bankruptcy, receivership, debtor relief, probate or other court proceedings, Borrower and all endorsers, sureties and guarantors of this Note jointly and severally agree to pay reasonable attorneys' fees and collection costs to the holder hereof in addition to the principal and interest payable hereunder.

Borrower and all endorsers, sureties and guarantors of this Note hereby severally waive demand, presentment, notice of demand and of dishonor and nonpayment of this Note, protest, notice of protest, notice of intention to accelerate the maturity of this Note, declaration or notice of acceleration of the maturity of this Note, diligence in collecting, the bringing of any suit

against any party and any notice of or defense on account of any extensions, renewals, partial payments or changes in any manner of or in this Note or in any of its terms, provisions and covenants, or any releases or substitutions of any security, or any delay, indulgence or other act of any trustee or any holder hereof, whether before or after maturity.

THIS NOTE AND THE RIGHTS AND DUTIES OF THE PARTIES HERETO SHALL BE GOVERNED BY THE LAWS OF THE STATE OF NEW YORK , EXCEPT TO THE EXTENT THE SAME ARE GOVERNED BY APPLICABLE FEDERAL LAW.

LA GRANGE ACQUISITION, L.P.

By: LA GP, LLC, its general partner

By:

Name:
Title:

EXHIBIT A-2

PROMISSORY NOTE

[TERM NOTE]

$_____ _____, 200__

FOR VALUE RECEIVED, the undersigned, La Grange Acquisition, L.P., a Texas limited partnership (herein called "Borrower"), hereby promises to pay to the order of _____, a _____ (herein called "Lender"), the principal sum of _____ Dollars ($ _____), or, if greater or less, the aggregate unpaid principal amount of the Term Loans made under this Note by Lender to Borrower pursuant to the terms of the Credit Agreement (as hereinafter defined), together with interest on the unpaid principal balance thereof as hereinafter set forth, both principal and interest payable as herein provided in lawful money of the United States of America at the offices of Administrative Agent under the Credit Agreement, 100 Federal Street, Boston, Massachusetts, or at such other place as from time to time may be designated by the holder of this Note.

This Note (a) is issued and delivered under that certain Second Amended and Restated Credit Agreement dated January 20, 2004, among Borrower, Fleet National Bank, as Administrative Agent, and the lenders (including Lender) referred to therein (herein, as from time to time supplemented, amended or restated, called the "Credit Agreement"), and is a "Term Note" as defined therein, (b) is subject to the terms and provisions of the Credit Agreement, which contains provisions for payments and prepayments hereunder and acceleration of the maturity hereof upon the happening of certain stated events, (c) is secured by and entitled to the benefits of certain Security Documents (as identified and defined in the Credit Agreement), and (d) is given in renewal and restatement of certain Indebtedness described in the Credit Agreement. Payments on this Note shall be made and applied as provided herein and in the Credit Agreement. Reference is hereby made to the Credit Agreement for a description of certain rights, limitations of rights, obligations and duties of the parties hereto and for the meanings assigned to terms used and not defined herein and to the Security Documents for a description of the nature and extent of the security thereby provided and the rights of the parties thereto.

For the purposes of this Note, the following terms have the meanings assigned to them below:

"Base Rate Payment Date" means (i) the last day of each March, June, September and December, beginning March 31, 2004, and (ii) any day on which past due interest or principal is owed hereunder and is unpaid. If the terms hereof or of the Credit Agreement provide that payments of interest or principal hereon shall be deferred from one Base Rate Payment Date to another day, such other day shall also be a Base Rate Payment Date.

"Eurodollar Rate Payment Date" means, with respect to any Eurodollar Loan: (i) the day on which the related Interest Period ends and, if such Interest Period is six or twelve months in length, each date specified by Administrative Agent that is approximately three, six or nine months (as applicable) after such Interest Period begins, and (ii) any day on which past due interest or past due principal is owed hereunder with respect to such Eurodollar Loan and is unpaid. If the terms hereof or of the Credit Agreement provide that payments of interest or principal with respect to such Eurodollar Loan shall be deferred from one Eurodollar Rate Payment Date to another day, such other day shall also be a Eurodollar Rate Payment Date.

The principal amount of this Note, together with all interest accrued hereon, shall be due and payable in full on the Maturity 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 Base Rate Margin 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 Eurodollar Rate Margin in effect on such day. During a Default Rate Period, all Loans shall bear interest on each day outstanding at the Default Rate. The interest rate shall change whenever the applicable Base Rate, the applicable Base Rate Margin, the applicable Eurodollar Rate or the applicable Eurodollar Rate Margin changes. In no event shall the interest rate on any Loan exceed the Highest Lawful Rate.

Notwithstanding the foregoing paragraph and all other provisions of this Note, in no event shall the interest payable hereon, whether before or after maturity, exceed the maximum interest which, under applicable Law, may be charged on this Note, and this Note is expressly made subject to the provisions of the Credit Agreement which more fully set out the limitations on how interest accrues hereon.

On each Base Rate Payment Date, Borrower shall pay to the holder hereof all unpaid interest which has accrued on the Base Rate Loans to but not including such Base Rate Payment Date. On each Eurodollar Rate Payment Date relating to such Eurodollar Loan, Borrower shall pay to the holder hereof all unpaid interest which has accrued on such Eurodollar Loan to but not including such Eurodollar Rate Payment Date. All interest on past due principal of and past due interest on the Loan shall be due and payable daily as it accrues.

If this Note is placed in the hands of an attorney for collection after default, or if all or any part of the indebtedness represented hereby is proved, established or collected in any court or in any bankruptcy, receivership, debtor relief, probate or other court proceedings, Borrower and all endorsers, sureties and guarantors of this Note jointly and severally agree to pay reasonable attorneys' fees and collection costs to the holder hereof in addition to the principal and interest payable hereunder.

Borrower and all endorsers, sureties and guarantors of this Note hereby severally waive demand, presentment, notice of demand and of dishonor and nonpayment of this Note, protest, notice of protest, notice of intention to accelerate the maturity of this Note, declaration or notice of acceleration of the maturity of this Note, diligence in collecting, the bringing of any suit

against any party and any notice of or defense on account of any extensions, renewals, partial payments or changes in any manner of or in this Note or in any of its terms, provisions and covenants, or any releases or substitutions of any security, or any delay, indulgence or other act of any trustee or any holder hereof, whether before or after maturity.

THIS NOTE AND THE RIGHTS AND DUTIES OF THE PARTIES HERETO SHALL BE GOVERNED BY THE LAWS OF THE STATE OF NEW YORK, EXCEPT TO THE EXTENT THE SAME ARE GOVERNED BY APPLICABLE FEDERAL LAW.

LA GRANGE ACQUISITION, L.P.

By: LA GP, LLC, its general partner

By:

Name:
Title:

EXHIBIT B

BORROWING NOTICE

Reference is made to that certain Second Amended and Restated Credit Agreement dated as of January 20, 2004 (as from time to time amended, the "Agreement"), by and among La Grange Acquisition, L.P. ("Borrower"), Fleet National Bank, as Administrative Agent, and certain financial institutions ("Lenders"). Terms which are defined in the Agreement are used herein with the meanings given them in the Agreement. Pursuant to the terms of the Agreement, Borrower hereby requests Lenders to make [Revolver/Term] Loans to Borrower in the aggregate principal amount of $ _____ and specifies _____, ____, as the date Borrower desires for Lenders to make such [Revolver/Term] Loans and for Administrative Agent to deliver to Borrower the proceeds thereof. [Such Revolver Loans are hereby designated as CE/PA Revolver Loans.]

Type of Loans: [Eurodollar Loans][Base Rate Loans]
Length of Interest Periods for Eurodollar Loan (1, 2, 3, 6 or 12 months)

To induce Lenders to make such [Revolver/Term] Loans, Borrower hereby represents, warrants, acknowledges, and agrees to and with Administrative Agent and each Lender that:

(a) The officer of LA GP signing this instrument is the duly elected, qualified and acting officer of LA GP as indicated below such officer's signature hereto having all necessary authority to act for Borrower in making the request herein contained.

(b) The representations and warranties made by any Restricted Person in the Agreement and the other Loan Documents are true and correct on and as of the date hereof (except to the extent that the facts on which such representations and warranties are based have been changed by the extension of credit under the Agreement or to the extent that such representation or warranty was made as of a specific date or updated, modified or supplemented, as of a subsequent date with the consent of Majority Lenders), with the same effect as though such representations and warranties had been made on and as of the date hereof.

(c) There does not exist on the date hereof any condition or event which constitutes a Default which has not been waived in writing as provided in Section 10.1(a) of the Agreement; nor will any such Default exist upon Borrower's receipt and application of the Loans requested hereby. Borrower will use the Loans hereby requested in compliance with Section 2.4 of the Agreement.

(d) (i) No Material Adverse Change shall have occurred, (ii) no event or circumstance shall have occurred that would reasonably be expected to cause a Material Adverse Change, (iii) no material adverse change shall have occurred in the consolidated financial condition, business, operations, assets or prospects of the Master Partnership and (iv) no event or circumstance shall have occurred that would reasonably be expected to cause a material adverse change in the consolidated financial condition, business, operations, assets or prospects of the Master Partnership, other than, in each case,

changes resulting solely from general, regional, industry-wide, or economy-wide developments.

(e) Except to the extent waived in writing as provided in Section 10.1(a) of the Agreement, each Restricted Person has performed and complied with all agreements and conditions in the Agreement required to be performed or complied with by such Restricted Person on or prior to the date hereof, and each of the conditions precedent to Loans contained in the Agreement remains satisfied.

(f) The Revolver Facility Usage, after the making of the Loans requested hereby, will not be in excess of the Revolver Commitment on the date requested for the making of such Loans.

(g) The Loan Documents have not been modified, amended or supplemented by any unwritten representations or promises, by any course of dealing, or by any other means not provided for in Section 10.1(a) of the Agreement. The Agreement and the other Loan Documents are hereby ratified, approved, and confirmed in all respects.

The officer of LA GP signing this instrument hereby certifies that, to the best of his knowledge after due inquiry, the above representations, warranties, acknowledgments, and agreements of Borrower are true, correct and complete in all material respects.

IN WITNESS WHEREOF, this instrument is executed as of _____,____.

LA GRANGE ACQUISITION, L.P.

By: LA GP, LLC, its general partner

By:

Name:
Title:

EXHIBIT C

CONTINUATION/CONVERSION NOTICE

Reference is made to that certain Second Amended and Restated Credit Agreement dated as of January 20, 2004 (as from time to time amended, the "Agreement"), by and among La Grange Acquisition, L.P. ("Borrower"), Fleet National Bank, as Administrative Agent, and certain financial institutions ("Lenders"). Terms which are defined in the Agreement are used herein with the meanings given them in the Agreement.

Borrower hereby requests a conversion or continuation of existing [Term] [Revolver] Loans into a new Borrowing pursuant to Section 2.3 of the Agreement as follows:

Existing Borrowing(s) of [Term] [Revolver] Loans to be Continued or Converted:

$_____ of Eurodollar Loans with Interest Period ending _____

$_____ of Base Rate Loans

Aggregate amount of new [Term] [Revolver] Borrowing: $_____

Type of Loans in new Borrowing: _____

Date of Continuation or Conversion: _____

Length of Interest Period for Eurodollar

Loans (1, 2, 3, 6 or 12 months): _____ months

Borrower hereby represents, warrants, acknowledges, and agrees to and with each Lender that:

(a) The officer of LA GP signing this instrument is the duly elected, qualified and acting officer of LA GP as indicated below such officer's signature hereto having all necessary authority to act for Borrower in making the request herein contained.

(b) There does not exist on the date hereof any condition or event which constitutes a Default which has not been waived in writing as provided in Section 10.1(a) of the Agreement; nor will any such Default exist upon Borrower's receipt and application of the Loans requested hereby.

(c) The Loan Documents have not been modified, amended or supplemented by any unwritten representations or promises, by any course of dealing, or by any other means not provided for in Section 10.1(a) of the Agreement. The Agreement and the other Loan Documents are hereby ratified, approved, and confirmed in all respects.

The officer of LA GP signing this instrument hereby certifies that, to the best of his knowledge after due inquiry, the above representations, warranties, acknowledgments, and agreements of Borrower are true, correct and complete in all material respects.

IN WITNESS WHEREOF, this instrument is executed as of _____,____.

LA GRANGE ACQUISITION, L.P.

By: LA GP, LLC, its general partner

By:

Name:
Title:

EXHIBIT D

ASSIGNMENT AND ACCEPTANCE

Reference is made to the Second Amended and Restated Credit Agreement dated as of January 20, 2004 (the "Credit Agreement") among La Grange Acquisition, L.P., a Texas limited partnership (the "Borrower"), the Lenders (as defined in the Credit Agreement) and Fleet National Bank, as Administrative Agent for the Lenders (the "Administrative Agent"). Terms defined in the Credit Agreement are used herein with the same meaning.

The "Assignor" and the "Assignee" referred to on Schedule 1 agree as follows:

1. The Assignor hereby sells and assigns to the Assignee, without recourse and without representation or warranty except as expressly set forth herein, and the Assignee hereby purchases and assumes from the Assignor, an interest in and to the Assignor's rights and obligations under the Credit Agreement and the other Loan Documents as of the date hereof equal to the percentage interest specified on Schedule 1 of all outstanding rights and obligations under the Credit Agreement and the other Loan Documents. After giving effect to such sale and assignment, the Assignee's Commitment and the amount of the Loans owing to the Assignee will be as set forth on Schedule 1.

2. The Assignor (i) represents and warrants that it is the legal and beneficial owner of the interest being assigned by it hereunder and that such interest is free and clear of any adverse claim; (ii) makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with the Loan Documents or the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Loan Documents or any other instrument or document furnished pursuant thereto; (iii) makes no representation or warranty and assumes no responsibility with respect to the financial condition of any Restricted Person or the performance or observance by any Restricted Person of any of its obligations under the Loan Documents or any other instrument or document furnished pursuant thereto; and (iv) attaches the Note held by the Assignor and requests that Administrative Agent exchange such Note for new Notes in an amount equal to the Commitment assumed by the Assignee pursuant hereto and to the Assignor in an amount equal to the Commitment retained by the Assignor.

3. The Assignee (i) confirms that it has received a copy of the Credit Agreement, together with copies of the financial statements referred to in Section 6.2 thereof and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Acceptance; (ii) agrees that it will, independently and without reliance upon Administrative Agent, the Assignor or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Agreement; (iii) appoints and authorizes Administrative Agent to take such action as agent on its behalf and to exercise such powers and discretion under the Credit Agreement as are delegated to Administrative Agent by the terms thereof, together with such powers and discretion as are reasonably incidental thereto; (iv) agrees that it will perform in accordance with their terms all of the obligations that by the

terms of the Credit Agreement are required to be performed by it as a Lender; and (v) attaches any U.S. Internal Revenue Service or other forms required under Section 3.7(d).

4. Following the execution of this Assignment and Acceptance, it will be delivered to Administrative Agent for acceptance and recording by Administrative Agent. The effective date for this Assignment and Acceptance (the "Effective Date") shall be the date of acceptance hereof by Administrative Agent, unless otherwise specified on Schedule 1.

5. Upon such acceptance and recording by Administrative Agent, as of the Effective Date, (i) the Assignee shall be a party to the Credit Agreement and, to the extent provided in this Assignment and Acceptance, have the rights and obligations of a Lender thereunder and (ii) the Assignor shall, to the extent provided in this Assignment and Acceptance, relinquish its rights and be released from its obligations under the Credit Agreement.

6. Upon such acceptance and recording by Administrative Agent, from and after the Effective Date, Administrative Agent shall make all payments under the Credit Agreement and the Notes in respect of the interest assigned hereby (including, without limitation, all payments of principal, interest and commitment fees with respect thereto) to the Assignee. The Assignor and Assignee shall make all appropriate adjustments in payments under the Credit Agreement and the Notes for periods prior to the Effective Date directly between themselves.

7. This Assignment and Acceptance shall be governed by, and construed in accordance with, the Laws of the State of New York.

8. This Assignment and Acceptance may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of Schedule 1 to this Assignment and Acceptance by telecopier shall be effective as delivery of a manually executed counterpart of this Assignment and Acceptance.

IN WITNESS WHEREOF, the Assignor and the Assignee have caused Schedule 1 to this Assignment and Acceptance to be executed by their officers thereunto duly authorized as of the date specified thereon.

SCHEDULE 1
to
ASSIGNMENT AND ACCEPTANCE

Revolver Percentage assigned: __%

Assignee's Commitment:

Assignee's Term Loan: $_____

Assignee's Revolver Percentage of Maximum

Revolver Facility Amount: $_____

Assignee's Outstanding Term Loan: $_____

Principal amount of Term Note payable to Assignee: $_____

Principal amount of Revolver Note payable to Assignee: $_____

Effective Date (if other than date
of acceptance by Administrative Agent): _____, 200__

[NAME OF ASSIGNOR], as Assignor

By: _____
Name:
Title:

Dated:_____, ____

[NAME OF ASSIGNEE], as Assignee

By: _____
Name:
Title:

Domestic Lending Office:

Eurodollar Lending Office:

* This date should be no earlier than five Business Days after the delivery of this Assignment and Acceptance to Administrative Agent.

Accepted [and Approved] **
this ___ day of _____, ____

FLEET NATIONAL BANK

By: _____
Name:
Title:

[Approved this ____ day
of _____, ____

LA GRANGE ACQUISITION, L.P.

By: LA GP, LLC, its general partner

By: _____]**
Name:
Title:

** Required if the Assignee is an Eligible Transferee solely by reason of subsection (b) of the definition of "Eligible Transferee."

EXHIBIT E

LETTER OF CREDIT APPLICATION AND AGREEMENT

EXHIBIT F

CERTIFICATE ACCOMPANYING
FINANCIAL STATEMENTS

Reference is made to that certain Second Amended and Restated Credit Agreement dated as of January 20, 2004 (as from time to time amended, the "Agreement"), by and among La Grange Acquisition, L.P. ("Borrower"), Fleet National Bank, as Administrative Agent, and certain financial institutions ("Lenders"), which Agreement is in full force and effect on the date hereof. Terms which are defined in the Agreement are used herein with the meanings given them in the Agreement.

This Certificate is furnished pursuant to Section 6.2(b) of the Agreement. Together herewith Borrower is furnishing to Administrative Agent and each Lender Borrower's *[audited/unaudited] financial statements (the "Financial Statements") as at _____ (the "Reporting Date"). Borrower hereby represents, warrants, and acknowledges to Administrative Agent and each Lender that:

(a) the officer of LA GP signing this instrument is the duly elected, qualified and acting _____ of LA GP and as such is LA GP's [chief financial officer/principal accounting officer];

(b) the Financial Statements are accurate and complete in all material respects [(subject, in the case of such unaudited financial statements to normal year-end adjustments)] and satisfy the requirements of the Agreement;

(c) attached hereto is a schedule of calculations showing Borrower's compliance as of the Reporting Date with the requirements of Section 7.14(a), Section 7.14(b), and Section 7.14(c) of the Agreement *[and Borrower's non-compliance as of such date with the requirements of Section(s) 7.14 ___ of the Agreement];

(d) on the Reporting Date Borrower was, and on the date hereof is, in full compliance with the disclosure requirements of Sections 6.4, 5.14 or 5.15 of the Agreement, and no Default otherwise existed on the Reporting Date or otherwise exists on the date of this instrument *[except for Default(s) under Section(s) _____ of the Agreement, which *[is/are] more fully described on a schedule attached hereto].

The officer of LA GP signing this instrument hereby certifies that he/she has reviewed the Loan Documents and the Financial Statements and has otherwise undertaken such inquiry as is in his/her opinion necessary to enable him/her to express an informed opinion with respect to the above representations, warranties and acknowledgments of Borrower and, to the best of his/her knowledge, such representations, warranties, and acknowledgments are true, correct and complete in all material respects.

IN WITNESS WHEREOF, this instrument is executed as of _____,____.

LA GRANGE ACQUISITION, L.P.

By: LA GP, LLC, its general partner

By: _____
Name:
Title:

General Partner hereby represents and warrants to Administrative Agent and each Lender that the Financial Statements are accurate and complete in all material respects *[(subject, in the case of such unaudited financial statements to normal year-end adjustments)].

U.S. PROPANE, L.P.

By: U.S. PROPANE LLC

By: _____
Name:
Title:

EXHIBIT G

OPINION OF COUNSEL FOR RESTRICTED PERSONS

[LETTERHEAD OF VINSON & ELKINS L.L.P.]

January 20, 2004

Fleet National Bank, as Administrative Agent
100 Federal Street
Energy & Utilities, MADE 10008A
Boston, Massachusetts 02110

Ladies and Gentlemen:

We have acted as counsel for Heritage Propane Partners, L.P. ("Heritage L.P."), a limited partnership organized under the laws of the State of Delaware, in connection with certain aspects of the transaction contemplated by the Underwriting Agreement (as defined in Schedule I hereto). At the request of Heritage L.P., we are furnishing this opinion letter to you pursuant to Section 4.1(g) of the Credit Agreement (as defined in Schedule I hereto). Unless otherwise defined herein, capitalized terms used herein have the meanings assigned to such terms in the Credit Agreement. Also, terms defined in Schedule I hereto have the same meanings when used in the body of this opinion letter. Other terms that are defined in the Uniform Commercial Code as in effect on the date hereof in the State of New York (the "New York UCC") have the same meaning when used herein unless otherwise indicated by the context in which such terms are so used. Unless otherwise indicated, references to the "UCC" shall mean (i) with respect to the validity, creation or attachment of a security interest granted by the Security Documents other than the Mortgage, the New York UCC, (ii) with respect to a security interest granted by the Mortgage, the Uniform Commercial Code as in effect on the date hereof in the State of Texas (the "Texas UCC"), and (iii) with respect to the perfection of a security interest, the New York UCC, the Texas UCC and the Uniform Commercial Code as in effect on the date hereof in the State of Delaware (the "Delaware UCC"), as applicable. For convenience, all references to specific articles, parts, sections or subsections of the UCC are made by using the corresponding citations to the New York UCC.

In rendering the opinions set forth below, we have reviewed execution copies, or copies of original counterparts of the documents listed in Schedule I hereto. The documents listed in Section A of Schedule I hereto are referred to herein as the "Principal Documents". The entities listed below are collectively referred to as "Principal Parties" and each, individually, as a "Principal Party".

(i) La Grange Acquisition, L.P., a limited partnership organized under the laws of Texas ("Borrower"),

(ii) ETC Gas Company, Ltd., a limited partnership organized under the laws of Texas ("ETC Gas"),

(iii) ETC Marketing, Ltd., a limited partnership organized under the laws of Texas ("ETC Marketing"),

(iv) ETC Oasis, L.P., a limited partnership organized under the laws of Delaware ("ETC Oasis"),

(v) ETC Oasis GP, LLC, a limited liability company organized under the laws of Texas ("ETC Oasis GP"),

(vi) ETC Oklahoma Pipeline, Ltd., a limited partnership organized under the laws of Texas ("ETC Oklahoma"),

(vii) ETC Texas Pipeline, Ltd., a limited partnership organized under the laws of Texas ("ETC Texas"),

(viii) ETC Texas Processing, Ltd., a limited partnership organized under the laws of Texas ("ETC Texas Processing"),

(ix) Five Dawaco, LLC, a limited liability company organized under the laws of Texas ("DAWACO"),

(x) LA GP, LLC, a limited liability company organized under the laws of Texas ("LA GP"),

(xi) LG PL, LLC, a limited liability company organized under the laws of Texas ("LG PL"),

(xii) LGM, LLC, a limited liability company organized under the laws of Texas ("LGM"),

(xiii) ET Company I, Ltd., a limited partnership organized under the laws of Texas ("ET Co. I"),

(xiv) Texas Energy Transfer Company, Ltd., a limited partnership organized under the laws of Texas ("TX Energy Transfer"),

(xv) Whiskey Bay Gathering Company, Ltd., a limited partnership organized under the laws of Texas ("Whiskey Bay Gathering"),

(xvi) Whiskey Bay Gas Company, Ltd., a limited partnership organized under the laws of Texas ("Whiskey Bay Gas"),

(xvii) Chalkley Transmission Company, Ltd., a limited partnership organized under the laws of Texas ("Chalkley"),

(xviii) TETC, LLC, a limited liability company organized under the laws of Texas ("TETC"),

(xix) Oasis Pipe Line Company, a corporation organized under the laws of Delaware ("Oasis Pipe Line"),

(xx) Oasis Pipe Line Finance Company, a corporation organized under the laws of Delaware ("Oasis Finance"),

(xxi) Oasis Partner Company, a corporation organized under the laws of Delaware ("Oasis Partner"),

(xxii) Oasis Pipe Line Management Company, a corporation organized under the laws of Delaware ("Oasis Management"), and

(xxiii) Oasis Pipe Line Company Texas L.P., a limited partnership organized under the laws of Texas ("Oasis Pipe Line TX").

In rendering the opinions set forth below, we have reviewed such other records, certificates and documents as we have deemed appropriate for the purposes of such opinions. As to any facts material to our opinions, we have made no independent investigation of such facts and have relied, to the extent that we deem such reliance proper, upon statements of public officials and officers or other representatives of Heritage L.P. and the Principal Parties and on the representations and warranties set forth in the Principal Documents. We have also reviewed and relied upon one or more certificates of officers or other representatives of the Principal Parties certifying that (a) no Principal Party is a party to or bound by any loan agreement, indenture, mortgage or similar agreement relating to Indebtedness in excess of $50,000 (other than a Principal Document), and (b) no Principal Party is subject to any administrative order binding upon such Principal Party or to any pending legal proceeding, or any legal proceeding threatened in writing, affecting such Principal Party or any of its properties before any court, governmental agency or arbitrator seeking to affect the enforceability or performance by any Principal Party of the Principal Documents or the transactions contemplated thereby.

In rendering the opinions expressed below, we have assumed the legal capacity of all natural persons, the genuineness of all signatures, the authenticity of all documents submitted to us as originals, and the conformity to authentic original documents of all documents submitted to us as copies, which assumptions we have not independently verified. In addition, we have assumed that (i) each party to the Principal Documents is a corporation, partnership, limited liability company or other entity duly organized and validly existing under the laws of the jurisdiction of its organization; (ii) the execution, delivery and performance by each Principal Party of the Principal Documents to which it is a party do not conflict with or result in the breach of any document or instrument binding on it; (iii) the execution, delivery and performance by each Principal Party of the Principal Documents to which it is a party do not contravene any provision of any law, rule or regulation applicable to any of them (except that we have not made such assumption with respect to Applicable Laws (as defined below) applicable to the Principal Parties, as to which we express our opinions in paragraph 5); (iv) no authorization, approval, consent, order, license, franchise, permit or other action by, and no notice to or filing with, any Tribunal or any other third party is required for the due execution, delivery and performance by each Principal Party of the Principal Documents to which it is a party that has not been duly obtained or made and that is not in full force and effect (except that we have not made such assumption with respect to Governmental Approvals (as defined below) required to be obtained or taken by the Principal Parties as to which we express our opinion in paragraph 6); (v) the Principal Documents constitute valid, binding and enforceable obligations of each party thereto (other than the Principal Parties); and (vi) the laws of any jurisdiction other than the laws that are the subject of this opinion letter do not adversely affect the opinions set forth below. With respect to our opinions expressed below, we have assumed that the transactions contemplated in the Principal Documents bears a reasonable relationship to New York within the meaning of Section 35.51 of the Texas Business and Commerce Code. With respect to certain of the

foregoing matters as they relate to the Principal Parties, please refer to the opinion letter, dated as of the date hereof, delivered to you by Hunton & Williams.

Based upon the foregoing, and subject to the assumptions, qualifications, exceptions and limitations set forth herein, it is our opinion that:

1. Each Principal Party (a) has the corporate, partnership or limited liability company, as applicable, power and authority to execute, deliver and perform its obligations under each Principal Document to which it is a party, (b) has taken all corporate, partnership or limited liability company, as applicable, action necessary to authorize the execution, delivery and performance of such Principal Document, and (c) has duly executed and delivered each such Principal Document.

2. Based solely on the certificates of public officials listed in Section D of Schedule I hereto, each Principal Party is in good standing and duly authorized to do business, or is active, as applicable, in each state for which such a certificate has been obtained for such Principal Party.

3. At the time of the closing of the transaction contemplated by the Principal Documents, LA GP is the sole general partner of Borrower; Heritage ETC, L.P. is the sole limited partner of Borrower; Heritage ETC GP, L.L.C. is the sole general partner of Heritage ETC, L.P.; ETC Oasis GP is the sole general partner of ETC Oasis; LG PL is the sole general partner of ETC Gas, ETC Texas, ETC Oklahoma and ETC Texas Processing; LGM is the sole general partner of ETC Marketing; TETC is the sole general partner of TX Energy Transfer; DAWACO is the sole general partner of ET Co. I, Whiskey Bay Gathering, Whiskey Bay Gas and Chalkley; Oasis Management is the sole general partner of Oasis Pipe Line TX; Borrower is the sole limited partner of ETC Gas, ETC Texas, ETC Oklahoma, ETC Texas Processing, ETC Marketing, ETC Oasis and ET Co. I; ET Co. I is the sole limited partner of TX Energy Transfer, Whiskey Bay Gathering, Whiskey Bay Gas and Chalkley; Heritage ETC, L.P. is the sole member of LA GP; the Borrower is the sole member of LGM, LG PL, ETC Oasis GP, DAWACO, and TETC.

4. Each Principal Document to which each Principal Party is a party constitutes the valid and binding obligation of such Principal Party enforceable against such Principal Party in accordance with its terms.

5. The execution and delivery by each Principal Party of each Principal Document to which it is a party do not, and the performance by such Principal Party of its obligations thereunder will not, (a) violate, as applicable, the articles or certificate of incorporation, bylaws, limited partnership agreement, limited liability company agreement, limited liability company articles of organization or regulations of such Principal Party, or (b) result in any violation by the Principal Parties of any Applicable Laws (as defined below).

"Applicable Laws" means the UCC, the General Corporation Law of the State of Delaware, the Delaware Revised Uniform Limited Partnership Act, the Texas

Revised Limited Partnership Act, those laws, rules and regulations of the State of New York, the State of Texas and the United States of America and the rules and regulations adopted thereunder, that, in our experience, are normally applicable to transactions of the type contemplated by the Principal Documents. However, the term "Applicable Laws" does not include, and we express no opinion with regard to (i) any state or federal laws, rules or regulations relating to: (A) pollution or protection of the environment; (B) zoning, land use, building or construction; (C) occupational safety and health or other similar matters; (D) labor, employee rights and benefits, including the Employee Retirement Income Security Act of 1974, as amended; (E) except as expressly provided in the second sentence of paragraph 7 below, the regulation of utilities, including the Public Utility Regulatory Policy Act of 1978, as amended; (F) antitrust and trade regulation; (G) tax; (H) except as expressly provided in paragraph 7 below, securities, including, without limitation, federal and state securities laws, rules or regulations; (I) corrupt practices, including, without limitation, the Foreign Corrupt Practices Act of 1977; and (J) copyrights, patents and trademarks, and (ii) any laws, rules or regulations of any county, municipality or similar political subdivision or any agency or instrumentality thereof.

6. No Governmental Approval (as defined below) which has not been obtained or taken and is not in full force and effect, is required to be obtained or taken by any Principal Party to authorize, or is required in connection with, the execution and delivery by any Principal Party of each Principal Document to which it is a party or the performance by any Principal Party of its obligations thereunder, except (a) the filing of the Financing Statements in the applicable Filing Offices, (b) filings that may be required to continue the effectiveness of the Financing Statements, (c) filings of the Mortgage referenced in paragraph 11 hereof, and (d) any filings necessary with regard to future liens or mortgages required to be granted under the Principal Documents.

"Governmental Approvals" means any consent, approval, license, authorization or validation of, or filing, recording or registration with, any Tribunal pursuant to any Applicable Laws (as defined in paragraph 5 above).

7. No Principal Party is an "investment company" or a company "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940, as amended. No Principal Party is a "holding company," a "public-utility company," or a "subsidiary company" of a "holding company" within the meaning of the Public Utility Holding Company Act of 1935, as amended.

8. With respect to each Security Document, the provisions of such Security Document are effective to create in favor of the Administrative Agent to secure (with respect to each Security Documents other than the Mortgage) the "Secured Obligations" (as defined in such Security Document) and (with respect to the Mortgage) the "secured indebtedness" (as defined in the Mortgage), a valid security interest in all of the right, title and interest of each Principal Party that is a party to such Security Document in and to that portion of the Collateral (as defined in

such Security Document) in which a security interest may be created under Article 9 of the applicable UCC without giving effect to the laws referred to in Section 9-201(b) and (c) thereof (the "Article 9 Collateral").

9. Upon the proper filing of each unfiled Financing Statement (as described in Section C of Schedule I hereto) in the applicable Filing Office identified for such unfiled Financing Statement in Section C of Schedule I hereto, such filings, together with the existing filings of each presently filed Financing Statement (as described in Section C of Schedule I hereto) in the Filing Office identified for such presently filed Financing Statement in Section C of Schedule I hereto, will result in the perfection of the security interest in favor of the Administrative Agent in that portion of the Article 9 Collateral described in such Financing Statements in which the Principal Parties named as debtors in such Financing Statements have an interest, to the extent that perfection of a security interest in the Article 9 Collateral may be perfected by the filing of a financing statement under the UCC in effect in the State in which such Filing Office is located. For purposes of our opinion set forth in this paragraph 9 with respect to the Delaware UCC, we have based such opinion solely on our review of the generally available compilations of Article 9 of the Delaware UCC and we have not reviewed any other laws of the State of Delaware or retained or relied on any opinion or advice of Delaware counsel.

10. With respect to that portion of the Article 9 Collateral consisting of the certificated securities identified in Exhibit A to the Oasis Entities Stock Pledge Agreement, upon the Administrative Agent's taking possession in the State of New York of such certificates, properly endorsed to the Administrative Agent or in blank, the security interest of the Administrative Agent therein is perfected by "control" (within the meaning of Section 8-106 of the New York UCC).

11. The Mortgage is in a form to create a valid lien in favor of the Trustee thereunder, to secure the secured indebtedness referred to therein, covering the "Deed of Trust Mortgaged Properties" (as defined in the Mortgage), to the extent the Deed of Trust Mortgaged Properties constitute, under Texas law, real property located in the State of Texas. The form of the Mortgage contains provisions sufficient to allow the Trustee thereunder to exercise its non-judicial power of sale remedy. A fully executed, original counterpart of the Mortgage is required to be notarized, filed, and recorded in the appropriate real estate records of the offices of the County Clerks of the Texas counties in which the real properties described in the Mortgage are located, in order to perfect the lien granted thereunder covering such Deed of Trust Mortgaged Properties. Once the Mortgage is properly filed and recorded, no further or subsequent filing or refiling will be necessary in order to continue the existence or perfection of the lien referred to in the first sentence of this paragraph, except that in the event any indebtedness secured by the Mortgage has not been paid before the expiration of four years from the date provided for therein or in the Notes, as appropriate, for payment of such indebtedness, an extension agreement with respect to the Mortgage, providing for the renewal or extension of such indebtedness, should be executed by the Mortgagor, Trustee, and Administrative Agent thereunder and notarized, filed, and recorded in the same records of each office in which the Mortgage has been filed prior to the expiration of such four-year period.

12. In a properly presented case before a court of competent jurisdiction in the State of Texas, or a federal court applying Texas law, such court should recognize and give full force and effect to the choice of the laws of the State of New York as the governing law of each of the Principal Documents that choose New York law as the governing law thereof, except to the extent that the perfection and the effect of perfection or non-perfection of the security interest in the Collateral (as defined in each such Security Document) are governed by the laws of a jurisdiction other than the State of New York.

13. In a properly presented case before a court of competent jurisdiction in the State of New York, or a federal court applying New York law, such court would honor the parties' choice of the laws of the State of New York as the law governing the Principal Documents that choose New York law as the governing law thereof (to the extent set forth in such Principal Documents).

In rendering the foregoing opinions, we have also assumed, with your permission, and without independent investigation on our part, the following:

A. With respect to our opinions set forth in paragraphs 8 through 10 above, we have assumed that each Principal Party has, or has the power to transfer, rights in the properties in which it is purporting to grant a security interest sufficient for attachment of such security interest within the meaning of Section 9-203 of the UCC.

B. With respect to our opinions set forth in paragraphs 8 through 10 above, we have assumed that the Administrative Agent and Lenders have acquired their interests in the Article 9 Collateral for value within the meaning of Section 9-203 of the UCC.

C. With respect to our opinions set forth in paragraphs 8 through 10 above, we have assumed the descriptions of collateral contained in, or attached as schedules, exhibits or attachments to, the Security Documents and the Financing Statements sufficiently describe (for the purposes of the attachment and perfection of security interests) the collateral intended to be covered thereby; provided, that, the foregoing assumption shall not apply to (a) the description in the Oasis Entities Stock Pledge Agreement and the Financing Statements of the certificated securities referred to in paragraph 10 of this opinion letter, and (b) except for any commercial tort claim or cooperative interest, collateral identified by a type of collateral defined in Article 9 of the UCC and, with respect to the Financing Statements, collateral described as being all of the property of the applicable debtor. With respect to our opinions set forth in paragraph 11 above, we have made no examination of, and express no opinion with respect to, the accuracy and sufficiency of the description of any portion of the Deed of Trust Mortgaged Properties, nor with respect to title thereto.

D. With respect to our opinion set forth in paragraph 9 above, we have relied on the articles or certificate of incorporation, limited liability company agreement, limited liability company articles of organization or regulations, or limited partnership agreement, as applicable, and on certificates of public officials or officers or other representatives of the Principal Parties as to the authenticity of such documents as the basis for determining that (i) the name of each

Principal Party, as set forth in subparagraphs (i) through (xxiii) of the second paragraph of this opinion letter, is the correct legal name of such Principal Party, (ii) the correct organizational identification number of such Principal Party is as set forth on the Financing Statements and (iii) that each Principal Party is solely organized under the laws of the State identified above in subparagraphs (i) through (xxiii) of the second paragraph of this opinion letter as such Principal Party's jurisdiction of organization. In addition, we have assumed that the Financing Statements heretofore filed were duly authorized to be filed in the applicable Filing Offices by the Principal Parties named as debtors therein.

E. With respect to our opinions set forth in paragraph 10 above, we have assumed that such certificated securities will at all times be held by the Administrative Agent in the State of New York.

The opinions set forth above are subject to the following qualifications and exceptions:

(a) Our opinions above are subject to, and may be limited by, bankruptcy, insolvency, reorganization, fraudulent transfer, moratorium or other laws now or hereafter in effect relating to or affecting enforcement of creditors' rights generally and by general principles of equity (including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing, and the possible unavailability of specific performance), regardless of whether such enforcement is considered in a proceeding in equity or at law.

(b) We express no opinion with respect to the validity or enforceability of the following provisions to the extent that they are contained in the Principal Documents: (i) provisions releasing, exculpating or exempting a party from, or requiring indemnification or contribution of a party for, liability for its own negligence or to the extent that the same are inconsistent with public policy; (ii) provisions purporting to waive, subordinate or not give effect to rights to notice, demands, legal defenses or other rights or benefits that cannot be waived, subordinated or rendered ineffective under applicable law; (iii) provisions purporting to provide remedies inconsistent with the UCC to the extent the UCC is applicable; (iv) provisions purporting to render void and of no effect any transfers of a Principal Party's rights in any collateral in violation of the terms of the Principal Documents; (v) other than with respect to our opinions set forth in paragraphs 8 through 10 above, provisions relating to the creation, attachment, perfection or enforceability of any security interest; (vi) provisions relating to powers of attorney, severability or set-offs; (vii) provisions stating that a guarantee will not be affected by a modification of the obligation guaranteed in cases in which that modification materially changes the nature or amount of such obligation; (viii) provisions restricting access to courts or purporting to affect the jurisdiction or venue of courts (other than the courts of the State of New York with respect to Principal Documents governed by the laws of the State of New York, to the extent permitted by Section 5-1402 of the General Obligations Law of the State of New York); (ix) provisions relating to waiver of jury trial; (x) provisions purporting to exclude conflicts-of-law rules; (xi) provisions pursuant to which a party agrees that a judgment rendered by a court or other tribunal in one jurisdiction may be enforced in any other jurisdiction; and (xii) provisions providing that decisions by a party are conclusive or may be made in its sole discretion. In addition to the foregoing, our opinion set forth in paragraph 4 is further subject to

the qualification that certain remedies, waivers and other provisions of the Mortgage or guaranties of the Guarantors may not be enforceable; nevertheless, such unenforceability will not render the Mortgage or such guaranties invalid as a whole nor preclude: (1) the judicial enforcement of the obligation of the Borrower and the Guarantors to repay the principal, together with interest thereon (to the extent not deemed a penalty), as provided in the Notes; (2) the acceleration of the obligation of the Borrower and the Guarantors to repay such principal, together with such interest, upon a default by the Borrower in the payment of such principal or interest or upon a material default in any other material provision of the Mortgage or such guaranties; and (c) the judicial foreclosure, or if the Lenders elect to so pursue, the non-judicial foreclosure (i.e., pursuant to the power of sale as specified in the Mortgage), in accordance with Applicable Law and the Mortgage, of the lien on the Deed of Trust Mortgaged Properties, upon maturity of the Notes or upon an acceleration described in clause (2) above.

(c) With respect to our opinion in paragraph 13, and insofar as our opinion set forth in paragraph 4 above relates to the enforceability under New York law of the provisions of the Principal Documents choosing New York law as the governing law thereof, such opinions are rendered in reliance upon the Act of July 19, 1984, ch. 421, 1984 McKinney's Sess. Law of N.Y. 1406 (codified at N.Y. Gen. Oblig. Law Sections 5-1401 (McKinney 1989)) (the "Act") and are subject to the qualifications that such enforceability (i) as specified in the Act, does not apply to the extent provided to the contrary in subsection two of Section 1-105 of the New York UCC, (ii) may be limited by public policy considerations of any jurisdiction in which enforcement of such provisions is sought, and (iii) is subject to any U.S. Constitutional requirement under the Full Faith and Credit Clause or the Due Process Clause thereof or the exercise of any applicable judicial discretion in favor of another jurisdiction.

(d) Our opinion in paragraph 5, with respect to Texas law, takes into account and is based on and qualified by our opinion in paragraph 12.

(e) Our opinion in paragraph 12 is based on Section 35.51 of the Texas Business and Commerce Code, which Section to our knowledge has never been judicially construed.

(f) Certain of the remedial provisions with respect to the Article 9 Collateral under the Security Documents to sell or offer for sale the Article 9 Collateral may be subject to compliance with applicable state and federal securities laws. Without limiting the foregoing, we hereby advise you, in connection with our opinion in paragraph 11 above, that Sections 51.003, 51.004 and 51.005 of the Texas Property Code, and Sections 1301(3) and 1371 of the New York Real Property Acts Law (McKinney 1979) contain certain limitations on recovery of deficiencies after foreclosure.

(g) In the case of property which becomes Article 9 Collateral after the date hereof, our opinion in paragraph 8 above, as to the creation and validity of the security interests therein described, is subject to the effect of Section 552 of the Federal Bankruptcy Code, which limits the extent to which property acquired by a debtor after the commencement of a case under the Federal Bankruptcy Code may be subject to such security interest arising from a security agreement entered into by the debtor before the commencement of such case.

(h) We express no opinion as to Article 9 Collateral that is subject to a state statute or a statute, regulation or treaty of the United States referred to in Section 9-311(a) of the UCC.

(i) With respect to our opinion in paragraph 9 above, we express no opinion as to the perfection of a security interest in any items of collateral that are or are to become fixtures, as-extracted collateral or timber to be cut.

(j) With respect to our opinions set forth in paragraphs 8 through 10 above, we express no opinion as to the priority of any security interest. Our opinions set forth in paragraphs 8 and 9 above with respect to the Mortgage are limited to collateral located in the State of Texas.

(k) We express no opinion herein regarding the enforceability of any provision in a Principal Document that purports to prohibit, restrict or condition the assignment of such Principal Document to the extent that such restriction on assignability is governed by Sections 9-406 through 9-409 of the New York UCC or the Texas UCC.

(l) With respect to our opinions set forth in paragraphs 8 through 10 above, the attachment and perfection of the Administrative Agent's security interest in proceeds is limited to the extent set forth in Section 9-315 of the UCC.

(m) We express no opinion as to any actions that may be required to be taken periodically under the UCC or under any other applicable law in order for the effectiveness of the Financing Statements or perfection of any security interest to be maintained.

(n) With respect to our opinions set forth in paragraphs 3 and 5(a) above, we have relied solely on copies of the articles or certificate of incorporation, bylaws, limited partnership agreement, limited liability company agreement or limited liability company articles of organization or regulations, as applicable, or on certificates of officers or other representatives of the relevant Principal Parties, and we have relied without independent investigation on certificates of officers or other representatives of the Principal Parties and of public officials with respect to the authenticity of such articles or certificates of incorporation, bylaws, limited partnership agreements, limited liability company agreements or limited liability company articles of organization or regulations.

(o) In rendering the opinions set forth above with respect to remedies under the Security Documents, we call to your attention that (i) in connection with a foreclosure or similar action on intrastate pipeline assets, certain filings may have to be made with the Texas Railroad Commission, and (ii) in connection with a foreclosure or similar action on contracts for the sale or transportation of gas under Section 311 of the Natural Gas Policy Act of 1978, as amended, certain filings may have to be made with the Federal Energy Regulatory Commission.

We express no opinion as to the laws of any jurisdiction other than: (a) with respect to our opinions in paragraphs 5(b) and 6, Applicable Laws; (b) with respect to our opinions in paragraphs 8 through 10, the UCC; (c) with respect to our opinions in paragraphs 2 and 5(a), the

General Corporation Law of the State of Delaware, the Delaware Revised Uniform Limited Partnership Act, and the Texas Revised Limited Partnership Act, as applicable; (d) with respect to our opinion in paragraph 12, Section 35.51 of the Texas Business and Commerce Code; (e) with respect to our opinion in paragraph 11, the laws of the State of Texas; (f) the laws of the State of New York; and (g) the federal laws of the United States of America.

This opinion letter is rendered as of the date set forth above. We expressly disclaim any obligation to update this letter after such date.

This opinion letter is given solely for your benefit and the benefit of the Lenders in connection with the Principal Documents and may not be furnished to, or relied upon by, any other person or for any other purpose without our prior written consent; provided, however, that your counsel may rely upon this opinion letter with respect to any opinions being rendered by such counsel to any Lender in connection with the Principal Documents, and the Underwriters, as defined in Section E of Schedule I, may rely upon this opinion letter solely for their benefit pursuant to Section 7(c) of the Underwriting Agreement, as defined in Section E of Schedule I.

Very truly yours,

VINSON & ELKINS L.L.P.

SCHEDULE I
TO OPINION LETTER OF VINSON & ELKINS L.L.P.

DOCUMENTS EXAMINED

SECTION A.
PRINCIPAL DOCUMENTS

1. Second Amended and Restated Credit Agreement dated as of January 20, 2004, among La Grange Acquisition, L.P. as Borrower, Fleet National Bank as Administrative Agent, Fleet Securities, Inc. and Wachovia Capital Markets, LLC as Joint Lead Arrangers and Book Runners, Wachovia Bank, National Association as Syndication Agent, The Royal Bank of Scotland plc and BNP Paribas as Co-Documentation Agents, Bank of Scotland as Senior Managing Agent, U.S. Bank National Association and Fortis Capital as Co-Agents, and certain financial institutions as Lenders (the "Credit Agreement").

2. The Notes (as defined in the Credit Agreement), dated as of and delivered on the date of the Opinion Letter to which this Schedule I is attached.

3. Second Amended and Restated Guaranty dated as of January 20, 2004, executed by ETC Gas, ETC Texas, ETC Oklahoma, ETC Marketing, ETC Oasis, ETC Texas Processing, Whiskey Bay Gas, Whiskey Bay Gathering, Chalkley, TX Energy Transfer, ET Co. I, Oasis Pipe Line, Oasis Finance, Oasis Partner, Oasis Management and Oasis Pipe Line TX in favor of Administrative Agent.

4. Second Amended and Restated Pledge Agreement dated as of January 20, 2004, executed by Borrower in favor of Administrative Agent (the "Borrower LLC Pledge Agreement").

5. Second Amended and Restated Security Agreement dated as of January 20, 2004, executed by Borrower in favor of Administrative Agent (the "Borrower Security Agreement").

6. Second Amended and Restated Pledge Agreement dated as of January 20, 2004, executed by Borrower in favor of Administrative Agent (the "Borrower Partnership Pledge Agreement").

7. Second Amended and Restated Pledge Agreement dated as of January 20, 2004, executed by LA GP, LG PL, LGM, ETC Oasis GP, Oasis Partner, Oasis Management, DAWACO, TETC and ET Co. I in favor of Administrative Agent (the "Subsidiary Pledge Agreement").

8. Second Amended and Restated Security Agreement dated as of January 20, 2004, executed by ETC Marketing, ETC Oasis, ETC Texas Processing, TX Energy Transfer,

Whiskey Bay Gas, Whiskey Bay Gathering, Chalkley, ET Co. I, Oasis Pipe Line, Oasis Management, Oasis Finance, Oasis Partner and ETC Gas in favor of Administrative Agent (the "Subsidiary Security Agreement").

9. Amended and Restated Stock Pledge Agreement dated as of January 20, 2004, executed by ETC Oasis and Oasis Pipe Line in favor of Administrative Agent (the "Oasis Entities Stock Pledge Agreement").

10. First Amended and Restated Deed of Trust, Mortgage, Assignment, Security Agreement, Fixture Filing and Financing Statement dated as of January 20, 2004 executed by ETC Texas, Oasis Pipe Line TX, ETC Oklahoma and ETC Texas Processing (the "Mortgage").

The Borrower LLC Pledge Agreement, the Borrower Partnership Pledge Agreement, the Subsidiary Pledge Agreement, the Oasis Entities Stock Pledge Agreement, the Borrower Security Agreement, the Subsidiary Security Agreement and the Mortgage are herein collectively called the "Security Documents".

SECTION B.
CORPORATE DOCUMENTS AND PROCEEDINGS

1. Unanimous Written Consent of Mangers in Lieu of Meeting of LA GP dated January 20, 2004.

2. Resolutions of the Board of Managers of LA GP.

3. Unanimous Written Consent of Mangers in Lieu of Meeting of LG PL dated January 20, 2004.

4. Resolutions of the Board of Managers of LG PL.

5. Unanimous Written Consent of Mangers in Lieu of Meeting of LGM dated January 20, 2004.

6. Resolutions of the Board of Managers of LGM.

7. Unanimous Written Consent of Mangers in Lieu of Meeting of ETC Oasis GP dated January 20, 2004.

8. Resolutions of the Board of Managers of ETC Oasis GP.

9. Unanimous Written Consent of Mangers in Lieu of Meeting of DAWACO dated January 20, 2004.

10. Resolutions of the Board of Managers of DAWACO.

11. Unanimous Written Consent of Mangers in Lieu of Meeting of TETC dated January 20, 2004.

12. Resolutions of the Board of Managers of TETC.

13. Unanimous Written Consent of Directors in Lieu of Meeting of Oasis Pipe Line dated January 20, 2004.

14. Resolutions of the Board of Directors of Oasis Pipe Line.

15. Unanimous Written Consent of Directors in Lieu of Meeting of Oasis Management dated January 20, 2004.

16. Resolutions of the Board of Directors of Oasis Management.

17. Unanimous Written Consent of Directors in Lieu of Meeting of Oasis Finance dated January 20, 2004.

18. Resolutions of the Board of Directors of Oasis Finance.

19. Unanimous Written Consent of Directors in Lieu of Meeting of Oasis Partner dated January 20, 2004.

20. Resolutions of the Board of Directors of Oasis Partner.

21. Consent and Acknowledgment of DAWACO dated January 20, 2004.

22. Consent and Acknowledgment of Heritage ETC GP, L.L.C. dated January 20, 2004.

23. Unanimous Consent of the Board of Directors of U.S. Propane, L.L.C. dated January 16, 2004.

SECTION C.
FINANCING STATEMENTS

1. Financing Statement 03-0004379086, naming La Grange Acquisition, L.P., as debtor, and Fleet National Bank, as Administrative Agent, as secured party, and filed in the Office of the Secretary of State of the State of Texas on October 10, 2002.

2. An unfiled copy of a Financing Statement naming ETC Gas Company, Ltd., as debtor, and Fleet National Bank, as Administrative Agent, as secured party, to be filed in the Office of the Secretary of State of the State of Texas.

3. Financing Statement 03-0004378732, naming ETC Marketing, Ltd., as debtor, and Fleet National Bank, as Administrative Agent, as secured party, and filed in the Office of the Secretary of State of the State of Texas on October 10, 2002.

4. Financing Statement 03-0004379531, naming ETC Oasis GP, LLC, as debtor, and Fleet National Bank, as Administrative Agent, as secured party, and filed in the Office of the Secretary of State of the State of Texas on October 10, 2002, as amended by UCC Financing Statement Amendment 03-00236900, filed in the Office of the Secretary of State of the State of Texas on April 8, 2003.

5. Financing Statement 03-0004378954, naming ETC Oklahoma Pipeline, Ltd., as debtor, and Fleet National Bank, as Administrative Agent, as secured party and filed in the Office of the Secretary of State of the State of Texas on October 10, 2002.

6. Financing Statement 03-0004378843, naming ETC Texas Pipeline, Ltd., as debtor, and Fleet National Bank, as Administrative Agent, as secured party, and filed in the Office of the Secretary of State of the State of Texas on October 10, 2002.

7. Financing Statement 04-0042019696, naming ETC Texas Pipeline, Ltd., as debtor, and Fleet National Bank, as Administrative Agent, as secured party, and filed in the Office of the Secretary of State of the State of Texas on September 17, 2003, as a transmitting utility filing and a fixture filing, and an unfiled copy of a UCC Financing Statement Amendment amending such Financing Statement to restate the collateral description, to be filed in the Office of the Secretary of State of the State of Texas.

8. An unfiled copy of a Financing Statement naming ETC Texas Processing, Ltd., as debtor, and Fleet National Bank, as Administrative Agent, as secured party, and to be filed in the Office of the Secretary of State of the State of Texas.

9. An unfiled copy of a Financing Statement naming ETC Texas Processing, Ltd., as debtor, and Fleet National Bank, as Administrative Agent, as secured party, and to be filed in the Office of the Secretary of State of the State of Texas, as a transmitting utility filing and a fixture filing.

10. Financing Statement 03-0012863720, naming FIVE-DAWACO, INC., as debtor, and Fleet National Bank, as Administrative Agent, as secured party, and filed in the Office of the Secretary of State of the State of Texas on January 6, 2003, and an unfiled copy of a UCC Financing Statement Amendment amending such Financing Statement to reflect a change of name of such debtor to Five Dawaco, LLC and a change of its type of

organization to a limited liability company, to be filed in the Office of the Secretary of State of the State of Texas.

11. Financing Statement 03-0004379208, naming LA GP, LLC, as debtor, and Fleet National Bank, as Administrative Agent, as secured party, and filed in the Office of the Secretary of State of the State of Texas on October 10, 2002.

12. Financing Statement 03-0004379319, naming LG PL, LLC, as debtor, and Fleet National Bank, as Administrative Agent, as secured party, and filed in the Office of the Secretary of State of the State of Texas on October 10, 2002, and an unfiled copy of a UCC Financing Statement Amendment amending such Financing Statement to restate the collateral description, to be filed in the Office of the Secretary of State of the State of Texas.

13. Financing Statement 03-0004379420, naming LGM, LLC, as debtor, and Fleet National Bank, as Administrative Agent, as secured party, and filed in the Office of the Secretary of State of the State of Texas on October 10, 2002.

14. Financing Statement 03-0012863053, naming ET Company I, Ltd., as debtor, and Fleet National Bank, as Administrative Agent, as secured party, and filed in the Office of the Secretary of State of the State of Texas on January 6, 2003.

15. Financing Statement 03-0012862709, naming Texas Energy Transfer Company, Ltd., as debtor, and Fleet National Bank, as Administrative Agent, as secured party, and filed in the Office of the Secretary of State of the State of Texas on January 6, 2003.

16. Financing Statement 03-0012862921, naming Whiskey Bay Gathering Company, Ltd., as debtor, and Fleet National Bank, as Administrative Agent, as secured party, and filed in the Office of the Secretary of State of the State of Texas on January 6, 2003.

17. Financing Statement 03-0012862810, naming Whiskey Bay Gas Company, Ltd., as debtor, and Fleet National Bank, as Administrative Agent, as secured party, and filed in the Office of the Secretary of State of the State of Texas on January 6, 2003.

18. Financing Statement 03-0012862698, naming Chalkley Transmission Company, Ltd., as debtor, and Fleet National Bank, as Administrative Agent, as secured party, and filed in the Office of the Secretary of State of the State of Texas on January 6, 2003.

19. Financing Statement 03-0012863619, naming TETC, INC., as debtor and Fleet National Bank, as Administrative Agent, as secured party, and filed in the Office of the Secretary of State of the State of Texas on January 6, 2003, and an unfiled copy of a UCC Financing Statement Amendment amending such Financing Statement to reflect a change of name of such debtor to TETC, LLC and a change of its type of organization to a

limited liability company, to be filed in the Office of the Secretary of State of the State of Texas.

20. Financing Statement 03-0012863497, naming Oasis Pipe Line Company Texas L.P., as debtor, and Fleet National Bank, as Administrative Agent, as secured party, and filed in the Office of the Secretary of State of the State of Texas on January 6, 2003.

21. Financing Statement 04-0042039274, naming Oasis Pipe Line Company Texas L.P., as debtor, and Fleet National Bank, as Administrative Agent, as secured party, and filed in the Office of the Secretary of State of the State of Texas on September 17, 2003, as a transmitting utility filing and a fixture filing, and an unfiled copy of a UCC Financing Statement Amendment amending such Financing Statement to restate the collateral description, to be filed in the Office of the Secretary of State of the State of Texas.

22. Financing Statement 3020443 1, naming Oasis Pipe Line Company, as debtor, and Fleet National Bank, as Administrative Agent, as secured party, and filed with the Delaware Department of State, U.C.C. Filing Section on January 6, 2003.

23. Financing Statement 3020438 1, naming Oasis Pipe Line Finance Company, as debtor, and Fleet National Bank, as Administrative Agent, as secured party, and filed with the Delaware Department of State, U.C.C. Filing Section on January 6, 2003.

24. Financing Statement 3020442 3, naming Oasis Partner Company, as debtor, and Fleet National Bank, as Administrative Agent, as secured party, and filed with the Delaware Department of State, U.C.C. Filing Section on January 6, 2003.

25. Financing Statement 3020439 9, naming Oasis Pipe Line Management Company, as debtor, and Fleet National Bank, as Administrative Agent, as secured party, and filed with the Delaware Department of State, U.C.C. Filing Section on January 6, 2003.

26. Financing Statement 3020680 8, naming ETC Oasis, L.P., as debtor, and Fleet National Bank, as Administrative Agent, as secured party, and filed with the Delaware Department of State, U.C.C. Filing Section on January 6, 2003.

The above-described Financing Statements and UCC Financing Statement Amendments are herein collectively called the "Financing Statements" and the places in which they are indicated to have been filed or are indicated to be filed are herein collectively called the "Filing Offices."

SECTION D.
GOVERNMENTAL CERTIFICATES

1. A certificate from the Secretary of State of Delaware, dated January 13, 2004, regarding Oasis Pipe Line Company.

2. A certificate from the Secretary of State of Delaware, dated January 12, 2004, regarding Oasis Pipe Line Management Company.

3. A certificate from the Secretary of State of Delaware, dated January 12, 2004, regarding Oasis Partner Company.

4. A certificate from the Secretary of State of Delaware, dated January 12, 2004, regarding Oasis Pipe Line Finance Company.

5. A certificate from the Secretary of State of Delaware, dated January 12, 2004, regarding ETC Oasis, L.P.

6. A certificate from the Secretary of State of Delaware, dated January 12, 2004, regarding Heritage Holdings, Inc.

7. A certificate from the Secretary of State of Louisiana, dated January 9, 2004, regarding Five-Dawaco, Inc.

8. A certificate from the Secretary of State of Louisiana, dated January 9, 2004, regarding Chalkley Transmission Company, Ltd.

9. A certificate from the Secretary of State of Louisiana, dated January 9, 2004, regarding Texas Energy Transfer Company, Ltd.

10. A certificate from the Secretary of State of Texas, dated January 9, 2004, regarding Oasis Pipe Line Management Company.

11. A certificate from the Secretary of State of Texas, dated January 9, 2004, regarding Oasis Pipe Line Finance Company.

12. A certificate from the Secretary of State of Texas, dated January 9, 2004, regarding ETC Oasis, L.P.

13. A certificate from the Secretary of State of Texas, dated January 9, 2004, regarding TETC, Inc.

14. A certificate from the Secretary of State of Texas, dated January 9, 2004, regarding Five-Dawaco, Inc.

15. A certificate from the Secretary of State of Texas, dated January 9, 2004, regarding ETC Oasis GP, LLC.

16. A certificate from the Secretary of State of Texas, dated January 9, 2004, regarding LGM, LLC.

17. A certificate from the Secretary of State of Texas, dated January 9, 2004, regarding LG PL, LLC.

18. A certificate from the Secretary of State of Texas, dated January 12, 2004, regarding LA GP, LLC.

19. A certificate from the Secretary of State of Texas, dated January 9, 2004, regarding ET Company I, Ltd.

20. A certificate from the Secretary of State of Texas, dated January 9, 2004, regarding Chalkley Transmission Company, Ltd.

21. A certificate from the Secretary of State of Texas, dated January 9, 2004, regarding Texas Energy Transfer Company, Ltd.

22. A certificate from the Secretary of State of Texas, dated January 9, 2004, regarding Whiskey Bay Gas Company, Ltd.

23. A certificate from the Secretary of State of Texas, dated January 12, 2004, regarding Whiskey Bay Gathering Company, Ltd.

24. A certificate from the Secretary of State of Texas, dated January 9, 2004, regarding Oasis Pipe Line Company Texas L.P.

25. A certificate from the Secretary of State of Texas, dated January 9, 2004, regarding ETC Marketing, Ltd.

26. A certificate from the Secretary of State of Texas, dated January 9, 2004, regarding ETC Oklahoma Pipeline, Ltd.

27. A certificate from the Secretary of State of Texas, dated January 12, 2004, regarding ETC Texas Pipeline, Ltd.

28. A certificate from the Secretary of State of Texas, dated January 12, 2004, regarding ETC Gas Company, Ltd.

29. A certificate from the Secretary of State of Texas, dated January 12, 2004, regarding La Grange Acquisition, L.P.

30. A certificate from the Secretary of State of Texas, dated January 14, 2004, regarding ETC Texas Processing, Ltd.

31. A certificate from the Texas Comptroller of Public Accounts, dated January 12, 2004, regarding Oasis Pipe Line Management Company.

32. A certificate from the Texas Comptroller of Public Accounts, dated January 12, 2004, regarding Oasis Pipe Line Finance Company.

33. A certificate from the Texas Comptroller of Public Accounts, dated January 12, 2004, regarding TETC, Inc.

34. A certificate from the Texas Comptroller of Public Accounts, dated January 12, 2004, regarding Five-Dawaco, Inc.

35. A certificate from the Texas Comptroller of Public Accounts, dated January 12, 2004, regarding ETC Oasis GP, LLC.

36. A certificate from the Texas Comptroller of Public Accounts, dated January 12, 2004, regarding LGM, LLC.

37. A certificate from the Texas Comptroller of Public Accounts, dated January 12, 2004, regarding LG PL, LLC.

38. A certificate from the Texas Comptroller of Public Accounts, dated January 12, 2004, regarding LA GP, LLC.

SECTION E.
NEW DEFINED TERMS

Underwriting Agreement means the Underwriting Agreement dated January 13, 2004 by and among Heritage L.P., U.S. Propane, L.P. (the "General Partner"), Heritage ETC, L.P. (the "New Operating Partnership"), Heritage ETC GP, L.L.C. (the "New OLP General Partner"), Heritage Operating, L.P. (the "Heritage Operating Partnership"), Heritage LP, Inc. ("Heritage OLP LP"), and the underwriters named therein.

Underwriters means Lehman Brothers Inc., Citigroup Global Markets Inc., UBS Securities LLC, A.G. Edwards & Sons, Inc., Wachovia Capital Markets, LLC, Credit Suisse

First Boston LLC, RBC Dain Rauscher Inc., Raymond James & Associates, Inc. and Stephens Inc.

EXHIBIT H

ENVIRONMENTAL COMPLIANCE CERTIFICATE

Reference is made to that certain Second Amended and Restated Credit Agreement dated as of January 20, 2004 (as from time to time amended, the "Agreement"), by and among La Grange Acquisition, L.P. ("Borrower"), Fleet National Bank, as Administrative Agent, and certain financial institutions ("Lenders"). Terms which are defined in the Agreement are used herein with the meanings given them in the Agreement. Borrower hereby certifies to Administrative Agent and Lenders as follows:

1. For the Fiscal Year ending immediately prior to the date hereof, Borrower has complied and is complying with Section [____] of the Agreement *[except as set forth in Schedule I attached hereto];

2. To the best knowledge of the undersigned after due inquiry, Borrower is on the date hereof in compliance with all applicable Environmental Laws, noncompliance with which could cause a Material Adverse Change;

3. Borrower has taken (and continues to take) steps to minimize the generation of potentially harmful effluents;

4. Borrower has established an ongoing program of conducting an internal audit of each operating facility of Borrower to identify actual or potential environmental liabilities which could reasonably be expected to have a Material Adverse Effect; and

5. Borrower has established an ongoing program of training its employees in issues of environmental, health and safety compliance, and Borrower presently has one or more individuals in charge of implementing such training program.

The officer of LA GP signing this instrument hereby certifies that, to the best of his knowledge after due inquiry and consultation with the operating officers of Borrower, the above representations, warranties, acknowledgments, and agreements of Borrower are true, correct and complete in all material respects.

IN WITNESS WHEREOF, this instrument is executed as of _____, ____.

LA GRANGE ACQUISITION, L.P.

By: LA GP, LLC, its general partner

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)) 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. 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

   c. 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: April 14, 2004

/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:

6. I have reviewed this quarterly report on Form 10-Q of Energy Transfer Partners, L.P.;

7. 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;

8. 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;

9. 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)) 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. 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

   c. 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

10. 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: April 14, 2004

/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)) 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. 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

   c. 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: April 14, 2004

/s/ H. Michael Krimbill

H. Michael Krimbill
President

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 three months ended February 29, 2004 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: April 14, 2004

/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 three months ended February 29, 2004 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: April 14, 2004

/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 three months ended February 29, 2004, 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: January 14, 2004

/s/ H. Michael Krimbill

H. Michael Krimbill
President

*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.