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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

Form 10-Q

☒ **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended March 31, 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: 000-50067

CROSSTEX ENERGY, L.P.

(Exact name of registrant as specified in its charter)

Delaware	16-1616605
(State of organization)	*(I.R.S. Employer Identification No.)*

2501 CEDAR SPRINGS, SUITE 600
DALLAS, TEXAS 75201
(Address of principal executive offices)
(Zip Code)

(214) 953-9500
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes☐ No ☒

As of April 28, 2004, the Registrant had 8,747,326 common units and 9,334,000 subordinated units outstanding.

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CROSSTEX ENERGY, L.P.

Consolidated Balance Sheets
(In thousands)

	March 31, 2004	December 31, 2003
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	$ 959	$ 166
Accounts receivable:		
Trade	12,190	9,491
Accrued revenues	125,504	124,517
Imbalances	378	447
Related party	2,093	1,618
Note receivable	747	535
Other	2,807	2,588
Fair value of derivative assets	6,118	4,080
Prepaid expenses and other	1,875	1,979
Total current assets	152,671	145,421
Property and equipment:		
Transmission assets	109,952	99,650
Gathering systems	27,825	27,990
Gas plants	90,875	87,140
Other property and equipment	3,842	3,743
Construction in process	7,927	9,863
Total property and equipment	240,421	228,386
Accumulated depreciation	(28,497)	(24,477)
Total property and equipment, net	211,924	203,909
Intangible assets, net	5,126	5,366
Goodwill, net	4,873	4,873
Investment in limited partnerships	430	2,560
Other assets, net	2,829	3,174
Total assets	$ 377,853	$ 365,303
Liabilities and Partners' Equity		
Current liabilities:		
Drafts payable	$ 17,914	$ 10,446
Accounts payable	7,813	4,064
Accrued gas purchases	119,540	119,756
Accounts payable—related party	—	448
Accrued imbalances payable	212	212
Fair value of derivative liabilities	3,406	2,487
Current portion of long-term debt	50	50
Other current liabilities	7,585	10,872
Total current liabilities	156,520	148,335
Long-term debt	62,700	60,700
Minority interest in subsidiary	2,285	—
Partners' equity:		
Common unit-holders (8,747,326 and 8,716,000 units issued and outstanding at March 31, 2004 and December 31, 2003, respectively)	116,734	117,366
Subordinated unit-holders (9,334,000 units issued and outstanding at March 31, 2004 and December 31, 2003)	33,626	34,632
General partner interest (2% interest with 369,000 and 368,000 equivalent units outstanding at March 31, 2004 and December 31, 2003, respectively)	3,306	2,887
Accumulated other comprehensive income (loss)	2,682	1,383
Total partners' equity	156,348	156,268
Total liabilities and partners' equity	$ 377,853	$ 365,303

See accompanying notes to consolidated financial statements.

CROSSTEX ENERGY, L.P.

Consolidated Statements of Operations
(In thousands, except per unit amounts)

(Unaudited)

	Three months ended March 31,	
	2004	2003
Revenues:		
Midstream	$ 318,214	$ 245,315
Treating	7,144	5,255
Total revenues	325,358	250,570
Operating costs and expenses:		
Midstream purchased gas	302,876	237,408
Treating purchased gas	1,376	2,416
Operating expenses	6,213	3,210
General and administrative	3,592	1,500
Stock based compensation	209	2,504
(Profit) loss on energy trading activities	(421)	(107)
Loss on sale of property	296	—
Depreciation and amortization	4,418	2,435
Total operating costs and expenses	318,559	249,366
Operating income	6,799	1,204
Other income (expense):		
Interest expense, net	(1,156)	(410)
Other income	92	38
Total other income (expense)	(1,064)	(372)
Income before minority interest	5,735	832
Minority interest in subsidiary	(29)	—
Net income	$ 5,706	$ 832
General partner interest in net income	$ 1,048	$ 17
Limited partners' interest in net income	$ 4,658	$ 815
Net income per limited partners' unit:		
Basic	$ 0.26	$ 0.06
Diluted	$ 0.24	$ 0.06
Weighted average limited partners' units outstanding:		
Basic	18,072	14,600
Diluted	19,090	14,680

See accompanying notes to consolidated financial statements.

CROSSTEX ENERGY, L.P.

Consolidated Statements of Changes in Partners' Equity
Three Months ended March 31, 2004
(In thousands)

(Unaudited)

	Common units	Subordinated units	General partner interest	Accumulated other comprehensive income	Total
Balance, December 31, 2003	$ 117,366	$ 34,632	$ 2,887	$ 1,383	$ 156,268
Stock based compensation	83	88	38	—	209
Distributions	(3,280)	(3,500)	(667)	—	(7,447)
Net income	2,252	2,406	1,048	—	5,706
Proceeds from exercise of stock options	313	—	—	—	313
Hedging gains or losses reclassified to earnings	—	—	—	(741)	(741)
Adjustment in fair value of derivatives	—	—	—	2,040	2,040
Balance, March 31, 2004	$ 116,734	$ 33,626	$ 3,306	$ 2,682	$ 156,348

See accompanying notes to consolidated financial statements.

CROSSTEX ENERGY, L.P.

Consolidated Statements of Comprehensive Income
(In thousands)

(Unaudited)

	Three months ended March 31,	
	2004	**2003**
Net income	$ 5,706	$ 832
Hedging gains or losses reclassified to earnings	(741)	(384)
Adjustment in fair value of derivatives	2,040	(1,165)
Comprehensive income (loss)	$ 7,005	$ (717)

See accompanying notes to consolidated financial statements.

CROSSTEX ENERGY, L.P.

Consolidated Statements of Cash Flows
(In thousands)

(Unaudited)

	Three months ended March 31,	
	2004	**2003**
Cash flows from operating activities:		
Net income	$ 5,706	$ 832
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	4,418	2,435
Income (loss) on investment in affiliated partnerships	(88)	4
Non-cash stock based compensation	209	2,504
Loss on sale of property	296	—
Minority interest in subsidiary	29	—
Changes in assets and liabilities, net of acquisition effects:		
Accounts receivable and accrued revenue	(4,132)	(87,386)
Prepaid expenses	104	(1,470)
Accounts payable, accrued gas purchases, and other accrued liabilities	(292)	102,221
Fair value of derivatives	181	36
Other	133	(328)
Net cash provided by operating activities	6,564	18,848
Cash flows from investing activities:		
Additions to property and equipment	(8,051)	(4,614)
Proceeds from sale of property	100	—
Distributions from (investments in) affiliated partnerships	(154)	(100)
Net cash used in investing activities	(8,105)	(4,714)
Cash flows from financing activities:		
Proceeds from borrowings	25,500	44,100
Payments on borrowings	(23,500)	(45,850)
Increase (decrease) in drafts payable	7,468	(13,058)
Distribution to partners	(7,447)	—
Proceeds from exercise of stock options	313	—
Offering costs	—	(470)
Net cash provided by (used in) financing activities	2,334	(15,278)
Net increase (decrease) in cash and cash equivalents	793	(1,144)
Cash and cash equivalents, beginning of period	166	1,308
Cash and cash equivalents, end of period	$ 959	$ 164
Cash paid for interest	$ 899	$ 374

See accompanying notes to consolidated financial statements.

(1) General

Unless the context requires otherwise, references to "we","us","our" or the "Partnership" mean Crosstex Energy, L.P. and its consolidated subsidiaries.

Crosstex Energy, L.P. (the Partnership), a Delaware limited partnership formed on July 12, 2002, is engaged in the gathering, transmission, treating, processing and marketing of natural gas. The Partnership connects the wells of natural gas producers to its gathering systems in the geographic areas of its gathering systems in order to purchase the gas production, treats natural gas to remove impurities to ensure that it meets pipeline quality specifications, processes natural gas for the removal of natural gas liquids or NGLs, transports natural gas and ultimately provides an aggregated supply of natural gas to a variety of markets. In addition, the Partnership purchases natural gas from producers not connected to its gathering systems for resale and sells natural gas on behalf of producers for a fee.

The accompanying consolidated financial statements are prepared in accordance with the instructions to Form 10-Q, are unaudited and do not include all the information and disclosures required by generally accepted accounting principles for complete financial statements. All adjustments that, in the opinion of management, are necessary for a fair presentation of the results of operations for the interim periods have been made and are of a recurring nature unless otherwise disclosed herein. The results of operations for such interim periods are not necessarily indicative of results of operations for a full year. All significant intercompany balances and transactions have been eliminated in consolidation. These consolidated financial statements should be read in conjunction with the financial statements and notes thereto included in our annual report on Form 10-K for the year ended December 31, 2003.

(a) Long-Term Incentive Plans

The Partnership applies the provisions of Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees* (APB No. 25), and the related interpretations in accounting for the long-term incentive plans. In accordance with APB No. 25 for fixed stock and unit options, compensation is recorded to the extent the fair value of the stock or unit exceeds the exercise price of the option at the measurement date. Compensation costs for fixed awards with pro rata vesting are recognized on a straight-line basis over the vesting period. In addition, compensation expense is recorded for variable options based on the difference between fair value of the stock or unit and exercise price of the options at period end. Compensation expense of $209,000 and $2,504,000 was recognized during the three months ended March 31, 2004 and 2003, respectively.

Had compensation cost for the Partnership been determined based on the fair value at the grant date for awards in accordance with SFAS No. 123,*Accounting for Stock Based Compensation*, the Partnership's net income would have been as follows (in thousands, except per unit amounts):

	Three months ended March 31,	
	2004	2003
Net income, as reported	$ 5,706	$ 832
Add: Stock-based employee compensation expense included in reported net income	209	2,504
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards	(262)	(2,618)
Pro forma net income	$ 5,653	$ 718
Net income per limited partner unit, as reported:		
Basic	$ 0.26	$ 0.06
Diluted	$ 0.24	$ 0.06
Pro forma net income per limited partner unit:		
Basic	$ 0.25	$ 0.05
Diluted	$ 0.24	$ 0.05

The fair value of each option is estimated on the date of grant using the Black Scholes option-pricing model with the following weighted average assumptions used for Partnership unit grants in 2004:

	2004
Options granted	346,779
Weighted average dividend yield	6.5%
Weighted average expected volatility	24%
Weighted average risk free interest rate	3.14%
Weighted average expected life	5
Contractual life	10
Weighted average of fair value of unit options granted	$ 3.09

No Crosstex Energy, Inc. (CEI) options were granted to officers or employees in 2004. Stock based compensation associated with the CEI option plan with respect to officers and employees is recorded by the Partnership since CEI has no operating activities, other than its interest in the Partnership.

CEI modified certain outstanding options attributable to its shares of common stock in the first quarter of 2003, which allowed the option holders to elect to be paid in cash for the modified options based on the fair value of the options. The total number of CEI options which were modified was approximately 364,000. These modified options have been accounted for using variable accounting as of the option modification date. The Partnership accounted for the modified options as variable options until the holders elect to cash out the options or the election to cash out the options lapsed. CEI is

responsible for paying the intrinsic value of the options for the holders who elect to cash out their options. December 31, 2003 was the last valuation date that a holder of modified options could elect the cash-out alternative. Accordingly, effective January 1, 2004, the remaining modified options are accounted for as fixed options. Beginning in the first quarter of 2003, the Partnership recognized stock compensation expense based on the estimated fair value at period end of the options modified. The Partnership recognized stock-based compensation expense of approximately $2.5 million related to the variable options for the quarter ended March 31, 2003.

In February 2004, 75,000 restricted shares in CEI were issued to senior management under its long-term incentive plan with an intrinsic value of $2,183,000. In February 2004, 1,406 restricted units with an intrinsic value of $29,000 were issued to a director, at his election, for his 2004 annual director fee. These restricted units vest over a five-year period and the intrinsic value of the units is amortized into stock based compensation expense over the vesting period.

(b) Earnings per Unit and Anti-Dilutive Computations

Basic earnings per unit was computed by dividing net income by the weighted average number of limited partner units outstanding for the three months ended March 31, 2004 and 2003. The computation of diluted earnings per unit further assumes the dilutive effect of unit options.

Effective March 29, 2004, the Partnership completed a two-for-one split on its outstanding limited partnership units. All unit amounts for prior periods presented herein have been restated to reflect this unit split.

The following are the unit amounts used to compute the basic and diluted earnings per limited partner unit for the three months ended March 31, 2004 and 2003 (in thousands):

	Three months ended March 31,	
	2004	**2003**
Basic earnings per unit:		
Weighted average limited partner units outstanding	18,072	14,600
Diluted earnings per unit:		
Weighted average limited partner units outstanding	18,072	14,600
Dilutive effect of exercise of options outstanding	1,018	80
Diluted units	19,090	14,680

All outstanding units were included in the computation of diluted earnings per unit.

(c) New Accounting Pronouncement

In January 2003, the FASB issued FASB Interpretation No. 46, *Consolidation of Variable Interest Entities, an interpretation of ARB No. 51.* In December 2003, the FASB issued FIN No. 46R which clarified certain issues identified in FIN 46. FIN No. 46R requires an entity to consolidate a variable interest entity if it is designated as the primary beneficiary of that entity even if the entity does not have a majority of voting interests. A variable interest entity is generally defined as an entity where its equity is unable to finance its activities or where the owners of the entity lack the risk and rewards of

ownership. The provisions of this statement apply at inception for any entity created after January 31, 2003. For an entity created before February 1, 2003, the provisions of this Interpretation must be applied at the beginning of the first interim or annual period ending after March 15, 2004. In January 2004, the Partnership adopted FIN No. 46R and began consolidating its joint venture interest in the Crosstex DC Gathering, J.V. (CDC), previously accounted for using the equity method of accounting. The consolidated carrying amount for the joint venture is based on the historical costs of the assets, liabilities and non-controlling interests of the joint venture since its formation in January 2003 which approximates the carrying amount of the assets, liabilities and non-controlling interests in the consolidated financial statements as if FIN No. 46R had been effective upon inception of the joint venture.

(2) Significant Asset Purchases and Acquisitions

On June 30, 2003, the Partnership completed the acquisition of certain assets from Duke Energy Field Services, L.P. (DEFS) for $68.1 million, including the effect of certain purchase price adjustments. The assets acquired included: the Mississippi pipeline system, a 12.4% interest in the Seminole gas processing plant, the Conroe gas plant and gathering system and the Alabama pipeline system. The Partnership has accounted for this acquisition as a business combination in accordance with SFAS No. 141, Business Combinations. We have utilized the purchase method of accounting for this acquisition with an acquisition date of June 30, 2003.

Operating results for the DEFS assets are included in the Statements of Operations since June 30, 2003. Unaudited pro forma results of operations as if the acquisition from DEFS had been acquired on January 1, 2003 are as follows (in thousands, except per unit amounts):

	Three months ended March 31, 2003
Revenue	$ 308,019
Net income	$ 799
Net income per limited partner unit	$ 0.06

(3) Investment in Limited Partnerships and Note Receivable

The Partnership owns a 7.86% weighted average interest as the general partner in the five gathering systems of Crosstex Pipeline Partners, L.P. (CPP), a 20.31% interest as a limited partner in CPP, 50% interest in the J.O.B. J.V. and a 50% interest in CDC. In January 2004, the Partnership began consolidating its investment in CDC. The Partnership accounts for its investments in J.O.B. J.V. and CPP under the equity method, as it exercises significant influence in operating decisions as a general partner in CPP and as a 50% owner in the joint venture. Under this method, the Partnership carries its investments at cost and records its equity in net earnings of the affiliated partnerships as income in other income (expense) in the consolidated statement of operations, and distributions received from them are recorded as a reduction in the Partnership's investment in the affiliated partnership.

In connection with the formation of CDC, the Partnership agreed to loan the CDC Partner up to $1.5 million for their initial capital contribution. The loan bears interest at an annual rate of prime plus 2%. CDC makes payments directly to the Partnership attributable to CDC Partner's 50% share of distributable cash flow to repay the loan. Any balance remaining on the note is due in August 2007. The current portion of loan receivable of $747,000 from the CDC Partner is included in current notes receivable as of March 31, 2004. The remaining balance of $838,000 is included in other non-current assets as of March 31, 2004.

(4) Long-Term Debt

As of March 31, 2004 and December 31, 2003, long-term debt consisted of the following (in thousands):

	March 31, 2004	December 31, 2003
Acquisition credit facility, interest based on Prime and/or LIBOR plus an applicable margin, interest rates (per the facility) at March 31, 2004 and December 31, 2003 were 3.00% and 2.92%, respectively	$ 22,000	$ 20,000
Senior secured notes, weighted average interest rate of 6.93%	40,000	40,000
Note payable to Florida Gas Transmission Company	750	750
	62,750	60,750
Less current portion	(50)	(50)
Debt classified as long-term	$ 62,700	$ 60,700

In conjunction with the April 2004 acquisition of the LIG Pipeline Company and its subsidiaries discussed in Note (9), the Partnership amended its bank credit facility to increase the borrowing base under its senior secured revolving acquisition facility from $70 million to $100 million and to increase the borrowing base under its senior secured revolving credit working capital and letter of credit facility from $50 million to $100 million.

In October 2002, the Partnership entered into an interest rate swap covering a principal amount of $20 million for a period of two years. The Partnership is subject to interest rate risk on its acquisition credit facility. The interest rate swap reduces this risk by fixing the LIBOR rate, prior to credit margin, at 2.29%, on $20 million of related debt outstanding over the term of the swap agreement which expires on November 1, 2004. The Partnership has accounted for this swap as a cash flow hedge of the variable interest payments related to the $20 million of the acquisition credit facility outstanding. Accordingly, unrealized gains or losses relating to the swap which are recorded in other comprehensive income will be reclassified from other comprehensive income to interest expense over the period hedged. The fair value of the interest rate swap at March 31, 2004 was a $181,000 liability and is included in fair value of derivative liabilities.

(5) Partners' Capital

Cash Distributions

In accordance with the partnership agreement, the Partnership must make distributions of 100% of available cash, as defined in the partnership agreement, within 45 days following the end of each quarter. Distributions will generally be made 98% to the common and subordinated unitholders and 2% to the general partner, subject to the payment of incentive distributions as described below to the extent that certain target levels of cash distributions are achieved. Under the quarterly incentive distribution provisions, generally our general partner is entitled to 13% of amounts we distribute in excess of $0.25 per unit, 23% of the amounts we distribute in excess of $0.3125 per unit and 48% of amounts we distribute in excess of $0.375 per unit. Incentive distributions totaling $953,000 were earned by our general partner for the three months ended March 31, 2004. To the extent there is sufficient available cash, the holders of common units are entitled to receive the minimum quarterly distribution of $0.25 per unit, plus arrearages, prior to any distribution of available cash to the holders of subordinated units. Subordinated units will not accrue any arrearages with respect to distributions for any quarter.

The Partnership's fourth quarter distribution on its common and subordinated units of $0.375 per unit was paid on February 13, 2004. The Partnership declared a first quarter 2004 distribution of $0.40 per unit to be paid on May 14, 2004.

(6) Derivatives

The Partnership manages its exposure to fluctuations in commodity prices by hedging the impact of market fluctuations. Swaps are used to manage and hedge prices and location risk related to these market exposures. Swaps are also used to manage margins on offsetting fixed-price purchase or sale commitments for physical quantities of natural gas and NGLs.

The fair value of derivative assets and liabilities, excluding the interest rate swap, are as follows (in thousands):

	March 31, 2004	December 31, 2003
Fair value of derivative assets—current	$ 6,118	$ 4,080
Fair value of derivative assets—long term	—	—
Fair value of derivative liabilities—current	(3,225)	(2,278)
Fair value of derivative liabilities—long term	—	—
Net fair value of derivatives	$ 2,893	$ 1,802

Set forth below is the summarized notional amount and terms of all instruments held for price risk management purposes at March 31, 2004 (all quantities are expressed in British Thermal Units). The remaining term of the contracts extend no later than March 2005, with no single contract longer than 6 months. The Partnership's counterparties to hedging contracts include Williams Energy Services Company, Sempra Energy Trading Corp., Morgan Stanley Capital Group, BP Corporation, and Duke Energy Trading and Marketing. Changes in the fair value of the Partnership's derivatives related to Producer Services gas marketing activities are recorded in earnings. The effective portion of changes in

the fair value of cash flow hedges is recorded in accumulated other comprehensive income until the related anticipated future cash flow is recognized in earnings.

March 31, 2004

Transaction type	Total volume	Pricing terms	Remaining term of contracts	Fair value (in thousands)
Cash Flow Hedge:				
Natural gas swaps Cash flow hedge	4,529,500	Fixed prices ranging from $4.64 to $5.90 settling against various Inside FERC Index prices	April 2004-March 2005	$ 4,744
Natural gas swaps Cash flow hedge	(2,336,000)		April 2004-March 2005	(1,724)
Total natural gas swaps Cash flow hedge				$ 3,020
Liquids swaps Cash flow hedge	(5,411,342)	Fixed prices ranging from $0.3775 to $0.7450 settling against Mt. Belvieu Average of daily postings (non-TET)	April 2004-December 2004	$ (155)
Total liquids swaps Cash flow hedge				$ (155)
Producer Services:				
Marketing trading financial swaps	780,000	Fixed prices ranging from $3.14 to $5.945 settling against various Inside FERC Index prices	April 2004-March 2005	$ 784
Marketing trading financial swaps	(628,000)		April 2004-March 2005	(476)
Total marketing trading financial swaps				$ 308
Physical offset to marketing trading transactions	628,000	Fixed prices ranging from $3.59 to $5.855 settling against various Inside FERC Index prices	April 2004-March 2005	$ 496
Physical offset to marketing trading transactions	(780,000)		April 2004-March 2005	(776)
Total physical offset to marketing trading transactions swaps				$ (280)

On all transactions where the Partnership is exposed to counterparty risk, the Partnership analyzes the counterparty's financial condition prior to entering into an agreement, establishes limits, and monitors the appropriateness of these limits on an ongoing basis.

Assets and liabilities related to Producer Services that are accounted for as derivative contracts held for trading purposes are included in the fair value of derivative assets and liabilities. Producer Services operating and results are recorded net as profit (loss) on energy trading activities in the consolidated statement of operations. The Partnership estimates the fair value of all of its energy trading contracts using prices actively quoted. The estimated fair value of energy trading contracts by maturity date was as follows (in thousands):

	Maturity periods			
	Less than one year	One to two years	Two to three years	Total fair value
March 31, 2004	$ 28	—	—	$ 28
December 31, 2003	$ (26)	—	—	$ (26)

(7) Transactions with Related Parties

General and Administrative Expense Cap

The Partnership had a $6.0 million annual ($1.5 million quarterly) general and administrative cap for the twelve-month period ended in December 2003, per its partnership agreement. CEI bore the cost of any excess general and administrative expenses. During the three months ended March 31, 2003, the Partnership had excess expenses of approximately $0.5 million. The general partner is also reimbursed for direct charges it incurs on behalf of partnership business development activities. There were no direct charges for the three months ended March 31, 2003.

Camden Resources, Inc.

The Partnership treats gas for, and purchases gas from, Camden Resources, Inc. (Camden). Camden is an affiliate of the Partnership by way of equity investments made by Yorktown Energy Partners IV, L.P. and Yorktown Energy Partners V, L.P., collectively the major shareholder in CEI, in Camden. During the three months ended March 31, 2004 and 2003, the Partnership purchased natural gas from Camden in the amount of approximately $8.2 million and $2.7 million, respectively, and received approximately $18,000 and $61,000 in treating fees from Camden.

Crosstex Pipeline Partners, L.P.

The Partnership had related-party transactions with Crosstex Pipeline Partners, L.P. (CPP), as summarized below:

- During the three months ended March 31, 2004 and 2003, the Partnership bought natural gas from CPP in the amount of approximately $2.25 million and $1.2 million and paid for transportation of approximately, $11,622 and $13,800, respectively, to CPP.
- During the three months ended March 31, 2004 and 2003, the Partnership received a management fee from CPP in the amount of approximately $31,000 and $31,000, respectively.
- During the three months ended March 31, 2004 and 2003, the Partnership received distributions from CPP in the amount of approximately $20,000 and $52,000, respectively.

(8) Commitments and Contingencies

(a) Employment Agreements

Each member of senior management of the Partnership is a party to an employment contract with the general partner. The employment agreements provide each member of senior management with severance payments in certain circumstances and prohibit each such person from competing with the general partner or its affiliates for a certain period of time following the termination of such person's employment.

(b) Environmental Issues

The Partnership acquired two assets from DEFS in June 2003 that have environmental contamination, including a gas plant in Montgomery County near Conroe, Texas and a compressor station near Cadeville, Louisiana. At both of these sites, contamination from historical operations has been identified at levels that exceed the applicable state action levels. Consequently, site investigation and/or remediation are underway to address those impacts. The estimated remediation cost for the Conroe plant site is currently estimated to be approximately $3.2 million, and the remediation cost for the Cadeville site is currently estimated to be approximately $1.2 million. Under the purchase agreement, DEFS has retained liability for cleanup of both the Conroe and Cadeville sites. Moreover, DEFS has entered into an agreement with a third-party Company pursuant to which the remediation costs associated with the Conroe site have been assumed by this third-party Company that specializes in remediation work. Therefore, the Partnership does not expect to incur any material environmental liability associated with the Conroe or Cadeville sites.

(c) Other

The Partnership is involved in various litigation and administrative proceedings arising in the normal course of business. In the opinion of management, any liabilities that may result from these claims would not individually or in the aggregate have a material adverse effect on its financial position or results of operations.

The Partnership receives notices from pipeline companies from time to time of gas volume allocation corrections related to gas deliveries on their pipeline systems. These allocation corrections normally have little impact on the Partnership's gross margin because the Partnership balances its purchases and sales in the pipelines and both the purchase and sale on the pipeline system require corrections. As of March 31, 2004 and December 31, 2003, a subsidiary of the Partnership was involved in a dispute related to one such allocation correction with a pipeline company and a customer on that pipeline. In reallocating previous settled deliveries, the pipeline company billed the Partnership's subsidiary for approximately $1.2 million of gas deliveries that occurred in the period from December, 2000 through February, 2001. The Partnership's subsidiary, in turn, billed its customer who was overpaid due to the allocation error. The customer is disputing its liability for such amount, asserting that the corrected billing was untimely. The allocation error occurred prior to the Partnership's acquisition of the subsidiary involved in the dispute. The Partnership has an indemnity from the seller of the subsidiary for liabilities arising prior to the acquisition date. As of March 31, 2004 and December 31, 2003, the Partnership has recorded a receivable of $1.2 million in other current receivables and a liability of $1.2 million in other current liabilities related to this allocation correction.

The Partnership believes the customer's dispute of the receivable is without merit, and further believes that it is protected against loss by its right to indemnification.

(9) Segment Information

Identification of operating segments is based principally upon differences in the types and distribution channel of products. The Partnership's reportable segments consist of Midstream and Treating. The Midstream division consists of the Partnership's natural gas gathering and transmission operations and includes the Mississippi System, the Conroe System, the Gulf Coast System, the Corpus Christi System, the Gregory Gathering System located around the Corpus Christi area, the Arkoma system in Oklahoma, the Vanderbilt System located in south Texas, and various other small systems. Also included in the Midstream division are the Partnership's Producer Services operations. The operations in the Midstream segment are similar in the nature of the products and services, the nature of the production processes, the type of customer, the methods used for distribution of products and services and the nature of the regulatory environment. The Treating division generates fees from its plants either through volume-based treating contracts or though fixed monthly payments. Included in the Treating division are four gathering systems that are connected to the treating plants and the Seminole plant located in Gaines County, Texas.

The Partnership evaluates the performance of its operating segments based on earnings before income taxes and accounting changes, and after an allocation of corporate expenses. Corporate expenses are allocated to the segments on a pro rata basis based on assets. Inter-segment sales are at cost.

Summarized financial information concerning the Partnership's reportable segments is shown in the following table. There are no other significant non-cash items.

	Midstream	Treating	Totals
		(in thousands)	
Three months ended March 31, 2004:			
Sales to external customers	$ 318,214	$ 7,144	$ 325,358
Inter-segment sales	1,425	(1,425)	—
Interest expense	1,131	25	1,156
Stock-based compensation expense	167	42	209
Depreciation and amortization	3,560	858	4,418
Segment profit (loss)	5,348	358	5,706
Segment assets	333,202	44,651	377,853
Capital expenditures	4,347	3,704	8,051
Three months ended March 31, 2003:			
Sales to external customers	$ 245,315	$ 5,255	$ 250,570
Inter-segment sales	1,504	(1,504)	—
Interest expense	401	9	410
Stock-based compensation expense	2,003	501	2,504
Depreciation and amortization	1,820	615	2,435
Segment profit (loss)	398	434	832
Segment assets	313,442	9,495	322,937
Capital expenditures	2,691	1,923	4,614

(10) Subsequent Event (Unaudited)

On April 1, 2004, the Partnership acquired, through its wholly-owned subsidiary Crosstex Louisiana Energy, L.P., the LIG Pipeline Company and its subsidiaries (LIG Inc., Louisiana Intrastate Gas Company, L.L.C., LIG Chemical Company, LIG Liquids Company, L.L.C. and Tuscaloosa Pipeline Company) (collectively, "LIG") from a subsidiary of American Electric Power in a negotiated transaction for $76.2 million. LIG consists of approximately 2,000 miles of gas gathering and transmission systems located in 32 parishes extending from northwest and north-central Louisiana through the center of the state to south and southeast Louisiana. The Partnership financed the acquisition through borrowings under its amended bank credit facility.

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

You should read the following discussion of our financial condition and results of operations in conjunction with the financial statements and notes thereto included elsewhere in this report.

Overview

We are a Delaware limited partnership formed by Crosstex Energy, Inc. on July 12, 2002 to acquire indirectly substantially all of the assets, liabilities and operations of our predecessor, Crosstex Energy Services, Ltd. We have two industry segments, Midstream and Treating, with a geographic focus along the Texas Gulf Coast. Our Midstream division focuses on the gathering, processing, transmission and marketing of natural gas, as well as providing certain producer services, while our Treating division focuses on the removal of carbon dioxide and hydrogen sulfide from natural gas to meet pipeline quality specifications. For the three months ended March 31, 2004, 73% of our gross margin was generated in the Midstream division, with the balance in the Treating division. We focus on gross margin to manage our business because our business is generally to gather, process, transport, market or treat gas for a fee or a buy-sell margin.

Our results of operations are determined primarily by the volumes of natural gas gathered, transported, purchased and sold through our pipeline systems, processed at our processing facilities or treated at our treating plants as well as fees earned from recovering carbon dioxide and natural gas liquids at a non-operated processing plant. We generate revenues from five primary sources:

- gathering and transporting natural gas on the pipeline systems we own;
- processing natural gas at our processing plants;
- treating natural gas at our treating plants;
- recovering carbon dioxide and natural gas liquids at a non-operated processing plant; and
- providing producer services.

The bulk of our operating profits are derived from the margins we realize for gathering and transporting natural gas through our pipeline systems. Generally, we buy gas from a producer, plant tailgate, or transporter at either a fixed discount to a market index or a percentage of the market index. We then transport and resell the gas. The resale price is based on the same index price at which the gas was purchased, and, if we are to be profitable, at a smaller discount or larger premium to the index than it was purchased. We attempt to execute all purchases and sales substantially concurrently, or we enter into a future delivery obligation, thereby establishing the basis for the margin we will receive for each natural gas transaction. Our gathering and transportation margins related to a percentage of the index price can be adversely affected by declines in the price of natural gas. See "Item 3. Quantitative and Qualitative Disclosures about Market Risk—Commodity Price Risk "below for a discussion of how we manage our business to reduce the impact of price volatility.

We generate producer services revenues through the purchase and resale of natural gas. We focus on supply aggregation transactions in which we either purchase and resell gas and thereby eliminate the need of the producer to engage in the marketing activities typically handled by in-house marketing or supply departments of larger companies, or act as agent for the producer.

We generate treating revenues under three arrangements:

- a volumetric fee based on the amount of gas treated, which accounted for approximately 57% and 67% of the operating income in our Treating division for the three months ended March 31, 2004 and 2003, respectively;

- a fixed fee for operating the plant for a certain period, which accounted for approximately 38% and 26% of the operating income in our Treating division for the three months ended March 31, 2004 and 2003, respectively; or

- a fee arrangement in which the producer operates the plant, which accounted for approximately 5% and 7% of the operating income in our Treating division for the three months ended March 31, 2004 and 2003, respectively.

Typically, we incur minimal incremental operating or administrative overhead costs when gathering and transporting additional natural gas through our pipeline assets. Therefore, we recognize a substantial portion of incremental gathering and transportation revenues as operating income.

Operating expenses are costs directly associated with the operations of a particular asset. Among the most significant of these costs are those associated with direct labor and supervision and associated transportation and communication costs, property insurance, ad valorem taxes, repair and maintenance expenses, measurement and utilities. These costs are normally fairly stable across broad volume ranges, and therefore, do not normally decrease or increase significantly in the short term with decreases or increases in the volume of gas moved through the asset.

Our general and administrative expenses are dictated by the terms of our partnership agreement and our omnibus agreement with Crosstex Energy, Inc. Our general partner and its affiliates are reimbursed for expenses incurred on our behalf. These expenses include the costs of employee, officer and director compensation and benefits properly allocable to us, and all other expenses necessary or appropriate to the conduct of the business of, and allocable to, us. Our partnership agreement provides that our general partner determines the expenses that are allocable to us in any reasonable manner determined by our general partner in its sole discretion. For the 12 month period ended in December 2003, the amount which we reimbursed our general partner and its affiliates for costs incurred with respect to the general and administrative services performed on our behalf could not exceed $6.0 million. This reimbursement cap did not apply to the cost of any third-party legal, accounting or advisory services received, or the direct expenses of management incurred, in connection with acquisition or business development opportunities evaluated on our behalf. This cap expired in December 2003.

We have grown significantly through asset purchases in recent years, which creates many of the major differences when comparing operating results from one period to another. We acquired the assets from Duke Energy Field Services ("DEFS") in June 2003 for $68.1 million in cash. The principal assets acquired were the Mississippi pipeline system, a 638-mile natural gas gathering and transmission system in south central Mississippi and a 12.4% non-operating interest in the Seminole gas processing plant, which provides carbon dioxide separation and sulfur removal services for major oil companies in west Texas.

Our most recent asset purchase was completed in April 2004, when we acquired LIG and its subsidiaries from a subsidiary of American Electric Power ("AEP") for $76.2 million in cash. The principal assets acquired consist of approximately 2,000 miles of gas gathering and transmission systems located in 32 parishes extending from northwest and north-central Louisiana through the center of the state to the south and southeast Louisiana and five processing plants, three of which are currently idle, that straddle the pipeline in three locations and have a total processing capability of 663,000 MMbtu/d. The system has a throughput capacity of 900,000 MMbtu/d and average throughput at the time of our acquisition was approximately 580,000 MMbtu/d. Customers include power plants, municipal gas systems, and industrial markets located principally in the industrial corridor between New Orleans and Baton Rouge. The LIG system is connected to several interconnected pipelines and the Jefferson Island Storage facility providing access to additional system supply. We financed the LIG acquisition through borrowings under our bank credit facility. Since this acquisition closed on April 1, 2004, it is not reflected in the March 31, 2004 financial statements.

Results of Operations

Set forth in the table below is certain financial and operating data for the Midstream and Treating divisions for the periods indicated.

	Three Months Ended March 31,	
	2004	2003
	(in millions, except volume amounts)	
Midstream revenues	$ 318.2	$ 245.3
Midstream purchased gas	302.9	237.4
Midstream gross margin	15.3	7.9
Treating revenues	7.2	5.2
Treating purchased gas	1.4	2.4
Treating gross margin	5.8	2.8
Total gross margin	$ 21.1	$ 10.7
Midstream Volumes (MMBtu/d):		
Gathering and transportation	702,000	499,000
Processing	158,000	94,000
Producer services	197,000	254,000
Treating Volumes (MMBtu/d)	84,000	88,000

Three Months Ended March 31, 2004 Compared to Three Months Ended March 31, 2003

Gross Margin. Midstream gross margin was $15.3 million for the three months ended March 31, 2004 compared to $7.9 million for the three months ended March 31, 2003, an increase of $7.4 million, or 94%. The CCNG, Vanderbilt, and Arkoma systems had growth in on-system transmission and gathering volumes of 35% and the Gregory plant had growth in processed volumes of 40% due to the plant expansion in 2003, resulting in an aggregate increase in gross margin of $3.5 million. Gross margin also increased by $3.4 million between comparative three-month periods due to the acquisition of assets from DEFS in June 2003.

Treating gross margin was $5.8 million for the three months ended March 31, 2004 compared to $2.8 million in the same period in 2003, an increase of $2.9 million, or 103%. A significant portion of the increase was due to $1.9 million of gross margin contributed by the Seminole Plant, which was one of the assets acquired from DEFS in June 2003. In addition, 22 new plants were in service during the first quarter of 2004 as compared to the corresponding quarter in 2003 which generated an additional $1.2 million in gross margin. These increases were partially offset by a decrease in gross margin of $0.1 million because five plants that were in service during the first quarter of 2003 were held in inventory during the first quarter of 2004.

Operating Expenses. Operating expenses were $6.2 million for the three months ended March 31, 2004, compared to $3.2 million for the three months ended March 31, 2003, an increase of $3.0 million, or 94%. An increase of $1.5 million was associated with the acquisition of assets from DEFS in June 2003. Costs for our technical services and general operations support increased by approximately $0.6 million due to staff additions to operate the assets acquired in June 2003 from DEFS and to manage other construction projects. The growth in treating plants in service increased operating expenses by $0.6 million.

General and Administrative Expenses. General and administrative expenses were $3.6 million for the three months ended March 31, 2004 compared to $1.5 million for the three months ended

March 31, 2003, a increase of $2.1 million, or 139%. The increase was due in part to the general and administrative expense limit set by our partnership agreement for the year of 2003, which resulted in general and administrative expenses in excess of specified levels being borne by the general partner. Had the cap not been in place, general and administrative expenses would have been $2.0 million, resulting in an actual increase from 2003 to 2004 of $1.6 million. The increase was primarily due to increases in staffing associated with the requirements of the DEFS acquisition and growth in the Partnership's treating business and its other assets as discussed above.

Stock Based Compensation. Stock based compensation expense decreased from $2.5 million in the first quarter of 2003 to $0.2 million in the first quarter of 2004. During 2003, certain outstanding CEI options were accounted for using variable accounting due to a "cash-out" modification offered for such options and stock compensation expense was recognized because the estimated fair value of the options increased during 2003. The "cash-out" modification offered during 2003 that caused the variable accounting treatment expired on December 31, 2003 and, effective January 1, 2004, the remaining CEI options are accounted for as fixed options. Stock based compensation recognized in 2004 represents the amortization of costs associated with awards under long-term incentive plans, including restricted units and option grants with exercise prices below market prices on the grant date.

(Profit) Loss on Energy Trading Activities. The profit on energy trading activities was $0.4 million for the three months ended March 31, 2004 compared to $0.1 million for the three months ended March 31, 2003, an increase of $0.3 million. Included in these amounts are realized margins on delivered volumes in the producer services "off-system" gas marketing operations of $0.5 million in the first quarter of 2004 and $0.3 million in the first quarter of 2003, an increase of $0.2 million.

Loss on Sale of Property. In March 2004, we sold one of our small gathering systems located in East Texas for $100,000 and recognized a loss on sale of $296,000.

Depreciation and Amortization. Depreciation and amortization expenses were $4.4 million for the three months ended March 31, 2004 compared to $2.4 million for the three months ended March 31, 2003, an increase of $2.0 million, or 81%. The increase related to the DEFS assets purchased in June 2003 was $1.2 million. New treating plants placed in service resulted in an increase of $0.2 million. The remaining $0.6 million increase in depreciation and amortization is a result of expansion projects and other new assets, including the expansion of the Gregory Plant.

Interest Expense. Interest expense was $1.2 million for the three months ended March 31, 2004 compared to $0.4 million for the three months ended March 31, 2003, an increase of $0.8 million, or 182%. The increase relates primarily to an increase in debt outstanding and due to higher interest rates between three-month periods (weighted average rate of 5.9% in 2004 compared to 4.6% in 2003).

Net Income. Net income for the three months ended March 31, 2004 was $5.7 million compared to $0.8 million for the three months ended March 31, 2003, an increase of $4.9 million. This was generally the result of the increase in gross margin of $10.4 million between comparative quarters from 2003 to 2004, offset by increases in ongoing cash costs for operating expenses and interest expense as discussed above. Depreciation and amortization and stock based compensation expenses also increased.

Critical Accounting Policies

Information regarding the Partnership's Critical Accounting Policies is included in Item 7 of the Partnership's Annual Report on Form 10-K for the year ended December 31, 2003.

Liquidity and Capital Resources

Cash Flows. Net cash provided by operating activities was $6.6 million for the three months ended March 31, 2004 compared to cash provided by operations of $18.8 million for the three months

ended March 31, 2003. Income before non-cash income and expenses was $10.6 million in 2004 and $5.8 million in 2003. Changes in working capital used $4.0 million in cash flows from operating activities in 2004 and provided $13.1 million in cash flows from operating activities in 2003. Income before non-cash income and expenses increased between periods primarily due to asset acquisitions as discussed in "Results of Operations—Three Months Ended March 31, 2004 Compared to Year Ended March 31, 2003." Changes in working capital used $4.0 million in cash flows in 2004 primarily due to payments on various accrued obligations during the first quarter of 2004.

Net cash used in investing activities was $8.1 million and $4.7 million for the three months ended March 31, 2004 and 2003, respectively. Net cash used in investing activities during 2004 related to buying, refurbishing and installing treating plants, connecting new wells to various systems, pipeline integrity, pipeline relocation and various other internal growth projects. During 2003, net cash used in investing activities primarily related to internal growth projects including the Gregory plant expansion and buying, refurbishing and installing treating plants.

Net cash provided by financing activities was $2.3 million for the three months ended March 31, 2004 compared to $15.3 million used in financing activities for the three months ended March 31, 2003. Net bank borrowings of $2.0 million were used to fund the internal growth projects discussed above. Distributions to partners totaled $7.5 million in the first quarter of 2004. There were no cash distributions in the first quarter of 2003 since the Partnership has only been public since December 2002. Drafts payable increased by $7.5 million providing cash for financing activities for the three months ended March 31, 2004 as compared a decrease in drafts payable of $13.1 million using cash from financing activities for the three months ended March 31, 2003. In order to reduce our interest costs, we do not borrow money to fund outstanding checks until they are presented to the bank. Fluctuations in drafts payable are caused by timing of disbursements, cash receipts and draws on our revolving credit facility.

Off-Balance Sheet Arrangements. We had no off-balance sheet arrangements as of March 31, 2004.

Indebtedness

As of March 31, 2004 and December 31, 2003, long-term debt consisted of the following (in thousands):

	March 31, 2004	December 31, 2003
Acquisition credit facility, interest based on Prime and/or LIBOR plus an applicable margin, interest rates (per the facility) at March 31, 2004 and December 31, 2003 were 3.00% and 2.92%, respectively	$ 22,000	$ 20,000
Senior secured notes, weighted average interest rate of 6.93%	40,000	40,000
Note payable to Florida Gas Transmission Company	750	750
	62,750	60,750
Less current portion	(50)	(50)
Debt classified as long-term	$ 62,700	$ 60,700

In conjunction with the April 2004 LIG acquisition discussed above, the Partnership amended its bank credit facility to increase the borrowing base under its senior secured revolving acquisition facility from $70.0 million to $100.0 million and to increase the borrowing base under its senior secured revolving credit working capital and letter of credit facility from $50.0 million to $100.0 million.

Disclosure Regarding Forward-Looking Statements

This report on Form 10-Q includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 31E of the Securities Exchange Act of 1934, as amended. Statements included in this report which are not historical facts (including any statements concerning plans and objectives of management for future operations or economic performance, or assumptions or forecasts related thereto), including, without limitation, the information set forth in "Management's Discussion and Analysis of Financial Condition and Results of Operations," are forward-looking statements. These statements can be identified by the use of forward-looking terminology including "forecast," "may," "believe," "will," "expect," "anticipate," "estimate," "continue" or other similar words. These statements discuss future expectations, contain projections of results of operations or of financial condition or state other "forward-looking" information. In addition to specific uncertainties discussed elsewhere in this Form 10-Q, the following risks and uncertainties may affect our performance and results of operations:

- we may not have sufficient cash after the establishment of cash reserves and payment of our general partner's fees and expenses to pay the minimum quarterly distribution each quarter;
- if we are unable to contract for new natural gas supplies, we will be unable to maintain or increase the throughput levels in our natural gas gathering systems and asset utilization rates at our treating and processing plants to offset the natural decline in reserves;
- our profitability is dependent upon the prices and market demand for natural gas and NGLs, which are beyond our control and have been volatile;
- our future success will depend in part on our ability to make acquisitions of assets and businesses at attractive prices and to integrate and operate the acquired business profitably;
- Crosstex Energy, Inc. owns approximately 55% aggregate limited partner interest of us and it owns and controls our general partner, thereby effectively controlling all limited partnership decisions; conflicts of interest may arise in the future between Crosstex Energy, Inc. and its affiliates, including our general partner, and our partnership or any of our unitholders;
- since we are not the operator of certain of our assets, the success of the activities conducted at such assets are outside our control;
- we operate in very competitive markets and encounter significant competition for natural gas supplies and markets;
- we are subject to risk of loss resulting from nonpayment or nonperformance by our customers or counterparties;
- we may not be able to retain existing customers, especially key customers, or acquire new customers at rates sufficient to maintain our current revenues and cash flows;
- the construction of gathering, processing and treating facilities requires the expenditure of significant amounts of capital and subjects us to construction risks and risks that natural gas supplies will not be available upon completion of the facilities;
- our business involves many hazards and operational risks, some of which may not be fully covered by insurance. Our operations are subject to many hazards inherent in the gathering, compressing, treating and processing of natural gas and storage of residue gas, including damage to pipelines, related equipment and surrounding properties caused by hurricanes, floods, fires and other natural disasters and acts of terrorism; inadvertent damage from construction and farm equipment; leaks from natural gas, NGLs and other hydrocarbons; and fires and explosions. These risks could result in substantial losses due to personal injury and/or loss of life, severe damage to and destruction of property and equipment and pollution or other

environmental damage and may result in curtailment or suspension of our related operations. We are not fully insured against all risks incident to our business. If a significant accident or event occurs that is not fully insured, it could adversely affect our operations and financial condition;

- we are subject to extensive and changing federal, state and local laws and regulations designed to protect the environment, and these laws and regulations could impose liability for remediation costs and civil or criminal penalties for non-compliance; and

- our common units may not have significant trading volume or liquidity, and the price of our common units may be volatile and may decline if interest rates increase.

Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may differ materially from those in the forward-looking statements. We disclaim any intention or obligation to update or review any forward-looking statements or information, whether as a result of new information, future events or otherwise.

Except as required by applicable securities laws, we do not intend to update these forward-looking statements and information.

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

Market risk is the risk of loss arising from adverse changes in market rates and prices. We face market risk from commodity price variations, primarily due to fluctuations in the price of a portion of the natural gas we sell; and for the portion of the natural gas we process and for which we have taken the processing risk, we are at risk for the difference in the value of the natural gas liquid ("NGL") products we produce versus the value of the gas used in fuel and shrinkage in their production. We also incur credit risks and risks related to interest rate variations.

Commodity Price Risk. Approximately 9.2% of the natural gas we market is purchased at a percentage of the relevant natural gas index price, as opposed to a fixed discount to that price. As a result of purchasing the gas at a percentage of the index price, our resell margins are higher during periods of higher natural gas prices and lower during periods of lower natural gas prices. In addition, of the gas we process at our Gregory Processing Plant, we were exposed to the processing risk on 7.0% of the gas we purchased during the three months ended March 31, 2004. Our processing margins on this portion of the gas will be higher during periods when the price of gas is low relative to the value of the liquids produced and our margins will be lower during periods when the value of gas is high relative to the value of liquids. For the three months ended March 31, 2004, a $0.01 per gallon change in NGL prices offset by a change of $0.10 per MMBtu in the price of natural gas would have changed our processing margin by $24,000. Changes in natural gas prices indirectly may impact our profitability since prices can influence drilling activity and well operations and thus the volume of gas we can gather, transport, process and treat.

Our primary commodity risk management objective is to reduce volatility in our cash flows. We maintain a Risk Management Committee, including members of senior management, which oversees all hedging activity. We enter into hedges for natural gas using NYMEX futures or over-the-counter derivative financial instruments with only certain well-capitalized counterparties which have been approved by our Risk Management Committee. Hedges to protect our processing margins are generally for a more limited time frame than is possible for hedges in natural gas, as the financial markets for NGLs are not as developed as the markets for natural gas. Such hedges generally involve taking a short position with regard to the relevant liquids and an offsetting short position in the required volume of natural gas.

The use of financial instruments may expose us to the risk of financial loss in certain circumstances, including instances when (1) sales volumes are less than expected requiring market

purchases to meet commitments, or (2) our counterparties fail to purchase the contracted quantities of natural gas or otherwise fail to perform. To the extent that we engage in hedging activities we may be prevented from realizing the benefits of favorable price changes in the physical market. However, we are similarly insulated against unfavorable changes in such prices.

We manage our price risk related to future physical purchase or sale commitments for our producer services activities by entering into either corresponding physical delivery contracts or financial instruments with an objective to balance our future commitments and significantly reduce our risk to the movement in natural gas prices. However, we are subject to counterparty risk for both the physical and financial contracts. We account for certain of our producer services natural gas marketing activities as energy trading contracts or derivatives. These energy-trading contracts are recorded at fair value with changes in fair value reported in earnings. Accordingly, any gain or loss associated with changes in the fair value of derivatives and physical delivery contracts relating to our producer services natural gas marketing activities are recognized in earnings as profit or loss on energy trading contracts immediately.

For each reporting period, we record the fair value of open energy trading contracts based on the difference between the quoted market price and the contract price. Accordingly, the change in fair value from the previous period is reported as profit or loss on energy trading contracts in the statement of operations. In addition, realized gains and losses from settled contracts are also recorded in profit or loss on energy trading contracts.

Set forth below is the summarized notional amount and terms of all instruments held for price risk management purposes at March 31, 2004 (all quantities are expressed in British Thermal Units). The remaining term of the contracts extend no later than March 2005, with no single contract longer than 6 months. Our counterparties to hedging contracts include Williams Energy Services Company, Sempra Energy Trading Corp., Morgan Stanley Capital Group, BP Corporation, and Duke Energy Trading and Marketing. Changes in the fair value of our derivatives related to Producer Services gas marketing activities are recorded in earnings. The effective portion of changes in the fair value of cash flow

hedges is recorded in accumulated other comprehensive income until the related anticipated future cash flow is recognized in earnings.

March 31, 2004

Transaction type	Total volume	Pricing terms	Remaining term of contracts	Fair value (in thousands)
Cash Flow Hedge:				
Natural gas swaps Cash flow hedge	4,529,500	Fixed prices ranging from $4.64 to $5.90 settling against various Inside FERC Index prices	April 2004-March 2005	$ 4,744
Natural gas swaps Cash flow hedge	(2,336,000)		April 2004-March 2005	(1,724)
Total natural gas swaps Cash flow hedge				$ 3,020
Liquids swaps Cash flow hedge	(5,411,342)	Fixed prices ranging from $0.3775 to $0.7450 settling against Mt. Belvieu Average of daily postings (non-TET)	April 2004-December 2004	$ (155)
Total liquids swaps Cash flow hedge				$ (155)
Producer Services:				
Marketing trading financial swaps	780,000	Fixed prices ranging from $3.14 to $5.945 settling against various Inside FERC Index prices	April 2004-March 2005	$ 784
Marketing trading financial swaps	(628,000)		April 2004-March 2005	(476)
Total marketing trading financial swaps				$ 308
Physical offset to marketing trading transactions	628,000	Fixed prices ranging from $3.59 to $5.855 settling against various Inside FERC Index prices	April 2004-March 2005	$ 496
Physical offset to marketing trading transactions	(780,000)		April 2004-March 2005	(776)
Total physical offset to marketing trading transactions swaps				$ (280)

On all transactions where we are exposed to counterparty risk, we analyze the counterparty's financial condition prior to entering into an agreement, establish limits, and monitor the appropriateness of these limits on an ongoing basis.

Interest Rate Risk. We are exposed to changes in interest rates, primarily as a result of our long-term debt with floating interest rates. At March 31, 2004, we had $22.0 million of indebtedness outstanding under floating rate debt. We have interest rate swap agreements to adjust the ratio of fixed and floating rates in the debt portfolio, wherein we have swapped floating rates for fixed rates of 2.29% and the applicable margin through November 1, 2004. The impact of a 100 basis point increase in interest rates on our expected debt would result in an increase in interest expense and a decrease in income before taxes of approximately $103,000 per year. This amount has been determined by

considering the impact of such hypothetical interest rate increase on our non-hedged, floating rate debt outstanding at March 31, 2004.

Item 4. *Controls and Procedures*

We carried out an evaluation, under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer of Crosstex Energy GP, LLC, of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on the evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of March 31, 2004 to provide reasonable assurance that information required to be disclosed in our reports filed or submitted under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

There has been no change in our internal controls over financial reporting that occurred during the three months ended March 31, 2004 that has materially affected, or is reasonable likely to materially affect, our internal controls over financial reporting.

PART II—OTHER INFORMATION

Item 2. *Changes in Securities, Use of Proceeds and Issuer Purchases of Equity Securities*

Effective March 29, 2004, Crosstex Energy, L.P. completed a two-for-one split on its outstanding limited partnership units.

Item 6. *Exhibits and Reports on Form 8-K*

(a) Exhibits

The exhibits filed as part of this report are as follows (exhibits incorporated by reference are set forth with the name of the registrant, the type of report and registration number or last date of the period for which it was filed, and the exhibit number in such filing):

Number		Description
2.1*	—	Purchase and Sale Agreement, dated as of February 13, 2004, by and between AEP Energy Services Investments, Inc. and Crosstex Energy, L.P.
2.2*	—	First Amendment to Purchase and Sale Agreement, dated as of February 13, 2004, by and between AEP Energy Services Investments, Inc. and Crosstex Energy, L.P.
2.3*	—	Second Amendment to Purchase and Sale Agreement, dated as of April 1, 2004, by and between AEP Energy Services Investments, Inc. and Crosstex Louisiana Energy, L.P.
3.1	—	Certificate of Limited Partnership of Crosstex Energy, L.P. (incorporated by reference to Exhibit 3.1 to our Registration Statement on Form S-1, file No. 333-97779).
3.2*	—	Second Amended and Restated Agreement of Limited Partnership of Crosstex Energy, L.P., dated as of March 29, 2004.
3.3*	—	Amendment No. 1 to Second Amended and Restated Agreement of Limited Partnership of Crosstex Energy, L.P., dated as of April 1, 2004.
3.4	—	Certificate of Limited Partnership of Crosstex Energy Services, L.P. (incorporated by reference to Exhibit 3.3 to our Registration Statement on Form S-1, file No. 333-97779).
3.5*	—	Second Amended and Restated Agreement of Limited Partnership of Crosstex Energy Services, L.P., dated as of April 1, 2004.
3.6	—	Certificate of Limited Partnership of Crosstex Energy GP, L.P. (incorporated by reference to Exhibit 3.5 to our Registration Statement on Form S-1, file No. 333-97779).
3.7	—	Agreement of Limited Partnership of Crosstex Energy GP, L.P., dated as of July 12, 2002 (incorporated by reference to Exhibit 3.6 to our Registration Statement on Form S-1, file No. 333-97779).
3.8	—	Certificate of Formation of Crosstex Energy GP, LLC (incorporated by reference to Exhibit 3.7 to our Registration Statement on Form S-1, file No. 333-97779).
3.9	—	Amended and Restated Limited Liability Company Agreement of Crosstex Energy GP, LLC, dated as of December 17, 2002 (incorporated by reference to Exhibit 3.8 to our Registration Statement on Form S-1, File No. 333-106927).
4.1	—	Specimen Unit Certificate for Common Units (incorporated by reference to Exhibit 4.1 to our Registration Statement on Form S-1, file No. 333-97779).
10.1*	—	Third Amendment to Second Amended and Restated Credit Agreement, dated as of April 1, 2004, by and among Crosstex Energy Services, L.P., Union Bank of California, N.A. and certain other parties.
10.2*	—	Letter Amendment No. 1 to Master Shelf Agreement, dated as of April 1, 2004, among Crosstex Energy Services, L.P., Prudential Investment Management, Inc., The Prudential Insurance Company of America and Pruco Life Insurance Company.
21.1*	—	List of Subsidiaries.
31.1*	—	Certification of the principal executive officer.
31.2*	—	Certification of the principal financial officer.

32.1* — Certification of the principal executive officer and principal financial officer of the Company pursuant to 18 U.S.C. Section 1350.

* Filed herewith.

(b) Reports on Form 8-K

On February 18, 2004, Crosstex Energy, L.P. filed a Current Report on Form 8-K, Items 5, 7 and 9, (dated as of February 17, 2004) announcing it's execution of a definitive agreement for the acquisition of the LIG Pipeline Company and its subsidiaries from American Electric Power for $76.2 million with an anticipated closing date within 90 days.

On February 27, 2004, Crosstex Energy, L.P. filed a Current Report on Form 8-K, Items 7 and 12, which included its press release as Exhibit 99.1 announcing its financial results for the three and twelve months ended December 31, 2003.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 7th day of May 2004.

CROSSTEX ENERGY, L.P.

By: Crosstex Energy GP, L.P.,
its general partner

By: Crosstex Energy GP, LLC,
its general partner

By: /s/ WILLIAM W. DAVIS

William W. Davis,
Executive Vice President and Chief Financial Officer

QuickLinks

Exhibit 2.1

PURCHASE AND SALE AGREEMENT

by and between

AEP ENERGY SERVICES INVESTMENTS, INC.

and

CROSSTEX ENERGY, LP

Dated as of February 13, 2004

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PURCHASE AND SALE AGREEMENT

This Purchase and Sale Agreement, dated as of February 13, 2004 (hereinafter this "*Agreement*"), is made by and between AEP Energy Services Investments, Inc., a Delaware corporation ("*Seller*"), and Crosstex Energy, L.P., a Delaware limited partnership ("*Buyer*").

WITNESSETH:

WHEREAS, Seller owns all of the outstanding capital stock of LIG Pipeline Company, a Nevada corporation ("*LIG Pipeline*");

WHEREAS, LIG Pipeline directly or indirectly through its Subsidiaries owns all of the outstanding capital stock of (or other equity interests in, as the case may be) each of LIG, Inc., a Nevada corporation ("*LIG Inc*."), Louisiana Intrastate Gas Company, L.L.C., a Louisiana limited liability company ("*Louisiana Gas*"), LIG Chemical Company, a Louisiana corporation ("*LIG Chemical*"), LIG Liquids Company, L.L.C., a Louisiana limited liability company ("*LIG Liquids*") and Tuscaloosa Pipeline Company, a Louisiana corporation ("*Tuscaloosa*," and together with LIG Pipeline, LIG Inc., Louisiana Gas, LIG Chemical and LIG Liquids, the "*LIG Companies*");

WHEREAS, Seller, through the LIG Companies, is engaged in the transmission of natural gas and the related gathering, transportation, processing, trading and marketing services in Louisiana (together with any other business conducted by the LIG Companies as of this date, the "*Business*");

WHEREAS, Buyer desires to purchase from Seller and Seller desires to sell to Buyer, on the terms and subject to the conditions of this Agreement, all of the outstanding shares of common stock, par value $10.00 per share, of LIG Pipeline (the "*Shares*");

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements contained herein and for other good and valuable consideration, the receipt and sufficiency of which is acknowledged, and intending to be legally bound, the parties hereby agree as follows:

ARTICLE I
DEFINITIONS

Section 1.1. *Certain Definitions.* As used in this Agreement, the following terms will have the respective meanings set forth below:

"*Action*" shall have the meaning specified in Section 3.4.

"*Adjustment Amount*" shall have the meaning specified in Section 2.2(c)(iv).

"*Adjustment Statement*" shall have the meaning specified in Section 2.2(c)(i).

"*AEP*" shall mean American Electric Power Company, Inc.

"*Affiliate*" of a Person shall mean any other Person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, the first mentioned Person. For purposes of this definition, "control" shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities or other interests, by contract or otherwise.

"*Affiliate Transfer Assets*" shall have the meaning specified in Section 6.22.

"*Allocable Tax*" shall have the meaning specified in Section 10.2(b).

"*Agreement*" shall have the meaning specified in the Preamble hereto.

"*Antitrust Division*" shall have the meaning specified in Section 6.3(a).

"*Benefit Plans*" shall have the meaning specified in Section 4.13(a).

"*Books and Records*" shall have the meaning specified in Section 6.5(a).

"*Business*" shall have the meaning specified in the Recitals hereto.

"*Business Day*" shall mean any day other than a Saturday, a Sunday or a day banks in the State of New York are authorized or required to be closed.

"*Buyer*" shall have the meaning specified in the Preamble hereto.

"*Buyer Indemnified Parties*" shall have the meaning specified in Section 9.2(a).

"*Buyer Threshold*" shall have the meaning specified in Section 9.3(b)(ii).

"*Caddis Financing*" shall mean the Credit Agreement dated as of August, 2001, as amended, by and between AEP Energy Services Gas Holding Company II, LLC, as borrower, and Caddis Partners, LLC, as lender.

"*Casualty Loss*" shall mean any event or circumstance outside the ordinary course of business that occurs between the date of this Agreement and the Closing Date, whether or not under control of the Sellers or any LIG Company, that occurs or transpires causing any damage to or destruction of all or any part of the assets (including any assets held by any Affiliates of the LIG Companies that are to be transferred to the LIG Companies in accordance with Section 6.22 of this Agreement) of the LIG Companies for any reason, including as a result of fire, explosion, tornado, hurricane, earthquake, earth movement, flood, water damage, or any other reason whatsoever.

"*CERCLA*" shall have the meaning specified in Section 4.14.

"*Closing*" shall have the meaning specified in Section 2.3.

"*Closing Date*" shall have the meaning specified in Section 2.3.

"*Closing Exchange Imbalances*" shall have the meaning specified in Section 2.2(c)(i).

"*Closing LIG Net Working Capital*" shall have the meaning specified in Section 2.2(c)(i).

"*Closing LIG Inventory*" shall have the meaning specified in Section 2.2(c)(i).

"*COBRA*" shall have the meaning specified in Section 6.6(d).

"*Code*" shall mean the Internal Revenue Code of 1986, as amended.

"*Confidentiality Agreement*" shall have the meaning specified in Section 6.2.

"*Contracts*" shall have the meaning specified in Section 4.7(a).

"*Crosstex*" shall mean Crosstex Energy, L.P.

"*Current LIG Assets*" as of a specified date shall mean the current assets of the LIG Companies (excluding (i) intercompany accounts between the LIG Companies, on the one hand, and AEP and its Affiliates, on the other, (ii) LIG Inventory, (iii) Exchange Imbalances (if a receivable), (iv) unrealized gains, if any, (v) federal income Tax receivables, including refunds or credits of Taxes that are attributable to the LIG Companies or for any Pre-Closing Period or any portion of a Straddle Period ending on the Closing Date and are payable to Seller or its Affiliates pursuant to the terms set forth in Section 10.4, (vi) cash and cash equivalents and (vii) accounts receivable more than ninety (90) days past due (as adjusted for any allowances therefor)) as reflected on a consolidated balance sheet of the LIG Companies as of such date as determined pursuant to GAAP, applied in a manner consistent with the preparation of the Financial Statements.

"*Current LIG Employees*" shall have the meaning specified in Section 6.6(a).

"*Current LIG Liabilities*" as of a specified date shall mean the current liabilities (including all liabilities under any capitalized leases, except to the extent such leases are not transferred pursuant to Section 6.22, but excluding (i) intercompany accounts between the LIG Companies, on the one hand, and AEP and its Affiliates, on the other, (ii) Exchange Imbalances (if a payable), (iii) unrealized losses, if any, (iv) federal Income Taxes that are attributable to the LIG Companies for any Pre-Closing Period or any portion of a Straddle Period ending on the Closing Date which are payable by Seller or its Affiliates, (v) the current maturities of any long-term debt of the LIG Companies as reflected on a balance sheet of the LIG Companies, and (vi) other current liabilities which Seller will pay under the terms of this Agreement, including Employee Liabilities), of the LIG Companies as reflected on a consolidated balance sheet of the LIG Companies as of such date as determined pursuant to GAAP, applied in a manner consistent with the preparation of the Financial Statements.

"*Damages*" shall have the meaning specified in Section 9.2(a).

"*De Minimis Buyer Losses*" shall have the meaning specified in Section 9.2(b)(ii).

"*De Minimis Environmental Losses*" shall have the meaning specified in Section 9.2(b)(iv)(D).

"*De Minimis Special Indemnity Losses*" shall have the meaning specified in Section 9.2(b)(v)(B).

"*Disclosed Contracts*" shall have the meaning specified in Section 4.7(a).

"*Employee Liabilities*" shall mean any liabilities or obligations to employees of any LIG Company (or any of their Affiliates) arising prior to, at or as a result of the Closing and any liabilities or obligations related to or arising under any Benefit Plan, including, without limitation, any liability under any employment contract, liability for wages or salary, liability for contemplated bonuses or commissions, liability for severance for employees of any LIG Company or its Affiliates severed on or prior to the Closing Date, liability under the Code, ERISA, COBRA, WARN, or the Occupational Health and Safety Act of 1970 or any other Law, and any Action by a Governmental Entity or any employee or alleged employee of any LIG Company or any of its Affiliates in respect of any matter arising from events occurring before or as a result of the Closing, any liability or obligation related to or arising under any "employee benefit plan," as defined in Section 3(3) of ERISA, sponsored, contributed to or maintained by Seller and its Affiliates other than a Benefit Plan, but excluding those liabilities of Buyer set forth in Section 6.6(a)(ii).

"*Environmental Contribution Percentage*" shall have the meaning specified in Section 9.2(b)(iv)(B).

"*Environmental Indemnity Cap*" shall have the meaning specified in Section 9.2(b)(iv)(C).

"*Environmental Indemnity Threshold*" shall have the meaning specified in Section 9.2(b)(iv)(B).

"*Environmental Laws*" shall have the meaning specified in Section 4.14.

"*Environmental Liabilities*" shall mean any liabilities or obligations arising out of or related to violations of Environmental Laws with respect to periods prior to the Closing Date (except to the extent actually paid or remediated under the terms of the TRC Arrangements).

"*EPA*" shall have the meaning specified in Section 4.14.

"*Equitable Indemnity*" shall mean the indemnity provided to the LIG Companies under and pursuant to the Purchase Agreement dated as of September 12, 1998 by and among Equitable Resources Energy Company, ET Blue Grass Company, EREC Nevada, Inc. and ERI Services, Inc., on the one hand, and AEP Resources, Inc., on the other.

"*ERISA*" shall have the meaning specified in Section 4.13(a).

"*Estimated Exchange Imbalances*" shall have the meaning specified in Section 2.2(a)(iii).

"*Estimated Exchange Imbalances Adjustment*" shall mean Estimated Exchange Imbalances less Target Exchange Imbalances (expressed as a negative number in the event the amount of Target Exchange Imbalances exceeds Estimated Exchange Imbalances).

"*Estimated Initial Purchase Price Adjustment*" shall mean the sum (expressed in dollars) of (i) the Estimated LIG Net Working Capital Adjustment, if any, plus (ii) the value (calculated in accordance with *Schedule 2.2*) of the Estimated LIG Inventory Adjustment, if any, plus (iii) the value (calculated in accordance with*Schedule 2.2*) of the Estimated Exchange Imbalances Adjustment, if any.

"*Estimated LIG Inventory*" shall have the meaning specified in Section 2.2(a).

"*Estimated LIG Inventory Adjustment*" shall mean Estimated LIG Inventory less Target LIG Inventory.

"*Estimated LIG Net Working Capital*" shall have the meaning specified in Section 2.2(a)(i).

"*Estimated LIG Net Working Capital Adjustment*" shall mean Estimated LIG Net Working Capital less Target LIG Net Working Capital (expressed as a negative number in the event Target LIG Net Working Capital exceeds Estimated LIG Net Working Capital).

"*Exchange Act*" shall mean the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

"*Exchange Imbalances*" as of a specified date shall mean the aggregate of all transportation exchange imbalances of the LIG Companies.

"*Exit Strategy Contract*" shall mean the Exit Strategy Contract, dated as of December 5, 2003, by and among the LIG Companies, on the one hand, and TRC Companies, Inc. and TRC Environmental Corporation, on the other.

"*Final Adjustment Statement*" shall have the meaning specified in Section 2.2(c)(iii).

"*Final Exchange Imbalances*" shall have the meaning specified in Section 2.2(c)(iii).

"*Final LIG Inventory*" shall have the meaning specified in Section 2.2(c)(iii).

"*Final LIG Net Working Capital*" shall have the meaning specified in Section 2.2(c)(iii).

"*Final Purchase Price*" shall mean the aggregate Purchase Price paid by Buyer pursuant to Article II, as finally adjusted pursuant to Section 2.2.

"*Financial Statements*" shall have the meaning specified in Section 4.4(a).

"*GAAP*" shall mean United States generally accepted accounting principles as of the date hereof applied on a consistent basis during the periods involved.

"*Governmental Entity*" shall mean any federal, state, local, domestic or foreign government or any court of competent jurisdiction, regulatory or administrative agency or commission or other governmental authority or instrumentality, whether federal, state, local, domestic or foreign.

"*Guarantees*" shall have the meaning specified in Section 6.9.

"*Hart-Scott Act*" shall have the meaning specified in Section 5.3.

"*Intellectual Property*" shall have the meaning specified in Section 4.10.

"*Interest Rate*" shall mean 6%.

"*Seller*" shall have the meaning specified in the Preamble hereto.

"*IRS*" shall mean the Internal Revenue Service or any successor thereof.

"*Knowledge*" shall mean the actual knowledge of (i) as to Seller: (A) any officer or director or manager of any LIG Company or of any Seller, or (B) any of the Persons listed on *Schedule 1.1* hereto and (ii) as to Buyer, any officer or director of Buyer or any Affiliate of Buyer; and in each case, after reasonable investigation;*provided*, *however*, that actual knowledge shall be attributed to those in (i) and (ii) above to the extent that actual knowledge would have existed but for the willful ignorance or gross negligence on the part of such party disclaiming actual knowledge.

"*Law*" means any statute, law, ordinance, rule, Order or regulation.

"*Lien*" means, with respect to any asset, property or right: (a) any mortgage, deed of trust, lien, pledge, hypothecation, encumbrance, charge or security interest in, on or of such asset, property or right, (b) the interest of a vendor or a lessor under any conditional sale agreement, capital lease or title retention agreement (or any financing lease having substantially the same economic effect as any of the foregoing) relating to such asset, property or right, and (c) in the case of securities, any purchase option, call or similar right of a third party with respect to such securities.

"*LIG Chemical*" shall have the meaning specified in the Recitals hereto.

"*LIG Companies*" shall have the meaning specified in the Recitals hereto.

"*LIG Employees*" shall have the meaning specified in Section 4.13(a).

"*LIG Inc*." shall have the meaning specified in the Recitals hereto.

"*LIG Inventory*" shall have the meaning specified in Section 6.20.

"*LIG Net Working Capital*" as of a specified date shall mean Current LIG Assets less Current LIG Liabilities, prepared in accordance with the provisions of Section 2.2(b).

"*LIG Liquids*" shall have the meaning specified in the Recitals hereto.

"*LIG Pipeline*" shall have the meaning specified in the Recitals hereto.

"*Louisiana Gas*" shall have the meaning specified in the Recitals hereto.

"*Material Adverse Effect*" shall mean, with respect to the Seller or the LIG Companies, a material adverse effect on the business, operations, properties, assets, condition (financial or otherwise) or results of operations of the LIG Companies, taken as a whole, excluding any effect related to or resulting from (i) any event affecting the local, regional, United States or global economy or capital or financial markets generally, (ii) any change in conditions in the natural gas transportation and processing business generally, including any changes in market prices for commodities, goods or services within such businesses, (iii) any change in Law or GAAP, or in the authoritative interpretations thereof or in regulatory guidance related thereto, (iv) the general impact on the natural gas industry of any earthquake or similar catastrophe, or acts of war, sabotage, terrorism, military action or any escalation or worsening thereof, (but excluding any direct impact or damage to the operations or assets of the LIG Companies that are directly impacted by such event so that the LIG Companies are disproportionately affected by the event as compared to the natural gas pipeline, transportation or processing industry generally), (v) the condition or integrity of any of the pipeline assets of any of the LIG Companies or (vi) this Agreement, the announcement thereof and/or the transactions contemplated hereby.

"*Most Recent Balance Sheets*" shall have the meaning specified in Section 4.4(a).

"*Neutral Auditor*" shall have the meaning specified in Section 2.2(c)(iii).

"*Non-Transferred Employee*" shall have the meaning specified in Section 6.6(a).

"*Offer of Employment*" shall have the meaning specified in Section 6.6(a).

"*Order*" means any judicial or administrative judgment, decision, decree, order, settlement, injunction, writ, stipulation, determination or award.

"*Permit*" means any license, franchise, registration, permit, order, certificate approval, variance, exemption or any other authorization of or from any Governmental Entity.

"*Permitted Liens*" shall have the meaning specified in Section 4.6.

"*Person*" shall mean an individual, corporation, partnership, limited liability company, association, trust, incorporated organization, other entity or group (as defined in Section 13(d)(3) of the Exchange Act).

"*Pollution Legal Liability Select Insurance Policy*" means the Pollution Legal Liability Select & Clean-up Cost Cap Policy, dated December 5, 2003, issued to American Electric Power Company, Inc. by the American International Specialty Lines Insurance Company, a company within the American International Group, purchased and maintained pursuant to and in accordance with the Exit Strategy Contract.

"Pre-Closing Period" shall have the meaning specified in Section 10.1(a).

"*RCRA*" shall have the meaning specified in Section 4.14.

"*Real Property*" shall have the meaning specified in Section 4.6(b).

"*Release*" shall have the meaning specified in Section 4.14.

"*Required Consents*" shall have the meaning specified in Section 7.1(b).

"*Resolution Period*" shall have the meaning specified in Section 2.2(c)(iii).

"*SARA*" shall have the meaning specified in Section 4.14.

"*Securities Act*" shall have the meaning specified in Section 5.6.

"*Seller Indemnified Parties*" shall have the meaning specified in Section 9.3(a).

"*Seller's Losses*" shall have the meaning specified in Section 9.2(a).

"*Seller's Threshold*" shall have the meaning specified in Section 9.2(b)(ii).

"*Shares*" shall have the meaning specified in the Recitals hereto.

"*Special Indemnity Threshold*" shall have the meaning specified in Section 9.2(b)(v)(B).

"*Straddle Period*" shall have the meaning specified in Section 10.1(a).

"*Subsidiary*" or "*Subsidiaries*" of any Person shall mean any corporation, partnership, joint venture or other legal entity of which such Person (either alone or through or together with any other Subsidiary), owns, directly or indirectly, 50% or more of the stock or other equity interests the holder of which is generally entitled to vote for the election of the board of directors or other governing body of such corporation, partnership, joint venture or other legal entity.

"*Target Exchange Imbalances*" shall mean zero MMbtu's.

"*Target LIG Inventory*" shall mean zero.

"*Target LIG Net Working Capital Amount*" shall mean $0.

"*Tax Claim*" shall have the meaning specified in Section 10.3(a).

"*Taxes*" shall have the meaning specified in Section 4.11(a).

"*Tax Return*" shall have the meaning specified in Section 4.11(a).

"*Taxing Authority*" shall mean any Governmental Entity serving as a Tax authority.

"*Transferred Employees*" shall have the meaning specified in Section 6.6(a).

"*Transition Services Agreement*" shall have the meaning specified in Section 6.15.

"*TRC Arrangements*" shall mean, collectively, the insurance, indemnity, remediation and other obligations and arrangements benefiting, owed, accruing or relating to the LIG Companies and their Affiliates, Subsidiaries, future successors, lessees and assigns, and their respective officers, directors, managers, shareholders, members and employees in respect of and under (a) the Exit Strategy Contract, (b) the Pollution Legal Liability Select Insurance Policy and (c) the Pollution Legal Liability Select Policy, dated November 30, 2000, issued to American Electric Power Company, Inc. by the American International Specialty Lines Insurance Company, a company within the American International Group.

"*Tuscaloosa*" shall have the meaning specified in the Recitals hereto.

"*Value Impact*" shall mean the actual cash impact or the cash impact that would reasonably be expected as a result of the applicable Casualty Loss in order to repair or replace the assets affected, excluding the extent to which such repair or replacement is to be completed at Seller's expense, but including for purposes of such calculation the losses and expenses associated with the duration and timing of downtime of or reduction in operating capacity of such assets until such repair or replacement is completed, increase in operating and/or maintenance costs and loss of revenues, in each case with respect to measurements of the costs of downtime and the resulting lost revenue of the LIG Companies' existing requirements at the time of such event. The calculation of the Value Impact shall take into consideration any insurance recovered with respect to such event and any other amounts recovered from third parties in connection with such Casualty Loss.

Section 1.2. *Interpretation.* When reference is made in this Agreement to a Section, such reference shall be to a Section of this Agreement unless otherwise indicated. The headings contained in this Agreement are for convenience of reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. For purposes of this Agreement, (i) words in the singular will be deemed to include the plural and *vice versa* and words of one gender shall be deemed to include the other gender as the context requires, (ii) the terms "hereof", "herein", "herewith" and "hereunder" and words of similar import shall, unless otherwise stated, be construed to refer to this Agreement as a whole and not to any particular provision of this Agreement and (iii) the words "include", "includes" and "including" shall be deemed to be followed by the words "without limitation." This Agreement shall be construed without regard to any presumption or rule requiring construction or interpretation against the party drafting or causing any instrument to be drafted.

ARTICLE II
PURCHASE PRICE; CLOSING

Section 2.1. *Purchase Price.* (a) At the Closing, Buyer shall pay Seller Seventy-Six Million Two Hundred Thousand Dollars ($76,200,000) for the Shares, which amount shall be adjusted pursuant to Section 2.2(a) (as adjusted, the "*Purchase Price*"). Buyer will pay the amount due at Closing in immediately available federal funds to such bank account, in the United States, that shall be designated by Seller in writing at least two (2) Business Days prior to Closing.

Section 2.2. *Purchase Price Adjustment.*

(a) *Estimated Adjustments*. (i) Not more than ten Business Days nor less than five (5) Business Days prior to the Closing Date, Seller shall deliver to Buyer a certificate of an authorized officer setting forth Seller's good faith estimate, as of the close of business on the last day of the month immediately prior to the Closing Date, of (A) LIG Net Working Capital ("*Estimated LIG Net Working Capital*"), (B) LIG Inventory ("*Estimated LIG Inventory*") and (C) Exchange Imbalances ("*Estimated*

Exchange Imbalances"). The amount payable to Buyer at the Closing pursuant to Section 2.1 shall be increased or decreased by the amount of the Estimated Initial Purchase Price Adjustment.

(ii) The purchase price payable at Closing will be reduced if a Casualty Loss occurs with respect to any of the assets or properties of the LIG Companies between the date hereof and the Closing Date by the amount of the Value Impact if it is less than $25,000,000. The Seller shall notify the Buyer of the occurrence of a Casualty Loss as soon as practicable and in any event within two (2) Business Days of the event or occurrence. Regardless of whether Seller elects to cure any Casualty Loss, if any insurance is in effect that does or could be expected to cover all or any part of such Casualty Loss, Seller will file a claim and diligently pursue recovery thereunder. Seller may cure any such Casualty Loss by repairing it, or in the case of personal property or fixtures, replacing the assets or properties affected with equivalent items; provided if Seller is curing such Casualty Loss after the Closing Date, Seller will use its reasonable best efforts not to interrupt the business or operations of the LIG Companies. Following notice of the Casualty Loss, in the event Seller notifies Buyer in writing that it will not undertake the repair of the Casualty Loss (such notice to be provided within ten (10) Business Days of the event) or upon written notice from Buyer or Seller if Seller does not adequately cure any Casualty Loss that it elected to cure, the parties will promptly meet and attempt to agree upon the Value Impact reasonably expected. If the Buyer and Sellers cannot agree on the Value Impact of the Casualty Loss within ten (10) Business Days (or such other period as the Buyer and Sellers agree) of Buyer receiving notice of the Casualty Loss, then the Neutral Auditor (which shall be required to employ appraisers knowledgeable on the subject matter of the Casualty Loss to assist in determining the Value Impact) shall determine the Value Impact within fifteen (15) Business Days of receiving such notice. Seller shall provide the Neutral Auditor with such details of the Casualty Loss as the Neutral Auditor may reasonably require. All fees and expenses relating to the work, if any, to be performed by the Neutral Auditor shall be borne 50% by Seller and 50% by Buyer. Except as provided in the preceding sentence, all other costs and expenses incurred by the parties in connection with resolving any dispute hereunder before the Neutral Auditor shall be borne by the party incurring such cost and expense. The parties shall instruct the Neutral Auditor to render its reasoned written decision as soon as practicable but no later than forty-five (45) days after its engagement. The Neutral Auditor's decision shall be set forth on a written statement delivered to Seller and Buyer and shall be final, binding, conclusive and non-appealable for all purposes hereunder. The purchase price payable pursuant to Section 2.1 shall then be adjusted in accordance with the determination made in accordance with this Section 2.2(a)(ii).

(b) *Adjustment Methodology*. All such calculations shall be made in accordance with GAAP, applied in a manner consistent with the calculation and valuation methodologies set forth on *Schedule 2.2*.

(c) *Final Adjustment Procedures.*

(i) Within ninety (90) days after the Closing Date, Seller shall prepare and deliver to Buyer a statement (the "*Adjustment Statement*") which shall set forth Seller's calculation, as of the close of business (Houston, Texas time) on the last day of the month immediately preceding the Closing Date, of: (i) LIG Net Working Capital ("*Closing LIG Net Working Capital*") (ii) Exchange Imbalances ("*Closing Exchange Imbalances*") (iii) LIG Inventory ("*Closing LIG Inventory*") and the value thereof in each case, calculated in accordance with *Schedule 2.2*. The Adjustment Statement shall be prepared by Seller based upon the same accounting and valuation methodologies employed by Seller in calculating Estimated LIG Net Working Capital, Estimated Exchange Imbalances and Estimated LIG Inventory respectively, provided that any accounts receivable for which payment has not been received will be excluded in calculating Closing LIG Working Capital (except to the extent there were allowances for such accounts in Current LIG Assets or such accounts or portions thereof were already excluded from the calculation of Current LIG Assets).

Buyer shall provide Seller and its independent accountants and financial advisors, at no expense to Seller, with reasonable access during normal business hours to the working papers, accounting and other books and records of the Business related to the matters to be adjusted hereunder and the appropriate personnel of the Business to the extent reasonably required to complete their preparation of the Adjustment Statements. Buyer shall also ensure that the employees of the Business (to the extent employed by Buyer) previously involved with the foregoing accounting services will perform their customary and usual monthly tasks, including the month end closing of the books and records of the Business, during the periods following the Closing Date for purposes of the foregoing.

(ii) After receipt of the Adjustment Statement, Buyer shall have thirty (30) days to review the Adjustment Statement. On or prior to the 30th day after receipt of the Adjustment Statement, Buyer shall deliver written notice to Seller specifying in reasonable detail any disputed items and the basis therefore. If Buyer fails to so notify Seller of any disputes regarding the Adjustment Statement on or prior to the 30th day after receipt of the Adjustment Statement, all calculations and valuations of Closing LIG Net Working Capital, Closing Exchange Imbalances and Closing LIG Inventory set forth on the Adjustment Statement shall be deemed accepted by Buyer and shall be final, binding, conclusive and nonappealable for all purposes of this Agreement. If Seller fails to deliver the Adjustment Statement to Buyer within the time provided in Section 2.2(c)(i), Buyer may prepare the Adjustment Statement and deliver it to Seller, in which case Seller will have thirty (30) days to object to it as provided in this clause (ii), failing which, it will be final, binding, conclusive and nonappeable for all purposes under this Agreement.

(iii) If Buyer so notifies Seller (or if Seller notifies Buyer, if applicable) of any disputed items on the Adjustment Statement in accordance with the above provisions, Seller, on the one hand, and Buyer, on the other, shall, over the 20 days following the date of such notice (the "*Resolution Period*"), attempt to resolve their differences and any written resolution by them as to any disputed item shall be final, binding, conclusive and nonappealable for all purposes of this Agreement. If at the conclusion of the Resolution Period, Seller, on the one hand, and Buyer, on the other, have not reached an agreement on the disputed items, then all items remaining in dispute shall be submitted by Seller and Buyer to the Chicago office of PricewaterhouseCoopers LLP (the "*Neutral Auditor*"). All fees and expenses relating to the work, if any, to be performed by the Neutral Auditor shall be borne 50% by Seller and 50% by Buyer. Except as provided in the preceding sentence, all other costs and expenses incurred by the parties in connection with resolving any dispute hereunder before the Neutral Auditor shall be borne by the party incurring such cost and expense. The Neutral Auditor shall act as an arbitrator to determine only those items still in dispute at the end of the Resolution Period. In no event shall the Neutral Auditor's determination be outside of the range of amounts claimed by the respective parties with respect to those items in dispute. The parties shall instruct the Neutral Auditor to render its reasoned written decision as soon as practicable but in no event later than forty-five (45) days after its engagement (which engagement shall be made no later than ten Business Days after the end of the Resolution Period). Such decision shall be set forth in a written statement delivered to Seller and Buyer and shall be final, binding, conclusive and nonappealable for all purposes hereunder. The term "*Final Adjustment Statement*" shall mean the definitive Adjustment Statement agreed to by Seller and Buyer in accordance with Section 2.2(c)(ii) or the definitive Adjustment Statement resulting from the determination made by the Neutral Auditor in accordance with this Section 2.2(c)(iii), in each case setting forth the final determination of Closing LIG Net Working Capital ("*Final LIG Net Working Capital*"), Closing Exchange Imbalances ("*Final Exchange Imbalances*") and Closing LIG Inventory ("*Final LIG Inventory*").

(iv) In the event (A) Final LIG Net Working Capital is greater than Estimated LIG Net Working Capital, Buyer shall pay to Seller an amount equal to such excess or (B) Final LIG Net

Working Capital is less than the Estimated LIG Net Working Capital, Seller shall pay to Buyer an amount equal to such deficiency. In the event (C) Final Exchange Imbalances is greater than Estimated Exchange Imbalances, Buyer shall pay to Seller an amount equal to the value (calculated in accordance with *Schedule 2.2*) of such excess or (D) Final Exchange Imbalances is less than Estimated Exchange Imbalances, Seller shall pay to Buyer an amount equal to the value (calculated in accordance with *Schedule 2.2*) of such deficiency. In the event (E) Final LIG Inventory is greater than Estimated LIG Inventory, Buyer shall pay to Seller an amount equal to the value (calculated in accordance with *Schedule 2.2*) of such excess or (F) Final LIG Inventory is less than Estimated LIG Inventory, Seller shall pay to Buyer an amount equal to the value (calculated in accordance with *Schedule 2.2*) of such deficiency. Buyer and Seller shall aggregate or offset, as the case may be, any amounts required to be paid pursuant to the three immediately preceding sentences of this Section 2.2(c)(iv) so that only one such payment is made. Any such payment required pursuant to this Section 2.2(c)(iv) (the "*Adjustment Amount*") shall be made by wire transfer of immediately available funds to the account designated by Seller or Buyer, as the case may be, in United States Dollars, within five (5) Business Days after (X) the Adjustment Statement has been accepted or deemed accepted by Buyer or Seller pursuant to Section 2.2(c)(ii), (Y) any proposed change made by Buyer or Seller has been agreed upon by the parties during the Resolution Period or (Z) a final determination has been made by the Neutral Auditor as described in Section 2.2(c)(iii). Payments due shall be paid to the applicable party together with interest at the Interest Rate from and including the Closing Date to but excluding the date of payment.

(v) The parties hereby acknowledge and agree that any receivables that are not included as Current LIG Assets will be assigned to Seller so that Seller may pursue the recovery of such amounts.

Section 2.3. *Closing.* Unless this Agreement shall have been terminated and the transactions contemplated hereby shall have been abandoned pursuant to Article VIII hereof, the closing of the transactions contemplated by this Agreement (the "*Closing*") shall take place at the offices of Seller located at 1201 Louisiana Street, Suite 1200, Houston, Texas, at 10:00 a.m., Houston, Texas time, on April 1, 2004 if all of the conditions to the Closing set forth in Article VII hereof are satisfied or waived, or the first Business Day of the first calendar month that is not less than two Business Days after all of the conditions to the Closing set forth in Article VII hereof are satisfied or waived (other than those that by their terms cannot be satisfied prior to the Closing), or such other date, time and place as shall be agreed upon by Seller and Buyer (the actual date and time of the Closing the "*Closing Date*").

Section 2.4. *Buyer Deliveries.* At the Closing, Buyer shall deliver to Seller:

(a) a certificate confirming the good standing of Buyer from the Secretary of State of the State of Delaware, dated within ten (10) Business Days of the Closing Date;

(b) a cross receipt acknowledging receipt of the Shares;

(c) a certificate from authorized officers of Buyer, dated as of the Closing Date, to the effect that the conditions set forth in Section 7.2(a) and Section 7.2(b) have been satisfied;

(d) evidence of approval of all the Governmental Entities set forth on*Schedule 5.3* as being required of Buyer;

(e) the Purchase Price;

(f) the Transition Services Agreement, executed by Buyer or the appropriate LIG Company; and

(g) such other agreements, consents, documents and instruments as are reasonably required to be delivered by Buyer at the Closing Date pursuant to this Agreement or otherwise reasonably required in

connection herewith, including all such other instruments as Seller or its counsel may reasonably request in connection with the purchase of the Shares contemplated hereby.

Section 2.5. *Deliveries of Seller.* At the Closing, Seller shall deliver, or cause each of the LIG Companies to deliver, to Buyer:

(a) certificates confirming (i) the due and valid incorporation or organization of each of the LIG Companies and (ii) the good standing of each of the LIG Companies from the secretary of state of the jurisdiction in which they are incorporated or organized, each dated within ten (10) Business Days of the Closing Date;

(b) certificates (i) confirming the due qualification, authority to do business and good standing of each of the LIG Companies not incorporated or organized in the State of Louisiana from the Louisiana Secretary of State and (ii) from the Louisiana Department of Revenue and Taxation confirming that each of the LIG Companies is in "good standing" with the Louisiana Department of Revenue and Taxation each dated within ten (10) days of Closing Date;

(c) certificates representing one hundred percent (100%) of the shares of capital stock or other equity interests (if certificated) of each of the LIG Companies, with the certificates for the Shares duly endorsed or accompanied by stock powers duly executed in blank or duly executed instruments of transfer;

(d) a cross receipt acknowledging receipt of the Purchase Price;

(e) a certificate from an authorized officer of Seller, dated as of the Closing Date, to the effect that the conditions set forth in Section 7.3(a) and Section 7.3(b) have been satisfied;

(f) resignations of all of the directors of each LIG Company that is a corporation, and resignations of the managers of each LIG Company that is a limited liability company, and resignations of all officers of each of the LIG Companies (of their office but not employment) effective as of Closing;

(g) written confirmation that all inter-company and Affiliate transactions (except for those listed on*Schedule 6.13*) involving a LIG Company and any AEP Affiliate have been terminated in accordance with the terms of this Agreement;

(h) the minute books, stock or membership records, and all other company, business, tax and financial files and records, and seals of each of the LIG Companies;

(i) evidence of the approvals of the Governmental Entities required of Seller and each of the LIG Companies, as set forth on*Schedule 3.*4 and *Schedule 4.3*;

(j) all premises occupied by any LIG Company, all computer systems and files maintained by any LIG Company and all other property of any LIG Company;

(k) the Guarantee of American Electric Power Company, Inc., ("AEP") in the form attached hereto as Exhibit B;

(l) any documents required to vest in the LIG Companies the rights and benefits available under the TRC Arrangements pursuant to the provisions of Section 6.21;

(m) the Transition Services Agreement, executed by Seller;

(n) evidence of the transfer to the appropriate LIG Companies, in form and substance reasonably satisfactory to Buyer, of the assets held by any Affiliate of the LIG Companies that are to be transferred in accordance with, and subject to the limitations set forth in Section 6.22 hereof.

(o) such other agreements, consents, documents and instruments as are reasonably required to be delivered by Seller at or prior to the Closing Date pursuant to this Agreement or otherwise reasonably

required in connection herewith, including all such other instruments as Buyer or its counsel may reasonably request in connection with the purchase of the Shares contemplated hereby;

(p) an opinion of Seller's counsel, as to the matters set forth in*Schedule 2.5(c)*, in a form customary for transactions of this type and reasonably acceptable to Buyer and Buyer's counsel;

(q) a certificate in accordance with applicable Treasury Regulations issued pursuant to Section 1445 of the Code stating that Seller is not a "foreign person" (the "FIRPTA Certificate"); and

(r) copies of recorded releases, reasonably acceptable to Buyer, of the Caddis Financing and all other indebtedness (other than indebtedness reflected on the Financial Statements as capitalized leases) and Liens affecting the LIG Companies or the assets thereof.

ARTICLE III
REPRESENTATIONS AND WARRANTIES RELATING TO THE SELLER

Seller represents and warrants to Buyer that, as of the date of this Agreement:

Section 3.1. *Authorization and Validity of Agreement.* This Agreement and the Transition Services Agreement and the consummation of the transactions contemplated hereby and thereby have been duly authorized by all requisite corporate or other action (except for the AEP's Board of Director authorization of the Guaranty), and Seller has full corporate power and authority to execute and deliver this Agreement and the Transition Services Agreement and to perform its obligations hereunder and thereunder. This Agreement has been duly executed and delivered by Seller and constitutes, and the Transition Services Agreement when duly executed and delivered by Seller will constitute, a valid and legally binding obligation of Seller enforceable in accordance with its terms except as enforceability may be limited by bankruptcy, insolvency or other similar laws affecting the enforcement of creditors' rights and subject to general principles of equity.

Section 3.2. *Non-Contravention.* The execution and delivery by Seller of this Agreement and the Transition Services Agreement do not, and the consummation by Seller of the transactions contemplated hereby and thereby will not (a) violate or conflict with any provision of the certificate of formation, certificate of incorporation, bylaws or similar organizational documents of Seller, (b) violate any Law to which Seller is subject or (c) constitute a breach or violation of, or default under, or trigger any "change of control" rights or remedies under, or give rise to any Lien, acceleration of remedies, any buy-out right or any rights of first offer or refusal or of termination under any indenture, mortgage, lease, note, or other material contract or other instrument to which Seller is a party or by which Seller's properties or assets may be bound.

Section 3.3. *Shares.*

(a) The Shares have been validly issued and are fully paid and nonassessable. As of the Closing Date, Seller will have good and marketable title to the Shares, free and clear of all Liens, defects in title and restrictions on transfer. The Seller has the full corporate power, right and authority to transfer and convey, or cause to be transferred and conveyed, the Shares to Buyer at the Closing.

(b) *Schedule 3.3(b)* sets forth for each of the LIG Companies that is a corporation, the authorized capital stock, the number of shares of outstanding capital stock outstanding, the number of shares of such outstanding capital stock owned by each owner thereof and the name of each such owner, and for each of the LIG Companies that is a limited liability company, the membership interests therein owned by each owner thereof and the name of each such owner.

(c) Other than Liens created by the Caddis Financing, which will be released prior to Closing, there are no outstanding options, warrants or other rights of any kind relating to the sale, issuance or voting of any Shares which have been issued, granted or entered into by Seller or any of the LIG

Companies or any securities convertible into or evidencing the right to purchase the Shares. No LIG Company owns any equity interest in any other Person other than another LIG Company.

(d) Upon the Closing, Buyer shall have good and marketable title to the Shares, free and clear of any Liens (except those created by Buyer), restrictions on transfer and voting or preemptive rights.

Section 3.4. *Governmental Approvals; Consents and Actions.* Except as set forth on *Schedule 3.4* hereto, no claim, action, litigation, suit, arbitration, proceeding, investigation, or other legal or administrative proceeding (each, an "*Action*") or Order is pending or, to the Knowledge of Seller, threatened against Seller which has adversely affected or would reasonably be expected to adversely affect the conduct of the Business. Except as set forth in *Schedule 3.4* hereto, no Permit from any Governmental Entity or any third party is required on the part of Seller in connection with the execution and delivery of this Agreement and the Transition Services Agreement or the consummation of the transactions contemplated hereby or thereby.

Section 3.5. *Litigation.* Except as set forth in *Schedule 3.5*, there are no (a) Orders against Seller or any of its Affiliates or (b) Actions pending, or to the Knowledge of Seller, threatened against or affecting Seller or any of its Affiliates (i) challenging or seeking to restrain, delay or prohibit any of the transactions contemplated by this Agreement or the Transition Services Agreement or (ii) preventing Seller from performing in all material respects its obligations under this Agreement and the Transition Services Agreement.

ARTICLE IV
REPRESENTATIONS AND WARRANTIES RELATING TO THE LIG COMPANIES

Seller represents and warrants to Buyer that, as of the date of this Agreement:

Section 4.1. *Due Organization.* Each LIG Company is duly formed, validly existing and in good standing under the laws of its state of incorporation or formation, as the case may be. The LIG Companies have the requisite corporate or limited liability company, as the case may be, power and authority to own their properties and assets and to carry on their business as presently conducted. The LIG Companies are duly authorized, qualified or licensed to do business as foreign corporations or entities, as the case may be, and are in good standing in every jurisdiction wherein, by reason of the nature of the Business, the failure to be so qualified would result in the imposition of sanctions or other impairment of the Business.

Section 4.2. *Non-Contravention.* The execution and delivery of this Agreement and the Transition Services Agreement and the consummation of the transactions contemplated hereby and thereby will not: (a) violate or conflict with any provision of the certificate of incorporation, bylaws, certificate of formation or limited liability company agreement, as the case may be, of the LIG Companies and (b) assuming that all Permits set forth on *Schedule 4.3* hereto have been obtained or made: (i) violate any Law or Order to which the LIG Companies are subject or (ii) result in any breach or creation of any Lien (other than Permitted Liens) or constitute any default under, or trigger any "change-in-control" rights or remedies under, or give rise to any Lien, acceleration of remedies, any buy-out right or rights of first offer or refusal or of termination under any contract, license, indenture, mortgage, lease, note or other agreement or instrument to which the LIG Companies are subject or are a party, except, in the case of this clause (b), for any such immaterial violation, conflict, breach or default that has not been waived, cured or consented to on or prior to the Closing Date.

Section 4.3. *Governmental Approvals; Consents and Actions.* Except as set forth on *Schedule 4.3* hereto, no Actions or Orders by any Governmental Entity are pending or, to the Knowledge of Seller, threatened against the LIG Companies that would impair the Seller's ability to consummate the transactions contemplated by this Agreement or affect any LIG Company's use or operation of any of its assets. Except as set forth in *Schedule 4.3* hereto, no Permit from or of any Governmental Entity or

any third party is required on the part of any of the LIG Companies in connection with the execution and delivery of this Agreement or the consummation of the transactions contemplated hereby except for such Permits which have been obtained.

Section 4.4. *Financial Statements.*

(a) *Schedule 4.4* contains a copy of the unaudited balance sheet of the LIG Companies, in each case, as of December 31, 2002, and the related statements of income for the fiscal year ended on such date, and the unaudited consolidated balance sheet of the LIG Companies, in each case, as of December 31, 2003 (the "*Most Recent Balance Sheets*"), and the related statement of income for the fiscal year ended on such date including related explanatory footnotes (collectively, the "*Financial Statements*"). The Financial Statements fairly present, in all material respects, the financial condition and the results of the operations of the Business and the LIG Companies as of the dates and for the periods indicated**.** Except for amounts included on a pro-forma basis, the Financial Statements have been prepared in accordance with GAAP in all material respects and consistent with the internal accounting practices of the LIG Companies, for equivalent prior accounting periods.

(b) **EXCEPT AS SPECIFICALLY SET FORTH IN THIS ARTICLE IV, SELLER MAKES NO REPRESENTATIONS OR WARRANTIES REGARDING PAST FINANCIAL PERFORMANCE OF THE BUSINESS OR THE ASSETS OWNED OR USED BY THE BUSINESS OR AS TO ANY FINANCIAL INFORMATION OR FINANCIAL OR BUSINESS PROJECTIONS MADE AVAILABLE TO BUYER REGARDING THE BUSINESS OR THE ASSETS OWNED OR USED BY THE BUSINESS. SELLER MAKES NO REPRESENTATIONS OR WARRANTIES REGARDING FUTURE FINANCIAL PERFORMANCE OF THE BUSINESS OR THE ASSETS OWNED OR USED BY THE BUSINESS OR AS TO ANY FINANCIAL INFORMATION OR FINANCIAL OR BUSINESS PROJECTIONS MADE AVAILABLE TO BUYER REGARDING THE BUSINESS OR THE ASSETS OWNED OR USED BY THE BUSINESS. EXCEPT AS PROVIDED IN THIS AGREEMENT, BUYER FURTHER AGREES THAT NO INFORMATION OR MATERIAL PROVIDED BY, OR COMMUNICATION MADE BY, SELLER OR ANY REPRESENTATIVE OF SELLER WILL CONSTITUTE, CREATE OR OTHERWISE CAUSE TO EXIST ANY REPRESENTATION OR WARRANTY WHATSOEVER, WHETHER OR NOT EXPRESSLY DISCLAIMED BY THE FOREGOING.**

Section 4.5. *Absence of Changes.* Except (i) as otherwise disclosed in the Schedules hereto or (ii) as contemplated by this Agreement, since December 31, 2003, (x) each LIG Company has operated, and the Business has been conducted, in all material respects in the ordinary course consistent with past practice and (y) to the Knowledge of Seller, there has been no change, event, or loss affecting the LIG Companies that would reasonably be expected to result in a Material Adverse Effect.

Section 4.6. *Real and Personal Property.*

(a) To Seller's Knowledge, the LIG Companies hold sufficient rights to pipeline rights-of-way and easements and servitudes to conduct the Business as currently conducted, and the LIG Companies have not received any notice of any Action alleging otherwise, except as set forth on *Schedule 4.6*.

(b) The LIG Companies or its Affiliates (with respect to the real and personal property set forth in *Schedule 6.22*) have good title to (or as to leased properties, good leasehold title) the material real and personal property (other than rights-of-way) utilized by the LIG Companies in the conduct of the Business as of the date hereof, except for personal properties sold or otherwise disposed of in the ordinary course of business since the date of the Most Recent Balance Sheet, all free and clear of all Liens, except (i) as set forth on *Schedule 4.6*; (ii) liens for taxes, assessments and other governmental charges not yet due and payable or, if due, (A) not delinquent or (B) being contested in good faith by appropriate proceedings and set forth on *Schedule 4.6*; (iii) mechanics', workmen's, repairmen's, warehousemen's, carriers' or other like liens arising or incurred in the ordinary course of business if the underlying obligations are not more than 30 days past due or are being contested in good faith and set

forth on *Schedule 4.6*; (iv) liens or title retention arrangements arising under original purchase price conditional sales contracts and equipment leases with third parties entered into in the ordinary course of business; (v) with respect to real property, (A) easements, licenses, covenants, rights-of-way and other similar restrictions, including any other agreements or restrictions which would be shown by an investigation of record title to the extent and nature which a prudent purchaser of property in the relevant jurisdiction would carry out, (B) any conditions that may be shown by survey or physical inspection (whether or not made) and (C) zoning, building and other similar restrictions, so long as none of (A) or (B) or (C) interfere with the continued use by the LIG Companies of such real property substantially as currently used for the purposes of the Business; and (vi) such defects, imperfections or irregularities of title, if any, as are not substantial in character, amount or extent and do not materially impair the conduct of normal operations of the Business (such liens, charges and encumbrances described in clauses (i)-(vi) hereof are referred to herein as "*Permitted Liens*"). No Affiliate of the LIG Companies owns, leases or operates any real or personal property (including intangible properties or rights) that is, or has been used in the Business, except for the properties set forth on *Schedule 6.22*. Neither Seller nor any of the LIG Companies has received any written notice that either the whole or any portion of any material real property owned or leased by Seller or used in the Business (the "*Real Property*") is to be condemned, requisitioned or otherwise taken by any public authority. To Seller's Knowledge, there are no public improvements that may result in material special assessments against the Real Property.

(c) To Seller's Knowledge: (i) as of the date of this Agreement, with respect to all leases of any material Real Property or leases of material personal property or equipment (the "*Leases*"), each Lease is a valid, binding and enforceable obligation of the parties thereto and is in full force and effect according to its terms, except where such failure would not impair the conduct of normal operations of the Business; (ii) each of the LIG Companies are not in default or breach under the Lease, and no other party thereto is in default or breach under any Lease, (iii) there are no claims affecting any such Lease of which Seller or any LIG Company has received notice, and no party has given notice of its intent to terminate any Lease and (iv) the enforceability of any of the Leases will not be impaired by the execution or delivery of this Agreement or the Transition Services Agreement, and neither Seller nor any of the LIG Companies nor any Affiliate thereof is currently participating in any discussions or negotiations regarding termination of any Lease affecting a property at which any LIG Company conducts business operations prior to the scheduled expiration of such Lease by reason of a breach or alleged breach by a party thereto.

Section 4.7. *Contracts.*

(a) Except as otherwise disclosed on *Schedule 4.7*, there are no outstanding commitments, contracts or agreements (other than agreements relating to rights-of-way) to which the LIG Companies are party or by which the LIG Companies or any of their assets or properties are bound (hereinafter "*Contracts*") that (i) involve commitments by the LIG Companies for terms of twelve (12) months or longer that involve annualized payments of more than $25,000; (ii) involve payment or receipt of more than One-Hundred Thousand Dollars ($100,000) in the aggregate; (iii) are not terminable by their terms, without penalty, on thirty (30) days or less notice, (iv) creating or concerning a partnership, joint venture or similar entity or operating agreement (v) concerning non-competition, or (vi) involve hedges, swaps, fixed price commitments or other derivatives that would be an obligation of any LIG Company after Closing. Contracts disclosed in *Schedule 4.7* are hereafter referred to as the "*Disclosed Contracts*".

(b) Seller has furnished or made available to Buyer a true and correct copy of each Disclosed Contract. Each Disclosed Contract is valid and in full force and effect according to its terms, and to Seller's Knowledge, the parties thereto are not in material default or breach under any such Disclosed Contract and there are no claims affecting the same of which Seller or any LIG Company has received notice.

(c) Other than Exchange Imbalances, no LIG Company has, other than in a manner consistent with normal billing cycles (i) received any quantity of gas, liquids or other products for which payment will be due in the future, or (ii) received any prepayment or advance payment that will obligate Buyer to perform services or provide gas or other products after the Closing Date without receiving payment therefore, except: (A) as set forth on the Most Recent Balance Sheets of the LIG Companies, or (B) that were included as a Current LIG Liability in calculating the Closing LIG Working Capital.

(d) Except for indebtedness (other than capitalized leases) that shall be cancelled prior to the Closing Date without liability to the Buyer or any LIG Company, no LIG Company is a party to, or guarantor under, any loan agreement, mortgage, indenture, security agreement or other agreement or instrument relating to the borrowing of money by any Person.

Section 4.8. *Litigation.* Except as set forth in *Schedule 4.8*, there are no Actions pending or, to the Knowledge of Seller, there is no material Action threatened (whether or not in writing), in law or in equity, or before any Governmental Entity, against Seller or any LIG Company.

Section 4.9. *Compliance with Laws.* To the Seller's Knowledge, except as disclosed on *Schedule 4.9,* (i) the LIG Companies hold all Permits issued by Governmental Entities and required thereby for the operation of the Business as presently operated; (ii) all such Permits are in full force and effect and no action, claim or proceeding is pending, or threatened, to suspend, revoke, or terminate any such Permit or declare any such Permit invalid; (iii) the LIG Companies have filed all necessary reports and maintained and retained all necessary records pertaining to such Permits in all material respects; and (iv) the LIG Companies have otherwise complied with all of the Permits, Laws and Orders applicable to their existence, financial condition, operations, and business. Seller is not making any representation or warranty in this Section 4.9 with respect to any Taxes, any employee benefit matters or arrangements or any environmental matters, it being agreed that such matters are exclusively addressed in Sections 4.11, 4.13 and 4.14, respectively.

Section 4.10. *Intellectual Property. Schedule 4.10(a)* lists as of the date of this Agreement all registered patents, trademarks, trade names, service marks, copyrights, domain names and any applications therefor, used principally in connection with the Business (the "*Intellectual Property*"). Except to the extent set forth on *Schedule 4.10(b)*: (i) Seller or the LIG Companies own or have the right to use all Intellectual Property, free of all Liens, other than Permitted Liens; (ii) to the Knowledge of Seller, no Person is infringing the Intellectual Property and the LIG Companies are not infringing on the rights of any other parties to any Intellectual Property; (iii) to the Knowledge of Seller, all of the registrations listed on *Schedule 4.10(a)* are unexpired and have not been abandoned and (iv) to the Knowledge of Seller, none of the LIG Companies is in default under any agreement pursuant to which any of the LIG Companies is licensing any Intellectual Property from a third party or granting licenses to its own Intellectual Property to a third party, other than such defaults as would not impair the conduct of the Business or result in the imposition of fines, penalties, fees or other losses on Buyer or the LIG Company.

Section 4.11. *Tax Matters.* Except as set forth on *Schedule 4.11*:

(a) there has been filed by or on behalf of each LIG Company all material tax returns relating to any federal, state, local and foreign income, profits, franchise, gross receipts, payroll, sales, employment, use, property, real estate, excise, ad valorem, value added, estimated, stamp, alternative or add-on minimum, environmental, withholding and any other taxes, duties or assessments, together with all interest, penalties and additions imposed with respect to such amounts (collectively, "*Taxes*") required to be filed on or prior to the Closing Date (the "*Tax Returns*"), and all Taxes shown due on such Tax Returns have been or will be paid in a timely fashion or have been accrued as reflected on the Financial Statements;

(b) no audit, written inquiry or other proceeding by any Governmental Entity is pending with respect to any Taxes due from any LIG Company, and no written assessment of tax is proposed against any LIG Company for any period ending prior to the Closing Date other than those assessments that are being contested in good faith and are set forth on *Schedule 4.11(b)*;

(c) no LIG Company (i) has requested an extension of time to file any Tax Return; (ii) is a party to any tax sharing or similar agreement; or (iii) is a member of any affiliated group (other than an affiliated group the common parent which is American Electric Power Company, Inc.) or has liability for Taxes payable by Seller or any of its Affiliates (other than any liability of any LIG Company or its Subsidiaries) under Treas. Reg. §1.1502-6 (or any similar provision of state, local or foreign Law); and

(d) elections to treat Louisiana Gas and LIG Liquids as associations taxable as corporations solely for U.S. federal income tax purposes pursuant to Treas. Reg. § 301.7701-3(c) were made and became effective more than 60 months prior to the Closing Date. No further election pursuant to Treas. Reg. § 301.7701-3(c) has been, or will be, made by or for either Louisiana Gas or LIG Liquids during the 60 months prior to the Closing Date.

Section 4.12. *Labor Controversies.* Except as described on *Schedule 4.12*, (i) the LIG Companies are in compliance in all respects with all applicable Laws respecting employment and employment practices, terms and conditions of employment and wages and hours, (ii) there is no unfair labor practice complaint against the LIG Companies pending before the National Labor Relations Board, (iii) there is no labor strike, dispute, slowdown or stoppage actually pending or threatened against or affecting the LIG Companies, (iv) within the past five (5) years, the LIG Companies have not experienced any strike or work stoppage, (v) the LIG Companies are not a party, nor subject, to a collective bargaining agreement, and no collective bargaining agreement relating to employees of the LIG Companies is currently being negotiated, (vi) no Actions are pending or, to Seller's Knowledge, threatened, against any LIG Company with respect to employment or employment practices, terms or conditions of employment, wages or hours and (vii) to Seller's Knowledge, there is no effort currently underway to organize the work force or any part thereof of the LIG Companies.

Section 4.13. *Employee Benefit Plans.*

(a) *Schedule 4.13(a)* sets forth a list of each material "employee benefit plan" (within the meaning of Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("*ERISA*")), and each material employment, severance, change in control, vacation, incentive, fringe benefit, bonus, stock option, stock purchase, restricted stock plan, deferred compensation, health, life or other insurance, flexible spending arrangement, post-retirement benefit or profit sharing program, policy or agreement, in each case that is sponsored, contributed to or maintained by any of the LIG Companies and in which present or former employees of any of the LIG Companies (the "*LIG Employees*") participate (collectively, the "*Benefit Plans*").

(b) Except as set forth on *Schedule 4.13(b)*: (i) the Benefit Plans are in compliance in all material respects with all applicable requirements of the Health Insurance Portability and Accountability Act, ERISA, the Code, and other applicable Laws and have been administered in accordance with their terms and such Laws; and (ii) each Benefit Plan that is intended to be qualified within the meaning of Section 401 of the Code has received a favorable determination letter as to its qualification, and nothing has occurred that could reasonably be expected to result in the revocation of such letter.

(c) Except as set forth on *Schedule 4.13(c)*, there are no pending or, to the Knowledge of Seller or any of the LIG Companies, threatened claims and no pending or, to the Knowledge of Seller or any of the LIG Companies, threatened litigation with respect to any of the Benefit Plans, other than ordinary and usual claims for benefits by participants and beneficiaries. Except as set forth in *Schedule 4.13(c)*, no audit or investigation by a Governmental Entity with respect to any of the Benefit Plans is pending nor has Seller or any LIG Company received formal notice of any such audit or investigation.

Section 4.14. *Environmental Matters.* With respect to the five-year period ending on the date hereof, and except (i) as set forth on *Schedule 4.14*, or (ii) to the extent the liability for such matters are specifically covered by the TRC Arrangements:

(a) To Seller's Knowledge, neither Seller nor the LIG Companies are in violation of any Law pertaining to environmental protection, or protection of human health or safety, including without limitation those arising under the Resource Conservation and Recovery Act ("*RCRA*"), the Comprehensive Environmental Response, Compensation and Liability Act of 1980 as amended ("*CERCLA*"), the Superfund Amendments and Reauthorization Act of 1986 ("*SARA*"), the Federal Water Pollution Control Act, the Solid Waste Disposal Act, as amended, the Federal Clean Air Act, or the Toxic Substances Control Act (hereinafter "*Environmental Laws*");

(b) Neither Seller nor the LIG Companies have received written notice from any third party, including without limitation any Governmental Entity, (A) that Seller or the LIG Companies has been identified by the United States Environmental Protection Agency ("*EPA*") as a potentially responsible party under CERCLA with respect to a site listed on the National Priorities List, 40 C.F.R. Part 300 Appendix B; (B) that any hazardous waste, as defined by 42 U.S.C. §6903(5), any hazardous substance as defined by 42 U.S.C. §9601(14), any pollutant or contaminant as defined by 42 U.S.C. §9601(33) or any other toxic substance, oil or hazardous material (including friable asbestos, urea formaldehyde insulation or polychlorinated biphenyls) in each case regulated by any Environmental Laws ("*Hazardous Substances*") which Seller or any LIG Company generated, transported or disposed of has been found at any site at which a federal, state or local agency or other third party has conducted an investigation, and in respect of which Hazardous Substances, Seller or the LIG Companies may have a remediation liability or obligation pursuant to any Environmental Law; or (C) that Seller or any LIG Company is or shall be a named party to any claim, action, cause of action, complaint, or legal or administrative proceeding under Environmental Laws arising out of any third party's incurrence of costs, expenses, losses or damages in connection with the release (as that term is defined in 42 U.S.C. §9601(22) or the relevant foreign Environmental Laws, hereinafter, "*Release*") of Hazardous Substances;

(c) To Seller's Knowledge, neither Seller nor the LIG Companies have released Hazardous Substances into the environment in violation of any Environmental Laws, or in a manner that would reasonably be expected to result in liability to Seller or the LIG Companies under any Environmental Laws, at any real property presently owned, leased or operated by Seller or the LIG Companies, or at any real property formerly owned, leased or operated by a LIG Company with respect to the period of time during which it was owned by a LIG Company;

(d) To Seller's Knowledge, *Schedule 4.14(d)* lists each material Permit required under any Environmental Law for the operation of the Business by the LIG Companies. Except as set forth on *Schedule 4.14*, the LIG Companies (i) hold and are in compliance, in all material respects, with each of the Permits identified in *Schedule 4.14(d)*; (ii) all such Permits are in full force and effect and no action, claim or proceeding is pending or threatened to suspend, revoke, or terminate any such Permit or declare any such Permit invalid; (iii) the LIG Companies have filed all necessary reports and maintained and retained all necessary records pertaining to such Permits in all material respects; and (iv) the LIG Companies have otherwise complied, in all material respects, with all of the Permits

This Section 4.14 contains the sole and exclusive representations and warranties of Seller and the LIG Companies relating to Environmental Laws or Hazardous Substances.

Section 4.15. *Finders; Brokers.* Except as set forth on *Schedule 4.15*, neither the LIG Companies nor Seller is a party to any agreement with any finder or broker, or in any way obligated to any finder or broker for any commissions, fees or expenses in connection with the origin, negotiation, execution or performance of this Agreement. Neither Buyer nor any of the LIG Companies will have any obligations or liabilities with respect to the arrangements set forth on *Schedule 4.15*.

Section 4.16. *Insurance.* *Schedule 4.16* sets forth a list of all of the policies of insurance carried on the date of this Agreement by each of the LIG Companies that directly insure the operation of such business on or prior to the Closing Date (collectively, the "*LIG Company Policies*"). *Schedule 4.16* sets forth all such policies of insurance that shall terminate with respect to Seller's interests in LIG. All premiums payable under the LIG Company Policies have been paid in a timely manner. With respect to the LIG Company Policies: (a) all are in full force and effect; (b) all have been complied with in all material respects by the LIG Companies; and (c) there is no claim under any such policy as to which coverage has been denied or disputed by the underwriters or issuers thereof.

Section 4.17. *Affiliate Transactions.* Except as set forth on *Schedule 4.17*, the Seller and its respective Affiliates (other than the LIG Companies) are not a party to any agreement or arrangement with the LIG Companies, and if and to the extent there is any liability of the LIG Companies thereunder, neither the Buyer nor the LIG Companies will have any liability therefore on or after Closing. Except as set forth on *Schedule 4.17*, there are no guarantees, letters of credit, reimbursement agreements, keep-well agreements, indemnity agreements, equity contribution agreements or other credit support agreements under which the LIG Companies have any outstanding obligations that relate to obligations of, or to the business or assets of, the Seller or any other Affiliate of Seller (other than the LIG Companies).

Section 4.18. *Regulatory Matters.* No LIG Company is subject to regulation as a "holding company" or a "public utility company" under the Public Utility Holding Company Act of 1935, as amended. No LIG Company is a "natural gas company," as defined in the Natural Gas Act of 1938, as amended, ("NGA") and no LIG Company transports or sells natural gas in a manner that is subject to, the jurisdiction of the Federal Energy Regulatory Commission ("FERC") under the NGA; provided, however, that the LIG Companies do make sales for resale under the blanket marketing certificate of limited jurisdiction issued by FERC under 18 C.F.R. Part 284, Subpart L.

Section 4.19. *Bankruptcy.* None of Seller, AEP, or any LIG Company is subject to any pending bankruptcy proceeding, and to Seller's Knowledge no proceeding is contemplated, in which Seller or AEP would be declared insolvent or subject to the protection of any bankruptcy, or reorganization laws or procedures.

Section 4.20. *No Other Representations or Warranties.* (a) Except for the representations and warranties contained in Article III and this Article IV, neither Seller, the LIG Companies nor any other Person makes any other representation or warranty, whether express or implied, on behalf of Seller or the LIG Companies, including as to the probable success or profitability of the ownership, use or operation of the LIG Companies or the Business by Buyer after the Closing.

(b) Buyer acknowledges and agrees that Seller is making no representation or warranty as to the condition or structural integrity (or lack thereof) of any of pipeline assets of any of the LIG Companies ("*Pipeline Integrity*") and such assets are being purchased on an "AS IS" basis and Buyer shall have no remedies against Seller (legal or equitable) relating to Pipeline Integrity.

ARTICLE V
REPRESENTATIONS OF BUYER

Buyer represents and warrants that, as of the date of this Agreement:

Section 5.1. *Due Organization and Power of Buyer.* Buyer is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization and has the requisite partnership power and authority to own, lease and operate the properties used in the Business being purchased hereunder and to carry on the Business as the same is now being conducted. On or before the Closing Date, Buyer will be duly authorized, qualified or licensed to do business as a foreign entity and in good standing in every jurisdiction wherein, by reason of the nature of the Business, the failure to be so qualified would prevent or delay the Closing.

Section 5.2. *Authorization and Validity of Agreement; Non-Contravention.* This Agreement, and the Transition Services Agreement and the consummation of the transactions contemplated hereby and thereby have been duly authorized by all requisite partnership or other action, and Buyer has full partnership power and authority to execute and deliver this Agreement and each Transaction Document to which it is party and to perform its obligations hereunder and thereunder. This Agreement has been duly executed and delivered by Buyer and constitutes, and such other Transition Services Agreement when duly executed and delivered by Buyer will constitute a valid and legally binding obligation of Buyer, enforceable in accordance with its terms except as enforceability may be limited by bankruptcy, insolvency or other similar laws affecting the enforcement of creditors' rights and subject to general principles of equity. The execution and delivery by Buyer of this Agreement and the Transition Services Agreement do not, and the consummation by Buyer of the transactions contemplated hereby and thereby will not, violate or conflict with any provision of (i) the Buyer's organizational documents, (ii) assuming that all Permits set forth on *Schedule 5.3* hereto have been obtained or made, violate any Law or Order to which Buyer is subject or (iii) result in any breach or creation of any Lien or constitute default under any contract, indenture, mortgage, lease, note or other agreement or instrument to which Buyer is subject or is a party, except, in the case of clauses (ii) and (iii), for any such violation, conflict, breach, default or creation of any Lien which would not impair Buyer's ability to consummate the transactions contemplated by this Agreement.

Section 5.3. *Governmental Approvals/Permits; Consents and Actions.* No Action is pending or, to the Knowledge of Buyer, threatened against Buyer which would prevent Buyer from consummating the transaction contemplated hereby. Except as set forth in *Schedule 5.3* hereto and except for the requirements of the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "*Hart-Scott Act*"), no Permit from or of any Governmental Entity or any third party, is required on the part of Buyer in connection with the execution and delivery of this Agreement or the Transition Services Agreement, or the consummation of the transactions contemplated hereby and thereby, except for such Permits which have been obtained. To Buyer's Knowledge, Buyer is, or before Closing will be, qualified to obtain those consents set forth on *Schedule 5.3*. To Buyer's Knowledge, there are no conditions in existence which could reasonably be expected to delay, impede, restrict or prevent the receipt by Buyer of the consents set forth on *Schedule 5.3* or any consent, approval, authorization or order of any Governmental Entity in connection with the transactions contemplated by this Agreement, including under the Hart-Scott Act.

Section 5.4. *Litigation.* There are no (a) Orders against or affecting Buyer or its Affiliates or (b) Actions pending or, to the Knowledge of Buyer, threatened against or affecting Buyer or its Affiliates (i) challenging or seeking to restrain, delay or prohibit any of the transactions contemplated by this Agreement or the Transition Services Agreement or (ii) preventing Buyer from performing in all material respects its obligations under this Agreement or the Transition Services Agreement.

Section 5.5. *Independent Decision.* Buyer (a) has knowledge and experience in financial and business matters, (b) has the capability of evaluating the merits and risks of investing in the Business,

(c) can bear the economic risk of an investment in the Shares and can afford a complete loss of such investment and (d) is not in a disparate bargaining position with Seller.

Section 5.6. *Purchase for Investment.* Buyer is aware that the Shares are not registered under the Securities Act of 1933, as amended (the "*Securities Act*"), or under any state or foreign securities laws. Buyer is not an underwriter, as such term is defined under the Securities Act, and is purchasing the Shares solely for investment, with no intention to distribute any of the Shares to any Person other than for distribution or reorganizations among Buyer and its Affiliates, and Buyer will not sell or otherwise dispose of the Shares except in compliance with the registration requirements or exemption provisions under the Securities Act and the rules promulgated thereunder, and any other applicable securities laws.

Section 5.7. *Financial Capacity; No Financing Condition.* As of the date hereof, Buyer has access to funds sufficient to consummate the transactions contemplated by this Agreement and the Transition Services Agreement. Buyer understands that its obligations to effect the transactions contemplated hereby and thereby are not subject to the availability to Buyer or any other Person of financing.

Section 5.8. *Finders; Brokers.* With the exception of fees and expenses to any broker or advisor payable by Buyer, Buyer is not a party to any agreement with any finder or broker, or in any way obligated to any finder or broker for any commissions, fees or expenses, in connection with the origin, negotiation, execution or performance of this Agreement.

Section 5.9. *No Knowledge of Seller's Breach.* At the time of signing this Agreement, Buyer has no Knowledge of any breach of any representation or warranty by Seller or of any other condition or circumstance that would excuse Buyer from its timely performance of its obligations hereunder. This representation is expressly made applicable to the date set forth herein.

Section 5.10. *No Other Representations or Warranties.* Except for the representations and warranties contained in this Article V, neither Buyer nor any other Person makes any other representation or warranty, whether express or implied, on behalf of Buyer.

ARTICLE VI
AGREEMENTS OF BUYER AND SELLER

Section 6.1. *Operation of the Business.* Until the Closing, Seller shall, and shall cause each LIG Company to, operate and conduct the Business in the ordinary course, maintain, repair and replace the operating assets of the LIG Companies in accordance with accepted industry practice and consistent with the policies and past practice of the LIG Companies and the terms of this Agreement, keep the books and records of all of the LIG Companies in accordance with past practices, maintain all of their existing insurance coverages, and pay all of their trade payables and perform all other obligations on a timely basis. Seller will not, and shall cause the LIG Companies not to, without the prior written approval of Buyer (which approval shall not be unreasonably withheld or delayed) or as otherwise contemplated by this Agreement or *Schedule 6.1*, take any of the following actions with respect to the LIG Companies:

(a) with respect to any LIG Company, amend its charter or by-laws (or analogous organizational documents), or issue or agree to issue any additional shares of capital stock (or other equity interests) of any class or series, or any securities convertible into or exchangeable for shares of capital stock (or other equity interests), or issue any options, warrants or other rights to acquire any shares of capital stock (or other equity interests);

(b) sell, transfer or otherwise dispose of or encumber any of the assets of the LIG Companies other than in the ordinary course of business;

(c) cancel any debts or waive any claims or rights pertaining to the Business;

(d) grant any increase in the compensation of officers or employees of any LIG Company, except for increases as required by any existing compensation, incentive or employee benefit plan, policy, agreement or arrangement disclosed on *Schedule 6.1(d)*, or as required by Law;

(e) incur, assume or guarantee any indebtedness for borrowed money;

(f) change in any material respect any tax elections (except as required by Law or GAAP);

(g) enter into or amend any employment agreement;

(h) except as may be required as a result of a change in Law or in GAAP, change any of the accounting principles or practices used by any LIG Company;

(i) except for those identified on *Schedule 6.1(i)*, make any capital expenditure or make any commitment to make any capital expenditure in excess of $50,000;

(j) unless Buyer has refused to consent, defer making any capital expenditure that would otherwise be made: (i) in the ordinary course of business; (ii) pursuant to existing business plans or to repair, replace or maintain any assets, properties or facilities of the LIG Companies;

(k) declare or pay any dividend or make a similar distribution with respect to securities of any of the LIG Companies other than cash dividends;

(l) adopt a plan of complete or partial liquidation, dissolution, restructuring, recapitalization or other restructuring;

(m) pledge or mortgage the Shares or any of the assets, properties or rights of the LIG Companies or otherwise cause or permit a Lien to exist against the Shares or otherwise cause or permit a Lien (other than a Permitted Lien) to exist against the assets, properties or rights of the LIG Companies;

(n) modify, amend or terminate any Disclosed Contract without prior notice to, and approval from Buyer, or enter into any agreement that would, if entered into by a LIG Company before the date hereof, be a Disclosed Contract;

(o) effect any split, combination or reclassification of the securities of any of the LIG Companies;

(p) redeem, repurchase or otherwise acquire, directly or indirectly, any securities of any of the LIG Companies;

(q) acquire any interest or otherwise make any investment in any other Person, or enter into any joint venture, partnership or similar arrangement;

(r) allow any material Permits held by any of the LIG Companies to terminate or lapse;

(s) consume any personal property inventory or spare parts belonging to the LIG Companies without replacing such inventory or spare parts in accordance with past practice;

(t) settle or agree to settle any Action to which a LIG Company is a party where the terms of such settlement or agreement adversely impact, in any material respect, any LIG Company or the operation of the Business after such settlement or agreement, without prior notice to, and approval (such approval not to be unreasonably withheld or delayed) by Buyer;

(u) except as otherwise required to perform its obligations under this Agreement, not to manage its (or allow the LIG Companies to manage their) working capital, including cash, receivables and other current assets, and trade payables, capital expenditures and other current liabilities in a manner other than in the ordinary course and consistent with past practice; or

(v) agree, whether in writing or otherwise, to do any of the foregoing.

Prior to the Closing, Seller shall, and shall cause the LIG Companies to, make available to Buyer (and its representatives) their representatives and employees on a reasonable basis to confer and discuss, with respect to: (i) the operation of the LIG Companies' and the Business assets; (ii) the legal, operational and other actions required or reasonably necessary for the consummation of the transactions contemplated by this Agreement; (iii) the smooth and orderly transition of Business to Buyer; and (iv) the status of Seller's and the LIG Companies' compliance with this Section 6.1.

Section 6.2. *Investigation of the Business; Confidentiality.* During the period commencing on the date hereof and ending on the Closing Date, Seller shall, and shall cause the LIG Companies to, provide, upon reasonable request and notice, Buyer and its authorized agents or representatives reasonable access during normal business hours to the properties, books and records of the Business and the LIG Companies for the purpose of reviewing information and documentation relative to the properties, books and records of the Business and the LIG Companies; *provided*, that Buyer shall not be entitled to perform any drilling or other "invasive" environmental tests without the prior written consent of Seller (which may be withheld in their sole discretion). Buyer and its representatives will hold in confidence all information obtained from Seller and each of the LIG Companies, their respective officers, agents, representatives or employees in accordance with the provisions of the confidentiality agreement dated October 24, 2003 (the "*Confidentiality Agreement*") between AEP Energy Services, Inc. and Crosstex Energy Services, L.P., an Affiliate of Buyer.

Section 6.3. *Reasonable Best Efforts; Cooperation; No Inconsistent Action.*

(a) Subject to the terms and conditions of this Agreement, each of the parties will use reasonable best efforts to take, or cause to be taken, all action, and to do, or cause to be done, all things necessary, proper or advisable under applicable Laws to consummate the transactions contemplated by this Agreement, including using reasonable best efforts to ensure satisfaction of the conditions precedent to each party's obligations hereunder. Buyer, on the one hand, and Seller, on the other, shall timely and promptly make all filings which may be required by any of them in connection with the consummation of the transactions contemplated hereby, including the filing under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "*Hart-Scott Act*"). Each party shall furnish to the other party such necessary information and assistance as such other party may reasonably request in connection with the preparation of any necessary filings or submissions by it to any Governmental Entity, including any filings necessary under the provisions of the Hart-Scott Act; provided that neither party shall be obligated to provide copies of any 4(c) documents or the description thereof with respect to its filing under the Hart-Scott Act. Each party shall provide the other party the opportunity to make copies of all correspondence, filings or communications (or memoranda setting forth the substance thereof) between such party and its representatives, on the one hand, and the Federal Trade Commission, the Antitrust Division of the United States Department of Justice or any similar foreign Governmental Entity and members of their respective staffs, on the other hand, with respect to this Agreement and the transactions contemplated hereby.

(b) From time to time after the Closing Date, without further consideration, Seller will, at its own expense, execute and deliver such documents to Buyer as Buyer may reasonably request in order to more effectively consummate the transactions contemplated by this Agreement. From time to time after the Closing Date, without further consideration, Buyer will, at its own expense, execute and deliver such documents to Seller as Seller may reasonably request in order to more effectively consummate the transactions contemplated by this Agreement.

(c) Seller, on the one hand, and Buyer, on the other, shall notify and keep the other advised as to any litigation or administrative proceeding pending and known to such party, or to its Knowledge, threatened, which challenges the transactions contemplated hereby or the Transition Services Agreement. Seller, on the one hand, and Buyer, on the other, shall not take any action inconsistent with their obligations under this Agreement or which would materially hinder or delay the consummation of the transactions contemplated by this Agreement.

(d) After the Closing Date, each party shall have reasonable access to the employees of the other party and their Affiliates, for purposes of consultation or otherwise, to the extent that such access may reasonably be required in connection with matters relating to or affected by the operations of the LIG Companies prior to the Closing Date. The parties agree to cooperate in connection with any audit, investigation, hearing or inquiry by any Governmental Entity, litigation or regulatory or other proceeding which may arise following the Closing Date and which relates to the ownership of the LIG Companies or operation of the assets by the LIG Companies, respectively, prior to the Closing Date. Notwithstanding any other provision of this Agreement to the contrary, each party shall bear its own expenses, including fees of attorneys or other representatives, in connection with any such matter described in this Section 6.3 in which the Seller and the Buyer are subjects or parties or in which they have a material interest.

(e) Notwithstanding anything to the contrary, Seller and its Affiliates, at their sole cost and expense, shall be entitled to exclusively control, conduct and direct the prosecution or defense of any of the matters set forth in *Schedule 4.8* including, but not limited to, the decision whether to settle (and amount therefore) and whether to proceed to trial or arbitration and Buyer agrees to waive any conflicts necessary to allow current counsel to continue to represent Seller with respect to such matters; *provided*, *however*, neither Seller nor its Affiliates can settle any such matter where one or more LIG Companies is a Party without Buyer's prior written consent (such consent not to be unreasonably withheld or delayed) where such settlement or agreement adversely impacts any LIG Company or the operation of the Business after such settlement or agreement. Buyer shall reasonably cooperate and shall cause the LIG Companies to cooperate in all respects with Seller and its Affiliates in the prosecution or defense of all of the foregoing matters, including, but not limited to, providing access to witnesses for interviews, depositions or trial, documents and electronic information actually or constructively under the control of Buyer and the LIG Companies, providing a corporate representative at trial or arbitration, and executing affidavits and settlement agreements. Seller shall reimburse Buyer and the LIG Companies for all of their out-of-pocket costs and expenses in providing such cooperation; provided that Seller shall not be required to reimburse Buyer for the costs and expenses of separate legal counsel in connection with the Buyer providing such cooperation. In addition, Buyer acknowledges and agrees that Seller retains the rights to any recovery resulting from the matters listed in *Schedule 4.8* and other matters involving the LIG Companies that Seller remains responsible for pursuant to the provisions of Article IX or X or this Agreement. Seller shall keep Buyer informed of the status of, and activities relating to, such matters where one or more of the LIG Companies is a party, including the preparation and delivery of written quarterly reports addressing the foregoing, subject to any confidentiality obligations imposed by law, statute, regulation or court order.

Section 6.4. *Public Disclosures.* (a) Prior to the Closing Date, no party to this Agreement or its representatives or Affiliates will issue any press release or make any public disclosure concerning the transactions contemplated by this Agreement or the Transition Services Agreement without the prior written consent of the other parties other than disclosures required by Law or securities exchange rules or guidelines in accordance with the terms set forth in this Section. After the Closing Date, no party will issue any press release or make any public disclosure concerning the transactions contemplated by this Agreement or the Transition Services Agreement or the contents of this Agreement or the Transition Services Agreement without the prior written consent of the other parties, which shall not be unreasonably withheld. Notwithstanding the above, nothing in this Section will preclude any party from making any disclosures required by Law or necessary and proper in conjunction with the filing of any tax return or other document required to be filed with any Governmental Entity or to comply with the regulations of any securities exchange; *provided*, that the party required to make such disclosure shall allow the other parties reasonable time to review and comment thereon in advance of such disclosure.

Section 6.5. *Access to Records and Personnel.*

(a) Buyer shall retain the books, records, documents, instruments, accounts, correspondence, writings, evidences of title and other papers (in each case, including electronic versions thereof) relating to the Business in Buyer's possession (the "*Books and Records*") for the period of time set forth in its records retention policies, if any, on the Closing Date or for such longer period as may be required by Law or any applicable court order. Seller may make and retain such copies of books and records, prior to Closing, as Seller reasonably deems necessary, which copies shall be subject to the confidentiality provisions of this Agreement. Buyer shall also retain any and all Books and Records as directed by Seller that relate to any ongoing litigation, investigation, Action or proceeding until such time as Buyer is notified of the conclusion of such matter.

(b) The parties will allow each other reasonable access to such Books and Records, and to personnel having knowledge of the whereabouts and/or contents of such Books and Records, for legitimate business reasons, such as the preparation of tax returns or the defense of litigation and responding to data requests from Governmental Entities. Each party shall be entitled to recover its out-of-pocket costs (including copying costs) incurred in providing such records and/or personnel to the other party. The requesting party will hold in confidence all confidential information identified as such by, and obtained from, the disclosing party, any of its officers, agents, representatives or employees, *provided*, *however*, that information which (i) was in the public domain; (ii) was in fact known to the requesting party prior to disclosure by the disclosing party, its officers, agents, representatives or employees; or (iii) becomes known to the requesting party from or through a third party not under an obligation of non-disclosure to the disclosing party, shall not be deemed to be confidential information.

Section 6.6. *Employee Matters.*

(a) *Offers of Continued Employment; Post-Closing Compensation and Benefits*

(i) *Schedule 6.6(a)* lists, as of the date hereof, all of the individuals employed by the LIG Companies, and all of the individuals employed by Seller or its Affiliates (other than the LIG Companies) that are primarily involved in the Business, and their respective salaries or wage level (whether active or inactive, the "*Current LIG Employees*"). As soon as practicable after the date of execution of this Agreement, but not later than twenty (20) business days prior to the Closing Date, Buyer shall extend offers of employment or continued employment, as the case may be, to not less than seventy-five percent (75%) of the Current LIG Employees. Each such offer by Buyer will be effective as of the Closing Date and shall include terms consistent with Section 6.6(c) ("*Offer of Employment*"). Each such individual who accepts Buyer's Offer of Employment within the time period specified by Buyer in its Offer of Employment (which shall in all cases be at least five business days unless Seller otherwise agrees in writing) and who remains a Current LIG Employee (active or inactive) through the Closing Date, shall be referred to as a "*Transferred Employee*." Each LIG Employee who is not a Transferred Employee shall be referred to as a "*Non-Transferred Employee*." Prior to the Closing Date, Seller shall take, or shall cause to be taken, such action as is necessary such that all Non-Transferred Employees shall have ceased to be employees of the LIG Companies on or prior to the Closing Date, which may include transferring the employment of such persons to Seller or one of its Affiliates.

(ii) Seller shall retain liability and responsibility for the payment of severance benefits (if any) incurred on or prior to the Closing Date as a result of such Offers of Employment or incurred as a result of such termination or transfer of employment from the LIG Companies on or prior to the Closing Date as described above; *provided*, that Buyer shall indemnify and hold Seller harmless against such severance liabilities to Current LIG Employees the extent they exceed actual payment of one million two hundred and fifty thousand dollars ($1,250,000) in the aggregate; *provided* that, in determining the aggregate severance liabilities, there shall be disregarded (and such liabilities shall be Seller's sole liability and responsibility) any such severance liabilities or payments to (X) any employee who received an Offer of Employment, (Y) any employee who voluntarily

terminated his or her employment prior to Closing and (Z) any employee who continues in the employ of Seller or any of its Affiliates after Closing; *provided* further that, in no event will Buyer be liable for more than $1,250,000 of such severance liabilities and any additional severance liabilities will be the sole liability and responsibility of Seller. In the event that any Current LIG Employee makes a discrimination-based claim in respect of any decision by Buyer not to make any Offer of Employment to any Current LIG Employee, Buyer will defend and indemnify Seller against any such claim.

(b) *Access to Personnel.* In furtherance of the provisions of Section 6.6(a) above, Buyer and Seller will agree promptly after the date hereof upon the procedures by which the Current LIG Employees who will receive an Offer of Employment will be identified, and by which Current LIG Employees designated by Buyer may be made reasonably available to be interviewed by Buyer during normal business hours. Also in furtherance of the foregoing provisions of Section 6.6(a), and subject to any applicable laws, Seller and the LIG Companies will afford Buyer reasonable access during normal business hours following prior written notice to Seller and the LIG Companies to review the personnel files, performance evaluations and other relevant employee records of the LIG Companies.

(c) *Post-Closing Benefits; Service Credit for Transferred Employees* For a period of not less than 12 months immediately following the Closing Date, Buyer will provide, or will cause the LIG Companies to provide, Transferred Employees with salaries and wage levels that are no less favorable than the salaries and wage levels of such Transferred Employees immediately prior to the Closing Date, but not in excess of the compensation with respect to such Transferred Employee in the schedules disclosed to Buyer pursuant to Section 6.1(d), and will provide Transferred Employees with benefits levels that are no less favorable than similarly situated employees of Buyer and its Affiliates and Subsidiaries immediately prior to the Closing Date or as subsequently modified for all such similarly situated employees; provided that during 12-month period following the Closing Date, any Transferred Employee whose employment is terminated by Buyer, the LIG Companies or any of their Affiliates, for any reason other than for "cause," shall be entitled to receive from Buyer, one of the LIG Companies or an Affiliate, as applicable, the cash severance amount set forth with respect to such Transferred Employee on *Schedule 6.1(d)*. Nothing in the foregoing shall be construed as requiring Buyer or any LIG Company to continue to employ the Transferred Employees for a 12 month period following the Closing Date, or to continue to provide such salaries, wage levels and benefit levels on an active-employee basis following termination of employment to any Transferred Employee whose employment with Buyer or any LIG Company terminates during such 12 month period. With regard to Buyer's current employee benefit plans, all of which are listed on *Schedule 6.6(c)* attached hereto, each Transferred Employee shall be eligible to participate in each defined contribution plan listed on such schedule on the first day of the fiscal quarter coincident with or next following the Closing Date and will receive full service credit for vesting purposes for any periods of service completed with Seller, any LIG Company and their respective Affiliates to the same extent such Transferred Employee's service was recognized under the defined contribution plan in which such Transferred Employee participated or was eligible to participate immediately prior to the Closing Date. With regard to Buyer's employee benefit plans identified on *Schedule 6.6(c)* as welfare plans, each Transferred Employee will be eligible to participate in such plans on the Closing Date, or, if the Closing Date is not on the first day of a calendar month, each Transferred Employee will be eligible for participation in such plan on the first day of the calendar month next following the Closing, subject, however, to such Transferred Employee satisfying the eligibility requirements of such plans and related insurance policies (e.g., actively-at-work requirements). Buyer shall provide, or shall cause the LIG Companies to provide, each Transferred Employee with credit for any deductible amounts and out-of-pocket expenses paid prior to the Closing Date in satisfying a like amount of any deductible amount (but not any out-of-pocket maximums) which would otherwise apply from the Closing Date through December 31, 2004, under any comparable type of welfare plan in which such Transferred Employee participates on or after the Closing Date, subject to verification of the payment of such amounts by the Transferred Employee. With regard to Buyer's

employee benefit plans identified on *Schedule 6.6(c)* as a nonqualified plan, Transferred Employees will be treated as new employees of Buyer. With regard to vacation allowances, Transferred Employees shall be eligible to begin accruing vacation benefits as of the Closing Date, and Buyer shall provide, or shall cause the LIG Companies to provide, credit for each Transferred Employee's service with Seller, any LIG Company and their respective Affiliates to the same extent as such service was recognized by each of them immediately prior to the Closing Date, provided that the number of vacation days to which each Transferred Employee will be entitled following the closing Date shall be determined exclusively under Buyer's vacation policies and Buyer will not provide any credit or compensation for unused vacation days accumulated with Seller, any LIG Company or their respective Affiliates. Any liability for vacation days, hours or other vacation allowances accrued by Transferred Employees prior to the Closing Date shall be the responsibility of Seller. With regard to any other employee benefit plans of the Buyer or its Affiliates, Transferred Employees will receive credit for service on the same basis as other, similarly situated employees of Buyer or its Affiliates.

(d) *COBRA*. Buyer shall provide, or shall cause the LIG Companies to provide, continuation health care coverage to Transferred Employees and their qualified beneficiaries who incur or incurred a qualifying event, in accordance with the continuation health care coverage requirements of Section 4980B of the Code and Title I, Subtitle B, Part 6 of ERISA ("*COBRA*"), after the Closing Date or, if later, the date the Transferred Employees actually commence participation in Buyer's group medical plan. Seller shall be responsible for any COBRA healthcare continuation claims of Non-Transferred Employees, any Transferred Employees until such employees actually become covered under the Buyer's group medical plan or, if earlier, until such coverage earlier terminates in accordance with applicable Law and the terms of the Benefit Plan, and any former employees or other persons (other than Transferred Employees) who were entitled to COBRA rights under the Benefit Plans on or prior to the Closing Date.

(e) *Seller Plans*. Before Closing, Sellers will, and will cause the LIG Companies, to (i) terminate all Benefit Plans that are sponsored, contributed to, maintained, or entered into solely by an LIG Company, unless sponsorship is transferred to and assumed by Seller prior to the Closing, and (ii) terminate the LIG Companies participation in any Benefit Plans, and effective as of the applicable date, LIG Employees shall cease to participate in the applicable Benefit Plan, and from and after the applicable date, LIG Employees shall cease to be eligible to accrue further benefits under the applicable Benefit Plan. Seller shall be solely responsible for winding up any such Benefit Plans. No assets or liabilities arising under any such Benefit Plan are assumed by Buyer.

Section 6.7. *WARN Notices.* Any workforce reductions carried out following the Closing Date by Buyer or any of the LIG Companies or their respective Subsidiaries shall be done in accordance with all applicable Laws governing the employment relationship and termination thereof including the Worker Adjustment and Retraining Notification Act ("*WARN*") and regulations promulgated thereunder, and any comparable state or local Law. Seller shall be responsible for all obligations, if any, under WARN or equivalent state statutes and any applicable regulations thereunder with respect to the employment terminations prior to or on the Closing Date.

Section 6.8. *Non-Solicitation.* Until the Closing shall actually have occurred, Buyer acknowledges that it remains subject to paragraph 7 of the Confidentiality Agreement.

Section 6.9. *Guarantees.* Buyer shall offer to cause itself or one or more of its Affiliates to be substituted in all respects for Seller or Affiliates of Seller, as the case may be, effective as of the Closing, in respect of all obligations of Seller or Affiliates of Seller, as the case may be, under each of the guarantees, indemnities, surety bonds, performance bonds, letters of credit and other credit support arrangements obtained by the Seller or Affiliates of Seller, as the case may be, for the benefit of the Business as identified on *Schedule 6.9* (the "*Guarantees*"), and shall request Seller and all Affiliates of Seller (other than the LIG Companies) to be released, as of the Closing Date, from any and all

obligations under such Guarantees. If Buyer is unable to effect such a substitution with respect to any such Guaranty after using its reasonable best efforts to do so, the Buyer shall obtain letters of credit for the benefit of such third party from a nationally recognized banking institution, on terms substantially similar to the existing arrangement and from financial institutions reasonably satisfactory to the third party.

Section 6.10. *No Shopping.* From and after the date of this Agreement, neither Seller, its Affiliates nor any of their respective officers, directors, employees, representatives, agents or anyone acting on behalf of any of them shall, directly or indirectly, encourage, solicit, engage in discussions or negotiations with, or provide any non-public information to, any Person (other than Buyer, its Affiliates and their representatives) with respect to any merger, purchase or sale of assets, purchase or sale of equity interests or any similar transaction involving any of the LIG Companies or their assets unless this Agreement is terminated in accordance with Article VIII hereof.

Section 6.11. *Funding of Disbursements.* Effective at the opening of business on the Closing Date, Buyer shall be responsible for funding all disbursements of the Business.

Section 6.12. *Transitional Use of Seller' Trademarks.*

(a) Effective upon the Closing, Seller hereby grants to each of the LIG Companies, a limited, non-transferable, non-exclusive, royalty-free right and license to use the trademarks, service marks and trade names which are, in each case, in existence on the Closing Date, owned or licensed by Seller or their Affiliates other than the LIG Companies, currently being used in the conduct of the respective businesses of the LIG Companies and set forth on *Schedule 6.12*; *provided*, *however*, Buyer shall have no right to the use of "AEP", "American Electric Power" or any derivations thereof. Such license shall terminate 30 days following the Closing, and upon termination thereof, the LIG Companies' shall immediately discontinue the use of all such trademarks, service marks and trade names.

(b) Notwithstanding the above, Buyer shall have the free and unlimited use, royalty free and forever, of any and all trademarks, service marks or trade names which contain the words or characters "LIG" or "Louisiana Intrastate Gas", unless such trademark, service mark or trade name also contains the words or characters "AEP" or "American Electric Power." Seller agrees to execute any documents necessary to provide Buyer the rights set forth in this subparagraph (b), and neither Seller nor any of its Affiliates may use any names containing the characters "LIG" or words "Louisiana Intrastate Gas Corporation" after Closing.

Section 6.13. *Intercompany Transactions.* Regardless of whether any such agreement or arrangement will continue in effect after Closing as provided herein, effective as of the Closing and consistent with the calculation of LIG Net Working Capital, all intercompany receivables or payables and loans then existing between Seller and any Affiliates of Seller (other than between the LIG Companies), on the one hand, and any LIG Company, on the other, including each agreement and arrangement set forth on *Schedule 4.17* shall be fully settled by making intercompany cash transfers so that there are no outstanding payables, receivables or other liabilities relating to such intercompany transactions for the period prior to Closing (it being understood that any future contractual obligations of the LIG Companies set forth on *Schedule 6.13* that are to be performed after the Closing Date shall not be settled and shall continue in full force and effect). Except for those agreements and arrangements set forth in *Schedule 6.13*, prior to Closing, all agreements or arrangements set forth on *Schedule 4.17* shall be terminated and the LIG Companies shall have no further obligations thereunder. The settlements and terminations required under this Section 6.13 shall all be accomplished (a) in the manner contemplated by this Agreement and (b) without any violation of any Law or the incurrence of any tax, penalties, interest or other charges (other than Taxes for which Seller is responsible).

Section 6.14. *Payment of Indebtedness.* At or prior to the Closing, Seller shall cause to be satisfied and cancelled with respect to the LIG Companies and cause the LIG Companies to be fully released from any obligations or indebtedness (except for capitalized leases reflected on the Financial

Statements) under any guaranty, loan agreement, mortgage, indenture, security agreement or other agreement, or other instrument, in each case relating to the borrowing of money by any LIG Company, and Seller shall remove, or cause to be removed, all Liens on the Shares under the Caddis Financing, and all other Liens pertaining to or affecting the LIG Companies or any of the assets thereof. Any payment that is made by or on behalf of a LIG Company pursuant to this Section 6.14 or Section 6.13, or other adjustment in legal rights that occurs pursuant thereto, shall not give rise to a reduction in Tax attributes under Section 108(b) of the Code with respect to such LIG Company.

Section 6.15. *Transition Services Agreement.* At the Closing, Buyer and Seller (or an Affiliate of Seller) shall execute and deliver a transition services agreement in the form attached hereto as Exhibit A (the "*Transition Services Agreement*").

Section 6.16. *Resignations.* At the Closing, Seller shall deliver, or cause to be delivered, to Buyer duly signed resignations, effective upon Closing, of the directors of the LIG Companies that are corporations and managers of the LIG Companies that are limited liability companies, in each as set forth on *Schedule 6.16*.

Section 6.17. *LIG Companies.* Buyer acknowledges that the LIG Companies being acquired pursuant to the terms and conditions of this Agreement are presently engaged in the operation of an intrastate pipeline in the State of Louisiana.

Section 6.18. *Limited Covenant Not to Compete.*

(a) From the Closing Date and for a period of two years thereafter, neither Seller nor any of its Affiliates shall (without the written consent of Buyer): (A) call upon any customer of any of the LIG Companies for the purpose of soliciting, diverting or intentionally enticing away the business of such person or entity from the LIG Companies; or (B) directly or indirectly, own, manage, control or operate, in the State of Louisiana, any pipeline system used for the transmission of natural gas on an intrastate basis for the account of third parties or any plant or facility used for the processing of natural gas for the account of third parties; *provided*, *however*, that this Section shall not apply to (1) the conduct of business pursuant to the arrangements between the Dow Chemical Company and its Affiliates and American Electric Power Company, Inc. and its Affiliates relating to the Plaquemine cogeneration facility (the "Plaquemine Cogen Project"); (2) the conduct of business by Jefferson Island Storage & Hub, L.L.C. (but such activities can not be undertaken if third-party pipeline or other facilities are utilized to conduct such business to deliver gas to industrial customers located on the Mississippi River corridor located between Baton Rouge and New Orleans, and (3) Seller and its Affiliates, including Jefferson Island Storage & Hub, L.L.C. (or any other person or entity to the extent they engage in such practices) as a result of a merger, acquisition, business combination or similar transaction consummated after the Closing Date by Seller or any of its Affiliates if such transaction is with an entity or involving a group of assets that is not primarily involved in the transmission of natural gas on an intrastate basis in Louisiana for the account of third parties or the ownership or operation of plants or facilities in Louisiana used for the processing of natural gas for the account of third parties (together, the "Restricted Acquisition Activity"); *provided, further, however*, that this Section 6.18(a) shall not apply to the purchaser or their successors of any of the membership interests, or the assets, of Jefferson Island Storage & Hub, L.L.C. or the Plaquemine Cogen Project. For purposes of this Section 6.18, an entity or group of assets shall be deemed to be "primarily involved in" the Restricted Acquisition Activity if it derives 75% or more of its gross revenues (measured for the prior twelve month period ending on the date of such transaction) from such Restricted Acquisition Activity.

(b) Seller agrees that from the Closing Date and for a period of 2 years thereafter, neither Seller nor any of its Affiliates shall make contact with any Transferred Employee who is at such time employed by any LIG Company for the purpose of soliciting such employee for hire or otherwise disrupting such employee's relationship with such LIG Company, as the case may be, or hire any such

employee whether as an employee or independent contractor and whether or not such engagement is solicited by Seller.

(c) From and after Closing, Seller shall not (and shall cause each of its Affiliates not to) disclose to any third party or use to the competitive disadvantage of Buyer or the LIG Companies, any proprietary or confidential information ("*Confidential Information*") related to the Business or the LIG Companies. Seller hereby assigns to the LIG Companies the benefit of and right to enforce all of the confidentiality agreements entered into by Seller or its Affiliates that are related to the sales process for the LIG Companies. If such Assignment is prohibited or would void such agreements, then upon request by Buyer, Seller will enforce such Agreements at Buyer's direction, request and expense.

Section 6.19. *Financial Statements.* As soon as practicable after the execution of this Agreement, a public accounting firm of Buyer's choice will perform at Buyer's sole expense an audit of the LIG Companies' financial statements for three years ending December 31, 2003 and timely quarterly review of the first quarters of 2003 and 2004. Seller agrees to use its reasonable efforts to facilitate (and shall cause the LIG Companies and any other of Seller's Affiliates to undertake reasonable efforts to facilitate) the completion of the audit by the Closing Date; provided that so long as Seller is in compliance, in all material respects, with the covenants set forth in this Section 6.19, the failure of accountants to perform such an audit or deliver such financial statements shall not delay the Closing Date. Seller consents to Buyer's engagement of Seller's and the LIG Companies' auditors to perform the audit, and agrees to sign a reasonable and customary representation letter to auditor.

Section 6.20. *LIG Inventory.* The term "LIG Inventory" means: (i) the quantity of natural gas in storage for the account of the LIG Companies as of the Closing Date at Seller's Jefferson Island Storage Facility and (ii) the quantity of natural gas and natural gas liquids and condensate in storage at company-owned storage facilities (and third party storage facilities identified on *Schedule 6.20)*. In order to perform the adjustments to the purchase price set forth in Article II: (i) Seller shall determine the LIG Inventory of natural gas pursuant to the procedure set forth in *Schedule 2.2*; and (ii) Seller shall cause the applicable LIG Companies to measure the quantity of LIG Inventory of natural gas liquids and condensate on hand at the company-owned storage facilities (and third party storage facilities identified on *Schedule 6.20*) or provide confirmation from each third party facility of the quantity on hand. The measurement of LIG Inventory of natural gas liquids and condensate shall determine the quantity of such natural gas liquids or condensate in the storage tanks of the Placquemine Gas Plant, above the load line, and in the company-owned (and third party storage facilities identified on *Schedule 6.20)*, if any, as of 7:00 a.m., central prevailing time on the Closing Date.

Section 6.21. *TRC Arrangements.* On or prior to the Closing Date, Seller and Buyer will use their respective reasonable best efforts to cause the TRC Arrangements to be legally separated between the LIG Companies, on the one hand, and Jefferson Island Storage & Hub, L.L.C., on the other hand, such that the LIG Companies are allocated no less than 80% (the "*Minimum TRC Allocation*") of the existing coverage amount under the TRC Arrangements and Buyer and its Affiliates are added as named insureds under the 2000 and 2003 American International Specialty Lines Insurance Company Policies that are included in the TRC Arrangements (the "AIG Policies"). In the event that the parties are unable to obtain such legal separation, Seller shall cause Buyer and its Affiliates to be Client Releasees (as defined in the Exit Strategy Agreement) under the Exit Strategy Agreement, and Seller shall consent and shall cause its Affiliates to consent to the addition of Buyer and its Affiliates as named insureds under the 2003 AIG Policy and will use its reasonable best efforts to add Buyer and its Affiliates as a named insured under the 2000 AIG Policy, and will use its reasonable best efforts so that the LIG Companies are allocated no less than the Minimum TRC Allocation of the existing coverage amount under the TRC Arrangements. If the separation of the TRC Arrangements is not accomplished by Seller prior to Closing, to the extent requested by Buyer after Closing, Seller will use its reasonable best efforts to cause such separation after Closing. The parties acknowledge and agree that American

Electric Power Company, Inc. and its Affiliates will continue to be named insureds on the policies underlying the TRC Arrangements. Buyer acknowledges and agrees that the purchaser of Jefferson Island Storage & Hub, L.L.C. shall also be a Client Releasee and named and/or additional insured, for its allocable share of the coverage amount under the TRC Arrangements.

Section 6.22. *Properties Held By Affiliates.* *Schedule 6.22* sets forth a description of all property and assets (real, personal and intangible) that are used in the Business but not owned or leased by the LIG Companies (other than TRC Arrangements, which are the subject of 6.21, and software license agreements to which the LIG Companies are not a party and which are not transferable pursuant to their terms) (the "*Affiliate Transfer Assets*"), including the identity of the Affiliate holding such title, leasehold or other interest and the nature of such interest. Prior to Closing, Seller will cause each Affiliate holding the Affiliate Transfer Assets to transfer legal title to the fee-owned property to one or more LIG Companies determined by Buyer free and clear of all Liens, other than Permitted Liens. Notwithstanding the foregoing, to the extent Seller or its Affiliates are unable to cause the transfer of certain Affiliate Transfer Assets that are leased due to the failure to obtain the consent to such transfer from any third party, then Seller shall have no further obligation hereunder.

Section 6.23. *Swap Transactions.* *Schedule 6.23* sets forth all of the fixed price gas sales commitments and the terms thereof ("Swaps") to which any LIG Company is a party or is bound and which will continue to be obligations of the LIG Companies after Closing. From and after Closing, Seller and the LIG Companies will settle each such Swap by the fifth business day of the month after the publication of the relevant gas price index as described below:

Contract E: Seller will pay to the LIG Companies (if the Inside FERC Henry Hub Index Settlement Price for the month is greater than $4.915) or receive from the LIG Companies (if the Inside FERC Henry Hub Index Settlement Price for the month is less than $4.915) the difference between the Inside FERC Henry Hub Index Settlement Price for the month indicated and $4.915 per MMBtu, multiplied by the volume attributable to such Swap for such month.

Contract L: Seller will pay to the LIG Companies (if the Inside FERC Henry Hub Index Settlement Price for the month is greater than $4.795 for May, July and September, 2004, or $4.805 for June and August, 2004) or receive from the LIG Companies (if the Inside FERC Henry Hub Index Settlement Price for the month is less than $4.795 for May, July and September, 2004, or $4.805 for June and August, 2004) the difference between the Inside FERC Henry Hub Index Settlement Price for the month indicated and $4.795 per MMBtu (for May, July and September, 2004) or $4.805 per MMBtu (for June and August, 2004), multiplied by the volume attributable to such Swap for such month.

Contract V: Seller will pay to the LIG Companies (if the NYMEX Last Day Settlement Price is greater than $5.33 or $5.48 for the Swap so priced as set forth on *Schedule 6.23*) or receive from the LIG Companies (if the NYMEX Last Day Settlement Price is less than $5.33 or $5.48 for the Swap so priced as set forth on *Schedule 6.23*) the difference between the NYMEX Last Day Settlement Price for the month indicated and $5.33 per MMBtu and $5.48 per MMBtu for the Swap so priced as set forth on *Schedule 6.23* (for April and May, 2004), multiplied by the volume attributable to each such Swap for such month.

Section 6.24. *Contract Discount Adjustment.* On the Closing Date, Seller will pay Buyer the aggregate present value of future discounted prices provided under Contract #SCFIT0001 for any months extending past the Closing Date. Both the monthly values and the discounted prices thereof and the normal settlement dates are set forth on *Schedule 6.24*. The amounts due (reflected as gross payment due Buyer on *Schedule 6.24)* will be discounted from the normal settlement date to the Closing Date using a five percent (5%) discount rate.

ARTICLE VII
CONDITIONS

Section 7.1. *Conditions Precedent to Obligations of Buyer and Seller.* The respective obligations of Buyer and Seller to consummate the transactions contemplated by this Agreement on the terms specified herein shall be subject to the satisfaction at or prior to the Closing Date of all of the following conditions:

(a) *No Injunction, etc.* There shall have been no statute, rule, regulation, injunction, restraining order or decree of any nature by any Governmental Entity of competent jurisdiction that is in effect that restrains or prohibits the consummation of any of the transactions contemplated by this Agreement.

(b) *Regulatory Authorizations*. All the consents, approvals, authorizations and orders of Governmental Entities set forth on*Schedule 3.4*, *Schedule 4.3* and *Schedule 5.3* shall have been obtained.

(c) *Casualty Loss*. There shall have been no Casualty Losses affecting any LIG Company with a Value Impact that Seller is unable or unwilling to cure prior to the Closing Date in excess of $25,000,000.

Section 7.2. *Conditions Precedent to Obligation of Seller.* The obligation of Seller to consummate the transactions provided for in this Agreement on the terms specified herein is subject to fulfillment of each of the following conditions:

(a) *Representations and Warranties*. Buyer's representations and warranties made in this Agreement shall be true and correct on the Closing Date as though made on the Closing Date, except to the extent such representations and warranties expressly relate to an earlier date (in which case as of such earlier date) and except for such breaches of representations and warranties that, in the aggregate, would not materially and adversely impair Buyer's ability to perform its obligations hereunder.

(b) *Performance of Covenants*. Buyer shall have performed and complied in all material respects with all obligations and covenants required by this Agreement to be performed by it prior to or at the Closing.

(c) *Operating Guarantee Obligations.* Buyer shall provide evidence acceptable to Seller that it has caused itself or one or more of its Affiliates to be substituted in respect of the Guarantees listed on *Schedule 6.9* or has provided back-up letters of credit to Seller, as set forth in Section 6.9.

(d) *Closing Deliveries.* Buyer shall have delivered, or caused to be delivered, to Seller at the Closing, the Closing deliveries set forth in Section 2.4.

Section 7.3. *Conditions Precedent to Obligation of Buyer.* The obligation of Buyer to consummate the transactions provided for in this Agreement on the terms specified herein is subject to fulfillment of each of the following conditions:

(a) *Representations and Warranties*. Seller's representations and warranties made in this Agreement shall be true and correct on the Closing Date as though made on the Closing Date, except to the extent such representations and warranties expressly relate to an earlier date (in which case as of such earlier date) and except for such breaches of representations and warranties that, in the aggregate, would not have a Material Adverse Effect.

(b) *Performance of Covenants*. Seller shall have performed and complied in all material respects with all obligations and covenants required by this Agreement to be performed by them prior to or at the Closing.

(c) *Material Adverse Effect.* Since the date of this Agreement, there shall not have occurred any fact or circumstance that has had or would reasonably expected to have a Material Adverse Effect.

(d) *Closing Deliveries.* Seller shall have delivered, or caused to be delivered, the Closing deliveries set forth in Section 2.5.

(e) *Releases*. Seller has obtained the release of the Caddis Financing, any indebtedness under Section 6.14 and all other Liens (other than Permitted Liens) affecting the Shares, the LIG Companies, or the assets thereof.

ARTICLE VIII
TERMINATION

Section 8.1. *Termination Events.* This Agreement may be terminated at any time prior to the Closing by:

(a) the mutual written consent of Buyer and Seller;

(b) either Buyer or Seller if the Closing has not occurred by the close of business on July 31, 2004;

(c) Buyer if Seller shall have breached or failed to perform in any material respect any of its respective representations, warranties, covenants or other agreements contained in this Agreement, which breach or failure to perform (i) would give rise to the failure of a condition set forth in Section 7.3(a) through (e) and (ii) cannot be or has not been cured within thirty (30) days after the giving of written notice to Seller;

(d) Seller if Buyer shall have breached or failed to perform in any material respect any of its respective representations, warranties, covenants or other agreements contained in this Agreement, which breach or failure to perform (i) would give rise to the failure of a condition set forth in Section 7.2(a) through (d) and (ii) cannot be or has not been cured within thirty (30) days after the giving of written notice to Buyer; or

(e) either Buyer or Seller if any Law or rule becomes effective prohibiting or making illegal the consummation of the transactions contemplated by this Agreement, upon notification of the non-terminating party by the terminating party.

Section 8.2. *Effect of Termination.* In the event of any termination of this Agreement as provided in Section 8.1, this Agreement shall forthwith become wholly void and of no further force and effect and there shall be no liability on the part of Buyer or Seller, except that (i) the obligations of Buyer and Seller under Sections 6.2 (as to confidentiality), 6.8 (as to non-solicitation) and 10.2 (as to expenses) of this Agreement shall remain in full force and effect and (ii) termination shall not preclude either Buyer, on the one hand, or Seller, on the other, from suing the other for any breach of this Agreement.

ARTICLE IX
SURVIVAL; INDEMNIFICATION

Section 9.1. *Survival.*

(a) The representations and warranties of the Seller and of the Buyer contained in this Agreement shall, without regard to any investigation made by any party, survive the Closing Date until eighteen (18) months thereafter; provided, however, that (i) the representations and warranties set forth in Section 3.1, Section 3.3 and Section 4.15 shall survive indefinitely and (ii) the representations and warranties set forth in Section 4.11 shall survive for a period of ninety (90) days after the expiration of the applicable statute of limitations.

(b) No claim for Damages or other relief of any kind (including a claim under Sections 9.2(a)(i) or 9.3(a)(i)) arising out of or relating to any breach of representation or warranty under this Agreement (except, in all cases, for claims alleging fraud or intentional misrepresentation) may be brought unless suit thereon is filed, or a written notice describing the nature of the claim, the theory of liability or the nature of the relief sought and the material factual assertions upon which the claim is based is given to the other party, before the termination of the Survival Period.

(c) The survival period of each representation or warranty is provided in Section 9.1(a) and is referred to herein as the "*Survival Period*." Notwithstanding the foregoing, any representation or warranty that would otherwise terminate shall survive for any Damages with respect to which such suit thereon is filed or of which notice describing the nature of the claim, the theory of liability, or the nature of the relief sought and the material factual assertions upon which the claim is based is given pursuant to this Agreement prior to the end of the Survival Period until the matter is finally resolved and any related Damages are paid.

Section 9.2. *Indemnification by Seller.*

(a) Except as otherwise provided in Article X below, Seller shall defend, indemnify and hold Buyer, its Affiliates and respective successors and permitted assigns, and their respective shareholders, members, partners (general and limited), officers, directors, managers, employees, agents, and representatives, and each of their heirs, executors, successors and assigns ("*Buyer Indemnified Parties*") harmless from and against and in respect of any and all actual damages relating to any demands, claims, lawsuits, causes of action, losses, investigations and other proceedings (whether or not before a Governmental Entity and whether or not brought by a third party), including reasonable attorney's fees, court costs and other documented out-of-pocket expenses incurred investigating or preparing the foregoing, but excluding in all cases any special, indirect, incidental, consequential, or punitive damages (except for reasonable attorney's fees, court costs and other documented out-of-pocket expenses incurred investigating or preparing the foregoing) (collectively, "*Damages*") which arise out of (i) any breach of any of the representations and warranties contained in Article III and Article IV hereof (except for the representations and warranties set forth in Section 4.14 which shall be governed by Section 9.2(a)(iv) below), (ii) any breach of any of the covenants of Seller in this Agreement, (iii) any Employee Liabilities or any contributions, payments or other obligations arising out of the administration, sponsorship or participation of the Current LIG Employees and former employees of the LIG Companies in any Benefit Plan, (iv) (A) Environmental Liabilities relating to the ownership or operations of the Business or the assets of the LIG Companies prior to the Closing Date, (B) any breach of the representations and warranties set forth in Section 4.14 or (C) any Environmental Liabilities to the extent arising from the treatment, disposal or arranging for disposal of Hazardous Substances on or prior to the Closing Date by, or on behalf of, any LIG Company at any location not owned or leased by any LIG Company; (v) fines or penalties required to be paid by or to a Governmental Entity pertaining to the ownership or operations of the LIG Companies or their assets on or prior to the Closing Date (other than those included in clause (xi) of this Section 9(a); (vi)(A) any Action pending or which may be asserted with respect to the matters listed on *Schedule 4.8* or (B) any personal or property loss claims arising from the ownership or operations of the LIG

Companies of their assets or the Business prior to the Closing Date, whether or not such claims are pending or otherwise asserted prior to the Closing Date, (vii) any liabilities of any LIG Company to Seller or any of its Affiliates or their respective shareholders, members, officers, managers or partners (past or present) (other than obligations to persons employed by Buyer that arise after the Closing and are not otherwise the responsibility of Seller under this Agreement or obligations pursuant to the agreements and arrangements set forth on *Schedule 6.13*) to the extent arising in or attributable to the period prior to the Closing Date, (viii) liabilities arising from or relating to real, personal or intangible rights or properties that were previously owned by any LIG Company but are not owned by a LIG Company on the Closing Date, including liabilities relating to contracts or agreements to which a LIG Company was a party that are expired, terminated or otherwise of no legal effect as of the Closing Date; (ix) any liabilities under any Contract relating to a breach, misallocation, calculation error, rate refund, measurement problem or similar event relating to performance under such Contract prior to the Closing Date; provided that any such liabilities shall be offset from any positive impact of a similar type issue or matter under such Contract; *provided*, that Seller's indemnity obligation under this Section 9.2(a)(ix) shall expire on the second anniversary of the Closing Date; (x) any obligations or liabilities with respect to the matters set forth in Section 6.14 other than as set forth in the last sentence of Section 6.14, with a breach of the covenant in such sentence to be governed by Section 10.1(a); (xi) any fines, penalties or assessments imposed by Governmental Entities arising from or related to those matters described in *Schedules 4.9* (excluding Item 2) and *4.14* (excluding the Walsh Watts matter set forth on *Schedule 4.14* (the "*Walsh Watts Matter*")), which shall not be subject to Seller's Threshold; and (xii) any Damages incurred in connection with the Walsh Watts Matter; provided that such indemnity shall be subject to the provisions set forth in Section 9.2(b)(iv)(E), (F), (G), and (H).

(b) The foregoing obligation to indemnify Buyer Indemnified Parties set forth in Section 9.2(a) shall be subject to each of the following limitations:

(i) Seller's indemnification obligations under Section 9.2(a)(i) shall be subject to the Survival Period limitations set forth in Section 9.1.

(ii) No reimbursement or payment for any Damages asserted against Seller under Section 9.2(a)(i) above shall be required unless and until the cumulative aggregate amount of such Damages equals or exceeds one and one-half percent (1.5%) of the Final Purchase Price (the "*Seller's Threshold*") and then only to the extent that the cumulative aggregate amount of Damages, as finally determined, exceeds the Seller's Threshold; provided that in calculating Seller's Threshold any Damages which individually total less than Fifty Thousand United States Dollars (US $50,000) each ("*De Minimis Buyer Losses*") shall be excluded in their entirety and Seller in any event shall have no liability hereunder to any Buyer Indemnified Parties for any such *De Minimis* Buyer Losses regardless of the status of the Seller's Threshold; provided further, that Damages totaling less than $50,000, but arising from or related to a common occurrence or related events will be aggregated and such aggregated amount shall not, if in excess of $50,000, be treated as a *De Minimis* Buyer Loss.

(iii) Seller shall not be liable for any Damages to the extent that Buyer collects such Damages under the Equitable Indemnity. Buyer is not obligated to file suit or undertake other legal action under Equitable Indemnity before seeking indemnity from Seller.

(iv) Seller's indemnification obligations set forth in Section 9.2(a)(iv) are subject to the additional limitations set forth below:

(A) Except with respect the indemnification obligations set forth in Section 9.2(a)(iv)(C), (i) Seller shall only be liable for Environmental Liabilities to the extent that a written claim is provided to Seller in a reasonably detailed written communication prior to the second anniversary of the Closing Date and Buyer shall afford the Seller a reasonable opportunity to

evaluate the conditions giving rise to such claim and (ii) Seller shall only be liable for breaches of the representations and warranties set forth in Section 4.14 to the extent that a written claim is provided to Seller in accordance with Section 9.1(b) prior to the end of the Survival Period; *provided*, *that*, if a claim under Section 9.2(a)(iv)(A) or (C) could also constitute a breach of a representation or warranty under Section 4.14, Buyer is not precluded from making after such Survival Period a claim under Section 9.2(a)(iv)(A) or (C) so long as Buyer is in compliance with the provisions and procedures for making such a claim under this Agreement.

(B) Except with respect to the indemnification obligations set forth in Section 9.2(a)(iv)(C), Seller shall not be liable for any Damages except to the extent that the aggregate amount of such Damages exceeds $800,000 (the "*Environmental Indemnity Threshold*") and then Seller shall only be liable for $^{2}/_{3}$ of the next $5,000,000 in Damages (in excess of the Environmental Indemnity Threshold) and then 100% of Damages incurred in excess of $5,800,000 of Damages in the aggregate (the "*Environmental Contribution Percentage*") until the Environmental Indemnity Cap (as defined below).

(C) Except with respect the indemnification obligations set forth in Section 9.2(a)(iv)(C), Seller's indemnification obligation under Section 9.2(a)(iv) shall not exceed $6,000,000 (the "*Environmental Indemnity Cap*").

(D) Except with respect the indemnification obligations set forth in Section 9.2(a)(iv)(C), Seller shall not be liable for any Damages which individually total less than Fifty Thousand United States Dollars (US $50,000) each ("*De Minimis Environmental Losses*"). *De Minimis* Environmental Losses shall be excluded in their entirety from the Environmental Indemnity Threshold and Seller in any event shall have no liability hereunder to any Buyer Indemnified Party for any such *De Minimis* Environmental Losses regardless of the status of the Environmental Indemnity Threshold;*provided*, *however*, that Environmental Losses totaling less than $50,000, but arising from or related to a common occurrence or common circumstances, will be aggregated and such aggregated amount shall not, if in excess of $50,000, be treated as a *De Minimis* Environmental Loss.

(E) Seller shall not be responsible for any Damages that arise out of any action to meet a cleanup or remedial standard under Environmental Law that is more stringent or costly than necessary for the continued use of any property or facility as it was last used by any of the LIG Companies prior to the Closing Date under Environmental Laws applicable as of the Closing Date.

(F) Seller shall not be responsible for any costs of any post-Closing construction, demolition or renovation of any facilities owned, leased or operated by any of the LIG Companies including any asbestos abatement obligations arising from such activities.

(G) Seller shall not be liable for any Damages to the extent such Damages relate to or arise from any matter that is specifically subject to TRC Arrangements and to the extent actually paid or remediated thereunder and Buyer shall be obligated to pursue any recovery under such TRC Arrangements prior to making any claim for indemnification of those Damages under Section 9.2(a)(iv) or the Walsh Watts Matter.

(H) Seller, shall be entitled, but not obligated, to undertake and control, with the Buyer Indemnified Parties' reasonable participation, any investigation, remediation or other action required by Environmental Law (and any negotiation with Governmental Entities regarding same) with respect to such matter covered by the indemnification provisions of Section 9.2(a)(iv) or the Walsh Watts Matter, but in doing so it must avoid any material interference with the operations of the LIG Companies. The Buyer Indemnified Parties shall

cause the LIG Companies to afford the Seller reasonable access to any relevant property or facility to undertake any such investigation, remediation or other action (it being understood that if Seller does not assume responsibility for undertaking actions pursuant to this subsection, the Buyer Indemnified Parties may undertake, with the Seller's reasonable oversight and participation, in good faith, to complete such actions in a reasonably cost effective manner). Seller will indemnify Buyer and the LIG Companies from and against any Damages related to or arising from Seller's or its agents' or employees' performance of the remediation work or their presence on the premises of Buyer or the LIG Companies.

(v) Seller's indemnification obligations set forth in Section 9.2(a)(iv)(C), 9.2(a)(v), 9.2(a)(vi)(B), and 9.2(a)(viii) shall be subject to the additional limitations set forth below:

(A) Seller shall only be liable for Damages with respect to such sections to the extent that a written claim is provided to Seller in a reasonably detailed written communication prior to the second anniversary of the Closing Date and Buyer shall afford the Seller a reasonable opportunity to evaluate the conditions giving rise to such claim.

(B) No reimbursement or payment for any Damages asserted against Seller under such sections shall be required unless and until the cumulative aggregate amount of such Damages for all indemnification claims made under such sections equals or exceeds $2,000,000 (the "*Special Indemnity Threshold*") and then Seller shall be liable only to the extent that the cumulative aggregate amount of Damages exceeds the Special Indemnity Threshold; provided that in calculating the Special Indemnity Threshold any Damages which individually total less than Fifty Thousand United States Dollars (US $50,000) each ("*De Minimis Special Indemnity Losses*") shall be excluded in their entirety and Seller in any event shall have no liability hereunder to any Buyer Indemnified Parties for any such*De Minimis* Special Indemnity Losses regardless of the status of the Special Indemnity Threshold; provided further, that Damages totaling less than $50,000, but arising from or related to a common occurrence or related events will be aggregated and such aggregated amount shall not, if in excess of $50,000, be treated as a *De Minimis* Special Indemnity Loss.

(c) Notwithstanding anything to the contrary contained in this Agreement, with the exception of the Tax indemnification provisions of Article X, Sellers' aggregate liability to Buyer and its Affiliates for all Damages (including any Damages incurred to the Environmental Cap) under or relating to this Agreement and the Transition Services Agreement and the transactions contemplated hereby and thereby shall not exceed $38,100,000.

(d) The indemnities provided in this Section 9.2 shall survive the Closing. Absent an action relating to fraud, the indemnity provided in this Section 9.2 shall be the sole and exclusive remedy of the indemnified party against the indemnifying parties at law or equity for any matter covered by Section 9.2(a).

(e) Except as otherwise set forth in Section 9.2, Buyer shall give Seller prompt written notice of any third party claim which may give rise to any indemnity obligation under this Section, together with the estimated amount of such claim, and Seller shall have the right to assume the defense of any such claim through counsel of its own choosing, by so notifying Buyer within sixty (60) days of receipt of Buyer's written notice; *provided*, *however*, that Seller's counsel shall be reasonably satisfactory to Buyer. Failure to give prompt notice shall not affect the indemnification obligations hereunder in the absence of actual prejudice. If Buyer desires to participate in, but not control, any such defense assumed by Seller, it may do so at its sole cost and expense. If Seller declines to assume any such defense, it shall be liable for all reasonable costs and expenses of defending such claim incurred by Buyer, including reasonable fees and disbursements of counsel in the event it is ultimately determined that Seller is liable for such claim pursuant to the terms of this Agreement. No party shall, without the prior written consent of the other parties, which shall not be unreasonably withheld, settle, compromise or offer to

settle or compromise any such claim or demand on a basis which would result in the imposition of a consent order, injunction or decree which would restrict the future activity or conduct of the other parties or any Subsidiary or Affiliate thereof or if such settlement or compromise does not include an unconditional release of the other parties for any liability arising out of such claim or demand or any related claim or demand. The foregoing provision shall not apply to Seller's control of the matters set forth in *Schedule 4.8* which shall be governed by Section 6.3(e),

(f) Notwithstanding anything to the foregoing set forth in Section 9.2(a) or anywhere else in this Agreement, Seller shall have no indemnification obligation to Buyer with respect to any Damages regarding Pipeline Integrity.

Section 9.3. *Indemnification by Buyer.*

(a) Except as otherwise provided in Article X below, Buyer shall defend, indemnify and hold Seller, its respective successors and permitted assigns, and its respective shareholders, members, partners (general and limited), officers, directors, managers, employees, agents, and representatives, and each of their heirs, executors, successors and assigns ("*Seller Indemnified Parties*") harmless from and against and in respect of any and all Damages arising out of (i) any breach of any of the representations and warranties contained in Article V hereof and made on the date hereof, (ii) any breach of any of the covenants of Buyer in this Agreement, (iii) all obligations and liabilities of whatever kind and nature, primary or secondary, direct or indirect, absolute or contingent, known or unknown, whether or not accrued, relating to the operation of the Business on or after the Closing Date and (iv) any extraordinary transactions (other than any such transactions expressly required by applicable Law or expressly provided for pursuant to this Agreement) effected by or with respect to the LIG Companies on the Closing Date that result in a Tax liability in excess of Tax liability associated with the conduct of the business in the ordinary course. Seller shall give Buyer prompt written notice of any third party claim which may give rise to any indemnity obligation under this Section, together with the estimated amount of such claim, and Buyer shall have the right to assume the defense of any such claim through counsel of its own choosing, by so notifying Seller within sixty (60) days of receipt of Seller's written notice; *provided*, *however*, that Buyer's counsel shall be reasonably satisfactory to Seller. Failure to give prompt notice shall not affect the indemnification obligations hereunder in the absence of actual prejudice. If Seller desires to participate in any such defense assumed by Buyer it may do so at its sole cost and expense. If Buyer declines to assume any such defense, it shall be liable for all costs and expenses of defending such claim incurred by Seller, including reasonable fees and disbursements of counsel. No party shall, without the prior written consent of the other parties, which shall not be unreasonably withheld, settle, compromise or offer to settle or compromise any such claim or demand on a basis which would result in the imposition of a consent order, injunction or decree which would restrict the future activity or conduct of the other parties or any Subsidiary or Affiliate thereof or if such settlement or compromise does not include an unconditional release of the other parties for any liability arising out of such claim or demand.

(b) The foregoing obligation to indemnify Seller Indemnified Parties set forth in Section 9.3(a) shall be subject to each of the following limitations:

(i) Buyer's indemnification obligation for any breach of the representations and warranties described in Article V of this Agreement shall be subject to the Survival Period limitations set forth in Section 9.1.

(ii) No reimbursement for Damages asserted against Buyer under Section 9.3(a)(i), above shall be required unless and until the cumulative aggregate amount of such Damages equals or exceeds 1.5 percent (1.5%) of the Final Purchase Price (the "*Buyer Threshold*") and then only to the extent that the cumulative aggregate amount of Damages, as finally determined, exceeds said Buyer Threshold; provided that in calculating such Threshold any Seller's Losses which individually total less than Fifty Thousand United States Dollars (US $50,000) each ("*De Minimis Seller's*

Losses") shall be excluded in their entirety and Buyer in any event shall have no liability hereunder to any Seller Indemnified Party for any such *De Minimis* Seller's Losses regardless of the status of the Buyer Threshold; provided further, that Damages totaling less than $50,000, but arising from or related to a common occurrence or related events will be aggregated and such aggregated amount shall not, if in excess of $50,000, be treated as *De Minimis* Seller's Losses.

(iii) Notwithstanding anything to the contrary contained in this Agreement, with the exception of the indemnification provisions set forth in Sections 9.3(a)(iii) and (iv), Buyer's liability to Seller Indemnified Parties for Damages in excess of the Buyer Threshold under or relating to this Agreement and the Transition Services Agreement and the transactions contemplated hereby and thereby shall not exceed $38,100,000.

(c) The indemnities provided in this Section 9.3 shall survive the Closing. Absent an action for fraud, the indemnity provided in this Section 9.3 shall be the sole and exclusive remedy of the indemnified parties against the indemnifying party at law or equity for any matter covered by Section 9.3(a).

Section 9.4. *Indemnification Calculations; Mitigation.*

(a) The amount of any Damages for which indemnification is provided under this Article IX shall be computed net of any insurance proceeds received by the indemnified party in connection with such Damages.

(b) The parties agree that any indemnification payments made pursuant to this Agreement shall be treated for tax purposes as an adjustment to the Final Purchase Price, unless otherwise required by applicable Law.

(c) Each indemnified party agrees that it shall pursue in good faith claims under any applicable insurance policies and against other third parties who may be responsible for any losses or Damages and each party shall have a general duty to mitigate any Damages recoverable under this Agreement.

(d) The parties agree that the indemnification provisions set forth in this Article IX shall not apply to any Damages to the extent such Damages are accounted for in the calculations of the purchase price adjustments set forth in Section 2.2.

(e) From and after the Closing, neither Buyer nor Seller nor any of their Affiliates shall agree to make any changes or modifications to any of the TRC Arrangements without the other party's prior written consent (which shall not unreasonably be withheld or delayed).

ARTICLE X
TAX MATTERS

Section 10.1. *Tax Indemnification.*

(a) Seller shall indemnify and hold Buyer, the LIG Companies (and their successors) and Affiliates of Buyer harmless pursuant to the procedures set forth in Section 10.3 from (x) all liability for Taxes of the LIG Companies with regard to any taxable period ending on or before the Closing Date (the "*Pre-Closing Period*") and the portion ending on the Closing Date of any taxable period that begins before and ends after the Closing Date (a "*Straddle Period*"), (y) all Taxes arising out of or related to (i) a breach of any of the representations and warranties set forth in Section 4.11 of this Agreement, assuming for purposes of this Section 10.1(a)(y) that such representations and warranties were made as of the Closing Date, or (ii) a breach of the covenant set forth in the last sentence of Section 6.14 of this Agreement, and (z) all liability (as a result of Treas. Reg. §1.1502-6(a), or any similar provision of state, local or foreign Law) for Taxes of the Seller or any other person (other than the LIG Companies) as a result of the affiliation of any of the LIG Companies with Seller or any other Person prior to Closing. Notwithstanding anything to the contrary herein, Seller shall not be obligated to indemnify Buyer against any Taxes or liabilities pursuant to this Section 10.1(a) as a result of, or

based upon or arising from, any Tax, claim or liability to the extent such Tax, claim or liability is taken into account in determining the purchase price adjustment pursuant to Section 2.2.

(b) With respect to a Straddle Period, the portion of Taxes attributable to the portion of such Straddle Period beginning before (but not ending on) the Closing Date shall be calculated as though the Straddle Period terminated as of the close of business on the Closing Date; *provided*, *however*, that in the case of a Tax not based on income, receipts, proceeds, profits or similar items, such Taxes shall be equal to the amount of Tax for the Straddle Period multiplied by a fraction, the numerator of which shall be the number of days from the beginning of the taxable period through the Closing Date and the denominator of which shall be the number of days in the Straddle Period.

(c) Buyer shall indemnify and hold the Seller harmless pursuant to the procedures set forth in Section 10.3, from and against any and all Taxes of, or pertaining or attributable to, any of the LIG Companies with respect to any taxable period or portion of a Straddle Period that begins after the Closing Date.

Section 10.2. *Preparation and Filing of Tax Returns.*

(a) Except as may be required by Law, no amended Tax return shall be filed, and no change in any Tax accounting method or Tax election shall be made by, on behalf of, or with respect to the LIG Companies, for any Pre-Closing Period without the consent of the Seller, which may be withheld in the Seller's sole discretion. Seller shall prepare or cause to be prepared and file or cause to be filed all Tax Returns for the LIG Companies for all Pre-Closing Periods, and shall pay all Taxes due with respect to such Tax Returns.

(b) With respect to the taxable year which includes the Closing Date, all federal income and, to the extent permissible by Law, state income Tax Returns for the LIG Companies and their Subsidiaries shall be prepared in accordance with Treas. Reg. § 1.1502-76(b)(2)(i). Seller shall not make an election described in Treas. Reg. § 1.1502-76(b)(2)(ii) to ratably allocate items to be included in such Tax Returns. Buyer and Seller agree to report all transactions not in the ordinary course of business occurring on the Closing Date after Buyer's purchase of the LIG Companies' stock on Buyer's federal income Tax Return in accordance with Treas. Reg. § 1.1502-76(b)(1)(ii)(B).

(c) With respect to any Tax Return covering a Straddle Period that is required to be filed after the Closing Date with respect to any of the LIG Companies, Buyer shall cause such Tax Return to be prepared, and shall cause to be included in such Tax Return all Tax Items required to be included therein. Buyer shall prepare such Tax Return in a manner consistent with practices followed in prior years with respect to similar Tax Returns and in compliance with the Laws of each respective jurisdiction. At least forty-five (45) days prior to the due date (including any extensions) of such Tax Return, Buyer shall furnish a copy of such Tax Return to Seller. Buyer shall permit Seller to review and comment on such Tax Return and shall make such revisions to such Tax Return as reasonably requested by Seller. Buyer shall receive from Seller an amount equal to the portion of such Taxes which relates to the portion of such Straddle Period ending on the Closing Date ("*Allocable Tax*") no later than the due date of the Tax Return but only to the extent that such amount has not been given effect in the calculation of any purchase price adjustment pursuant to Section 2.2. Buyer shall refund to Seller any amount of Allocable Tax not properly allocable to Seller pursuant to the provisions of this Section 10.2(b), but only to the extent such amount has not been given effect in the calculation of any purchase price adjustment pursuant to Section 2.2. Buyer shall timely file such Tax Return with the appropriate Taxing Authority and pay all Taxes due with respect to such Tax Returns.

(d) In the event that a dispute arises between Seller and Buyer as to the amount of Taxes for a Straddle Period or any other issues with respect to a Tax Return covering the Straddle Period, the parties shall attempt in good faith to resolve such dispute. Upon resolution of any disputed items, the Buyer shall timely file such Tax Return and pay all Taxes due with respect to such Tax Return. If the dispute is not resolved by the time for filing of such Tax Return, the Buyer shall timely file the Tax

Return and pay the Taxes due, and the parties shall jointly request that the Neutral Auditor resolve any issue, which resolution shall be final, conclusive and binding on the parties. The scope of the Neutral Arbitrator's review shall be limited to the disputed items and the parties, shall, if necessary, file an amended Tax Return reflecting the final resolution of the disputed items. Notwithstanding anything in this Agreement to the contrary, the fees and expenses of the Neutral Auditor in resolving the dispute shall be borne one-half by Seller and one-half by Buyer. Any payment required to be made as a result of the resolution of the dispute by the Neutral Auditor shall be made within ten (10) days after such resolution, together with any interest determined by the Neutral Auditor to be appropriate. The Buyer shall not extend the statute of limitations with respect to any Tax Return of the LIG Companies for any Pre-Closing Period without the written consent of the Seller, such consent not to be unreasonably withheld.

(e) Buyer and Seller agree to provide such assistance as may reasonably be requested by such other party in connection with the preparation of any Tax Return, any audit or other examination by any Taxing Authority, or any judicial or administrative proceedings relating to liability for Taxes, and each will retain and provide the requesting party with any records or information which may be relevant to such return, audit or examination, proceedings or determination. Any information obtained pursuant to this Section 10.2(d) or pursuant to any other section hereof providing for the sharing of information relating to or review of any Tax Return or other schedule relating to Taxes shall be kept confidential by the parties hereto in accordance with Section 6.5(b).

Section 10.3. *Procedures Relating to Indemnification of Tax Claims.*

(a) If a claim shall be made by any Governmental Authority, for which Seller is or may be liable pursuant to this Agreement, the Buyer shall notify Seller in writing within ten (10) days of such claim (a "*Tax Claim*").

(b) With respect to any Tax Claim, Seller, at Seller's expense, shall control all proceedings taken in connection with such Tax Claim (including selection of counsel), and Buyer shall execute or cause to be executed powers of attorney or other documents necessary to enable Seller to take all actions desired by Seller with respect to such Tax Claim. Seller may in its sole discretion pursue or forego any and all administrative appeals, proceedings, hearings and conferences with any Taxing Authority with respect to such Tax Claim, and may initiate any claim for refund, file any amended return, or take any other action which is deemed appropriate by Seller with respect to such Tax Claim. Notwithstanding the foregoing, the Seller and Buyer shall jointly control all proceedings in connection with any Tax Claim relating solely to Taxes for a Straddle Period, and shall equally bear and pay costs and expenses related to such proceedings. No party shall settle a Tax Claim relating solely to Taxes of the LIG Companies for a Straddle Period without the other party's prior written consent (which consent may not be unreasonably withheld, conditioned or delayed; and which consent shall be considered to be unreasonably withheld if such settlement has no adverse effect on the other party).

(c) The Buyer and its Affiliates (including after the Closing, the LIG Companies), on the one hand, and the Seller, on the other hand, shall cooperate with each other in contesting any Tax Claim, which cooperation shall include, without limitation, the retention and, at the contesting party's request and expense, the provision of records and information which are reasonably relevant to such Tax Claim, and making employees available on a mutually convenient basis to provide additional information or explanation of any material provided hereunder or to testify at proceedings relating to such Tax Claim.

Section 10.4. *Tax Refunds and Credits.* Any refund or credits of Taxes paid or payable that are attributable to the LIG Companies for any Pre-Closing Period (or for any Straddle Period to the extent allocable (determined in a manner consistent with Section 10.2(b)) to the portion of such period beginning before and ending on the Closing Date) shall be for the account of the Seller, but only to the extent such amount has not been given effect in the calculation of any purchase price Adjustment pursuant to Section 2.2. Any refunds or credits of Taxes paid or payable that are attributable to the

LIG Companies for any other taxable period shall be for the account of the Buyer. The Buyer shall, if the Seller so requests and at the Seller's expense, shall cause the LIG Companies to file for and obtain any refunds or credits to which the Seller is entitled. The Buyer shall cause the LIG Companies to forward to the Seller any such refund within ten (10) days after the refund is received (or reimburse the Seller for any such credit within (10) days after the credit is applied against another Tax liability); provided, however, that the Seller shall indemnify the Buyer for any amount paid pursuant to this Section 10.4 if any such refund or credit is subsequently disallowed.

Section 10.5. *Tax Treatment of Payments.* The parties shall treat any indemnification payment made pursuant to this Agreement as a purchase price adjustment for Tax purposes.

Section 10.6. *Transfer Taxes.* All Transfer Taxes incurred in connection with this Agreement and the transactions that are to occur pursuant to this Agreement shall be borne by Buyer. Seller shall file, to the extent required by applicable Law, all necessary Tax Returns and other documentation with respect to such Transfer Taxes. Buyer shall pay Seller the amount shown as due on such Tax Returns, as determined in accordance with this Agreement, and shall, to the extent required by Law, join in the execution of any such Tax Return. Prior to the Closing Date, Buyer shall provide to Seller, to the extent possible, an appropriate exemption certificate in connection with this Agreement and the transactions, with respect to each applicable Taxing Authority. For purposes of this Agreement, "*Transfer Taxes*" shall mean transfer, documentary, sales, use, registration and other such taxes (including all applicable real estate transfer taxes).

Section 10.7. *Tax Elections.* Buyer and the LIG Companies (or their successors or Subsidiaries) shall not make or cause any of the LIG Companies (or their successors or Subsidiaries) to make an election pursuant to Treas. Reg. § 301.7701-3(c) or any comparable election for state, local or foreign Law purposes that will result in a change in entity classification for any of the LIG Companies or their Subsidiaries effective on or prior to the Closing Date.

ARTICLE XI
MISCELLANEOUS

Section 11.1. *Notices.* All communications provided for hereunder shall be in writing and shall be deemed to be given when delivered in person or by private courier with receipt, when telefaxed and received, or five (5) days after being deposited in the United States mail, first-class, registered or certified, return receipt requested, with postage paid and,

If to Buyer:

Crosstex Energy, L.P.
2501 Cedar Springs, Ste. 600
Dallas, Texas 75201
Attention: Jack Lafield
Facsimile: 214-953-9501

with a copy (which shall not itself constitute notice) to:

Hunton & Williams LP
1601 Bryan Street, 30th Floor
Dallas, Texas 75201
Attention: Joe Davis
Facsimile: 214-880-0011

If to Seller:

c/o AEP Resources, Inc.
1 Riverside Plaza
Columbus, OH 43215-2373
Attention: Secretary
Facsimile: 614-716-1687

with a copy (which shall not itself constitute notice) to:

c/o American Electric Power Company, Inc.
1 Riverside Plaza
Columbus, OH 43215-2373
Attention: Heather L. Geiger
Facsimile: 614-716-2014

-and-

c/o AEP Resources, Inc.
1201 Louisiana Street
Suite 1200
Houston, TX 77002-5600
Attention: Ed Gottlob
Jim Deidiker
Facsimile: 832-668-1114

-and-

Simpson Thacher & Bartlett LLP
425 Lexington Avenue
New York, New York 10017
Attention: Alan G. Schwartz, Esq.
Facsimile: 212-455-2502

or to such other address as any such party shall designate by written notice to the other parties hereto.

Section 11.2. *Expenses.* Seller, on the one hand on behalf of itself and the LIG Companies, and Buyer, on the other, shall each pay their respective expenses (such as legal, investment banker and accounting fees) incurred in connection with the origination, negotiation, execution and performance of this Agreement, *provided*, *however*, that Buyer shall be responsible for payment of all Transfer Taxes, as provided under Section 10.6, and for any filing fee under the Hart-Scott Act.

Section 11.3. *Non-Assignability.* This Agreement shall inure to the benefit of and be binding on the parties hereto and their respective successors and permitted assigns. This Agreement shall not be assigned by any party hereto without the express prior written consent of the other parties, and any attempted assignment, without such consent, shall be null and void. Notwithstanding the above, Buyer may assign this Agreement to an Affiliate of Buyer without prior consent, but any such assignment will not relieve the assignor from any liability hereunder without Seller's written consent.

Section 11.4. *Amendment; Waiver.* This Agreement may be amended, supplemented or otherwise modified only by a written instrument executed by each of the parties hereto. No waiver by any party of any of the provisions hereof shall be effective unless explicitly set forth in writing and executed by the party so waiving. Except as provided in the preceding sentence, no action taken pursuant to this Agreement, including without limitation, any investigation by or on behalf of any party, shall be deemed to constitute a waiver by the party taking such action of compliance with any representations, warranties, covenants or agreements contained herein, and in any documents delivered or to be

delivered pursuant to this Agreement and in connection with the Closing hereunder. The waiver by any party hereto of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach.

Section 11.5. *Third Parties.* This Agreement does not create any rights, claims or benefits inuring to any Person that is not a party hereto nor create or establish any third party beneficiary hereto.

Section 11.6. *Governing Law.* This Agreement and the rights and duties of the parties hereunder shall be governed by, and construed in accordance with, the laws of the State of New York, other than matters dealing with the ownership of real property or interests therein, which shall be governed by the laws of the state where such property is located.

Section 11.7. *Entire Agreement.* This Agreement and the Schedules and Exhibits hereto and the Confidentiality Agreement sets forth the entire understanding of the parties hereto with respect to the subject matter hereof.

Section 11.8. *Section Headings; Table of Contents.* The section headings contained in this Agreement and the Table of Contents to this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.

Section 11.9. *Severability.* If any provision of this Agreement shall be declared by any court of competent jurisdiction to be illegal, void or unenforceable, all other provisions of this Agreement shall not be affected and shall remain in full force and effect.

Section 11.10. *Counterparts.* This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument.

Section 11.11. *Further Assurances.* Upon request from time to time, Seller and Buyer shall execute and/or cause to be executed and delivered such other documents and instruments and shall do such other acts that may be reasonably necessary or desirable, to consummate the transactions contemplated hereby and to carry out the intent of this Agreement.

Section 11.12. *Schedules and Exhibits.* Any fact or item disclosed on any Schedule or Exhibit hereto shall not by reason only of such inclusion be deemed to be material and shall not be employed as a point of reference in determining any standard of materiality under this Agreement. In addition, matters reflected in the Schedules are not necessarily limited to matters required by this Agreement to be reflected in such Schedules, and any such additional matters are set forth for informational purposes only and do not necessarily include other matters of a similar nature. Disclosures included on one Schedule shall be deemed to be included on each Schedule to which such disclosure reasonably relates.

Section 11.13. *Specific Performance.* The parties hereto agree that irreparable damage would occur in the event of any provision of this Agreement was not performed in accordance with the terms hereof and that the parties shall be entitled to specific performance of the terms hereof, in addition to any other remedy at law or in equity.

Section 11.14. *Waiver of Jury Trial.* THE PARTIES HEREBY WAIVE ANY RIGHT TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY TRANSACTION CONTEMPLATED HEREBY, WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE. THE PARTIES AGREE THAT ANY OF THEM MAY FILE A COPY OF THIS PARAGRAPH WITH ANY COURT AS WRITTEN EVIDENCE OF THE KNOWING, VOLUNTARY AND BARGAINED-FOR AGREEMENT AMONG THE PARTIES IRREVOCABLY TO WAIVE TRIAL BY JURY AND THAT ANY ACTION OR PROCEEDING WHATSOEVER BETWEEN THEM RELATING TO THIS AGREEMENT OR ANY TRANSACTION

CONTEMPLATED HEREBY SHALL INSTEAD BE TRIED IN A COURT OF COMPETENT JURISDICTION BY A JUDGE SITTING WITHOUT A JURY.

[SIGNATURE PAGE FOLLOWS]

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

AEP ENERGY SERVICES INVESTMENTS, INC.

By: /s/ THOMAS V. SHOCKLEY, III

Name: Thomas V. Shockley, III
Title: President

CROSSTEX ENERGY, L.P.
By: Crosstex Energy GP, L.P.,
its general partner

By: Crosstex Energy GP, LLC
its general partner

By: /s/ JACK M. LAFIELD

Name: Jack M. Lafield
Title: Executive Vice President

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Exhibit 2.2

FIRST AMENDMENT TO PURCHASE AND SALE AGREEMENT

This FIRST AMENDMENT (this "*Amendment*") made as of February 13, 2004 to the Purchase and Sale Agreement dated as of February 13, 2004 (the "*Purchase and Sale Agreement*") is by and between AEP Energy Services Investments, Inc. ("*Seller*") and Crosstex Energy, LP ("*Buyer*").

W I T N E S S E T H:

WHEREAS, Seller and Buyer are parties to the Purchase and Sale Agreement;

WHEREAS, Seller and Buyer desire to amend the Purchase and Sale Agreement as set forth in this Amendment; and

WHEREAS, pursuant to Section 11.4 of the Purchase and Sale Agreement, any amendment, modification or supplement to the Purchase and Sale Agreement requires the written agreement of Seller and Buyer.

NOW, THEREFORE, in consideration of the mutual promises and covenants contained herein, the parties, intending legally to be bound, agree as follows:

1. *Section 6.1(i).* Section 6.1(i) of the Purchase and Sale Agreement is hereby deleted in its entirety and replaced with the following:

> (i) except for those identified on Schedule 6.1(i), make any capital expenditure or make any commitment to make any capital expenditure in excess of $50,000; *provided, however*, that the foregoing shall not apply to any expenditure or commitment to make any expenditure relating to the construction of well connects which is less than $100,000;

2. *Section 6.6(a)(i).* The second sentence of Section 6.6(a)(i) of the Purchase and Sale Agreement is hereby deleted in its entirety and replaced with the following:

> As soon as practicable after the date of execution of this Agreement, but not later than twenty (20) calendar days prior to the Closing Date, Buyer shall extend offers of employment or continued employment, as the case may be, to not less than seventy-five percent (75%) of the Current LIG Employees.

3. *References.* All references to "this Agreement" in the Purchase and Sale Agreement or to the words "hereof," "hereunder" or "herein" or words of similar effect in the Purchase and Sale Agreement shall mean the Purchase and Sale Agreement as amended hereby.

4. *Definitions.* All capitalized terms not otherwise defined in this Amendment shall have the meanings set forth in the Purchase and Sale Agreement.

5. *Headings.* The headings of the sections of this Amendment are inserted as a matter of convenience and for reference purposes only and in no respect define, limit or describe the scope of this Amendment or the intent of any section.

6. *Counterparts.* This Amendment may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one agreement binding on Buyer and Seller, notwithstanding that not all parties hereto are signatories to the same counterpart.

7. *Governing Law.* This Amendment shall be governed by, and construed in accordance with, the laws of the State of New York.

8. *No Other Amendments.* Except as expressly amended hereby, the terms and conditions of the Purchase and Sale Agreement shall continue in full force and effect.

[*Signature page follows*]

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

AEP ENERGY SERVICES INVESTMENTS, INC.

By:
/s/ JEFF CROSS

Name: Jeff Cross
Title: Vice President

CROSSTEX ENERGY, L.P.
By: Crosstex Energy GP, L.P.,
its general partner

By: Crosstex Energy GP, LLC
its general partner

By:
/s/ JACK M. LAFIELD

Name: Jack M. Lafield
Title: Executive Vice President

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Exhibit 2.3

SECOND AMENDMENT TO PURCHASE AND SALE AGREEMENT

This SECOND AMENDMENT (this "*Amendment*") made as of April 1, 2004 to the Purchase and Sale Agreement dated as of February 13, 2004 by and between AEP Energy Services Investments, Inc. ("*Seller*") and Crosstex Energy, L.P. ("*Crosstex*"), as amended by the First Amendment to Purchase and Sale Agreement dated as of February 13, 2004 by and between Seller and Crosstex (as amended, the "*Purchase and Sale Agreement*") is by and between Seller and Crosstex Louisiana Energy, L.P. ("*Buyer*").

W I T N E S S E T H:

WHEREAS, Seller and Crosstex are parties to the Purchase and Sale Agreement;

WHEREAS, pursuant to Section 11.3 of the Purchase and Sale Agreement, Crosstex has assigned all of its right, title and interest in and to the Purchase and Sale Agreement to Buyer, an Affiliate of Crosstex;

WHEREAS, Seller and Buyer desire to amend the Purchase and Sale Agreement as set forth in this Amendment; and

WHEREAS, pursuant to Section 11.4 of the Purchase and Sale Agreement, any amendment, modification or supplement to the Purchase and Sale Agreement requires the written agreement of Seller and Buyer.

NOW, THEREFORE, in consideration of the mutual promises and covenants contained herein, the parties, intending legally to be bound, agree as follows:

1. *Section 6.22*. Section 6.22 of the Purchase and Sale Agreement is hereby deleted in its entirety and replaced with the following:

Section 6.22. *Properties Held by Affiliates.* (a) There are no properties or assets (real, personal or intangible) that are used in the Business that are not owned or leased by the LIG Companies (other than the TRC Arrangements, which are the subject of Section 6.21, and software license agreements, which are the subject of Section 6.22(b)). *Schedule 6.22* sets forth a description of all property and assets (real, personal and intangible) that are (i) used in the Business, (ii) leased by the LIG Companies and (iii) guaranteed by an Affiliate of the LIG Companies (the "*Affiliate Transfer Assets*"). Prior to Closing, Seller will cause the LIG Companies to obtain fee-owned title to the Affiliate Transfer Asset for which CBI is the lessor through a buyout of the remaining leasehold interest in such Affiliate Transfer Assets free and clear of all Liens, other than Permitted Liens, and in accordance with the terms and conditions of the underlying lease of such Affiliate Transfer Assets. In addition, prior to the Closing, Buyer shall, with the cooperation of Seller, obtain fee-owned title in the name of Buyer or its Affiliates to the Affiliate Transfer Assets for which BLC is the lessor through a buyout (with payment made by Buyer) of the remaining leasehold interest in such Affiliate Transfer Assets in accordance with the terms and conditions of the underlying lease of such Affiliate Transfer Assets. In connection with the foregoing buyouts of the Affiliate Transfer Assets, it is acknowledged and understood by Buyer that any Financing Statement Amendments (UCC-3's) representing the termination of any Liens affecting any of the Affiliate Transfer Assets arising from either CBI and its assignees or BLC and its assignees solely in their capacity as lessor of the Affiliate Transfer Assets may not be duly recorded until after the Closing Date; provided that Buyer and Seller will reasonably cooperate to cause the prompt filing of the UCC-3's.

(b) With respect to computer software used in the Business but for which Seller can not produce or provide to Buyer valid and binding licenses therefor, Seller shall owe to Buyer an amount equal to $29,307.21, which amount shall be included or offset, as the case may be, in the Adjustment Amount under Section 2.2(c)(iv) of this Agreement.

2. *Section 6.23*. Section 6.23 of the Purchase and Sale Agreement is hereby deleted in its entirety.

3. *Schedule 6.23*. *Schedule 6.23* to the Purchase and Sale Agreement is hereby deleted in its entirety.

4. *Section 2.5(b)*. Section 2.5(b) to the Purchase and Sale Agreement is hereby deleted in its entirety and replaced with the following:

(b) certificates from the Louisiana Department of Revenue and Taxation confirming that each of the LIG Companies (except for LIG Pipeline Company and LIG Inc., which are not registered with the Louisiana Secretary of State as foreign corporations conducting business in Louisiana) is in "good standing" with the Louisiana Department of Revenue and Taxation each dated within ten (10) days of Closing Date

5. *Side Letter Agreement.*

(a) The word "and" that appears as the last word of Section 2.4(f) is hereby deleted, Section 2.4(g) is hereby amended to be Section 2.4(h), and the following is hereby inserted before Section 2.4(h):

(g) that letter agreement dated as of Closing between AEP Energy Services, Inc. and Buyer in the form attached hereto as Schedule 2.4(g) (the "*Side Letter*"), executed by Buyer; and

(b) the word "and" that appears as the last word of Section 2.5(q) is hereby deleted, Section 2.5(r) is hereby amended to be Section 2.5(s), and the following is hereby inserted before Section 2.5(s):

(r) the Side Letter, executed by AEP Energy Services, Inc; and

6. *References*. All references to "this Agreement" in the Purchase and Sale Agreement or to the words "hereof," "hereunder" or "herein" or words of similar effect in the Purchase and Sale Agreement shall mean the Purchase and Sale Agreement as amended hereby.

7. *Definitions*. All capitalized terms not otherwise defined in this Amendment shall have the meanings set forth in the Purchase and Sale Agreement.

8. *Headings*. The headings of the sections of this Amendment are inserted as a matter of convenience and for reference purposes only and in no respect define, limit or describe the scope of this Amendment or the intent of any section.

9. *Counterparts*. This Amendment may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one agreement binding on Buyer and Seller, notwithstanding that not all parties hereto are signatories to the same counterpart.

10. *Governing Law*. This Amendment shall be governed by, and construed in accordance with, the laws of the State of New York.

11. *No Other Amendments.* Except as expressly amended hereby, the terms and conditions of the Purchase and Sale Agreement shall continue in full force and effect.

[*Signature page follows*]

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

AEP ENERGY SERVICES INVESTMENTS, INC.

By:
/s/ RONALD A. ERD

Name: Ronald A. Erd
Title: Vice President

CROSSTEX LOUISIANA ENERGY, L.P.

By: Crosstex Operating GP, LLC,
its general partner

By:
/s/ JACK M. LAFIELD

Jack M. Lafield
Title: Executive Vice President

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Exhibit 3.2

SECOND AMENDED AND RESTATED

AGREEMENT OF LIMITED PARTNERSHIP

OF

CROSSTEX ENERGY, L.P.

TABLE OF CONTENTS

SECOND AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP OF CROSSTEX ENERGY, L.P.

THIS SECOND AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP OF CROSSTEX ENERGY, L.P. dated as of March 29, 2004, is entered into by and among Crosstex Energy GP, L.P., a Delaware limited partnership, as the General Partner, and Crosstex Energy, Inc., a Delaware corporation, as the Organizational Limited Partner, together with any other Persons who become Partners in the Partnership or parties hereto as provided herein. In consideration of the covenants, conditions and agreements contained herein, the parties hereto hereby agree as follows:

ARTICLE I

DEFINITIONS

Section 1.1 *Definitions.*

The following definitions shall be for all purposes, unless otherwise clearly indicated to the contrary, applied to the terms used in this Agreement.

"*Acquisition*" means any transaction in which any Group Member acquires (through an asset acquisition, merger, stock acquisition or other form of investment) control over all or a portion of the assets, properties or business of another Person for the purpose of increasing the operating capacity or revenues of the Partnership Group from the operating capacity or revenues of the Partnership Group existing immediately prior to such transaction.

"*Additional Limited Partner*" means a Person admitted to the Partnership as a Limited Partner pursuant to Section 10.4 and who is shown as such on the books and records of the Partnership.

"*Adjusted Capital Account*" of a Partner means the Capital Account maintained for such Partner adjusted as provided herein. The balance of an Adjusted Capital Account at any time is the balance of the Capital Account at such time (a) increased by any amounts that such Partner is obligated at such time to restore under the standards set by Treasury Regulation Section 1.704-1(b)(2)(ii)(c) (or is deemed obligated to restore under Treasury Regulation Sections 1.704-2(g) and 1.704-2(i)(5)) and (b) decreased by (i) the amount of losses and deductions that are reasonably expected at such time to be allocated to such Partner in subsequent taxable periods of the Partnership under Sections 704(e)(2) and 706(d) of the Code and Treasury Regulation Section 1.751-1(b)(2)(ii), and (ii) the amount of all distributions that are reasonably expected at such time to be made to such Partner in subsequent taxable periods to the extent they exceed offsetting increases to such Partner's Capital Account that are reasonably expected to occur during (or prior to) the taxable period in which such distributions are reasonably expected to be made (other than increases as a result of a minimum gain chargeback pursuant to Section 6.1(d)(i) or 6.1(d)(ii)). The foregoing definition of Adjusted Capital Account is intended to comply with the provisions of Treasury Regulation Section 1.704-1(b)(2)(ii)(d) and shall be interpreted consistently therewith. The "Adjusted Capital Account" in respect of a General Partner Interest, a Common Unit, a Subordinated Unit or an Incentive Distribution Right or any other Partnership Interest shall be the amount which the Adjusted Capital Account of a Partner would be if such Partnership Interest were the only interest in the Partnership held by that Partner from and after the date on which such Partnership Interest was first issued.

"*Adjusted Operating Surplus*" means, with respect to any period, Operating Surplus generated during such period (a) less (i) any net increase in Working Capital Borrowings with respect to such period and (ii) any net reduction in cash reserves for Operating Expenditures with respect to such period not relating to an Operating Expenditure made with respect to such period, and (b) plus (i) any net decrease in Working Capital Borrowings with respect to such period, and (ii) any net increase in cash reserves for Operating Expenditures with respect to such period required by any debt instrument

for the repayment of principal, interest or premium. Adjusted Operating Surplus does not include that portion of Operating Surplus included in clause (a)(i) of the definition of Operating Surplus.

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

"*Agreed Allocation*" means any allocation, other than a Required Allocation, of an item of income, gain, loss or deduction pursuant to the provisions of Section 6.1.

"*Agreed Value*" of any item of property means the fair market value of such item of property as determined by the General Partner using such reasonable method of valuation as it may adopt. The General Partner shall, in its discretion, use such method as it deems reasonable and appropriate to allocate the aggregate Agreed Value of one or more properties that are contributed to the Partnership in a single or integrated transaction among each separate property on a basis proportional to the fair market value of each such item of property.

"*Agreement*" means this Second Amended and Restated Agreement of Limited Partnership of Crosstex Energy, L.P., as it may be amended, supplemented or restated from time to time.

"*Assignee*" means a Non-citizen Assignee or a Person to whom one or more Limited Partner Interests have been transferred in a manner permitted under this Agreement and who has executed and delivered a Transfer Application as required by this Agreement, but who has not been admitted as a Substituted Limited Partner.

"*Associate*" means, when used to indicate a relationship with any Person, (a) any corporation or organization of which such Person is a director, officer or partner or is, directly or indirectly, the owner of 20% or more of any class of voting stock or other voting interest; (b) any trust or other estate in which such Person has at least a 20% beneficial interest or as to which such Person serves as trustee or in a similar fiduciary capacity; and (c) any relative or spouse of such Person, or any relative of such spouse, who has the same principal residence as such Person.

"*Available Cash*" means, with respect to any Quarter ending prior to the Liquidation Date:

(a) the sum of (i) all cash and cash equivalents of the Partnership Group on hand at the end of such Quarter, and (ii) all additional cash and cash equivalents of the Partnership Group on hand on the date of determination of Available Cash with respect to such Quarter resulting from Working Capital Borrowings made subsequent to the end of such Quarter, less

(b) the amount of any cash reserves that are necessary or appropriate in the reasonable discretion of the General Partner to (i) provide for the proper conduct of the business of the Partnership Group (including reserves for future capital expenditures and for anticipated future credit needs of the Partnership Group) 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 any Group Member is a party or by which it is bound or its assets are subject and (iii) provide funds for distributions under Section 6.4 or 6.5 in respect of any one or more of the next four Quarters; provided, however, that the General Partner may not establish cash reserves pursuant to (iii) above if the effect of such reserves would be that the Partnership is unable to distribute the Minimum Quarterly Distribution on all Common Units, plus any Cumulative Common Unit Arrearage on all Common Units, with respect to such Quarter; and, provided further, that disbursements made by a Group Member 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.

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

"*Book-Down Event*" means an event after which a negative adjustment is made to the aggregate Carrying Values of the assets of the Partnership pursuant to Section 5.5(d).

"*Book-Up Event*" means an event after which a positive adjustment is made to the aggregate Carrying Values of the assets of the Partnership pursuant to Section 5.5(d).

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

"*Capital Account*" of a Partner is maintained as provided in Section 5.5. The "*Capital Account*" in respect of a General Partner Interest, a Common Unit, a Subordinated Unit, an Incentive Distribution Right or other Partnership Interest is the Capital Account that would be maintained if such Partnership Interest were the only interest in the Partnership held by a Partner from and after the date on which such Partnership Interest was first issued.

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

"*Capital Improvement*" means any (a) addition or improvement to the capital assets owned by any Group Member or (b) acquisition of existing, or the construction of new, capital assets (including, without limitation, natural gas gathering or transmission pipelines and natural gas treating or processing plants and natural gas liquids pipelines, fractionation plants and storage and distribution facilities and related assets), in each case if such addition, improvement, acquisition or construction is made to increase the operating capacity or revenues of the Partnership Group from the operating capacity or revenues of the Partnership Group existing immediately prior to such addition, improvement, acquisition or construction.

"*Capital Surplus*" has the meaning assigned to such term in Section 6.3(a).

"*Carrying Value*" of an item of Partnership property immediately after the Closing Date is the fair market value of such item of Partnership property as determined by the General Partner using such reasonable method of valuation as it may adopt. For purposes hereof, the Partnership shall be treated as owning directly its share (as determined by the General Partner) of all property owned by the Operating Partnership or any other Subsidiary that is classified as a partnership or is disregarded for federal income tax purposes. The Carrying Value of any item of Partnership property shall be adjusted from time to time as provided in Section 5.5(b) and Section 5.5(d). The Carrying Value of an item of property that is acquired by the Partnership after the Closing Date shall be the amount that would be the adjusted basis for federal income tax purposes of such property in the hands of the Partnership immediately after its acquisition if the adjusted basis for federal income tax purposes of each asset of the Partnership at that time were equal to its Carrying Value at that time.

"*Cause*" means a court of competent jurisdiction has entered a final, non-appealable judgment finding the General Partner liable for actual fraud, gross negligence or willful or wanton misconduct in its capacity as a general partner of the Partnership.

"*Certificate*" means a certificate (i) substantially in the form of Exhibit A to this Agreement, (ii) issued in global form in accordance with the rules and regulations of the Depositary or (iii) in such other form as may be adopted by the General Partner in its discretion, issued by the Partnership

evidencing ownership of one or more Common Units or a certificate, in such form as may be adopted by the General Partner in its discretion, issued by the Partnership evidencing ownership of one or more other Partnership Securities.

"*Certificate of Limited Partnership*" means the Certificate of Limited Partnership of the Partnership filed with the Secretary of State of the State of Delaware as referenced in Section 2.1, as such Certificate of Limited Partnership may be amended, supplemented or restated from time to time.

"*Citizenship Certification*" means a properly completed certificate in such form as may be specified by the General Partner by which an Assignee or a Limited Partner certifies that he (and if he is a nominee holding for the account of another Person, that to the best of his knowledge such other Person) is an Eligible Citizen.

"*Claim*" as used in Section 7.12 has the meaning assigned to such term in Section 7.12(c).

"*Closing Contribution Agreement*" means that certain Contribution, Conveyance and Assumption Agreement, dated as of the Closing Date, among the General Partner, the Partnership, the Operating Partnership, Crosstex Energy, Inc. and certain other parties, together with the additional conveyance documents and instruments contemplated or referenced thereunder.

"*Closing Date*" means the first date on which Common Units are sold by the Partnership to the Underwriters pursuant to the provisions of the Underwriting Agreement.

"*Closing Price*" has the meaning assigned to such term in Section 15.1(a).

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

"*Combined Interest*" has the meaning assigned to such term in Section 11.3(a).

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

"*Common Unit*" means a Partnership Security representing a fractional part of the Partnership Interests of all Limited Partners and Assignees, and having the rights and obligations specified with respect to Common Units in this Agreement. The term "Common Unit" does not refer to a Subordinated Unit prior to its conversion into a Common Unit pursuant to the terms hereof.

"*Common Unit Arrearage*" means, with respect to any Common Unit, whenever issued, as to any Quarter within the Subordination Period, the excess, if any, of (a) the Minimum Quarterly Distribution with respect to a Common Unit in respect of such Quarter over (b) the sum of all Available Cash distributed with respect to a Common Unit in respect of such Quarter pursuant to Section 6.4(a)(i).

"*Conflicts Committee*" means a committee of the Board of Directors of the General Partner composed entirely of two or more directors who are not (a) security holders, officers or employees of the General Partner, (b) officers, directors or employees of any Affiliate of the General Partner or (c) holders of any ownership interest in the Partnership Group other than Common Units and who also meet the independence standards required of directors who serve on an audit committee of a board of directors established by the National Securities Exchange on which the Common Units are listed for trading.

"*Contributed Property*" means each property or other asset, in such form as may be permitted by the Delaware Act, but excluding cash, contributed to the Partnership.

"*Corrective Allocation*" means any allocation of an item of income, gain, loss, deduction or credit pursuant to Section 6.1(d)(xi).

"*Contribution Agreements*" mean, collectively, the First Contribution Agreement and the Closing Contribution Agreement.

"*Crosstex Energy, Inc.*" means Crosstex Energy, Inc., a Delaware corporation formerly named of Crosstex Energy Holdings Inc.

"*Crosstex GP*" means Crosstex Energy GP, LLC, a Delaware limited liability company and the general partner of the General Partner.

"*Crosstex Texas Inc.*" means Crosstex Energy Inc., a Texas corporation and former wholly-owned subsidiary of Crosstex Energy, Inc., a Delaware corporation, which subsequent to the Closing Date, was merged with and into Crosstex Energy, Inc.

"*Cumulative Common Unit Arrearage*" means, with respect to any Common Unit, whenever issued, and as of the end of any Quarter, the excess, if any, of (a) the sum resulting from adding together the Common Unit Arrearage as to an Initial Common Unit for each of the Quarters within the Subordination Period ending on or before the last day of such Quarter over (b) the sum of any distributions theretofore made pursuant to Section 6.4(a)(ii) and the second sentence of Section 6.5 with respect to an Initial Common Unit (including any distributions to be made in respect of the last of such Quarters).

"*Curative Allocation*" means any allocation of an item of income, gain, deduction, loss or credit pursuant to Section 6.1(d)(x).

"*Current Market Price*" has the meaning assigned to such term in Section 15.1(a).

"*Delaware Act*" means the Delaware Revised Uniform Limited Partnership Act, 6 Del C. Section 17-101, et seq., as amended, supplemented or restated from time to time, and any successor to such statute.

"*Departing Partner*" means a former General Partner from and after the effective date of any withdrawal or removal of such former General Partner pursuant to Section 11.1 or 11.2.

"*Depositary*" means, with respect to any Units issued in global form, The Depository Trust Company and its successors and permitted assigns.

"*Economic Risk of Loss*" has the meaning set forth in Treasury Regulation Section 1.752-2(a).

"*Eligible Citizen*" means a Person qualified to own interests in real property in jurisdictions in which any Group Member does business or proposes to do business from time to time, and whose status as a Limited Partner or Assignee does not or would not subject such Group Member to a significant risk of cancellation or forfeiture of any of its properties or any interest therein.

"*Event of Withdrawal*" has the meaning assigned to such term in Section 11.1(a).

"*Final Subordinated Units*" has the meaning assigned to such term in Section 6.1(d)(ix).

"*First Contribution Agreement*" means that certain Contribution, Conveyance and Assumption Agreement, dated as of November 27, 2002, among the General Partner, the Partnership, the Operating Partnership, Crosstex Energy, Inc. and certain other parties, together with the additional conveyance documents and instruments contemplated or referenced thereunder.

"*First Liquidation Target Amount*" has the meaning assigned to such term in Section 6.1(c)(i)(D).

"*First Target Distribution*" means $0.3125 per Unit per Quarter (or, with respect to the period commencing on the Closing Date and ending on March 31, 2003, it means the product of $0.3125 multiplied by a fraction of which the numerator is the number of days in such period, and of which the denominator is 90), subject to adjustment in accordance with Sections 6.6 and 6.9.

"*Fully Diluted Basis*" means, when calculating the number of Outstanding Units for any period, a basis that includes, in addition to the Outstanding Units, all Partnership Securities and options, rights, warrants and appreciation rights relating to an equity interest in the Partnership (a) that are convertible into or exercisable or exchangeable for Units that are senior to or *pari passu* with the Subordinated Units, (b) whose conversion, exercise or exchange price is less than the Current Market Price on the date of such calculation, and (c) that may be converted into or exercised or exchanged for such Units prior to or during the Quarter following the end of the last Quarter contained in the period for which the calculation is being made without the satisfaction of any contingency beyond the control of the holder other than the payment of consideration and the compliance with administrative mechanics applicable to such conversion, exercise or exchange; provided that for purposes of determining the number of Outstanding Units on a Fully Diluted Basis when calculating whether the Subordination Period has ended or Subordinated Units are entitled to convert into Common Units pursuant to Section 5.8, such Partnership Securities, options, rights, warrants and appreciation rights shall be deemed to have been Outstanding Units only for the four Quarters that comprise the last four Quarters of the measurement period; provided, further, that if consideration will be paid to any Group Member in connection with such conversion, exercise or exchange, the number of Units to be included in such calculation shall be that number equal to the difference between (i) the number of Units issuable upon such conversion, exercise or exchange and (ii) the number of Units which such consideration would purchase at the Current Market Price.

"*General Partner*" means Crosstex Energy GP, L.P. and its successors and permitted assigns as general partner of the Partnership.

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

"*Group*" means a Person that with or through any of its Affiliates or Associates has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting (except voting pursuant to a revocable proxy or consent given to such Person in response to a proxy or consent solicitation made to 10 or more Persons) or disposing of any Partnership Securities with any other Person that beneficially owns, or whose Affiliates or Associates beneficially own, directly or indirectly, Partnership Securities.

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

"*Holder*" as used in Section 7.12, has the meaning assigned to such term in Section 7.12(a).

"*Incentive Distribution Right*" means a non-voting Limited Partner Interest issued to the General Partner pursuant to Section 5.2, which Partnership Interest will confer upon the holder thereof only the rights and obligations specifically provided in this Agreement with respect to Incentive Distribution Rights (and no other rights otherwise available to or other obligations of a holder of a Partnership Interest). Notwithstanding anything in this Agreement to the contrary, the holder of an Incentive Distribution Right shall not be entitled to vote such Incentive Distribution Right on any Partnership matter except as may otherwise be required by law.

"*Incentive Distributions*" means any amount of cash distributed to the holders of the Incentive Distribution Rights pursuant to Section 6.4 or any other provision of this Agreement.

"*Indemnified Persons*" has the meaning assigned to such term in Section 7.12(c).

"*Indemnitee*" means (a) the General Partner, (b) any Departing Partner, (c) any Person who is or was an Affiliate of the General Partner or any Departing Partner, (d) any Person who is or was a

member, partner, officer, director, employee, agent, fiduciary or trustee of any Group Member, the General Partner or any Departing Partner or any Affiliate of any Group Member, the General Partner or any Departing Partner, and (e) any Person who is or was serving at the request of the General Partner or any Departing Partner or any Affiliate of the General Partner or any Departing Partner as an officer, director, employee, member, partner, agent, fiduciary or trustee of another Person; provided, that a Person shall not be an Indemnitee by reason of providing, on a fee-for-services basis, trustee, fiduciary or custodial services.

"*Initial Common Units*" means the Common Units sold in the Initial Offering.

"*Initial Limited Partners*" means Crosstex Energy, Inc. and the Underwriters, in each case upon being admitted to the Partnership in accordance with Section 10.1.

"*Initial Offering*" means the initial offering and sale of Common Units to the public, as described in the Registration Statement.

"*Initial Unit Price*" means (a) with respect to the Common Units and the Subordinated Units, the initial public offering price per Common Unit at which the Underwriters offered the Common Units to the public for sale as set forth on the cover page of the prospectus included as part of the Registration Statement and first issued at or after the time the Registration Statement first became effective multiplied (in order to give effect to the Unit Split) by 50 percent or (b) with respect to any other class or series of Units, the price per Unit at which such class or series of Units is initially sold by the Partnership, as determined by the General Partner, in each case adjusted as the General Partner determines to be appropriate to give effect to any distribution, subdivision or combination of Units.

"*Interim Capital Transactions*" means the following transactions if they occur prior to the Liquidation Date: (a) borrowings, refinancings or refundings of indebtedness and sales of debt securities (other than Working Capital Borrowings and other than for items purchased on open account in the ordinary course of business) by any Group Member; (b) sales of equity interests by any Group Member (including the Common Units sold to the Underwriters pursuant to the exercise of the Over-Allotment Option); and (c) sales or other voluntary or involuntary dispositions of any assets of any Group Member other than (i) sales or other dispositions of inventory, accounts receivable and other assets in the ordinary course of business, and (ii) sales or other dispositions of assets as part of normal retirements or replacements.

"*Issue Price*" means the price at which a Unit is purchased from the Partnership, after taking into account any sales commission or underwriting discount charged to the Partnership.

"*Limited Partner*" means, unless the context otherwise requires, (a) the Organizational Limited Partner prior to its withdrawal from the Partnership, each Initial Limited Partner, each Substituted Limited Partner, each Additional Limited Partner and any Departing Partner upon the change of its status from General Partner to Limited Partner pursuant to Section 11.3 or (b) solely for purposes of Articles V, VI, VII and IX, each Assignee; provided, however, that when the term "Limited Partner" is used herein in the context of any vote or other approval, including without limitation Articles XIII and XIV, such term shall not, solely for such purpose, include any holder of an Incentive Distribution Right except as may otherwise be required by law.

"*Limited Partner Interest*" means the ownership interest of a Limited Partner or Assignee in the Partnership, which may be evidenced by Common Units, Subordinated Units, Incentive Distribution Rights or other Partnership Securities or a combination thereof or interest therein, and includes any and all benefits to which such Limited Partner or Assignee is entitled as provided in this Agreement, together with all obligations of such Limited Partner or Assignee to comply with the terms and provisions of this Agreement; provided, however, that when the term "Limited Partner Interest" is used herein in the context of any vote or other approval, including without limitation Articles XIII and XIV,

such term shall not, solely for such purpose, include any holder of an Incentive Distribution Right except as may otherwise be required by law.

"*Liquidation Date*" means (a) in the case of an event giving rise to the dissolution of the Partnership of the type described in clauses (a) and (b) of the first sentence of Section 12.2, the date on which the applicable time period during which the holders of Outstanding Units have the right to elect to reconstitute the Partnership and continue its business has expired without such an election being made, and (b) in the case of any other event giving rise to the dissolution of the Partnership, the date on which such event occurs.

"*Liquidator*" means one or more Persons selected by the General Partner to perform the functions described in Section 12.3 as liquidating trustee of the Partnership within the meaning of the Delaware Act.

"*Merger Agreement*" has the meaning assigned to such term in Section 14.1.

"*Minimum Quarterly Distribution*" means $0.25 per Unit per Quarter (or with respect to the period commencing on the Closing Date and ending on March 31, 2003, it means the product of $0.25 multiplied by a fraction of which the numerator is the number of days in such period and of which the denominator is 90), subject to adjustment in accordance with Sections 6.6 and 6.9.

"*National Securities Exchange*" means an exchange registered with the Commission under Section 6(a) of the Securities Exchange Act of 1934, as amended, supplemented or restated from time to time, and any successor to such statute, or the Nasdaq Stock Market or any successor thereto.

"*Net Agreed Value*" means (a) in the case of any Contributed Property, the Agreed Value of such property reduced by any liabilities either assumed by the Partnership upon such contribution or to which such property is subject when contributed and (b) in the case of any property distributed by the Partnership, the Partnership's Carrying Value in such property assuming that the adjustment permitted by Section 5.5(d)(ii) is made immediately before the time such property is distributed, reduced by any indebtedness either assumed by the distributee or to which such property is subject at the time of distribution, in either case, as determined under Section 752 of the Code.

"*Net Income*" for any taxable period of the Partnership means the sum, if positive, of all items of income, gain, loss and deduction that are recognized by the Partnership during such taxable period and on or before the Liquidation Date. The items included in the calculation of Net Income shall be determined in accordance with Section 5.5(b) but shall not include any items allocated under Section 6.1(d).

"*Net Loss*" for any taxable period of the Partnership means the sum, if negative, of all items of income, gain, loss or deduction that are recognized by the Partnership during such taxable period of the Partnership and on or before the Liquidation Date. The items included in the calculation of Net Loss shall be determined in accordance with Section 5.5(b) but shall not include any items allocated under Section 6.1(d).

"*Net Termination Gain*" for any taxable period of the Partnership means the sum, if positive, of all items of income, gain, loss or deduction recognized by the Partnership during such taxable period of the Partnership and after the Liquidation Date. The items included in the determination of Net Termination Gain shall be determined in accordance with Section 5.5(b) but shall not include any items that are allocated under Section 6.1(d).

"*Net Termination Loss*" for any taxable period of the Partnership means the sum, if negative, of all items of income, gain, loss or deduction recognized by the Partnership during such taxable period of the Partnership and after the Liquidation Date. The items included in the determination of Net Termination Loss shall be determined in accordance with Section 5.5(b) but shall not include any items that are allocated under Section 6.1(d).

"*Non-citizen Assignee*" means a Person whom the General Partner has determined in its discretion does not constitute an Eligible Citizen and as to whose Partnership Interest the General Partner has become the Substituted Limited Partner pursuant to Section 4.9.

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

"*Nonrecourse Liability*" has the meaning set forth in Treasury Regulation Section 1.752-1(a)(2).

"*Notice of Election to Purchase*" has the meaning assigned to such term in Section 15.1(b).

"*Omnibus Agreement*" means that Omnibus Agreement, dated as of the Closing Date, among Crosstex Energy, Inc., the General Partner, Crosstex GP, the Partnership and the Operating Partnership.

"*Operating Expenditures*" means all Partnership Group expenditures, including, but not limited to, taxes, reimbursements of the General Partner, repayment of Working Capital Borrowings, debt service payments and capital expenditures, subject to the following:

(a) Payments (including prepayments) of principal of and premium on indebtedness other than Working Capital Borrowings shall not constitute Operating Expenditures; and

(b) Operating Expenditures shall not include (i) capital expenditures made for Acquisitions or for Capital Improvements, (ii) payment of transaction expenses relating to Interim Capital Transactions or (iii) distributions to Partners. Where capital expenditures are made in part for Acquisitions or for Capital Improvements and in part for other purposes, the General Partner's good faith allocation between the amounts paid for each shall be conclusive.

"*Operating Partnership*" means Crosstex Energy Services, L.P., a Delaware limited partnership, and any successors thereto.

"*Operating Partnership Agreement*" means the Amended and Restated Agreement of Limited Partnership of the Operating Partnership, as it may be amended, supplemented or restated from time to time.

"*Operating Surplus*" means, with respect to any period ending prior to the Liquidation Date, on a cumulative basis and without duplication,

(a) the sum of (i) $8.9 million plus all cash and cash equivalents of the Partnership Group on hand as of the close of business on the Closing Date, (ii) all cash receipts of the Partnership Group for the period beginning on the Closing Date and ending with the last day of such period, other than cash receipts from Interim Capital Transactions (except to the extent specified in Section 6.5) and (iii) all cash receipts of the Partnership Group after the end of such period but on or before the date of determination of Operating Surplus with respect to such period resulting from Working Capital Borrowings, less

(b) the sum of (i) Operating Expenditures for the period beginning on the Closing Date and ending on the last day of such period and (ii) the amount of cash reserves that is necessary or advisable in the reasonable discretion of the General Partner to provide funds for future Operating Expenditures; provided, however, that disbursements made (including contributions to a Group Member or disbursements on behalf of a Group Member) or cash reserves established, increased or reduced after the end of such period but on or before the date of determination of Available Cash with respect to such period shall be deemed to have been made, established, increased or reduced, for purposes of determining Operating Surplus, within such period if the General Partner so determines.

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

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

"*Option Closing Date*" means the date or dates on which any Common Units are sold by the Partnership to the Underwriters upon exercise of the Over-Allotment Option.

"*Organizational Limited Partner*" means Crosstex Energy, Inc. in its capacity as the organizational limited partner of the Partnership pursuant to this Agreement.

"*Outstanding*" means, with respect to Partnership Securities, all Partnership Securities that are issued by the Partnership and reflected as outstanding on the Partnership's books and records as of the date of determination; provided, however, that if at any time any Person or Group (other than the General Partner or its Affiliates) beneficially owns 20% or more of any Outstanding Partnership Securities of any class then Outstanding, all Partnership Securities owned by such Person or Group shall not be voted on any matter and shall not be considered to be Outstanding when sending notices of a meeting of Limited Partners to vote on any matter (unless otherwise required by law), calculating required votes, determining the presence of a quorum or for other similar purposes under this Agreement, except that Common Units so owned shall be considered to be Outstanding for purposes of Section 11.1(b)(iv) (such Common Units shall not, however, be treated as a separate class of Partnership Securities for purposes of this Agreement); provided, further, that the foregoing limitation shall not apply (i) to any Person or Group who acquired 20% or more of any Outstanding Partnership Securities of any class then Outstanding directly from the General Partner or its Affiliates, (ii) to any Person or Group who acquired 20% or more of any Outstanding Partnership Securities of any class then Outstanding directly or indirectly from a Person or Group described in clause (i) provided that the General Partner shall have notified such Person or Group in writing that such limitation shall not apply, or (iii) to any Person or Group who acquired 20% or more of any Partnership Securities issued by the Partnership with the prior approval of the board of directors of the General Partner.

"*Over-Allotment Option*" means the over-allotment option granted to the Underwriters by the Partnership pursuant to the Underwriting Agreement.

"*Parity Units*" means Common Units and all other Units of any other class or series that have the right (i) to receive distributions of Available Cash from Operating Surplus pursuant to each of subclauses (a)(i) and (a)(ii) of Section 6.4 in the same order of priority with respect to the participation of Common Units in such distributions or (ii) to participate in allocations of Net Termination Gain pursuant to Section 6.1(c)(i)(B) in the same order of priority with the Common Units, in each case regardless of whether the amounts or value so distributed or allocated on each Parity Unit equals the amount or value so distributed or allocated on each Common Unit. Units whose participation in such (i) distributions of Available Cash from Operating Surplus and (ii) allocations of Net Termination Gain are subordinate in order of priority to such distributions and allocations on Common Units shall not constitute Parity Units even if such Units are convertible under certain circumstances into Common Units or Parity Units.

"*Partner Nonrecourse Debt*" has the meaning set forth in Treasury Regulation Section 1.704-2(b)(4).

"*Partner Nonrecourse Debt Minimum Gain*" has the meaning set forth in Treasury Regulation Section 1.704-2(i)(2).

"*Partner Nonrecourse Deductions*" means any and all items of loss or deduction determined in accordance with Section 5.5(b) that, in accordance with the principles of Treasury Regulation Section 1.704-2(i), are attributable to a Partner Nonrecourse Debt.

"*Partners*" means the General Partner and the Limited Partners.

"*Partnership*" means Crosstex Energy, L.P., a Delaware limited partnership, and any successors thereto.

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

"*Partnership Interest*" means an interest in the Partnership, which shall include the General Partner Interest and Limited Partner Interests.

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

"*Partnership Security*" means any class or series of equity interest in the Partnership (but excluding any options, rights, warrants and appreciation rights relating to an equity interest in the Partnership), including without limitation, Common Units, Subordinated Units and Incentive Distribution Rights.

"*Percentage Interest*" means as of any date of determination (a) as to the General Partner (in its capacity as General Partner without reference to any Limited Partner Interests held by it), 2%, (b) as to any Unitholder or Assignee holding Units, the product obtained by multiplying (i) 98% less the percentage applicable to paragraph (c) by (ii) the quotient obtained by dividing (A) the number of Units held by such Unitholder or Assignee by (B) the total number of all Outstanding Units, and (c) as to the holders of additional Partnership Securities issued by the Partnership in accordance with Section 5.6, the number of Units to which such Partnership Securities are equivalent for the purpose of determining Percentage Interest (and only for such purpose) as determined by the General Partner as a part of such issuance. The Percentage Interest with respect to an Incentive Distribution Right shall at all times be zero.

"*Person*" means an individual or a corporation, limited liability company, partnership, joint venture, trust, unincorporated organization, association, government agency or political subdivision thereof or other entity.

"*Per Unit Capital Amount*" means, as of any date of determination, the Capital Account, stated on a per Unit basis, underlying any Unit held by a Person other than the General Partner or any Affiliate of the General Partner who holds Units.

"*Pro Rata*" means (a) when modifying Units or any class thereof, apportioned equally among all designated Units in accordance with their relative Percentage Interests, (b) when modifying Partners and Assignees, apportioned among all Partners and Assignees in accordance with their relative Percentage Interests and (c) when modifying holders of Incentive Distribution Rights, apportioned equally among all holders of Incentive Distribution Rights in accordance with the relative number of Incentive Distribution Rights held by each such holder.

"*Purchase Date*" means the date determined by the General Partner as the date for purchase of all Outstanding Units of a certain class (other than Units owned by the General Partner and its Affiliates) pursuant to Article XV.

"*Quarter*" means, unless the context requires otherwise, a fiscal quarter, or, with respect to the first fiscal quarter after the Closing Date, the portion of such fiscal quarter after the Closing Date, of the Partnership.

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

"*Record Date*" means the date established by the General Partner for determining (a) the identity of the Record Holders entitled to notice of, or to vote at, any meeting of Limited Partners or entitled to vote by ballot or give approval of Partnership action in writing without a meeting or entitled to exercise rights in respect of any lawful action of Limited Partners or (b) the identity of Record Holders entitled to receive any report or distribution or to participate in any offer.

"*Record Holder*" means the Person in whose name a Common Unit is registered on the books of the Transfer Agent as of the opening of business on a particular Business Day, or with respect to other Partnership Securities, the Person in whose name any such other Partnership Security is registered on the books which the General Partner has caused to be kept as of the opening of business on such Business Day.

"*Redeemable Interests*" means any Partnership Interests for which a redemption notice has been given, and has not been withdrawn, pursuant to Section 4.10.

"*Registration Statement*" means the Registration Statement on Form S-1 (Registration No. 333-97779) as it has been or as it may be amended or supplemented from time to time, filed by the Partnership with the Commission under the Securities Act to register the offering and sale of the Common Units in the Initial Offering.

"*Required Allocations*" means (a) any limitation imposed on the allocation of Net Losses or Net Termination Losses under Section 6.1(b) or 6.1(c) that is identified therein as a Required Allocation and (b) any allocation of an item of income, gain, loss or deduction pursuant to Section 6.1(d) that is identified therein as a Required Allocation.

"*Restricted Business*" has the meaning assigned to such term in the Omnibus Agreement.

"*Second Target Distribution*" means $0.375 per Unit per Quarter (or, with respect to the period commencing on the Closing Date and ending on March 31, 2003, it means the product of $0.375 multiplied by a fraction of which the numerator is equal to the number of days in such period and of which the denominator is 90), subject to adjustment in accordance with Sections 6.6 and 6.9.

"*Securities Act*" means the Securities Act of 1933, as amended, supplemented or restated from time to time and any successor to such statute.

"*Special Approval*" means approval by a majority of the members of the Conflicts Committee.

"*Subordinated Unit*" means a Unit representing a fractional part of the Partnership Interests of all Limited Partners and Assignees and having the rights and obligations specified with respect to Subordinated Units in this Agreement. The term "Subordinated Unit" as used herein does not include a Common Unit or Parity Unit. A Subordinated Unit that is convertible into a Common Unit or a Parity Unit shall not constitute a Common Unit or Parity Unit until such conversion occurs.

"*Subordination Period*" means the period commencing on the Closing Date and ending on the first to occur of the following dates:

(a) the first day of any Quarter beginning after December 31, 2007 in respect of which (i) (A) distributions of Available Cash from Operating Surplus on each of the Outstanding Common Units and Subordinated Units and any other Outstanding Units that are senior or equal in right of distribution to the Subordinated Units with respect to each of the three consecutive, non-overlapping four-Quarter periods immediately preceding such date equaled or exceeded the sum of the Minimum Quarterly Distribution (or portion thereof for the first fiscal quarter after the Closing Date) on all Outstanding Common Units and Subordinated Units and any other Outstanding Units that are senior or equal in right of distribution to the Subordinated Units during such periods and (B) the Adjusted Operating Surplus generated during each of the three consecutive, non-overlapping four-Quarter periods immediately preceding such date equaled or

exceeded the sum of the Minimum Quarterly Distribution on all of the Common Units and Subordinated Units and any other Units that are senior or equal in right of distribution to the Subordinated Units that were Outstanding during such periods on a Fully Diluted Basis, plus the related distribution on the General Partner Interest, during such periods and (ii) there are no Cumulative Common Unit Arrearages; and

(b) the date on which the General Partner is removed as general partner of the Partnership upon the requisite vote by holders of Outstanding Units under circumstances where Cause does not exist and Units held by the General Partner and its Affiliates are not voted in favor of such removal.

"*Subsidiary*" means, with respect to any Person, (a) a corporation of which more than 50% of the voting power of shares entitled (without regard to the occurrence of any contingency) to vote in the election of directors or other governing body of such corporation is owned, directly or indirectly, at the date of determination, by such Person, by one or more Subsidiaries of such Person or a combination thereof, (b) a partnership (whether general or limited) in which such Person or a Subsidiary of such Person is, at the date of determination, a general or limited partner of such partnership, but only if more than 50% of the partnership interests of such partnership (considering all of the partnership interests of the partnership as a single class) is owned, directly or indirectly, at the date of determination, by such Person, by one or more Subsidiaries of such Person, or a combination thereof, or (c) any other Person (other than a corporation or a partnership) in which such Person, one or more Subsidiaries of such Person, or a combination thereof, directly or indirectly, at the date of determination, has (i) at least a majority ownership interest or (ii) the power to elect or direct the election of a majority of the directors or other governing body of such Person.

"*Substituted Limited Partner*" means a Person who is admitted as a Limited Partner to the Partnership pursuant to Section 10.2 in place of and with all the rights of a Limited Partner and who is shown as a Limited Partner on the books and records of the Partnership.

"*Surviving Business Entity*" has the meaning assigned to such term in Section 14.2(b).

"*Taxable Period of the Partnership" or "taxable period of the Partnership"* has the meaning assigned thereto in Section 5.5(b)(viii).

"*Trading Day*" has the meaning assigned to such term in Section 15.1(a).

"*Transfer*" has the meaning assigned to such term in Section 4.4(a).

"*Transfer Agent*" means such bank, trust company or other Person (including the General Partner or one of its Affiliates) as shall be appointed from time to time by the General Partner to act as registrar and transfer agent for the Common Units; provided that if no Transfer Agent is specifically designated for any other Partnership Securities, the General Partner shall act in such capacity.

"*Transfer Application*" means an application and agreement for transfer of Units in the form set forth on the back of a Certificate or in a form substantially to the same effect in a separate instrument.

"*Underwriter*" means each Person named as an underwriter in Schedule I to the Underwriting Agreement who purchases Common Units pursuant thereto.

"*Underwriting Agreement*" means the Underwriting Agreement dated December 11, 2002 among the Underwriters, the Partnership, and certain other parties, providing for the purchase of Common Units by such Underwriters.

"*Unit*" means a Partnership Security that is designated as a "Unit" and shall include Common Units and Subordinated Units but shall not include (i) a General Partner Interest or (ii) Incentive Distribution Rights.

"*Unit Split*" has the meaning assigned to such term in Section 2.1.

"*Unitholders*" means the holders of Units.

"*Unit Majority*" means, during the Subordination Period, at least a majority of the Outstanding Common Units (excluding Common Units owned by the General Partner and its Affiliates) voting as a class and at least a majority of the Outstanding Subordinated Units voting as a class, and thereafter, at least a majority of the Outstanding Common Units.

"*Unpaid MQD*" has the meaning assigned to such term in Section 6.1(c)(i)(B).

"*Unrealized Gain*" of any item of Partnership property at any time means the excess, if any, of (a) the fair market value of such property at such time (prior to any adjustment to be made pursuant to Section 5.5(d) as of the time) over (b) the Carrying Value of such property as of such time prior to any adjustment to be made pursuant to Section 5.5(d) as of such time.

"*Unrealized Loss*" of any item of Partnership property at any time means the excess, if any, of (a) the Carrying Value of such property as of such time (prior to any adjustment to be made pursuant to Section 5.5(d) as of such time) over (b) the fair market value of such property as of such time.

"*Unrecovered Capital*" means at any time, with respect to a Unit, the Initial Unit Price less the sum of all distributions constituting Capital Surplus theretofore made in respect of an Initial Common Unit and any distributions of cash (or the Net Agreed Value of any distributions in kind) in connection with the dissolution and liquidation of the Partnership theretofore made in respect of an Initial Common Unit, adjusted as the General Partner determines to be appropriate to give effect to any distribution, subdivision or combination of such Units.

"*U.S. GAAP*" means United States Generally Accepted Accounting Principles consistently applied.

"*Withdrawal Opinion of Counsel*" has the meaning assigned to such term in Section 11.1(b).

"*Working Capital Borrowings*" means borrowings used solely for working capital purposes or to pay distributions to Partners made pursuant to a credit facility or other arrangement to the extent such borrowings are required to be reduced to a relatively small amount each year (or for the year in which the Initial Offering is consummated, the 12-month period beginning on the Closing Date) for an economically meaningful period of time.

Section 1.2 *Construction.*

Unless the context requires otherwise: (a) any pronoun used in this Agreement shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns, pronouns and verbs shall include the plural and vice versa; (b) references to Articles and Sections refer to Articles and Sections of this Agreement; (c) the term "include" or "includes" means includes, without limitation, and "including" means including, without limitation; and (d) references to directors, officers and employees of the General Partner shall mean the directors, officers and employees, respectively, of Crosstex GP acting on behalf of the General Partner.

ARTICLE II

ORGANIZATION

Section 2.1 *Formation.*

The General Partner and the Organizational Limited Partner have previously formed the Partnership as a limited partnership pursuant to the provisions of the Delaware Act. The General Partner and the Limited Partners have previously entered into that certain Amended and Restated Agreement of Limited Partnership of the Partnership, dated as of December 17, 2002. The purpose of this Second Amended and Restated Agreement of Limited Partnership of the Partnership is (i) to

reflect the various numerical changes resulting from the two-for-one split in Common Units and Subordinated Units (the "Unit Split") declared by Crosstex GP on February 26, 2004, having a record date of March 16, 2004 and a distribution date of March 29, 2004 (ii) and other miscellaneous revisions. The Unit Split was effected in accordance with Section 5.10 of this Agreement, and all such numerical changes are reflected as if the Unit Split had occurred at the beginning of the Partnership's existence. This amendment and restatement shall become effective on the date of this Agreement. Except as expressly provided to the contrary in this Agreement, the rights, duties (including fiduciary duties), liabilities and obligations of the Partners and the administration, dissolution and termination of the Partnership shall be governed by the Delaware Act. All Partnership Interests shall constitute personal property of the owner thereof for all purposes and a Partner has no interest in specific Partnership property.

Section 2.2 *Name.*

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

Section 2.3 *Registered Office; Registered Agent; Principal Office; Other Offices*

Unless and until changed by the General Partner, the registered office of the Partnership in the State of Delaware shall be located at 1209 Orange Street, Wilmington, Delaware 19801, and the registered agent for service of process on the Partnership in the State of Delaware at such registered office shall be The Corporation Trust Company. The principal office of the Partnership shall be located at 2501 Cedar Springs, Suite 600, Dallas, Texas 75201 or such other place as the General Partner may from time to time designate by notice to the Limited Partners. The Partnership may maintain offices at such other place or places within or outside the State of Delaware as the General Partner deems necessary or appropriate. The address of the General Partner shall be 2501 Cedar Springs, Suite 600, Dallas, Texas 75201 or such other place as the General Partner may from time to time designate by notice to the Limited Partners.

Section 2.4 *Purpose and Business.*

The purpose and nature of the business to be conducted by the Partnership shall be to (a) serve as a partner of the Operating Partnership and, in connection therewith, to exercise all the rights and powers conferred upon the Partnership as a partner of the Operating Partnership pursuant to the Operating Partnership Agreement or otherwise, (b) engage directly in, or enter into or form any corporation, partnership, joint venture, limited liability company or other arrangement to engage indirectly in, any business activity that the Operating Partnership is permitted to engage in by the Operating Partnership Agreement or that its subsidiaries are permitted to engage in by their limited liability company or partnership agreements and, in connection therewith, to exercise all of the rights and powers conferred upon the Partnership pursuant to the agreements relating to such business activity, (c) engage directly in, or enter into or form any corporation, partnership, joint venture, limited liability company or other arrangement to engage indirectly in, any business activity that is approved by the General Partner and which lawfully may be conducted by a limited partnership organized pursuant to the Delaware Act and, in connection therewith, to exercise all of the rights and powers conferred upon the Partnership pursuant to the agreements relating to such business activity, and (d) do anything necessary or appropriate to the foregoing, including the making of capital contributions or loans to a Group Member; provided, however, that the General Partner shall not cause the Partnership to engage, directly or indirectly, in any business activity that the General Partner reasonably determines would

cause the Partnership to be treated as an association taxable as a corporation or otherwise taxable as an entity for federal income tax purposes. The General Partner has no obligation or duty to the Partnership, the Limited Partners or the Assignees to propose or approve, and in its discretion may decline to propose or approve, the conduct by the Partnership of any business.

Section 2.5 *Powers.*

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

Section 2.6 *Power of Attorney.*

(a) Each Limited Partner and each Assignee hereby constitutes and appoints the General Partner and, if a Liquidator shall have been selected pursuant to Section 12.3, the Liquidator (and any successor to the Liquidator by merger, transfer, assignment, election or otherwise) and each of their authorized officers and attorneys-in-fact, as the case may be, with full power of substitution, as his true and lawful agent and attorney-in-fact, with full power and authority in his name, place and stead, to:

(i) execute, swear to, acknowledge, deliver, file and record in the appropriate public offices (A) all certificates, documents and other instruments (including this Agreement and the Certificate of Limited Partnership and all amendments or restatements hereof or thereof) that the General Partner or the Liquidator deems necessary or appropriate to form, qualify or continue the existence or qualification of the Partnership as a limited partnership (or a partnership in which the limited partners have limited liability) in the State of Delaware and in all other jurisdictions in which the Partnership may conduct business or own property; (B) all certificates, documents and other instruments that the General Partner or the Liquidator deems necessary or appropriate to reflect, in accordance with its terms, any amendment, change, modification or restatement of this Agreement; (C) all certificates, documents and other instruments (including conveyances and a certificate of cancellation) that the General Partner or the Liquidator deems necessary or appropriate to reflect the dissolution and liquidation of the Partnership pursuant to the terms of this Agreement; (D) all certificates, documents and other instruments relating to the admission, withdrawal, removal or substitution of any Partner pursuant to, or other events described in, Article IV, X, XI or XII; (E) all certificates, documents and other instruments relating to the determination of the rights, preferences and privileges of any class or series of Partnership Securities issued pursuant to Section 5.6; and (F) all certificates, documents and other instruments (including agreements and a certificate of merger) relating to a merger or consolidation of the Partnership pursuant to Article XIV; and

(ii) execute, swear to, acknowledge, deliver, file and record all ballots, consents, approvals, waivers, certificates, documents and other instruments necessary or appropriate, in the discretion of the General Partner or the Liquidator, to make, evidence, give, confirm or ratify any vote, consent, approval, agreement or other action that is made or given by the Partners hereunder or is consistent with the terms of this Agreement or is necessary or appropriate, in the discretion of the General Partner or the Liquidator, to effectuate the terms or intent of this Agreement; provided, that when required by Section 13.3 or any other provision of this Agreement that establishes a percentage of the Limited Partners or of the Limited Partners of any class or series required to take any action, the General Partner and the Liquidator may exercise the power of attorney made in this Section 2.6(a)(ii) only after the necessary vote, consent or approval of the Limited Partners or of the Limited Partners of such class or series, as applicable.

Nothing contained in this Section 2.6(a) shall be construed as authorizing the General Partner to amend this Agreement except in accordance with Article XIII or as may be otherwise expressly provided for in this Agreement.

(b) The foregoing power of attorney is hereby declared to be irrevocable and a power coupled with an interest, and it shall survive and, to the maximum extent permitted by law, not be affected by the subsequent death, incompetency, disability, incapacity, dissolution, bankruptcy or termination of any Limited Partner or Assignee and the transfer of all or any portion of such Limited Partner's or Assignee's Partnership Interest and shall extend to such Limited Partner's or Assignee's heirs, successors, assigns and personal representatives. Each such Limited Partner or Assignee hereby agrees to be bound by any representation made by the General Partner or the Liquidator acting in good faith pursuant to such power of attorney; and each such Limited Partner or Assignee, to the maximum extent permitted by law, hereby waives any and all defenses that may be available to contest, negate or disaffirm the action of the General Partner or the Liquidator taken in good faith under such power of attorney. Each Limited Partner or Assignee shall execute and deliver to the General Partner or the Liquidator, within 15 days after receipt of the request therefor, such further designation, powers of attorney and other instruments as the General Partner or the Liquidator deems necessary to effectuate this Agreement and the purposes of the Partnership.

Section 2.7 *Term.*

The term of the Partnership commenced upon the filing of the Certificate of Limited Partnership in accordance with the Delaware Act and shall continue in existence until the dissolution of the Partnership in accordance with the provisions of Article XII. The existence of the Partnership as a separate legal entity shall continue until the cancellation of the Certificate of Limited Partnership as provided in the Delaware Act.

Section 2.8 *Title to Partnership Assets.*

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

ARTICLE III

RIGHTS OF LIMITED PARTNERS

Section 3.1 *Limitation of Liability.*

The Limited Partners and the Assignees shall have no liability under this Agreement except as expressly provided in this Agreement or the Delaware Act.

Section 3.2 *Management of Business.*

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

Section 3.3 *Outside Activities of the Limited Partners.*

Subject to the provisions of Section 7.5 and the Omnibus Agreement, which shall continue to be applicable to the Persons referred to therein, regardless of whether such Persons shall also be Limited Partners or Assignees, any Limited Partner or Assignee shall be entitled to and may have business interests and engage in business activities in addition to those relating to the Partnership, including business interests and activities in direct competition with the Partnership Group. Neither the Partnership nor any of the other Partners or Assignees shall have any rights by virtue of this Agreement in any business ventures of any Limited Partner or Assignee.

Section 3.4 *Rights of Limited Partners.*

(a) In addition to other rights provided by this Agreement or by applicable law, and except as limited by Section 3.4(b), each Limited Partner shall have the right, for a purpose reasonably related to such Limited Partner's interest as a limited partner in the Partnership, upon reasonable written demand and at such Limited Partner's own expense:

(i) to obtain true and full information regarding the status of the business and financial condition of the Partnership;

(ii) promptly after becoming available, to obtain a copy of the Partnership's federal, state and local income tax returns for each year;

(iii) to have furnished to him a current list of the name and last known business, residence or mailing address of each Partner;

(iv) to have furnished to him a copy of this Agreement and the Certificate of Limited Partnership and all amendments thereto, together with a copy of the executed copies of all powers of attorney pursuant to which this Agreement, the Certificate of Limited Partnership and all amendments thereto have been executed;

(v) to obtain true and full information regarding the amount of cash and a description and statement of the Net Agreed Value of any other Capital Contribution by each Partner and which each Partner has agreed to contribute in the future, and the date on which each became a Partner; and

(vi) to obtain such other information regarding the affairs of the Partnership as is just and reasonable.

(b) The General Partner may keep confidential from the Limited Partners and Assignees, for such period of time as the General Partner deems reasonable, (i) any information that the General Partner reasonably believes to be in the nature of trade secrets or (ii) other information the disclosure of which the General Partner in good faith believes (A) is not in the best interests of the Partnership Group, (B) could damage the Partnership Group or (C) that any Group Member is required by law or by

agreement with any third party to keep confidential (other than agreements with Affiliates of the Partnership the primary purpose of which is to circumvent the obligations set forth in this Section 3.4).

ARTICLE IV

CERTIFICATES; RECORD HOLDERS; TRANSFER OF PARTNERSHIP INTERESTS; REDEMPTION OF PARTNERSHIP INTERESTS

Section 4.1 *Certificates.*

Upon the Partnership's issuance of Common Units or Subordinated Units to any Person, the Partnership may issue one or more Certificates in the name of such Person evidencing the number of such Units being so issued. In addition, (a) upon the General Partner's request, the Partnership shall issue to it one or more Certificates in the name of the General Partner evidencing its interests in the Partnership and (b) upon the request of any Person owning Incentive Distribution Rights or any other Partnership Securities, the Partnership shall issue to such Person one or more certificates evidencing such Incentive Distribution Rights or other Partnership Securities. Certificates shall be executed on behalf of the Partnership by the Chairman of the Board, President or any Executive Vice President or Vice President and the Secretary or any Assistant Secretary of the General Partner. No Common Unit Certificate shall be valid for any purpose until it has been countersigned by the Transfer Agent; provided, however, that if the General Partner elects to issue Common Units in global form, the Common Unit Certificates shall be valid upon receipt of a certificate from the Transfer Agent certifying that the Common Units have been duly registered in accordance with the directions of the Partnership and the Underwriters. Subject to the requirements of Section 6.7(b), the Partners holding Certificates evidencing Subordinated Units may exchange such Certificates for Certificates evidencing Common Units on or after the date on which such Subordinated Units are converted into Common Units pursuant to the terms of Section 5.8.

Section 4.2 *Mutilated, Destroyed, Lost or Stolen Certificates.*

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

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

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

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

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

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

If a Limited Partner or Assignee fails to notify the General Partner within a reasonable time after he has notice of the loss, destruction or theft of a Certificate, and a transfer of the Limited Partner

Interests represented by the Certificate is registered before the Partnership, the General Partner or the Transfer Agent receives such notification, the Limited Partner or Assignee shall be precluded from making any claim against the Partnership, the General Partner or the Transfer Agent for such transfer or for a new Certificate.

(c) As a condition to the issuance of any new Certificate under this Section 4.2, the General Partner may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Transfer Agent) reasonably connected therewith.

Section 4.3 *Record Holders.*

The Partnership shall be entitled to recognize the Record Holder as the Partner or Assignee with respect to any Partnership Interest and, accordingly, shall not be bound to recognize any equitable or other claim to or interest in such Partnership Interest on the part of any other Person, regardless of whether the Partnership shall have actual or other notice thereof, except as otherwise provided by law or any applicable rule, regulation, guideline or requirement of any National Securities Exchange on which such Partnership Interests are listed for trading. Without limiting the foregoing, when a Person (such as a broker, dealer, bank, trust company or clearing corporation or an agent of any of the foregoing) is acting as nominee, agent or in some other representative capacity for another Person in acquiring and/or holding Partnership Interests, as between the Partnership on the one hand, and such other Persons on the other, such representative Person (a) shall be the Partner or Assignee (as the case may be) of record and beneficially, (b) must execute and deliver a Transfer Application and (c) shall be bound by this Agreement and shall have the rights and obligations of a Partner or Assignee (as the case may be) hereunder and as, and to the extent, provided for herein.

Section 4.4 *Transfer Generally.*

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

(b) No Partnership Interest shall be transferred, in whole or in part, except in accordance with the terms and conditions set forth in this Article IV. Any transfer or purported transfer of a Partnership Interest not made in accordance with this Article IV shall be null and void.

(c) Nothing contained in this Agreement shall be construed to prevent a disposition by any partner or other owner of the General Partner of any or all of the partnership interests or other ownership interests of the General Partner.

Section 4.5 *Registration and Transfer of Limited Partner Interests.*

(a) The General Partner shall keep or cause to be kept on behalf of the Partnership a register in which, subject to such reasonable regulations as it may prescribe and subject to the provisions of Section 4.5(b), the Partnership will provide for the registration and transfer of Limited Partner Interests. The Transfer Agent is hereby appointed registrar and transfer agent for the purpose of registering Common Units and transfers of such Common Units as herein provided. The Partnership shall not recognize transfers of Certificates evidencing Limited Partner Interests unless such transfers are effected in the manner described in this Section 4.5. Upon surrender of a Certificate for registration of transfer of any Limited Partner Interests evidenced by a Certificate, and subject to the provisions of Section 4.5(b), the appropriate officers of the General Partner on behalf of the Partnership shall execute and deliver, and in the case of Common Units, the Transfer Agent shall

countersign and deliver, in the name of the holder or the designated transferee or transferees, as required pursuant to the holder's instructions, one or more new Certificates evidencing the same aggregate number and type of Limited Partner Interests as was evidenced by the Certificate so surrendered.

(b) Except as otherwise provided in Section 4.9, the General Partner shall not recognize any transfer of Limited Partner Interests until the Certificates evidencing such Limited Partner Interests are surrendered for registration of transfer and such Certificates are accompanied by a Transfer Application duly executed by the transferee (or the transferee's attorney-in-fact duly authorized in writing). No charge shall be imposed by the General Partner for such transfer; provided, that as a condition to the issuance of any new Certificate under this Section 4.5, the General Partner may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed with respect thereto.

(c) Limited Partner Interests may be transferred only in the manner described in this Section 4.5. The transfer of any Limited Partner Interests and the admission of any new Limited Partner shall not constitute an amendment to this Agreement.

(d) Until admitted as a Substituted Limited Partner pursuant to Section 10.2, the Record Holder of a Limited Partner Interest shall be an Assignee in respect of such Limited Partner Interest. Limited Partners may include custodians, nominees or any other individual or entity in its own or any representative capacity.

(e) A transferee of a Limited Partner Interest who has completed and delivered a Transfer Application shall be deemed to have (i) requested admission as a Substituted Limited Partner, (ii) agreed to comply with and be bound by and to have executed this Agreement, (iii) represented and warranted that such transferee has the right, power and authority and, if an individual, the capacity to enter into this Agreement, (iv) granted the powers of attorney set forth in this Agreement and (v) given the consents and approvals and made the waivers contained in this Agreement.

(f) The General Partner and its Affiliates shall have the right at any time to transfer their Subordinated Units and Common Units (whether issued upon conversion of the Subordinated Units or otherwise) to one or more Persons.

Section 4.6 *Transfer of the General Partner's General Partner Interest.*

(a) Subject to Section 4.6(c) below, prior to December 31, 2012, the General Partner shall not transfer all or any part of its General Partner Interest to a Person unless such transfer (i) has been approved by the prior written consent or vote of the holders of at least a majority of the Outstanding Common Units (excluding Common Units held by the General Partner and its Affiliates) or (ii) is of all, but not less than all, of its General Partner Interest to (A) an Affiliate of the General Partner (other than an individual) or (B) another Person (other than an individual) in connection with the merger or consolidation of the General Partner with or into another Person (other than an individual) or the transfer by the General Partner of all or substantially all of its assets to another Person (other than an individual).

(b) Subject to Section 4.6(c) below, on or after December 31, 2012, the General Partner may transfer all or any of its General Partner Interest without Unitholder approval.

(c) Notwithstanding anything herein to the contrary, no transfer by the General Partner of all or any part of its General Partner Interest to another Person shall be permitted unless (i) the transferee agrees to assume the rights and duties of the General Partner under this Agreement and to be bound by the provisions of this Agreement, (ii) the Partnership receives an Opinion of Counsel that such transfer would not result in the loss of limited liability of any Limited Partner or of any limited partner of the Operating Partnership or cause the Partnership or the Operating Partnership to be treated as an

association taxable as a corporation or otherwise to be taxed as an entity for federal income tax purposes (to the extent not already so treated or taxed) and (iii) such transferee also agrees to purchase all (or the appropriate portion thereof, if applicable) of the partnership or membership interest of the General Partner as the general partner or managing member, if any, of each other Group Member. In the case of a transfer pursuant to and in compliance with this Section 4.6, the transferee or successor (as the case may be) shall, subject to compliance with the terms of Section 10.3, be admitted to the Partnership as the General Partner immediately prior to the transfer of the Partnership Interest, and the business of the Partnership shall continue without dissolution.

Section 4.7 *Transfer of Incentive Distribution Rights.*

Prior to December 31, 2012, a holder of Incentive Distribution Rights may transfer any or all of the Incentive Distribution Rights held by such holder without any consent of the Unitholders (a) to an Affiliate of such holder (other than an individual) or (b) to another Person (other than an individual) in connection with (i) the merger or consolidation of such holder of Incentive Distribution Rights with or into such other Person, (ii) the transfer by such holder of all or substantially all of its assets to such other Person or (iii) the sale of all or substantially all of the equity interests of such holder to such other Person. Any other transfer of the Incentive Distribution Rights prior to December 31, 2012, shall require the prior approval of holders of at least a majority of the Outstanding Common Units (excluding Common Units held by the General Partner and its Affiliates). On or after December 31, 2012, the General Partner or any other holder of Incentive Distribution Rights may transfer any or all of its Incentive Distribution Rights without Unitholder approval. Notwithstanding anything herein to the contrary, no transfer of Incentive Distribution Rights to another Person shall be permitted unless the transferee agrees to be bound by the provisions of this Agreement.

Section 4.8 *Restrictions on Transfers.*

(a) Except as provided in Section 4.8(d) below, but notwithstanding the other provisions of this Article IV, no transfer of any Partnership Interests shall be made if such transfer would (i) violate the then applicable federal or state securities laws or rules and regulations of the Commission, any state securities commission or any other governmental authority with jurisdiction over such transfer, (ii) terminate the existence or qualification of the Partnership or the Operating Partnership under the laws of the jurisdiction of its formation, or (iii) cause the Partnership or the Operating Partnership to be treated as an association taxable as a corporation or otherwise to be taxed as an entity for federal income tax purposes (to the extent not already so treated or taxed).

(b) The General Partner may impose restrictions on the transfer of Partnership Interests if a subsequent Opinion of Counsel determines that such restrictions are necessary to avoid a significant risk of any Group Member becoming taxable as a corporation or otherwise to be taxed as an entity for federal income tax purposes. The restrictions may be imposed by making such amendments to this Agreement as the General Partner may determine to be necessary or appropriate to impose such restrictions; provided, however, that any amendment that the General Partner believes, in the exercise of its reasonable discretion, could result in the delisting or suspension of trading of any class of Limited Partner Interests on the principal National Securities Exchange on which such class of Limited Partner Interests is then traded must be approved, prior to such amendment being effected, by the holders of at least a majority of the Outstanding Limited Partner Interests of such class.

(c) The transfer of a Subordinated Unit that has converted into a Common Unit shall be subject to the restrictions imposed by Section 6.7(b).

(d) Nothing contained in this Article IV, or elsewhere in this Agreement, shall preclude the settlement of any transactions involving Partnership Interests entered into through the facilities of any National Securities Exchange on which such Partnership Interests are listed for trading.

Section 4.9 *Citizenship Certificates; Non-citizen Assignees.*

(a) If any Group Member is or becomes subject to any federal, state or local law or regulation that, in the reasonable determination of the General Partner, creates a substantial risk of cancellation or forfeiture of any property in which the Group Member has an interest based on the nationality, citizenship or other related status of a Limited Partner or Assignee, the General Partner may request any Limited Partner or Assignee to furnish to the General Partner, within 30 days after receipt of such request, an executed Citizenship Certification or such other information concerning his nationality, citizenship or other related status (or, if the Limited Partner or Assignee is a nominee holding for the account of another Person, the nationality, citizenship or other related status of such Person) as the General Partner may request. If a Limited Partner or Assignee fails to furnish to the General Partner within the aforementioned 30-day period such Citizenship Certification or other requested information or if upon receipt of such Citizenship Certification or other requested information the General Partner determines, with the advice of counsel, that a Limited Partner or Assignee is not an Eligible Citizen, the Partnership Interests owned by such Limited Partner or Assignee shall be subject to redemption in accordance with the provisions of Section 4.10. In addition, the General Partner may require that the status of any such Partner or Assignee be changed to that of a Non-citizen Assignee and, thereupon, the General Partner shall be substituted for such Non-citizen Assignee as the Limited Partner in respect of his Limited Partner Interests.

(b) The General Partner shall, in exercising voting rights in respect of Limited Partner Interests held by it on behalf of Non-citizen Assignees, distribute the votes in the same ratios as the votes of Partners (including without limitation the General Partner) in respect of Limited Partner Interests other than those of Non-citizen Assignees are cast, either for, against or abstaining as to the matter.

(c) Upon dissolution of the Partnership, a Non-citizen Assignee shall have no right to receive a distribution in kind pursuant to Section 12.4 but shall be entitled to the cash equivalent thereof, and the Partnership shall provide cash in exchange for an assignment of the Non-citizen Assignee's share of the distribution in kind. Such payment and assignment shall be treated for Partnership purposes as a purchase by the Partnership from the Non-citizen Assignee of his Limited Partner Interest (representing his right to receive his share of such distribution in kind).

(d) At any time after he can and does certify that he has become an Eligible Citizen, a Non-citizen Assignee may, upon application to the General Partner, request admission as a Substituted Limited Partner with respect to any Limited Partner Interests of such Non-citizen Assignee not redeemed pursuant to Section 4.10, and upon his admission pursuant to Section 10.2, the General Partner shall cease to be deemed to be the Limited Partner in respect of the Non-citizen Assignee's Limited Partner Interests.

Section 4.10 *Redemption of Partnership Interests of Non-citizen Assignees.*

(a) If at any time a Limited Partner or Assignee fails to furnish a Citizenship Certification or other information requested within the 30-day period specified in Section 4.9(a), or if upon receipt of such Citizenship Certification or other information the General Partner determines, with the advice of counsel, that a Limited Partner or Assignee is not an Eligible Citizen, the Partnership may, unless the Limited Partner or Assignee establishes to the satisfaction of the General Partner that such Limited Partner or Assignee is an Eligible Citizen or has transferred his Partnership Interests to a Person who is an Eligible Citizen and who furnishes a Citizenship Certification to the General Partner prior to the date fixed for redemption as provided below, redeem the Partnership Interest of such Limited Partner or Assignee as follows:

(i) The General Partner shall, not later than the 30th day before the date fixed for redemption, give notice of redemption to the Limited Partner or Assignee, at his last address designated on the records of the Partnership or the Transfer Agent, by registered or certified mail,

postage prepaid. The notice shall be deemed to have been given when so mailed. The notice shall specify the Redeemable Interests, the date fixed for redemption, the place of payment, that payment of the redemption price will be made upon surrender of the Certificate evidencing the Redeemable Interests and that on and after the date fixed for redemption no further allocations or distributions to which the Limited Partner or Assignee would otherwise be entitled in respect of the Redeemable Interests will accrue or be made.

(ii) The aggregate redemption price for Redeemable Interests shall be an amount equal to the Current Market Price (the date of determination of which shall be the date fixed for redemption) of Limited Partner Interests of the class to be so redeemed multiplied by the number of Limited Partner Interests of each such class included among the Redeemable Interests. The redemption price shall be paid, in the discretion of the General Partner, in cash or by delivery of a promissory note of the Partnership in the principal amount of the redemption price, bearing interest at the rate of 10% annually and payable in three equal annual installments of principal together with accrued interest, commencing one year after the redemption date.

(iii) Upon surrender by or on behalf of the Limited Partner or Assignee, at the place specified in the notice of redemption, of the Certificate evidencing the Redeemable Interests, duly endorsed in blank or accompanied by an assignment duly executed in blank, the Limited Partner or Assignee or his duly authorized representative shall be entitled to receive the payment therefor.

(iv) After the redemption date, Redeemable Interests shall no longer constitute issued and Outstanding Limited Partner Interests.

(b) The provisions of this Section 4.10 shall also be applicable to Limited Partner Interests held by a Limited Partner or Assignee as nominee of a Person determined to be other than an Eligible Citizen.

(c) Nothing in this Section 4.10 shall prevent the recipient of a notice of redemption from transferring his Limited Partner Interest before the redemption date if such transfer is otherwise permitted under this Agreement. Upon receipt of notice of such a transfer, the General Partner shall withdraw the notice of redemption, provided the transferee of such Limited Partner Interest certifies to the satisfaction of the General Partner in a Citizenship Certification delivered in connection with the Transfer Application that he is an Eligible Citizen. If the transferee fails to make such certification, such redemption shall be effected from the transferee on the original redemption date.

ARTICLE V

CAPITAL CONTRIBUTIONS AND ISSUANCE OF PARTNERSHIP INTERESTS

Section 5.1 *Organizational Contributions.*

In connection with the formation of the Partnership under the Delaware Act, the General Partner made an initial Capital Contribution to the Partnership in the amount of $20.00, for a 2% General Partner interest in the Partnership and has been admitted as the General Partner of the Partnership, and the Organizational Limited Partner made an initial Capital Contribution to the Partnership in the amount of $980.00 for a 98% Limited Partner interest in the Partnership and has been admitted as a Limited Partner of the Partnership. As of the Closing Date, the interest of the Organizational Limited Partner shall be redeemed as provided in the Closing Contribution Agreement; the initial Capital Contributions of the Organizational Limited Partner shall thereupon be refunded; and the Organizational Limited Partner shall cease to be a Limited Partner of the Partnership. Ninety-eight percent of any interest or other profit that may have resulted from the investment or other use of such initial Capital Contributions shall be allocated and distributed to the Organizational Limited Partner, and the balance thereof shall be allocated and distributed to the General Partner. On December 6, 2002 and pursuant to the First Contribution Agreement, among other things, (i) Crosstex Energy, Inc.

and Crosstex Texas Inc. transferred their interests in the predecessor to the Operating Partnership to the Partnership in exchange for a limited partner interest in the Partnership and (ii) Crosstex Texas Inc. transferred its limited partner interest in the Partnership to the General Partner.

Section 5.2 *Contributions by the General Partner and its Affiliates.*

(a) On the Closing Date and pursuant to the Closing Contribution Agreement, (i) the General Partner's initial general partner interest and its limited partner interest shall be converted into (A) the General Partner Interest, subject to all of the rights, privileges and duties of the General Partner under this Agreement, and (B) the Incentive Distribution Rights, and (ii) Crosstex Energy, Inc.'s limited partner interest was converted (taking into account the effect of the Unit Split) into (A) 666,000 Common Units, (B) 9,334,000 Subordinated Units and (C) the right to receive $2.5 million from the Partnership on the Closing Date.

(b) Upon the issuance of any additional Limited Partner Interests by the Partnership (other than the issuance of the Common Units issued in the Initial Offering and other than the issuance of the Common Units issued pursuant to the Over-Allotment Option), the General Partner shall be required to make additional Capital Contributions equal to 2/98ths of any amount contributed to the Partnership by the Limited Partners in exchange for the additional Limited Partner Interests issued to such Limited Partners. Except as set forth in the immediately preceding sentence and Article XII, the General Partner shall not be obligated to make any additional Capital Contributions to the Partnership.

Section 5.3 *Contributions by Initial Limited Partners.*

(a) On the Closing Date and pursuant to the Underwriting Agreement, each Underwriter contributed to the Partnership cash in an amount equal to the Issue Price per Initial Common Unit, multiplied by the number of Common Units specified in the Underwriting Agreement to be purchased by such Underwriter at the Closing Date in exchange for such number of Common Units.

(b) Upon the exercise of the Over-Allotment Option, each Underwriter contributed to the Partnership cash in an amount equal to the Issue Price per Initial Common Unit, multiplied by the number of Common Units specified in the Underwriting Agreement to be purchased by such Underwriter at the Option Closing Date in exchange for such number of Common Units.

(c) No Limited Partner Interests were issued or issuable as of or at the Closing Date other than (i) the Common Units issuable pursuant to subparagraph (a) hereof in aggregate number equal to 4,000,000, (ii) the "Additional Units" as such term is used in the Underwriting Agreement in an aggregate number up to 600,000 issuable upon exercise of the Over-Allotment Option pursuant to subparagraph (b) hereof, (iii) the 666,000 Common Units issuable to Crosstex Energy, Inc. pursuant to Section 5.2 hereof, (iv) the 9,334,000 Subordinated Units issuable to Crosstex Energy, Inc. pursuant to Section 5.2 hereof, and (v) the Incentive Distribution Rights.

Section 5.4 *Interest and Withdrawal.*

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

Section 5.5 *Capital Accounts.*

The provisions of this Section 5.5 are subject to Section 5.5(e) which addresses the effect of the Unit Split.

(a) The balance of the Capital Account of an Underwriter (and derivatively of the holder of one or more Common Units who purchases directly or indirectly from an Underwriter) in respect of each Common Unit acquired thereby pursuant to the Underwriting Agreement at the Closing or by reason of the exercise of the Over-Allotment Option shall be the Issue Price for an Initial Common Unit, and the balance of the Capital Account of each such Underwriter shall be the product of such initial balance for a Common Unit multiplied by the number of Common Units held thereby. The initial balance of the Capital Account of the General Partner and of its Affiliates shall be the amount of cash and the Net Agreed Value of the property of the Partnership (that is, the property for which the Partnership computes a Carrying Value) that would be distributed to the General Partner and any such affiliate pursuant to this Agreement prior to the contributions that are to be made pursuant to Section 5.3 hereof if such cash and Net Agreed Value were distributed only to the General Partner Interest and the Units held by the General Partner and its Affiliates in proportion to the relative right of such interests to distributions that are made 2% to the General Partner Interest and 98% to the holders of Units, Pro Rata. The balance of the Capital Accounts of the Common Units held by such a Person shall be determined as though the aggregate amount that was deemed distributed with respect to the Units held thereby was distributed first to such Common Units, Pro Rata until the Initial Issue Price was distributed to each Common Unit held thereby. The balance of the Capital Accounts of the Subordinated Units held by such a Person shall be the portion of such cash and Net Agreed Value that could have been, but was not, applied pursuant to the preceding sentence in determining the Capital Account balance of the Common Units. Any Common Unit the Capital Account balance of which is less than the Initial Issue Price shall be treated as a converted Subordinated Unit for purposes of Section 5.5(c)(ii) and Section 6.7(b) and as a Final Subordinated Unit for purposes of Section 6.1(d)(ix). The initial Capital Account balance of any other Partner shall be zero. Thereafter, the Capital Account of each Partner shall be increased by (i) the amount of cash and the Net Agreed Value of property contributed to the Partnership by such Partner pursuant to this Agreement and (ii) all items of Partnership income and gain allocated to such Partner pursuant to Section 6.1, and it shall be decreased by (x) the amount of cash or Net Agreed Value of all distributions of cash or property made to such Partner pursuant to this Agreement and (y) all items of Partnership deduction and loss allocated to such Partner pursuant to Section 6.1. The General Partner may in connection with the issuance of Partnership Interests after the Initial Offering and the exercise (or not) of the Over-Allotment Option adjust the balance of the Capital Account of any Partner so as to preserve the agreed economic relationship between the Partnership Interests that are so issued and the Partnership Interests that were outstanding prior to such issuance; provided that the economic relationships between the Partnership Interests that were outstanding prior to such issuance are not changed thereby. Any such adjustment shall be recorded in the records of the Partnership.

(b) The items of income, gain, loss or deduction that are recognized by the Partnership for federal income tax purposes during a taxable period of the Partnership shall be adjusted as is set out in this Section 5.5(b) and shall then be allocated among the Partners as is provided in Section 6.1.

(i) The Partnership shall be treated as owning directly its share (as determined by the General Partner) of all property owned by the Operating Partnership or any other Subsidiary that is, in each case, classified as a partnership or is disregarded for federal income tax purposes.

(ii) All fees and other expenses incurred by the Partnership to promote the sale of (or to sell) a Partnership Interest that cannot either be deducted or amortized under Section 709 of the Code shall be treated as an item of deduction at the time such fees and other expenses are incurred. Any such fees and expenses that were incurred in connection with the Initial Offering shall be

deemed to have been incurred in the first taxable period of the Partnership that ends after the Initial Offering. Any underwriting discount or commission that is allowed to an Underwriter by reason of the Underwriting Agreement or the Over-Allotment Option shall not be treated as an item of deduction of the Partnership that is allocable pursuant to Section 6.1.

(iii) The computation of items of income, gain, loss and deduction shall be made without regard to any election under Section 754 of the Code; provided that if an adjustment to the adjusted tax basis of any Partnership asset is required pursuant to Section 734(b) or 743(b) of the Code, pursuant to Treasury Regulation Section 1.704-1(b)(2)(iv)(m), to be taken into account in determining Capital Accounts, the amount of such adjustment shall be treated as an item of income or deduction, as the case may be, at the time of the adjustment, and the Carrying Value of each Partnership asset in respect of which there was such an adjustment shall also be adjusted at that time.

(iv) Any income, gain, deduction or loss attributable to the taxable disposition of any Partnership property shall be determined as if the adjusted basis of such property were equal to the Partnership's Carrying Value for such property as of the date of disposition.

(v) Any deductions for depreciation, cost recovery or amortization that are attributable to any Partnership property shall be determined as if the adjusted basis of such property were equal to the Carrying Value thereof and by using a rate of depreciation, cost recovery or amortization derived from the same method and useful life (or, if applicable, the remaining useful life) as is applied for federal income tax purposes and appropriately taking into account the length of any short taxable period of the Partnership; provided, however, that, if the Partnership property has a zero adjusted basis for federal income tax purposes, depreciation, cost recovery or amortization deductions shall be determined using any reasonable method that the General Partner may adopt. Any deduction for depreciation, cost recovery or amortization in respect of Partnership property that is determined pursuant to this Section 5.5(b) shall reduce the Carrying Value of that Partnership property as of the end of the taxable period of the Partnership in which such deduction was recognized. Notwithstanding the foregoing portion of this Section 5.5(b)(v), such deductions for depreciation, cost recovery, or amortization shall be determined with respect to any portion of such Carrying Value with respect to which Treasury Regulation Section 1.704-3(d) remedial allocations are to be made (including reverse section 704(c) allocations that are to be made as Treasury Regulation Section 1.704-3(d) remedial allocations) pursuant to provisions hereof in accordance with a method that is permitted by such Treasury Regulation Section 1.704-3(d) and that is selected by the General Partner.

(vi) If the Partnership's adjusted basis in property is reduced for federal income tax purposes pursuant to Section 48(q)(1) or 48(q)(3) of the Code, the amount of such reduction shall be an additional depreciation or cost recovery deduction in the year such property is placed in service at the time of such reduction and shall be treated as a reduction in the Carrying Value of such property. Any restoration of such basis pursuant to Section 48(q)(2) of the Code shall be an item of income at the time of such restoration and shall be treated as an increase in the Carrying Value of such property at the time of such restoration.

(vii) Any items of gain and loss that are determined pursuant to Section 5.5(d) hereof shall be treated as items of income and deduction, respectively, that are recognized in the taxable period of the Partnership that ends with the event that causes the determination of such gain or loss. An item of income of the Partnership that is described in Section 705(a)(1)(B) of the Code (with respect to items of income that are exempt from tax) shall be treated as an item of income for the purpose of this Section 5.5(b), and an item of expense of the Partnership that is described in Section 705(a)(2)(B) of the Code (with respect to expenditures that are deductible and not

chargeable to capital accounts), shall be treated as an item of deduction for the purpose of this Section 5.5(b).

(viii) A taxable period of the Partnership includes a taxable year of the Partnership. The portion of a taxable period of the Partnership that ends with the Closing Date or with an event in respect of which there is an adjustment to Carrying Values pursuant to Section 5.5(d) hereof shall be treated as the end of a taxable period of the Partnership. The portion of such taxable year of the Partnership that begins immediately thereafter shall be treated as a taxable period for purposes of the preceding sentence with the result that each taxable year of the Partnership may contain one or more taxable periods of the Partnership. The items of income, gain, loss and deduction of the Partnership that are recognized for federal, state or local income tax purposes prior to the Closing Date shall not be allocated pursuant to this Agreement.

(c) (i) A transferee of a Partnership Interest shall succeed to a pro rata portion of the Capital Account of the transferor relating to the Partnership Interest so transferred.

(ii) Immediately prior to the transfer of a Subordinated Unit or of a Subordinated Unit that has converted into a Common Unit pursuant to Section 5.8 (other than a transfer to an Affiliate unless the General Partner elects to have this Section 5.5(c)(ii) apply with respect to such transfer), the Capital Account maintained for such Person with respect to its Subordinated Units or converted Subordinated Units will (A) first, be allocated to such Units that are to be transferred so that the balance of the Capital Account thereof shall be equal to the then balance of the Capital Account of an Initial Common Unit, and (B) second, shall be allocated to any Subordinated Units or converted Subordinated Units that are retained. The amount so allocated to each class of Units shall thereafter be the balance of the Capital Account thereof.

(d) (i) On an issuance of additional Partnership Interests for cash (excluding however any issuance of Units pursuant to the Over-Allotment Option) or other property or the conversion of a General Partner's Combined Interest to Common Units pursuant to Section 11.3(b), the General Partner may cause any Unrealized Gain or Unrealized Loss attributable to Partnership property to be recognized as if there had been a sale of all such property immediately prior to such issuance in which event the Carrying Value of each Partnership property shall be adjusted as of the beginning of the next taxable period to be equal to such fair market value; provided that the General Partner shall cause Unrealized Gain or Unrealized Loss to be recognized and Carrying Values to be adjusted if doing so would cause Corrective Allocations to be made pursuant to Section 6.1(d)(xi). In determining such Unrealized Gain or Unrealized Loss, the aggregate cash amount and fair market value of all Partnership assets immediately prior to the issuance of additional Partnership Interests shall be determined by the General Partner using such reasonable method of valuation as it may adopt; provided, however, that the General Partner, in arriving at such valuation, must take fully into account the fair market value of the Partnership Interests of all Partners at such time. The General Partner shall allocate such aggregate value among the assets of the Partnership (in such manner as it determines in its discretion to be reasonable).

(ii) Immediately prior to any distribution to a Partner (other than a distribution of cash that is not in redemption or retirement of a Partnership Interest), the General Partner may cause any Unrealized Gain or Unrealized Loss attributable to each Partnership property to be recognized as if there had been a sale of such property immediately prior to such distribution in which event the Carrying Value of each Partnership property shall be as of the beginning of the next taxable period equal to the fair market value thereof; provided that the General Partner shall cause Unrealized Gain or Unrealized Loss to be recognized and Carrying Values to be adjusted if doing so would permit Corrective Allocations to be made pursuant to Section 6.1(d)(xi). In determining such Unrealized Gain or Unrealized Loss the aggregate cash amount and fair market value of all Partnership assets immediately prior to a distribution shall (A) in the case of a distribution that is

not made pursuant to Section 12.4 be determined and allocated in the same manner as that provided in Section 5.5(d)(i) or (B) in the case of a liquidating distribution pursuant to Section 12.4, be determined and allocated by the Liquidator using such reasonable method of valuation as it may adopt.

(iii) After any adjustment of Carrying Values pursuant to Section 5.5(d)(i) or 5.5(d)(ii), the General Partner shall determine the way, if any, in which such changes in Carrying Value shall affect the allocations for federal, state and local income tax purposes pursuant to Section 6.2 of the items of income, gain, loss, deduction and credit that are recognized by the Partnership for such purposes. Any such determination shall be entered in the records of the Partnership.

(e) The balance of the Capital Account of a Partner (which is the sum of the balances of the Capital Account of all the Units or other Partnership Interests that are owned by the Partner) shall be unchanged by reason of the Unit Split; but the balance of a Capital Account of a Common Unit or of a Subordinated Unit at the end of the first taxable period that ends after the Unit Split shall be 50 percent of the amount that would have been the balance thereof at that time if the Unit Split had not occurred. In particular, the balance of a Capital Account of a Common Unit and of a Subordinated Unit shall be determined pursuant to this Section 5.5 and other provisions of this Agreement as if the Unit Split had been effective immediately before the initial application of this Section 5.5 and by giving effect at that time to the reduction in Initial Unit Price that occurs with the amendments to this Agreement that implement the Unit Split. The foregoing shall be applied so that the effect of the Unit Split is to double the number of Common Units and the number of Subordinated Units that are held by a person who is a holder of Common Units or who is a holder of Subordinated Units prior to the record date for the Unit Split without any change being effected in the relative rights of any such Partner or Assignee, such as the right thereof to distributions. The General Partner may make such other changes to the determination of Capital Account balances as are necessary in its judgment to achieve the effect of the Unit Split that is described in the preceding sentence.

Section 5.6 *Issuances of Additional Partnership Securities.*

(a) Subject to Section 5.7, the Partnership may issue additional Partnership Securities and options, rights, warrants and appreciation rights relating to the Partnership Securities for any Partnership purpose at any time and from time to time to such Persons for such consideration and on such terms and conditions as shall be established by the General Partner in its sole discretion, all without the approval of any Limited Partners.

(b) Each additional Partnership Security authorized to be issued by the Partnership pursuant to Section 5.6(a) may be issued in one or more classes, or one or more series of any such classes, with such designations, preferences, rights, powers and duties (which may be senior to existing classes and series of Partnership Securities), as shall be fixed by the General Partner in the exercise of its sole discretion, including (i) the right to share Partnership profits and losses or items thereof; (ii) the right to share in Partnership distributions (the specification of which may include an amendment of Section 6.1); (iii) the rights upon dissolution and liquidation of the Partnership; (iv) whether, and the terms and conditions upon which, the Partnership may redeem the Partnership Security; (v) whether such Partnership Security is issued with the privilege of conversion or exchange and, if so, the terms and conditions of such conversion or exchange; (vi) the terms and conditions upon which each Partnership Security will be issued, evidenced by certificates and assigned or transferred; (vii) the number of Units to which such Partnership Securities are equivalent for the purpose of determining Percentage Interest (and only for such purpose); and (viii) the right, if any, of each such Partnership Security to vote on Partnership matters, including matters relating to the relative rights, preferences and privileges of such Partnership Security.

(c) The General Partner is hereby authorized and directed to take all actions that it deems necessary or appropriate in connection with (i) each issuance of Partnership Securities and options,

rights, warrants and appreciation rights relating to Partnership Securities pursuant to this Section 5.6, (ii) the conversion of the General Partner Interest or any Incentive Distribution Rights into Units pursuant to the terms of this Agreement, (iii) the admission of Additional Limited Partners and (iv) all additional issuances of Partnership Securities. The General Partner is further authorized and directed to specify the relative rights, powers and duties of the holders of the Units or other Partnership Securities being so issued. The General Partner shall do all things necessary to comply with the Delaware Act and is authorized and directed to do all things it deems to be necessary or advisable in connection with any future issuance of Partnership Securities or in connection with the conversion of the General Partner Interest or any Incentive Distribution Rights into Units pursuant to the terms of this Agreement, including compliance with any statute, rule, regulation or guideline of any federal, state or other governmental agency or any National Securities Exchange on which the Units or other Partnership Securities are listed for trading.

Section 5.7 *Limitations on Issuance of Additional Partnership Securities.*

The issuance of Partnership Securities pursuant to Section 5.6 shall be subject to the following restrictions and limitations:

(a) During the Subordination Period, the Partnership shall not issue (and shall not issue any options, rights, warrants or appreciation rights relating to) an aggregate of more than 2,333,000 (plus an amount, if any, equal to one half of the number of Units issued pursuant to the Over-Allotment Option, if and to the extent exercised) additional Parity Units without the prior approval of the holders of a Unit Majority; provided that any Common Units that were issued prior to the Unit Split shall be counted as two Common Units for purposes of this Section 5.7. In applying this limitation, there shall be excluded Common Units and other Parity Units issued (A) in connection with the exercise of the Over-Allotment Option, (B) in accordance with Sections 5.7(b), 5.7(c) and 5.7(d), (C) upon conversion of Subordinated Units pursuant to Section 5.8, (D) upon conversion of the General Partner Interest or any Incentive Distribution Rights pursuant to Section 11.3(b), (D) pursuant to the employee benefit plans of the General Partner, the Partnership or any other Group Member, (E) upon a conversion or exchange of Parity Units issued after the date hereof into Common Units or other Parity Units; provided that the total amount of Available Cash required to pay the aggregate Minimum Quarterly Distribution on all Common Units and all Parity Units does not increase as a result of this conversion or exchange, and (F) in the event of a combination or subdivision of Common Units.

(b) The Partnership may also issue an unlimited number of Parity Units, prior to the end of the Subordination Period and without the prior approval of the Unitholders, if such issuance occurs (i) in connection with an Acquisition or a Capital Improvement or (ii) within 365 days of, and the net proceeds from such issuance are used to repay debt incurred in connection with, an Acquisition or a Capital Improvement, in each case where such Acquisition or Capital Improvement involves assets that, if acquired by the Partnership as of the date that is one year prior to the first day of the Quarter in which such Acquisition is to be consummated or such Capital Improvement is to be completed, would have resulted, on a pro forma basis, in an increase in:

(A) the amount of Adjusted Operating Surplus generated by the Partnership on a per-Unit basis (for all Outstanding Units) with respect to the most recently completed four-Quarter period (on a pro forma basis as described below) as compared to

(B) the actual amount of Adjusted Operating Surplus generated by the Partnership on a per-Unit basis (for all Outstanding Units) (excluding Adjusted Operating Surplus attributable to the Acquisition or Capital Improvement) with respect to such most recently completed four-Quarter period.

The General Partner's good faith determination that such an increase would have resulted shall be conclusive. If the issuance of Parity Units with respect to an Acquisition or Capital Improvement occurs

within the first four full Quarters after the Closing Date, then Adjusted Operating Surplus as used in clauses (A) (subject to the succeeding sentence) and (B) above shall be calculated (i) for each Quarter, if any, that commenced after the Closing Date for which actual results of operations are available, based on the actual Adjusted Operating Surplus of the Partnership generated with respect to such Quarter, and (ii) for each other Quarter, on a pro forma basis consistent with the procedures, as applicable, set forth in Appendix D to the Registration Statement. Furthermore, the amount in clause (A) shall be determined on a pro forma basis assuming that (1) all of the Parity Units to be issued in connection with or within 365 days of such Acquisition or Capital Improvement had been issued and outstanding, (2) all indebtedness for borrowed money to be incurred or assumed in connection with such Acquisition or Capital Improvement (other than any such indebtedness that is to be repaid with the proceeds of such issuance of Parity Units) had been incurred or assumed, in each case as of the commencement of such four-Quarter period, (3) the personnel expenses that would have been incurred by the Partnership in the operation of the acquired assets are the personnel expenses for employees to be retained by the Partnership in the operation of the acquired assets, and (4) the non-personnel costs and expenses are computed on the same basis as those incurred by the Partnership in the operation of the Partnership's business at similarly situated Partnership facilities. For the purposes of this Section 5.7(b), the term "debt" shall be deemed to include indebtedness used to extend, refinance, renew, replace or defease debt originally incurred in connection with an Acquisition or Capital Improvement; provided, that, the amount of such extended, refinanced, renewed, replaced or defeased indebtedness does not exceed the principal sum of, plus accrued interest on, the indebtedness so extended, replaced renewed, replaced or defeased.

(c) The Partnership may also issue an unlimited number of Parity Units, prior to the end of the Subordination Period and without the approval of the Unitholders, if the proceeds from such issuance are used exclusively to repay indebtedness of a Group Member where the aggregate amount of distributions that would have been paid with respect to such newly issued Units, plus the related distributions on the General Partner Interest in the Partnership in respect of the four-Quarter period ending prior to the first day of the Quarter in which the issuance is to be consummated (assuming such additional Units had been Outstanding throughout such period and that distributions equal to the distributions that were actually paid on the Outstanding Units during the period were paid on such additional Units) would not have exceeded the interest costs actually incurred during such period on the indebtedness that is to be repaid (or, if such indebtedness was not outstanding throughout the entire period, would have been incurred had such indebtedness been outstanding for the entire period). In the event that the Partnership is required to pay a prepayment penalty in connection with the repayment of such indebtedness, for purposes of the foregoing test the number of Parity Units issued to repay such indebtedness shall be deemed increased by the number of Parity Units that would need to be issued to pay such penalty.

(d) During the Subordination Period, without the prior approval of the holders of a Unit Majority, the Partnership shall not issue any additional Partnership Securities (or options, rights, warrants or appreciation rights related thereto) (i) that are entitled in any Quarter to receive in respect of the Subordination Period any distribution of Available Cash from Operating Surplus before the Common Units and any Parity Units have received (or amounts have been set aside for payment of) the Minimum Quarterly Distribution and any Cumulative Common Unit Arrearage for such Quarter or (ii) that are entitled to allocations in respect of the Subordination Period of Net Termination Gain before the Common Units and any Parity Units have been allocated Net Termination Gain pursuant to Section 6.1(c)(i)(B).

(e) During the Subordination Period, without the prior approval of the Unitholders, the Partnership may issue additional Partnership Securities (or options, rights, warrants or appreciation rights related thereto) (i) that are not entitled in any Quarter during the Subordination Period to receive any distributions of Available Cash from Operating Surplus until after the Common Units and

any Parity Units have received (or amounts have been set aside for payment of) the Minimum Quarterly Distribution and any Cumulative Common Unit Arrearage for such Quarter and (ii) that are not entitled to allocations in respect of the Subordination Period of Net Termination Gain before the Common Units and Parity Units have been allocated Net Termination Gain pursuant to Section 6.1(c)(i)(B), even if (A) the amount of Available Cash from Operating Surplus to which each such Partnership Security is entitled to receive after the Minimum Quarterly Distribution and any Cumulative Common Unit Arrearage have been paid or set aside for payment on the Common Units exceeds the Minimum Quarterly Distribution or (B) the amount of Net Termination Gain to be allocated to such Partnership Security after Net Termination Gain has been allocated to any Common Units and Parity Units pursuant to Section 6.1(c)(i)(B) exceeds the amount of such Net Termination Gain to be allocated to each Common Unit or Parity Unit.

(f) No fractional Units shall be issued by the Partnership.

Section 5.8 *Conversion of Subordinated Units.*

(a) A total of 2,333,000 of the Outstanding Subordinated Units will convert into Common Units on a one-for-one basis immediately after the distribution of Available Cash to Partners pursuant to Section 6.3(a) in respect of any Quarter ending on or after December 31, 2005, in respect of which:

(i) distributions under Section 6.4 in respect of all Outstanding Common Units and Subordinated Units and any other Outstanding Units that are senior or equal in right of distribution to the Subordinated Units with respect to each of the three consecutive, non-overlapping four-Quarter periods immediately preceding such date equaled or exceeded the sum of the Minimum Quarterly Distribution on all of the Outstanding Common Units and Subordinated Units and any other Outstanding Units that are senior or equal in right of distribution to the Subordinated Units during such periods;

(ii) the Adjusted Operating Surplus generated during each of the three consecutive, non-overlapping four-Quarter periods immediately preceding such date equaled or exceeded the sum of the Minimum Quarterly Distribution on all of the Common Units, Subordinated Units and any other Units that are senior or equal in right of distribution to the Subordinated Units that were Outstanding during such periods on a Fully Diluted Basis, plus the related distribution on the General Partner Interest in the Partnership, during such periods; and

(iii) the Cumulative Common Unit Arrearage on all of the Common Units is zero.

(b) An additional 2,333,000 of the Outstanding Subordinated Units will convert into Common Units on a one-for-one basis immediately after the distribution of Available Cash to Partners pursuant to Section 6.3(a) in respect of any Quarter ending on or after December 31, 2006, in respect of which:

(i) distributions under Section 6.4 in respect of all Outstanding Common Units and Subordinated Units and any other Outstanding Units that are senior or equal in right of distribution to the Subordinated Units with respect to each of the three consecutive, non-overlapping four-Quarter periods immediately preceding such date equaled or exceeded the sum of the Minimum Quarterly Distribution on all of the Outstanding Common Units and Subordinated Units and any other Outstanding Units that are senior or equal in right of distribution to the Subordinated Units during such periods;

(ii) the Adjusted Operating Surplus generated during each of the three consecutive, non-overlapping four-Quarter periods immediately preceding such date equaled or exceeded the sum of the Minimum Quarterly Distribution on all of the Common Units, Subordinated Units and any other Units that are senior or equal in right of distribution to the Subordinated Units that were Outstanding during such periods on a Fully Diluted Basis, plus the related distribution on the General Partner Interest during such periods; and

(iii) the Cumulative Common Unit Arrearage on all of the Common Units is zero;

provided, however, that the conversion of Subordinated Units pursuant to this Section 5.8(b) may not occur until at least one year following the conversion of Subordinated Units pursuant to Section 5.8(a).

(c) In the event that less than all of the Outstanding Subordinated Units shall convert into Common Units pursuant to Sections 5.8(a) or (b) at a time when there shall be more than one holder of Subordinated Units, then, unless all of the holders of Subordinated Units shall agree to a different allocation, the Subordinated Units that are to be converted into Common Units shall be allocated among the holders of Subordinated Units pro rata based on the number of Subordinated Units held by each such holder.

(d) Any Subordinated Units that are not converted into Common Units pursuant to Section 5.8(a) or (b) shall convert into Common Units on a one-for-one basis immediately after the distribution of Available Cash to Partners pursuant to Section 6.3(a) in respect of the final Quarter of the Subordination Period.

(e) Notwithstanding any other provision of this Agreement, all the then Outstanding Subordinated Units will automatically convert into Common Units on a one-for-one basis as set forth in, and pursuant to the terms of, Section 11.4.

(f) A Subordinated Unit that has converted into a Common Unit shall be subject to the provisions of Section 6.7(b).

Section 5.9 *Limited Preemptive Right.*

Except as provided in this Section 5.9 and in Section 5.2, no Person shall have any preemptive, preferential or other similar right with respect to the issuance of any Partnership Security, whether unissued, held in the treasury or hereafter created. The General Partner shall have the right, which it may from time to time assign in whole or in part to any of its Affiliates, to purchase Partnership Securities from the Partnership whenever, and on the same terms that, the Partnership issues Partnership Securities to Persons other than the General Partner and its Affiliates, to the extent necessary to maintain the Percentage Interests of the General Partner and its Affiliates equal to that which existed immediately prior to the issuance of such Partnership Securities.

Section 5.10 *Splits and Combinations.*

(a) Subject to Sections 5.10(d), 6.6 and 6.9 (dealing with adjustments of distribution levels), the Partnership may make a Pro Rata distribution of Partnership Securities to all Record Holders or may effect a subdivision or combination of Partnership Securities so long as, after any such event, each Partner shall have the same Percentage Interest in the Partnership as before such event, and any amounts calculated on a per Unit basis (including any Common Unit Arrearage or Cumulative Common Unit Arrearage) or stated as a number of Units (including the number of Subordinated Units that may convert prior to the end of the Subordination Period and the number of additional Parity Units that may be issued pursuant to Section 5.7 without a Unitholder vote) are proportionately adjusted retroactive to the beginning of the Partnership.

(b) Whenever such a distribution, subdivision or combination of Partnership Securities is declared, the General Partner shall select a Record Date as of which the distribution, subdivision or combination shall be effective and shall send notice thereof at least 20 days prior to such Record Date to each Record Holder as of a date not less than 10 days prior to the date of such notice. The General Partner also may cause a firm of independent public accountants selected by it to calculate the number of Partnership Securities to be held by each Record Holder after giving effect to such distribution, subdivision or combination. The General Partner shall be entitled to rely on any certificate provided by such firm as conclusive evidence of the accuracy of such calculation.

(c) Promptly following any such distribution, subdivision or combination, the Partnership may issue Certificates to the Record Holders of Partnership Securities as of the applicable Record Date representing the new number of Partnership Securities held by such Record Holders, or the General Partner may adopt such other procedures as it may deem appropriate to reflect such changes. If any such combination results in a smaller total number of Partnership Securities Outstanding, the Partnership shall require, as a condition to the delivery to a Record Holder of such new Certificate, the surrender of any Certificate held by such Record Holder immediately prior to such Record Date.

(d) The Partnership shall not issue fractional Units upon any distribution, subdivision or combination of Units. If a distribution, subdivision or combination of Units would result in the issuance of fractional Units but for the provisions of Section 5.7(f) and this Section 5.10(d), each fractional Unit shall be rounded to the nearest whole Unit (and a 0.5 Unit shall be rounded to the next higher Unit).

Section 5.11 *Fully Paid and Non-Assessable Nature of Limited Partner Interests.*

All Limited Partner Interests issued pursuant to, and in accordance with the requirements of, this Article V shall be fully paid and non-assessable Limited Partner Interests in the Partnership, except as such non-assessability may be affected by Section 17-607 of the Delaware Act.

ARTICLE VI

ALLOCATIONS AND DISTRIBUTIONS

Section 6.1 *Allocations for Capital Account Purposes.*

For purposes of maintaining the balances of Capital Accounts, the Partnership's items of income, gain, loss and deduction for a taxable period of the Partnership (such items are computed in accordance with Section 5.5(b)) shall be allocated among the Partners first to the extent provided in Section 6.1(d) and then the balance of such items shall be aggregated into Net Income, Net Loss, Net Termination Gain and Net Termination Loss, as the case may be, which shall then be allocated as follows:

(a) *Net Income.* Net Income for a taxable period of the Partnership shall be allocated as follows:

(i) First, 100% to the General Partner, until the aggregate Net Income allocated pursuant to this sentence for the current taxable period of the Partnership and all previous taxable periods of the Partnership is equal to the aggregate Net Loss allocated to the General Partner pursuant to Section 6.1(b)(ii) for all previous taxable periods of the Partnership.

(ii) Second, 2% to the General Partner, and 98% to the Unitholders, Pro Rata.

The items of income, gain, loss and deduction that are included in Net Income for a taxable period of the Partnership shall be allocated in the ratio in which Net Income for such taxable period is allocated.

(b) *Net Loss*. Net Loss for a taxable period of the Partnership shall be allocated as follows:

(i) First, 2% to the General Partner, and 98% to the Unitholders, Pro Rata; provided, that Net Loss shall not be allocated pursuant to this sentence 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 period of the Partnership (or increase any existing deficit balance in its Adjusted Capital Account). The limitation on the allocation of Net Loss that is contained in the preceding sentence is a Required Allocation for purposes of the allocation of Curative Allocations in Section 6.1(d).

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

The items of income, gain, loss and deduction that are included in Net Loss for a taxable period of the Partnership shall be allocated in the ratio in which Net Loss for such taxable period is allocated.

(c) *Net Termination Gains and Losses.* Allocations under this Section 6.1(c) shall be made after Capital Account balances have been adjusted by all other allocations provided under this Section 6.1 for the current and prior taxable periods of the Partnership and for distributions that have been made pursuant to Sections 6.4 and 6.5 but not for distributions made pursuant to Section 12.4.

(i) Any Net Termination Gain for a taxable period of the Partnership shall be allocated among the Partners in the following manner and the Capital Accounts of the Partners shall be increased by the amount so allocated in each subclause, before an allocation is made pursuant to the next subclause:

(A) First, to each Partner having a deficit balance in its Capital Account, in proportion to such deficit balances until each Partner has been allocated Net Termination Gain equal to any such deficit balance.

(B) Second, 98% to all Unitholders holding Common Units, Pro Rata, and 2% to the General Partner, until the Capital Account in respect of each Common Unit then Outstanding is equal to the sum of (1) its Unrecovered Capital at the time plus (2) the Minimum Quarterly Distribution for the Quarter during which the Liquidation Date occurs, reduced by any distribution pursuant to Section 6.4(a)(i) or (b)(i) with respect to such Common Unit for such Quarter (the amount determined pursuant to this clause (2) is hereinafter defined as the "Unpaid MQD") plus (3) any then existing Cumulative Common Unit Arrearage.

(C) Third, if such Net Termination Gain is recognized prior to the expiration of the Subordination Period, 98% to all Unitholders holding Subordinated Units, Pro Rata, and 2% to the General Partner, until the Capital Account in respect of each Subordinated Unit then Outstanding equals the sum of (1) its Unrecovered Capital at the time plus (2) the Minimum Quarterly Distribution for the Quarter during which the Liquidation Date occurs, reduced by any distribution pursuant to Section 6.4(a)(iii) with respect to such Subordinated Unit for such Quarter.

(D) Fourth, 85% to all Unitholders, Pro Rata, 13% to the holders of the Incentive Distribution Rights, Pro Rata, and 2% to the General Partner, until the Capital Account in respect of each Common Unit then Outstanding is equal to the sum of (1) its Unrecovered Capital, plus (2) the Unpaid MQD, plus (3) any then existing Cumulative Common Unit Arrearage, plus (4) the excess of (aa) the First Target Distribution less the Minimum Quarterly Distribution for each Quarter of the Partnership's existence over (bb) the cumulative per Unit amount of any distributions of Available Cash that is deemed to be Operating Surplus made pursuant to Sections 6.4(a)(iv) and 6.4(b)(ii) (the sum of (1) plus (2) plus (3) plus (4) is hereinafter defined as the "First Liquidation Target Amount").

(E) Fifth, 75% to all Unitholders, Pro Rata, 23% to the holders of the Incentive Distribution Rights, Pro Rata, and 2% to the General Partner, until the Capital Account in respect of each Common Unit then Outstanding is equal to the sum of (1) the First Liquidation Target Amount, plus (2) the excess of (aa) the Second Target Distribution less the First Target Distribution for each Quarter of the Partnership's existence over (bb) the cumulative per Unit amount of any distributions of Available Cash that is deemed to be Operating Surplus made pursuant to Sections 6.4(a)(v) and 6.4(b)(iii).

(F) Finally, any remaining amount 50% to all Unitholders, Pro Rata, 48% to the holders of the Incentive Distribution Rights, Pro Rata, and 2% to the General Partner.

(ii) Any Net Termination Loss for a taxable period of the Partnership shall be allocated first as provided in Section 6.1(d)(xi) (with respect to Corrective Allocations) and shall be allocated second among the Partners in the following manner:

(A) First, if such Net Termination Loss is recognized (or is deemed to be recognized) prior to the conversion of the last Outstanding Subordinated Unit, 98% to the Unitholders holding Subordinated Units, Pro Rata, and 2% to the General Partner, until the Capital Account in respect of each Subordinated Unit then Outstanding has been reduced to zero. The limitation on the allocation of Net Termination Loss that is contained in the preceding sentence is a Required Allocation for purposes of the allocation of Curative Allocations in Section 6.1(d).

(B) Second, 98% to all Unitholders holding Common Units, Pro Rata, and 2% to the General Partner, until the Capital Account in respect of each Common Unit then Outstanding has been reduced to zero. The limitation on the allocation of Net Termination Loss that is contained in the preceding sentence is a Required Allocation for purposes of the allocation of Curative Allocations in Section 6.1(d).

(C) Third, the balance, if any, 100% to the General Partner.

The items of income, gain, loss and deduction that are included in Net Termination Gain or Net Termination Loss for a taxable period of the Partnership shall be allocated in the ratio in which Net Termination Gain or Net Termination Loss for such taxable period is allocated.

(d) *Special Allocations.* Prior to making any allocation pursuant to another portion of this Section 6.1 for a taxable period of the Partnership, the following allocations shall be made in the order stated:

(i) *Partnership Minimum Gain Chargeback*. If there is a net decrease in Partnership Minimum Gain during the taxable period of the Partnership, each Partner shall be allocated items of Partnership income and gain for such taxable period (and, if necessary, subsequent taxable periods of the Partnership) in the manner and amounts provided in Treasury Regulation Sections 1.704-2(f) or any successor provision. This Section 6.1(d)(i) is intended to comply with the Partnership Minimum Gain chargeback requirement in Treasury Regulation Section 1.704-2(f) and shall be interpreted consistently therewith. The allocations in this portion of Section 6.1(d) are a Required Allocation for purposes of the allocation of Curative Allocations in Section 6.1(d).

(ii) *Partner Nonrecourse Debt Minimum Gain Chargeback.* If there is a net decrease in Partner Nonrecourse Debt Minimum Gain during any taxable period of the Partnership, any Partner with a share of Partner Nonrecourse Debt Minimum Gain at the beginning of such taxable period shall be allocated items of Partnership income and gain for such taxable period (and, if necessary, subsequent taxable periods of the Partnership) in the manner and amounts provided in Treasury Regulation Section 1.704-2(i)(4) or any successor provision. This Section 6.1(d)(ii) is intended to comply with the Partner Nonrecourse Debt Minimum Gain chargeback of items of income and gain requirement in Treasury Regulation Section 1.704-2(i)(4) and shall be interpreted consistently therewith. The allocations in this portion of Section 6.1(d) are a Required Allocation for purposes of the allocation of Curative Allocations in Section 6.1(d).

(iii) *Priority Allocations.*

(A) First, if the amount of cash or the Net Agreed Value of any property distributed (except cash or property distributed pursuant to Section 12.4) to any Unitholder with respect to its Units during any taxable period of the Partnership is greater on a per Unit basis than the amount of cash or the Net Agreed Value of property distributed to the other Unitholders with respect to their Units on a per Unit basis in such taxable period, then (1) there shall be

allocated income and gain to each Unitholder receiving such greater distribution until the amount so allocated for the current taxable period and all previous taxable periods pursuant to this clause (1) is equal to (x) the amount by which the distribution on a per Unit basis to such Unitholder exceeds the distribution on a per Unit basis to the Unitholders receiving the smallest distribution multiplied by (y) the number of Units in respect of which such greater distribution was made and (2) the General Partner shall be allocated income and gain in an aggregate amount equal to $^{2}/_{98}$ths of the sum of the amounts allocated in clause (1) above.

(B) Second, income and gain for the taxable period shall be allocated (1) to the General Partner until the aggregate amount so allocated pursuant to this sentence for the current taxable period and all previous taxable periods is equal to the amount that has been distributed to the General Partner Interest that is in excess of $^{2}/_{98}$ths of the amount that has been distributed to the holders of Units and (2) 100% to the holders of Incentive Distribution Rights, Pro Rata, until the aggregate amount so allocated pursuant to this sentence for the current taxable period and all previous taxable periods is equal to the cumulative amount of all Incentive Distributions, in each case, from the Closing Date to a date 45 days after the end of the current taxable period. Any partial distribution pursuant to this Section 6.1(d)(iii)(B) shall be divided between the General Partner and the holders of Incentive Distribution Rights in proportion to their rights to the total distribution that could then be made.

(iv) *Qualified Income Offset.* In the event any Partner unexpectedly receives any adjustment, allocation or distribution described in Treasury Regulation Sections 1.704-1(b)(2)(ii)(d)(4), (5), or (6), items of income and gain shall be allocated to such Partner in an amount and manner sufficient to eliminate, to the extent required by the Treasury Regulations promulgated under Section 704(b) of the Code, the deficit balance, if any, in its Adjusted Capital Account created by such adjustment, allocation or distribution as quickly as possible. The allocations in this portion of Section 6.1(d) are a Required Allocation for purposes of the allocation of Curative Allocations in Section 6.1(d).

(v) *Gross Income Allocations.* In the event any Partner has a deficit balance in its Capital Account at the end of any taxable period of the Partnership in excess of the sum of (A) the amount such Partner is required to restore pursuant to the provisions of this Agreement and (B) the amount such Partner is deemed obligated to restore pursuant to Treasury Regulation Sections 1.704-2(g) and 1.704-2(i)(5), such Partner shall be allocated items of income and gain in the amount of such excess; provided, that an allocation pursuant to this Section 6.1(d)(v) shall be made only if and to the extent that such Partner would have a deficit balance in its Capital Account as adjusted after all other allocations provided for in this Section 6.1 have been tentatively made as if this Section 6.1(d)(v) were not in this Agreement. The allocations in this portion of Section 6.1(d) are a Required Allocation for purposes of the allocation of Curative Allocations in Section 6.1(d).

(vi) *Nonrecourse Deductions.* Nonrecourse Deductions for the taxable period shall be allocated to the Partners in accordance with their respective Percentage Interests. If the General Partner determines in good faith that the Partnership's Nonrecourse Deductions must be allocated in a different ratio to satisfy the safe harbor requirements of the Treasury Regulations promulgated under Section 704(b) of the Code, the General Partner may, upon notice to the other Partners, revise the prescribed ratio in order to satisfy such safe harbor requirements. The allocations in this portion of Section 6.1(d) are a Required Allocation for purposes of the allocation of Curative Allocations in Section 6.1(d).

(vii) *Partner Nonrecourse Deductions.* Partner Nonrecourse Deductions for the taxable period shall be allocated 100% to the Partner that bears the Economic Risk of Loss with respect to the Partner Nonrecourse Debt to which such Partner Nonrecourse Deductions are attributable in

accordance with Treasury Regulation Section 1.704-2(i). If more than one Partner bears the Economic Risk of Loss with respect to a Partner Nonrecourse Debt, such Partner Nonrecourse Deductions attributable thereto shall be allocated among such Partners in accordance with the manner in which they share such Economic Risk of Loss. The allocations in this portion of Section 6.1(d) are a Required Allocation for purposes of the allocation of Curative Allocations in Section 6.1(d).

(viii) *Nonrecourse Liabilities*. The portion of the Nonrecourse Liabilities of the Partnership that are allocable pursuant to Treasury Regulation Section 1.752-3(a)(3) shall be allocated among the Partners in accordance with their Percentage Interests. The allocations of Nonrecourse Liabilities that may be made as provided in Treasury Regulation Section 1.752-3(a)(2) are to be made as determined by the General Partner in its sole discretion.

(ix) *Economic Uniformity*. At the election of the General Partner with respect to any taxable period of the Partnership ending upon, or after, the termination of the Subordination Period, all or a portion of the remaining items of income and gain for such taxable period shall be allocated 100% to Partners holding Subordinated Units that are Outstanding as of the termination of the Subordination Period ("Final Subordinated Units") in the proportion of the number of Final Subordinated Units held by such Partners, until each such Partner has been allocated the amount which increases the Capital Account of each Final Subordinated Unit to the Per Unit Capital Amount for a Common Unit.

(x) *Curative Allocation.*

(A) Allocations are to be made pursuant to this Section 6.1(d)(x)(A) so that the net amount of items of income, gain, loss and deduction allocated to each Partner pursuant to Section 6.1 (including allocations made pursuant to this Section 6.1(d)(x)) is equal to the net amount of such items that would have been allocated to each such Partner under this Section 6.1 if the Required Allocations had not been included in this Section 6.1; provided that Required Allocations relating to (1) Nonrecourse Deductions shall not be taken into account for purposes of this sentence except to the extent that there has been a decrease in Partnership Minimum Gain and (2) Partner Nonrecourse Deductions shall not be taken into account for purposes of this sentence except to the extent that there has been a decrease in Partner Nonrecourse Debt Minimum Gain and shall then in either case be taken into account only to the extent the General Partner reasonably determines that such allocations are not likely to be offset by subsequent Required Allocations.

(B) The General Partner shall have reasonable discretion, with respect to each taxable period of the Partnership, to (1) apply the provisions of Section 6.1(d)(x)(A) in whatever order is most likely to minimize the economic distortions that might otherwise result from the Required Allocations and (2) divide all allocations pursuant to Section 6.1(d)(x)(A) among the Partners in a manner that is likely to minimize such economic distortions.

(C) For purposes of identifying the Agreed Allocations, the provisions of this Section 6.1(d)(x) are a Required Allocation.

(xi) *Corrective Allocations*.

(A) Upon the occurrence of a Book-Down Event (the "Current Book-Down Event") after one or more Book-Up Events has occurred, the General Partner shall determine for each Partner the difference (the "Net Effect for the Partner") between

(1) the amount that would be the balance of the Capital Account of such Partner pursuant to this Agreement after the Current Book-Down Event taking into account the

provisions of this Agreement other than this Section 6.1(d)(xi)(A) as to the effect of the Current Book-Down Event and

(2) the amount that would be the balance of the Capital Account of the Partner if the increases and decreases in Carrying Values that occurred in earlier Book-Up Events and Book-Down Events had been reduced or eliminated (doing so in inverse order) so that the Current Book-Down Event would not have generated a change in the aggregate Carrying Value of the Partnership's assets.

Thereafter, the items of income, gain, loss and deduction that the Partnership recognizes (whether in the Current Book-Down Event or otherwise) shall be allocated first among the Partners so that to the greatest extent possible the Net Effect for each Partner is eliminated, and the balance of such items shall then be allocated as otherwise provided in this Section 6.1.

(B) Any Net Termination Loss that is recognized and so characterized without regard to this Section 6.1(d)(xi)(B), shall be allocated among the Partners so as to reverse first the allocations of any Net Termination Gain that was recognized in a prior taxable period to the extent thereof and to reverse second the effect of any Book-Up Event that has not theretofore been eliminated pursuant to Section 6.1(d)(xi)(A). Any balance of the Net Termination Loss shall then be allocated as provided in Section 6.1(c)(ii).

(C) The purpose of this Section 6.1(d)(xi) is to prevent a Partner from being adversely affected by the occurrence of a Book-Up Event and its later reversal by a Book-Down Event or by a Net Termination Gain and its later reversal by a Net Termination Loss. Any application of this Section 6.1(d)(xi) that is made in good faith by the General Partner shall be conclusive.

The items of income, gain, loss and deduction that are included in an aggregate that is allocated pursuant to a provision of this Section 6.1(d) for a taxable period of the Partnership shall be allocated in the ratio that such aggregate was allocated.

Section 6.2 *Allocations for Tax Purposes.*

(a) Except as otherwise provided in this Section 6.2, each item of income, gain, loss and deduction that is recognized by the Partnership for federal income tax purposes shall be allocated among the Partners with reference to the allocations of the corresponding items pursuant to Section 6.1.

(b) The Partnership shall make the allocations that are required by Section 704(c) of the Code with respect to the difference between the fair market value and adjusted basis for federal income tax purposes of any asset that the Partnership holds on the Closing Date using remedial allocations within the meaning of Treasury Regulation Section 1.704-3(d) and in respect of the difference between fair market value and adjusted tax basis of such assets the Partnership shall use the recovery periods and depreciation methods that are used in the calculations that are identified in the records of the Partnership as the basis of the estimates that are reported in the "Material Tax Consequences-Tax Consequences of Unit Ownership—Ratio of taxable income to distributions" section of the prospectus that is part of the Registration Statement except as may be provided in the Contribution Agreements. The Partnership shall, at any other time that it acquires property with respect to which it must make allocations for federal income tax purposes pursuant to Section 704(c) of the Code, make such allocations using remedial allocations within the meaning of Treasury Regulation Section 1.704-3(d) or any other method selected by the General Partner in its sole discretion. The Partnership shall make any "reverse section 704(c) allocations", within the meaning of Treasury Regulation Section 1.704-3(a)(6), that may be made upon an adjustment in Carrying Values pursuant to Section 5.5(d) or at any other time that the General Partner determines in its sole discretion that the Partnership should make "reverse section 704(c) allocations" as "remedial allocations" as set out in Treasury Regulation

Section 1.704-3(d) or under any other method that the General Partner determines in its sole discretion that the Partnership should use. The General Partner may cause the Partnership to make agreements as to the manner in which Section 704(c) allocations shall be made upon the acquisition by the Partnership of property in exchange for a Partnership Interest or reverse Section 704(c) allocations shall be made with respect to the assets of the Partnership upon the issuance by the Partnership of a Partnership Interest.

(c) For the proper administration of the Partnership and to facilitate the calculation of the items of income, gain, loss and deduction that are allocated to the Partners for federal, state or local income tax purposes and to take into account the effect of the Section 754 election that the Partnership is to make, the General Partner shall have sole discretion (i) to adopt such conventions as it deems appropriate in determining the amount of depreciation, amortization and cost recovery deductions; (ii) to make special allocations for federal income tax purposes of income (including, without limitation, gross income) or deductions; and (iii) to amend the provisions of this Agreement as appropriate (x) to reflect the proposal or promulgation of Treasury Regulations under Section 704(b) or Section 704(c) of the Code or (y) otherwise to preserve or achieve uniformity of the Limited Partner Interests (or any class or classes thereof) or to facilitate the calculation of such adjustments that are required by the Section 754 election from the information that is known by the Partnership, such as the date of the purchase of a Limited Partner Interest and the amount that is paid therefor.

(d) The General Partner in its discretion may determine to depreciate or amortize the portion of an adjustment under Section 743(b) of the Code that is attributable to unrealized appreciation in any Partnership property (to the extent of the unamortized difference between Carrying Value and adjusted basis for federal income tax purposes or if more than one adjustment to Carrying Value has been made to the extent of any unamortized increment between Carrying Value and the immediately prior Carrying Value) using a predetermined rate derived from the depreciation or amortization method and useful life applied to the Partnership's common basis of such property. If the General Partner determines that such reporting position cannot reasonably be taken, the General Partner may adopt depreciation and amortization conventions under which all purchasers acquiring Limited Partner Interests in the same month would receive depreciation and amortization deductions, based upon the same applicable rate as if they had purchased a direct interest in the Partnership's property. If the General Partner chooses not to utilize such aggregate method, the General Partner may use any other depreciation and amortization conventions that it determines are appropriate.

(e) Any gain allocated to a Partner upon the sale or other taxable disposition of any Partnership asset shall, to the extent possible be characterized as Recapture Income to the same extent as such Partner (or its predecessor in interest) has been allocated any deductions directly or indirectly giving rise to the treatment of such gains as Recapture Income.

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

(g) Each item of Partnership income, gain, loss and deduction that is allocated to a Partner Interest that is transferred during a calendar year shall for federal income tax purposes, be determined on an annual basis and prorated on a monthly basis and shall be allocated to the Partners as of the opening of the New York Stock Exchange on the first Business Day of each month; provided, however, that (i) such items for the period beginning on the Closing Date and ending on the last day of the month in which the expiration of the Over-Allotment Option occurs shall be allocated to the Partners as of the opening of the New York Stock Exchange on the first Business Day of the next succeeding

month; and provided, further, that gain or loss on a sale or other disposition of any assets of the Partnership or any other extraordinary item of income or loss realized and recognized other than in the ordinary course of business, as determined by the General Partner in its sole discretion, shall be allocated to the Partners as of the opening of the New York Stock Exchange on the first Business Day of the month in which such gain or loss is recognized for federal income tax purposes. The General Partner may revise, alter or otherwise modify such methods of allocation as it determines necessary or appropriate in its sole discretion, to the extent permitted or required by Section 706 of the Code and the regulations or rulings promulgated thereunder.

Section 6.3 *Requirement and Characterization of Distributions; Distributions to Record Holders.*

(a) Within 45 days following the end of each Quarter commencing with the Quarter ending on March 31, 2003, an amount equal to 100% of Available Cash with respect to such Quarter shall, subject to Section 17-607 of the Delaware Act, be distributed in accordance with this Article VI by the Partnership to the Partners as of the Record Date selected by the General Partner in its reasonable discretion. All amounts of Available Cash distributed by the Partnership on any date from any source shall be deemed to be Operating Surplus until the sum of all amounts of Available Cash theretofore distributed by the Partnership to the Partners pursuant to Section 6.4 equals the Operating Surplus from the Closing Date through the close of the immediately preceding Quarter. Any remaining amounts of Available Cash distributed by the Partnership on such date shall, except as otherwise provided in Section 6.5, be deemed to be "Capital Surplus." All distributions required to be made under this Agreement shall be made subject to Section 17-607 of the Delaware Act.

(b) Notwithstanding Section 6.3(a), in the event of the dissolution and liquidation of the Partnership, all receipts received during or after the Quarter in which the Liquidation Date occurs, other than from borrowings described in (a)(ii) of the definition of Available Cash, shall be applied and distributed solely in accordance with, and subject to the terms and conditions of, Section 12.4.

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

(d) Each distribution in respect of a Partnership Interest shall be paid by the Partnership, directly or through the Transfer Agent or through any other Person or agent, only to the Record Holder of such Partnership Interest as of the Record Date set for such distribution. Such payment shall constitute full payment and satisfaction of the Partnership's liability in respect of such payment, regardless of any claim of any Person who may have an interest in such payment by reason of an assignment or otherwise.

Section 6.4 *Distributions of Available Cash from Operating Surplus.*

(a) *During Subordination Period.* Available Cash with respect to any Quarter within the Subordination Period that is deemed to be Operating Surplus pursuant to the provisions of Section 6.3 or 6.5 shall, subject to Section 17-607 of the Delaware Act, be distributed as follows, except as otherwise required by Section 5.6(b) in respect of additional Partnership Securities issued pursuant thereto:

(i) First, 98% to the Unitholders holding Common Units, Pro Rata, and 2% to the General Partner, until there has been distributed in respect of each Common Unit then Outstanding an amount equal to the Minimum Quarterly Distribution for such Quarter;

(ii) Second, 98% to the Unitholders holding Common Units, Pro Rata, and 2% to the General Partner, until there has been distributed in respect of each Common Unit then Outstanding an amount equal to the Cumulative Common Unit Arrearage existing with respect to such Quarter;

(iii) Third, 98% to the Unitholders holding Subordinated Units, Pro Rata, and 2% to the General Partner, until there has been distributed in respect of each Subordinated Unit then Outstanding an amount equal to the Minimum Quarterly Distribution for such Quarter;

(iv) Fourth, 85% to all Unitholders, Pro Rata, 13% to the holders of the Incentive Distribution Rights, Pro Rata, and 2% to the General Partner, until there has been distributed in respect of each Unit then Outstanding an amount equal to the excess of the First Target Distribution over the Minimum Quarterly Distribution for such Quarter;

(v) Fifth, 75% to all Unitholders, Pro Rata, 23% to the holders of the Incentive Distribution Rights, Pro Rata, and 2% to the General Partner, until there has been distributed in respect of each Unit then Outstanding an amount equal to the excess of the Second Target Distribution over the First Target Distribution for such Quarter; and

(vi) Thereafter, 50% to all Unitholders, Pro Rata, 48% to the holders of the Incentive Distribution Rights, Pro Rata, and 2% to the General Partner;

provided, however, if the Minimum Quarterly Distribution, the First Target Distribution and the Second Target Distribution have been reduced to zero pursuant to the second sentence of Section 6.6(a), the distribution of Available Cash that is deemed to be Operating Surplus with respect to any Quarter will be made solely in accordance with Section 6.4(a)(vi).

(b) *After Subordination Period.* Available Cash with respect to any Quarter after the Subordination Period that is deemed to be Operating Surplus pursuant to the provisions of Section 6.3 or 6.5 shall, subject to Section 17-607 of the Delaware Act, be distributed as follows, except as otherwise required by Section 5.6(b) in respect of additional Partnership Securities issued pursuant thereto:

(i) First, 98% to all Unitholders, Pro Rata, and 2% to the General Partner, until there has been distributed in respect of each Unit then Outstanding an amount equal to the Minimum Quarterly Distribution for such Quarter;

(ii) Second, 85% to all Unitholders, Pro Rata, 13% to the holders of the Incentive Distribution Rights, Pro Rata, and 2% to the General Partner, until there has been distributed in respect of each Unit then Outstanding an amount equal to the excess of the First Target Distribution over the Minimum Quarterly Distribution for such Quarter;

(iii) Third, 75% to all Unitholders, Pro Rata, 23% to the holders of the Incentive Distribution Rights, Pro Rata, and 2% to the General Partner, until there has been distributed in respect of each Unit then Outstanding an amount equal to the excess of the Second Target Distribution over the First Target Distribution for such Quarter; and

(iv) Thereafter, 50% to all Unitholders, Pro Rata, 48% to the holders of the Incentive Distribution Rights, Pro Rata, and 2% to the General Partner;

provided, however, if the Minimum Quarterly Distribution, the First Target Distribution and the Second Target Distribution have been reduced to zero pursuant to the second sentence of Section 6.6(a), the distribution of Available Cash that is deemed to be Operating Surplus with respect to any Quarter will be made solely in accordance with Section 6.4(b)(iv).

Section 6.5 *Distributions of Available Cash from Capital Surplus.*

Available Cash that is deemed to be Capital Surplus pursuant to the provisions of Section 6.3(a) shall, subject to Section 17-607 of the Delaware Act, be distributed, unless the provisions of Section 6.3 require otherwise, 98% to all Unitholders, Pro Rata, and 2% to the General Partner, until a hypothetical holder of an Initial Common Unit acquired on the Closing Date has received with respect to such Common Unit, during the period since the Closing Date through such date, distributions of Available Cash that are deemed to be Capital Surplus in an aggregate amount equal to the Initial Unit Price. Available Cash that is deemed to be Capital Surplus shall then be distributed 98% to all Unitholders holding Common Units, Pro Rata, and 2% to the General Partner, until there has been distributed in respect of each Common Unit then Outstanding an amount equal to the Cumulative Common Unit Arrearage. Thereafter, all Available Cash shall be distributed as if it were Operating Surplus and shall be distributed in accordance with Section 6.4.

Section 6.6 *Adjustment of Minimum Quarterly Distribution and Target Distribution Levels.*

(a) The Minimum Quarterly Distribution, First Target Distribution, Second Target Distribution, Common Unit Arrearages and Cumulative Common Unit Arrearages shall be proportionately adjusted in the event of any distribution, combination or subdivision (whether effected by a distribution payable in Units or otherwise) of Units or other Partnership Securities in accordance with Section 5.10. In the event of a distribution of Available Cash that is deemed to be from Capital Surplus, the then applicable Minimum Quarterly Distribution, First Target Distribution and Second Target Distribution, shall be adjusted proportionately downward to equal the product obtained by multiplying the otherwise applicable Minimum Quarterly Distribution, First Target Distribution and Second Target Distribution, as the case may be, by a fraction of which the numerator is the Unrecovered Capital of the Common Units immediately after giving effect to such distribution and of which the denominator is the Unrecovered Capital of the Common Units immediately prior to giving effect to such distribution.

(b) The Minimum Quarterly Distribution, First Target Distribution and Second Target Distribution shall also be subject to adjustment pursuant to Section 6.9.

Section 6.7 *Special Provisions Relating to the Holders of Subordinated Units.*

(a) Except with respect to the right to vote on or approve matters requiring the vote or approval of a percentage of the holders of Outstanding Common Units and the right to participate in allocations of income, gain, loss and deduction and distributions made with respect to Common Units, the holder of a Subordinated Unit shall have all of the rights and obligations of a Unitholder holding Common Units hereunder; provided, however, that immediately upon the conversion of Subordinated Units into Common Units pursuant to Section 5.8, the Unitholder holding a Subordinated Unit shall possess all of the rights and obligations of a Unitholder holding Common Units hereunder, including the right to vote as a Common Unitholder and the right to participate in allocations of income, gain, loss and deduction and distributions made with respect to Common Units; provided, however, that such converted Subordinated Units shall remain subject to the provisions of Sections 5.5(c)(ii), 6.1(d)(ix) and 6.7(b).

(b) The Unitholder holding a Subordinated Unit which has converted into a Common Unit pursuant to Section 5.8 shall not be issued a Common Unit Certificate pursuant to Section 4.1, and shall not be permitted to transfer its converted Subordinated Units to a Person which is not an Affiliate of the holder until such time as the General Partner determines, based on advice of counsel, that a converted Subordinated Unit should have, as a substantive matter, like intrinsic economic and federal income tax characteristics, in all material respects, to the intrinsic economic and federal income tax characteristics of an Initial Common Unit; provided, however, that the comparison of such federal income tax characteristics shall be made by comparing the federal income tax characteristics of an Initial Common Unit and the converted Subordinated Unit in the hands of a purchaser for cash of

such converted Subordinated Unit for its fair market value. In connection with the condition imposed by this Section 6.7(b), the General Partner may take whatever reasonable steps are required to provide economic uniformity to the converted Subordinated Units in preparation for a transfer of such converted Subordinated Units, including the application of Sections 5.5(c)(ii) and 6.1(d)(ix); provided, however, that no such steps may be taken that would have a material adverse effect on the Unitholders holding Common Units represented by Common Unit Certificates.

Section 6.8 *Special Provisions Relating to the Holders of Incentive Distribution Rights.*

Notwithstanding anything to the contrary set forth in this Agreement, the holders of the Incentive Distribution Rights (a) shall (i) possess the rights and obligations provided in this Agreement with respect to a Limited Partner pursuant to Articles III and VII and (ii) have a Capital Account as a Partner pursuant to Section 5.5 and all other provisions related thereto and (b) shall not (i) be entitled to vote on any matters requiring the approval or vote of the holders of Outstanding Units, (ii) be entitled to any distributions other than as provided in Sections 6.4(a)(iv), (v) and (vi), 6.4(b)(ii), (iii) and (iv), and 12.4 or (iii) be allocated items of income, gain, loss or deduction other than as specified in this Article VI.

Section 6.9 *Entity-Level Taxation.*

If legislation is enacted or the interpretation of existing language is modified by the relevant governmental authority which causes a Group Member to be treated as an association taxable as a corporation or otherwise subjects a Group Member to entity-level taxation for federal, state or local income tax purposes, the then applicable Minimum Quarterly Distribution, First Target Distribution and Second Target Distribution shall be adjusted to equal the product obtained by multiplying (a) the amount thereof by (b) one minus the sum of (i) the highest marginal federal corporate (or other entity, as applicable) income tax rate of the Group Member for the taxable year of the Group Member in which such Quarter occurs (expressed as a percentage) plus (ii) the effective overall state and local income tax rate (expressed as a percentage) applicable to the Group Member for the calendar year next preceding the calendar year in which such Quarter occurs (after taking into account the benefit of any deduction allowable for federal income tax purposes with respect to the payment of state and local income taxes), but only to the extent of the increase in such rates resulting from such legislation or interpretation. Such effective overall state and local income tax rate shall be determined for the taxable year next preceding the first taxable year during which the Group Member is taxable for federal income tax purposes as an association taxable as a corporation or is otherwise subject to entity-level taxation by determining such rate as if the Group Member had been subject to such state and local taxes during such preceding taxable year.

ARTICLE VII

MANAGEMENT AND OPERATION OF BUSINESS

Section 7.1 *Management.*

(a) The General Partner shall conduct, direct and manage all activities of the Partnership. Except as otherwise expressly provided in this Agreement, all management powers over the business and affairs of the Partnership shall be exclusively vested in the General Partner, and no Limited Partner or Assignee shall have any management power over the business and affairs of the Partnership. In addition to the powers now or hereafter granted a general partner of a limited partnership under applicable law or which are granted to the General Partner under any other provision of this Agreement, the General Partner, subject to Section 7.3, shall have full power and authority to do all things and on such terms as it, in its sole discretion, may deem necessary or appropriate to conduct the

business of the Partnership, to exercise all powers set forth in Section 2.5 and to effectuate the purposes set forth in Section 2.4, including the following:

(i) the making of any expenditures, the lending or borrowing of money, the assumption or guarantee of, or other contracting for, indebtedness and other liabilities, the issuance of evidences of indebtedness, including indebtedness that is convertible into Partnership Securities, and the incurring of any other obligations;

(ii) the making of tax, regulatory and other filings, or rendering of periodic or other reports to governmental or other agencies having jurisdiction over the business or assets of the Partnership;

(iii) the acquisition, disposition, mortgage, pledge, encumbrance, hypothecation or exchange of any or all of the assets of the Partnership or the merger or other combination of the Partnership with or into another Person (the matters described in this clause (iii) being subject, however, to any prior approval that may be required by Section 7.3);

(iv) the use of the assets of the Partnership (including cash on hand) for any purpose consistent with the terms of this Agreement, including the financing of the conduct of the operations of the Partnership Group; subject to Section 7.6(a), the lending of funds to other Persons (including other Group Members); the repayment or guarantee of obligations of the Partnership Group; and the making of capital contributions to any member of the Partnership Group;

(v) the negotiation, execution and performance of any contracts, conveyances or other instruments (including instruments that limit the liability of the Partnership under contractual arrangements to all or particular assets of the Partnership, with the other party to the contract to have no recourse against the General Partner or its assets other than its interest in the Partnership, even if same results in the terms of the transaction being less favorable to the Partnership than would otherwise be the case);

(vi) the distribution of Partnership cash;

(vii) the selection and dismissal of employees (including employees having titles such as "president," "vice president," "secretary" and "treasurer") and agents, outside attorneys, accountants, consultants and contractors and the determination of their compensation and other terms of employment or hiring;

(viii) the maintenance of such insurance for the benefit of the Partnership Group and the Partners as it deems necessary or appropriate;

(ix) the formation of, or acquisition of an interest in, and the contribution of property and the making of loans to, any further limited or general partnerships, joint ventures, corporations, limited liability companies or other relationships (including the acquisition of interests in, and the contributions of property to, any Group Member from time to time) subject to the restrictions set forth in Section 2.4;

(x) the control of any matters affecting the rights and obligations of the Partnership, including the bringing and defending of actions at law or in equity and otherwise engaging in the conduct of litigation and the incurring of legal expense and the settlement of claims and litigation;

(xi) the indemnification of any Person against liabilities and contingencies to the extent permitted by law;

(xii) the entering into of listing agreements with any National Securities Exchange and the delisting of some or all of the Limited Partner Interests from, or requesting that trading be

suspended on, any such exchange (subject to any prior approval that may be required under Section 4.8);

(xiii) unless restricted or prohibited by Section 5.7, the purchase, sale or other acquisition or disposition of Partnership Securities, or the issuance of additional options, rights, warrants and appreciation rights relating to Partnership Securities; and

(xiv) the undertaking of any action in connection with the Partnership's participation in any Group Member as a member or partner.

(b) Notwithstanding any other provision of this Agreement, the Operating Partnership Agreement, the Delaware Act or any applicable law, rule or regulation, each of the Partners and the Assignees and each other Person who may acquire an interest in Partnership Securities hereby (i) approves, ratifies and confirms the execution, delivery and performance by the parties thereto of the Underwriting Agreement, the Omnibus Agreement, the Contribution Agreements, the Operating Partnership Agreement, any other limited liability company or partnership agreement of any other Group Member and the other agreements described in or filed as exhibits to the Registration Statement that are related to the transactions contemplated by the Registration Statement; (ii) agrees that the General Partner (on its own or through any officer of the Partnership) is authorized to execute, deliver and perform the agreements referred to in clause (i) of this sentence and the other agreements, acts, transactions and matters described in or contemplated by the Registration Statement on behalf of the Partnership without any further act, approval or vote of the Partners or the Assignees or the other Persons who may acquire an interest in Partnership Securities; and (iii) agrees that the execution, delivery or performance by the General Partner, any Group Member or any Affiliate of any of them, of this Agreement or any agreement authorized or permitted under this Agreement (including the exercise by the General Partner or any Affiliate of the General Partner of the rights accorded pursuant to Article XV), shall not constitute a breach by the General Partner of any duty that the General Partner may owe the Partnership or the Limited Partners or any other Persons under this Agreement (or any other agreements) or of any duty stated or implied by law or equity.

Section 7.2 *Certificate of Limited Partnership.*

The General Partner has caused the Certificate of Limited Partnership to be filed with the Secretary of State of the State of Delaware as required by the Delaware Act. The General Partner shall use all reasonable efforts to cause to be filed such other certificates or documents as may be determined by the General Partner in its sole discretion to be reasonable and necessary or appropriate for the formation, continuation, qualification and operation of a limited partnership (or a partnership in which the limited partners have limited liability) in the State of Delaware or any other state in which the Partnership may elect to do business or own property. To the extent that such action is determined by the General Partner in its sole discretion to be reasonable and necessary or appropriate, the General Partner shall file amendments to and restatements of the Certificate of Limited Partnership and do all things to maintain the Partnership as a limited partnership (or a partnership or other entity in which the limited partners have limited liability) under the laws of the State of Delaware or of any other state in which the Partnership may elect to do business or own property. Subject to the terms of Section 3.4(a), the General Partner shall not be required, before or after filing, to deliver or mail a copy of the Certificate of Limited Partnership, any qualification document or any amendment thereto to any Limited Partner.

Section 7.3 *Restrictions on the General Partner's Authority.*

(a) The General Partner may not, without written approval of the specific act by holders of all of the Outstanding Limited Partner Interests or by other written instrument executed and delivered by holders of all of the Outstanding Limited Partner Interests subsequent to the date of this Agreement, take any action in contravention of this Agreement, including, except as otherwise provided in this

Agreement, (i) committing any act that would make it impossible to carry on the ordinary business of the Partnership; (ii) possessing Partnership property, or assigning any rights in specific Partnership property, for other than a Partnership purpose; (iii) admitting a Person as a Partner; (iv) amending this Agreement in any manner; or (v) transferring its interest as a general partner of the Partnership.

(b) Except as provided in Articles XII and XIV, the General Partner may not sell, exchange or otherwise dispose of all or substantially all of the Partnership's assets in a single transaction or a series of related transactions (including by way of merger, consolidation or other combination) or approve on behalf of the Partnership the sale, exchange or other disposition of all or substantially all of the assets of the Operating Partnership and its Subsidiaries taken as a whole without the approval of holders of a Unit Majority; provided, however, that this provision shall not preclude or limit the General Partner's ability to mortgage, pledge, hypothecate or grant a security interest in all or substantially all of the assets of the Partnership or the Operating Partnership or their Subsidiaries and shall not apply to any forced sale of any or all of the assets of the Partnership or the Operating Partnership or their Subsidiaries pursuant to the foreclosure of, or other realization upon, any such encumbrance. Without the approval of holders of a Unit Majority, the General Partner shall not, on behalf of the Partnership, (i) consent to any amendment to the Operating Partnership Agreement or, except as expressly permitted by Section 7.9(d), take any action permitted to be taken by a partner of the Operating Partnership, in either case, that would adversely affect the Limited Partners (including any particular class of Partnership Interests as compared to any other class of Partnership Interests) in any material respect or (ii) except as permitted under Sections 4.6, 11.1 and 11.2, elect or cause the Partnership to elect a successor general partner of the Partnership.

Section 7.4 *Reimbursement of the General Partner.*

(a) Except as provided in this Section 7.4 and elsewhere in this Agreement, the General Partner shall not be compensated for its services as a general partner or managing member of any Group Member.

(b) The General Partner shall be reimbursed on a monthly basis, or such other reasonable basis as the General Partner may determine in its sole discretion, for (i) all direct and indirect expenses it incurs or payments it makes on behalf of the Partnership (including salary, bonus, incentive compensation and other amounts paid to any Person including Affiliates of the General Partner to perform services for the Partnership or for the General Partner in the discharge of its duties to the Partnership), and (ii) all other necessary or appropriate expenses allocable to the Partnership or otherwise reasonably incurred by the General Partner in connection with operating the Partnership's business (including expenses allocated to the General Partner by its Affiliates). The General Partner shall determine the expenses that are allocable to the Partnership in any reasonable manner determined by the General Partner in its sole discretion. Reimbursements pursuant to this Section 7.4 shall be in addition to any reimbursement to the General Partner as a result of indemnification pursuant to Section 7.7.

(c) Subject to Section 5.7, the General Partner, in its sole discretion and without the approval of the Limited Partners (who shall have no right to vote in respect thereof), may propose and adopt on behalf of the Partnership employee benefit plans, employee programs and employee practices (including plans, programs and practices involving the issuance of Partnership Securities or options to purchase or rights, warrants or appreciation rights relating to Partnership Securities), or cause the Partnership to issue Partnership Securities in connection with, or pursuant to, any employee benefit plan, employee program or employee practice maintained or sponsored by the General Partner or any of its Affiliates, in each case for the benefit of employees of the General Partner, any Group Member or any Affiliate, or any of them, in respect of services performed, directly or indirectly, for the benefit of the Partnership Group. The Partnership agrees to issue and sell to the General Partner or any of its Affiliates any Partnership Securities that the General Partner or such Affiliates are obligated to provide

to any employees pursuant to any such employee benefit plans, employee programs or employee practices. Expenses incurred by the General Partner in connection with any such plans, programs and practices (including the net cost to the General Partner or such Affiliates of Partnership Securities purchased by the General Partner or such Affiliates from the Partnership to fulfill options or awards under such plans, programs and practices) shall be reimbursed in accordance with Section 7.4(b). Any and all obligations of the General Partner under any employee benefit plans, employee programs or employee practices adopted by the General Partner as permitted by this Section 7.4(c) shall constitute obligations of the General Partner hereunder and shall be assumed by any successor General Partner approved pursuant to Section 11.1 or 11.2 or the transferee of or successor to all of the General Partner's General Partner Interest pursuant to Section 4.6.

Section 7.5 *Outside Activities.*

(a) After the Closing Date, the General Partner, for so long as it is the General Partner of the Partnership (i) agrees that its sole business will be to act as a general partner or managing member, as the case may be, of the Partnership and any other partnership or limited liability company of which the Partnership or the Operating Partnership is, directly or indirectly, a partner or member and to undertake activities that are ancillary or related thereto (including being a limited partner in the Partnership), (ii) shall not engage in any business or activity or incur any debts or liabilities except in connection with or incidental to (A) its performance as general partner or managing member of one or more Group Members or as described in or contemplated by the Registration Statement or (B) the acquiring, owning or disposing of debt or equity securities in any Group Member and (iii) except to the extent permitted in the Omnibus Agreement, shall not, and shall cause its Affiliates not to, engage in any Restricted Business.

(b) Crosstex Energy, Inc. and certain of its Affiliates have entered into the Omnibus Agreement, which agreement sets forth certain restrictions on the ability of Crosstex Energy, Inc. and its Affiliates to engage in Restricted Businesses.

(c) Except as specifically restricted by Section 7.5(a) and the Omnibus Agreement, each Indemnitee (other than the General Partner) shall have the right to engage in businesses of every type and description and other activities for profit and to engage in and possess an interest in other business ventures of any and every type or description, whether in businesses engaged in or anticipated to be engaged in by any Group Member, independently or with others, including business interests and activities in direct competition with the business and activities of any Group Member, and none of the same shall constitute a breach of this Agreement or any duty express or implied by law to any Group Member or any Partner or Assignee. Neither any Group Member, any Limited Partner nor any other Person shall have any rights by virtue of this Agreement, the Operating Partnership Agreement, the limited liability company or partnership agreements of any other Group Member or the partnership relationship established hereby in any business ventures of any Indemnitee.

(d) Subject to the terms of Section 7.5(a), Section 7.5(b), Section 7.5(c) and the Omnibus Agreement, but otherwise notwithstanding anything to the contrary in this Agreement, (i) the engaging in competitive activities by any Indemnitees (other than the General Partner) in accordance with the provisions of this Section 7.5 is hereby approved by the Partnership and all Partners, (ii) it shall be deemed not to be a breach of the General Partner's fiduciary duty or any other obligation of any type whatsoever of the General Partner for the Indemnitees (other than the General Partner) to engage in such business interests and activities in preference to or to the exclusion of the Partnership and (iii) except as set forth in the Omnibus Agreement, the General Partner and the Indemnitees shall have no obligation to present business opportunities to the Partnership.

(e) The General Partner and any of its Affiliates may acquire Units or other Partnership Securities in addition to those acquired on the Closing Date and, except as otherwise provided in this

Agreement, shall be entitled to exercise all rights of the General Partner or Limited Partner, as applicable, relating to such Units or Partnership Securities.

(f) The term "Affiliates" when used in Section 7.5(a) and Section 7.5(e) with respect to the General Partner shall not include any Group Member or any Subsidiary of the Group Member.

(g) Anything in this Agreement to the contrary notwithstanding, to the extent that provisions of Sections 7.7, 7.8, 7.9, 7.10 or other Sections of this Agreement purport or are interpreted to have the effect of restricting the fiduciary duties that might otherwise, as a result of Delaware or other applicable law, be owed by the General Partner to the Partnership and its Limited Partners, or to constitute a waiver or consent by the Limited Partners to any such restriction, such provisions shall be inapplicable and have no effect in determining whether the General Partner has complied with its fiduciary duties in connection with determinations made by it under this Section 7.5.

Section 7.6 *Loans from the General Partner; Loans or Contributions from the Partnership; Contracts with Affiliates; Certain Restrictions on the General Partner.*

(a) The General Partner or any of its Affiliates may lend to any Group Member, and any Group Member may borrow from the General Partner or any of its Affiliates, funds needed or desired by the Group Member for such periods of time and in such amounts as the General Partner may determine; provided, however, that in any such case the lending party may not charge the borrowing party interest at a rate greater than the rate that would be charged the borrowing party or impose terms less favorable to the borrowing party than would be charged or imposed on the borrowing party by unrelated lenders on comparable loans made on an arm's-length basis (without reference to the lending party's financial abilities or guarantees). The borrowing party shall reimburse the lending party for any costs (other than any additional interest costs) incurred by the lending party in connection with the borrowing of such funds. For purposes of this Section 7.6(a) and Section 7.6(b), the term "Group Member" shall include any Affiliate of a Group Member that is controlled by the Group Member. No Group Member may lend funds to the General Partner or any of its Affiliates (other than another Group Member).

(b) The Partnership may lend or contribute to any Group Member, and any Group Member may borrow from the Partnership, funds on terms and conditions established in the sole discretion of the General Partner; provided, however, that the Partnership may not charge the Group Member interest at a rate less than the rate that would be charged to the Group Member (without reference to the General Partner's financial abilities or guarantees) by unrelated lenders on comparable loans. The foregoing authority shall be exercised by the General Partner in its sole discretion and shall not create any right or benefit in favor of any Group Member or any other Person.

(c) The General Partner may itself, or may enter into an agreement with any of its Affiliates to, render services to a Group Member or to the General Partner in the discharge of its duties as General Partner of the Partnership. Any services rendered to a Group Member by the General Partner or any of its Affiliates shall be on terms that are fair and reasonable to the Partnership; provided, however, that the requirements of this Section 7.6(c) shall be deemed satisfied as to (i) any transaction approved by Special Approval, (ii) any transaction, the terms of which are no less favorable to the Partnership Group than those generally being provided to or available from unrelated third parties or (iii) any transaction that, taking into account the totality of the relationships between the parties involved (including other transactions that may be particularly favorable or advantageous to the Partnership Group), is equitable to the Partnership Group. The provisions of Section 7.4 shall apply to the rendering of services described in this Section 7.6(c).

(d) The Partnership Group may transfer assets to joint ventures, other partnerships, corporations, limited liability companies or other business entities in which it is or thereby becomes a participant

upon such terms and subject to such conditions as are consistent with this Agreement and applicable law.

(e) Neither the General Partner nor any of its Affiliates shall sell, transfer or convey any property to, or purchase any property from, the Partnership, directly or indirectly, except pursuant to transactions that are fair and reasonable to the Partnership; provided, however, that the requirements of this Section 7.6(e) shall be deemed to be satisfied as to (i) the transactions effected pursuant to Sections 5.2 and 5.3, the Contribution Agreements and any other transactions described in or contemplated by the Registration Statement, (ii) any transaction approved by Special Approval, (iii) any transaction, the terms of which are no less favorable to the Partnership than those generally being provided to or available from unrelated third parties, or (iv) any transaction that, taking into account the totality of the relationships between the parties involved (including other transactions that may be particularly favorable or advantageous to the Partnership), is equitable to the Partnership. With respect to any contribution of assets to the Partnership in exchange for Partnership Securities, the Conflicts Committee, in determining whether the appropriate number of Partnership Securities are being issued, may take into account, among other things, the fair market value of the assets, the liquidated and contingent liabilities assumed, the tax basis in the assets, the extent to which tax-only allocations to the transferor will protect the existing partners of the Partnership against a low tax basis, and such other factors as the Conflicts Committee deems relevant under the circumstances.

(f) The General Partner and its Affiliates will have no obligation to permit any Group Member to use any facilities or assets of the General Partner and its Affiliates, except as may be provided in contracts entered into from time to time specifically dealing with such use, nor shall there be any obligation on the part of the General Partner or its Affiliates to enter into such contracts.

(g) Without limitation of Sections 7.6(a) through 7.6(f), and notwithstanding anything to the contrary in this Agreement, the existence of the conflicts of interest described in the Registration Statement are hereby approved by all Partners.

Section 7.7 *Indemnification.*

(a) To the fullest extent permitted by law but subject to the limitations expressly provided in this Agreement, all Indemnitees shall be indemnified and held harmless by the Partnership from and against any and all losses, claims, damages, liabilities, joint or several, expenses (including legal fees and expenses), judgments, fines, penalties, interest, settlements or other amounts arising from any and all claims, demands, actions, suits or proceedings, whether civil, criminal, administrative or investigative, in which any Indemnitee may be involved, or is threatened to be involved, as a party or otherwise, by reason of its status as an Indemnitee; provided, that in each case the Indemnitee acted in good faith and in a manner that such Indemnitee reasonably believed to be in, or (in the case of a Person other than the General Partner) not opposed to, the best interests of the Partnership and, with respect to any criminal proceeding, had no reasonable cause to believe its conduct was unlawful; provided, further, no indemnification pursuant to this Section 7.7 shall be available to the General Partner or its Affiliates (other than a Group Member) with respect to its or their obligations incurred pursuant to the Underwriting Agreement or the Contribution Agreements (other than obligations incurred by the General Partner on behalf of the Partnership). The termination of any action, suit or proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere, or its equivalent, shall not create a presumption that the Indemnitee acted in a manner contrary to that specified above. Any indemnification pursuant to this Section 7.7 shall be made only out of the assets of the Partnership, it being agreed that the General Partner shall not be personally liable for such indemnification and shall have no obligation to contribute or loan any monies or property to the Partnership to enable it to effectuate such indemnification.

(b) To the fullest extent permitted by law, expenses (including legal fees and expenses) incurred by an Indemnitee who is indemnified pursuant to Section 7.7(a) in defending any claim, demand,

action, suit or proceeding shall, from time to time, be advanced by the Partnership prior to the final disposition of such claim, demand, action, suit or proceeding upon receipt by the Partnership of any undertaking by or on behalf of the Indemnitee to repay such amount if it shall be determined that the Indemnitee is not entitled to be indemnified as authorized in this Section 7.7.

(c) The indemnification provided by this Section 7.7 shall be in addition to any other rights to which an Indemnitee may be entitled under any agreement, pursuant to any vote of the holders of Outstanding Limited Partner Interests, as a matter of law or otherwise, both as to actions in the Indemnitee's capacity as an Indemnitee and as to actions in any other capacity (including any capacity under the Underwriting Agreement), and shall continue as to an Indemnitee who has ceased to serve in such capacity and shall inure to the benefit of the heirs, successors, assigns and administrators of the Indemnitee.

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

(e) For purposes of this Section 7.7, the Partnership shall be deemed to have requested an Indemnitee to serve as fiduciary of an employee benefit plan whenever the performance by it of its duties to the Partnership also imposes duties on, or otherwise involves services by, it to the plan or participants or beneficiaries of the plan; excise taxes assessed on an Indemnitee with respect to an employee benefit plan pursuant to applicable law shall constitute "fines" within the meaning of Section 7.7(a); and action taken or omitted by it with respect to any employee benefit plan in the performance of its duties for a purpose reasonably believed by it to be in the interest of the participants and beneficiaries of the plan shall be deemed to be for a purpose which is in, or not opposed to, the best interests of the Partnership.

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

(g) An Indemnitee shall not be denied indemnification in whole or in part under this Section 7.7 because the Indemnitee had an interest in the transaction with respect to which the indemnification applies if the transaction was otherwise permitted by the terms of this Agreement.

(h) The provisions of this Section 7.7 are for the benefit of the Indemnitees, their heirs, successors, assigns and administrators and shall not be deemed to create any rights for the benefit of any other Persons.

(i) No amendment, modification or repeal of this Section 7.7 or any provision hereof shall in any manner terminate, reduce or impair the right of any past, present or future Indemnitee to be indemnified by the Partnership, nor the obligations of the Partnership to indemnify any such Indemnitee under and in accordance with the provisions of this Section 7.7 as in effect immediately prior to such amendment, modification or repeal with respect to claims arising from or relating to matters occurring, in whole or in part, prior to such amendment, modification or repeal, regardless of when such claims may arise or be asserted.

Section 7.8 *Liability of Indemnitees.*

(a) Notwithstanding anything to the contrary set forth in this Agreement, no Indemnitee shall be liable for monetary damages to the Partnership, the Limited Partners, the Assignees or any other Persons who have acquired interests in the Partnership Securities, for losses sustained or liabilities incurred as a result of any act or omission if such Indemnitee acted in good faith.

(b) Subject to its obligations and duties as General Partner set forth in Section 7.1(a), the General Partner may exercise any of the powers granted to it by this Agreement and perform any of the duties imposed upon it hereunder either directly or by or through its agents, and the General Partner shall not be responsible for any misconduct or negligence on the part of any such agent appointed by the General Partner in good faith.

(c) To the extent that, at law or in equity, an Indemnitee has duties (including fiduciary duties) and liabilities relating thereto to the Partnership or to the Partners, the General Partner and any other Indemnitee acting in connection with the Partnership's business or affairs shall not be liable to the Partnership or to any Partner for its good faith reliance on the provisions of this Agreement. The provisions of this Agreement, to the extent that they restrict or otherwise modify the duties and liabilities of an Indemnitee otherwise existing at law or in equity, are agreed by the Partners to replace such other duties and liabilities of such Indemnitee.

(d) Any amendment, modification or repeal of this Section 7.8 or any provision hereof shall be prospective only and shall not in any way affect the limitations on the liability to the Partnership, the Limited Partners, the General Partner, and the Partnership's and General Partner's directors, officers and employees under this Section 7.8 as in effect immediately prior to such amendment, modification or repeal with respect to claims arising from or relating to matters occurring, in whole or in part, prior to such amendment, modification or repeal, regardless of when such claims may arise or be asserted.

Section 7.9 *Resolution of Conflicts of Interest.*

(a) Unless otherwise expressly provided in this Agreement, the Operating Partnership Agreement or the limited liability company or partnership agreement of any other Group Member, whenever a potential conflict of interest exists or arises between the General Partner or any of its Affiliates, on the one hand, and the Partnership, the Operating Partnership, any other Group Member, any Partner or any Assignee, on the other, any resolution or course of action by the General Partner or its Affiliates in respect of such conflict of interest shall be permitted and deemed approved by all Partners, and shall not constitute a breach of this Agreement, of the Operating Partnership Agreement, of any agreement contemplated herein or therein, or of any duty stated or implied by law or equity, if the resolution or course of action is, or by operation of this Agreement is deemed to be, fair and reasonable to the Partnership. The General Partner shall be authorized but not required in connection with its resolution of such conflict of interest to seek Special Approval of such resolution. Any conflict of interest and any resolution of such conflict of interest shall be conclusively deemed fair and reasonable to the Partnership if such conflict of interest or resolution is (i) approved by Special Approval (as long as the material facts known to the General Partner or any of its Affiliates regarding any proposed transaction were disclosed to the Conflicts Committee at the time it gave its approval), (ii) on terms no less favorable to the Partnership than those generally being provided to or available from unrelated third parties or (iii) fair to the Partnership, taking into account the totality of the relationships between the parties involved (including other transactions that may be particularly favorable or advantageous to the Partnership). The General Partner may also adopt a resolution or course of action that has not received Special Approval. The General Partner (including the Conflicts Committee in connection with Special Approval) shall be authorized in connection with its determination of what is "fair and reasonable" to the Partnership and in connection with its resolution of any conflict of interest to consider (A) the relative interests of any party to such conflict, agreement, transaction or situation and the benefits and burdens relating to such interest; (B) any customary or accepted industry practices and any customary or historical dealings with a particular Person; (C) any applicable generally accepted accounting practices or principles; and (D) such additional factors as the General Partner (including the Conflicts Committee) determines in its sole discretion to be relevant, reasonable or appropriate under the circumstances. Nothing contained in this Agreement, however, is intended to nor shall it be construed to require the General Partner (including the Conflicts Committee) to consider the interests of any Person other than the Partnership. In the absence of bad faith by the General Partner, the

resolution, action or terms so made, taken or provided by the General Partner with respect to such matter shall not constitute a breach of this Agreement or any other agreement contemplated herein or a breach of any standard of care or duty imposed herein or therein or, to the extent permitted by law, under the Delaware Act or any other law, rule or regulation.

(b) Whenever this Agreement or any other agreement contemplated hereby provides that the General Partner or any of its Affiliates is permitted or required to make a decision (i) in its "sole discretion" or "discretion," that it deems "necessary or appropriate" or "necessary or advisable" or under a grant of similar authority or latitude, except as otherwise provided herein, the General Partner or such Affiliate shall be entitled to consider only such interests and factors as it desires and shall have no duty or obligation to give any consideration to any interest of, or factors affecting, the Partnership, any other Group Member, any Limited Partner or any Assignee, (ii) it may make such decision in its sole discretion (regardless of whether there is a reference to "sole discretion" or "discretion") unless another express standard is provided for, or (iii) in "good faith" or under another express standard, the General Partner or such Affiliate shall act under such express standard and shall not be subject to any other or different standards imposed by this Agreement, the Operating Partnership Agreement, the limited liability company or partnership agreement of any other Group Member, any other agreement contemplated hereby or under the Delaware Act or any other law, rule or regulation. In addition, any actions taken by the General Partner or such Affiliate consistent with the standards of "reasonable discretion" set forth in the definitions of Available Cash or Operating Surplus shall not constitute a breach of any duty of the General Partner to the Partnership or the Limited Partners. The General Partner shall have no duty, express or implied, to sell or otherwise dispose of any asset of the Partnership Group other than in the ordinary course of business. No borrowing by any Group Member or the approval thereof by the General Partner shall be deemed to constitute a breach of any duty of the General Partner to the Partnership or the Limited Partners by reason of the fact that the purpose or effect of such borrowing is directly or indirectly to (A) enable distributions to the General Partner or its Affiliates (including in their capacities as Limited Partners) to exceed 2% of the total amount distributed to all partners or (B) hasten the expiration of the Subordination Period or the conversion of any Subordinated Units into Common Units.

(c) Whenever a particular transaction, arrangement or resolution of a conflict of interest is required under this Agreement to be "fair and reasonable" to any Person, the fair and reasonable nature of such transaction, arrangement or resolution shall be considered in the context of all similar or related transactions.

(d) The Unitholders hereby authorize the General Partner, on behalf of the Partnership as a partner or member of a Group Member, to approve of actions by the general partner or managing member of such Group Member similar to those actions permitted to be taken by the General Partner pursuant to this Section 7.9.

Section 7.10 *Other Matters Concerning the General Partner.*

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

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

(c) The General Partner shall have the right, in respect of any of its powers or obligations hereunder, to act through any of its duly authorized officers, a duly appointed attorney or attorneys-in-fact or the duly authorized officers of the Partnership.

(d) Any standard of care and duty imposed by this Agreement or under the Delaware Act or any applicable law, rule or regulation shall be modified, waived or limited, to the extent permitted by law, as required to permit the General Partner to act under this Agreement or any other agreement contemplated by this Agreement and to make any decision pursuant to the authority prescribed in this Agreement, so long as such action is reasonably believed by the General Partner to be in, or not inconsistent with, the best interests of the Partnership.

Section 7.11 *Purchase or Sale of Partnership Securities.*

The General Partner may cause the Partnership to purchase or otherwise acquire Partnership Securities; provided that, except as permitted pursuant to Section 4.10, the General Partner may not cause any Group Member to purchase Subordinated Units during the Subordination Period. As long as Partnership Securities are held by any Group Member, such Partnership Securities shall not be considered Outstanding for any purpose, except as otherwise provided herein. The General Partner or any Affiliate of the General Partner may also purchase or otherwise acquire and sell or otherwise dispose of Partnership Securities for its own account, subject to the provisions of Articles IV and X.

Section 7.12 *Registration Rights of the General Partner and its Affiliates.*

(a) If (i) the General Partner or any Affiliate of the General Partner (including for purposes of this Section 7.12, any Person that is an Affiliate of the General Partner at the date hereof notwithstanding that it may later cease to be an Affiliate of the General Partner) holds Partnership Securities that it desires to sell and (ii) Rule 144 of the Securities Act (or any successor rule or regulation to Rule 144) or another exemption from registration is not available to enable such holder of Partnership Securities (the "Holder") to dispose of the number of Partnership Securities it desires to sell at the time it desires to do so without registration under the Securities Act, then upon the request of the General Partner or any of its Affiliates, the Partnership shall file with the Commission as promptly as practicable after receiving such request, and use all reasonable efforts to cause to become effective and remain effective for a period of not less than six months following its effective date or such shorter period as shall terminate when all Partnership Securities covered by such registration statement have been sold, a registration statement under the Securities Act registering the offering and sale of the number of Partnership Securities specified by the Holder; provided, however, that the Partnership shall not be required to effect more than three registrations pursuant to this Section 7.12(a); and provided further, however, that if the Conflicts Committee determines in its good faith judgment that a postponement of the requested registration for up to six months would be in the best interests of the Partnership and its Partners due to a pending transaction, investigation or other event, the filing of such registration statement or the effectiveness thereof may be deferred for up to six months, but not thereafter. In connection with any registration pursuant to the immediately preceding sentence, the Partnership shall promptly prepare and file (x) such documents as may be necessary to register or qualify the securities subject to such registration under the securities laws of such states as the Holder shall reasonably request; provided, however, that no such qualification shall be required in any jurisdiction where, as a result thereof, the Partnership would become subject to general service of process or to taxation or qualification to do business as a foreign corporation or partnership doing business in such jurisdiction solely as a result of such registration, and (y) such documents as may be necessary to apply for listing or to list the Partnership Securities subject to such registration on such National Securities Exchange as the Holder shall reasonably request, and do any and all other acts and things that may reasonably be necessary or advisable to enable the Holder to consummate a public sale of such Partnership Securities in such states. Except as set forth in Section 7.12(c), all costs and expenses of any such registration and offering (other than the underwriting discounts and commissions) shall be paid by the Partnership, without reimbursement by the Holder.

(b) If the Partnership shall at any time propose to file a registration statement under the Securities Act for an offering of equity securities of the Partnership for cash (other than an offering relating solely to an employee benefit plan), the Partnership shall use all reasonable efforts to include such number or amount of securities held by the Holder in such registration statement as the Holder shall request. If the proposed offering pursuant to this Section 7.12(b) shall be an underwritten offering, then, in the event that the managing underwriter or managing underwriters of such offering advise the Partnership and the Holder in writing that in their opinion the inclusion of all or some of the Holder's Partnership Securities would adversely and materially affect the success of the offering, the

Partnership shall include in such offering only that number or amount, if any, of securities held by the Holder that, in the opinion of the managing underwriter or managing underwriters, will not so adversely and materially affect the offering. Except as set forth in Section 7.12(c), all costs and expenses of any such registration and offering (other than the underwriting discounts and commissions) shall be paid by the Partnership, without reimbursement by the Holder.

(c) If underwriters are engaged in connection with any registration referred to in this Section 7.12, the Partnership shall provide indemnification, representations, covenants, opinions and other assurance to the underwriters in form and substance reasonably satisfactory to such underwriters. Further, in addition to and not in limitation of the Partnership's obligation under Section 7.7, the Partnership shall, to the fullest extent permitted by law, indemnify and hold harmless the Holder, its officers, directors and each Person who controls the Holder (within the meaning of the Securities Act) and any agent thereof (collectively, "Indemnified Persons") against any losses, claims, demands, actions, causes of action, assessments, damages, liabilities (joint or several), costs and expenses (including interest, penalties and reasonable attorneys' fees and disbursements), resulting to, imposed upon, or incurred by the Indemnified Persons, directly or indirectly, under the Securities Act or otherwise (hereinafter referred to in this Section 7.12(c) as a "claim" and in the plural as "claims") based upon, arising out of or resulting from any untrue statement or alleged untrue statement of any material fact contained in any registration statement under which any Partnership Securities were registered under the Securities Act or any state securities or Blue Sky laws, in any preliminary prospectus (if used prior to the effective date of such registration statement), or in any summary or final prospectus or in any amendment or supplement thereto (if used during the period the Partnership is required to keep the registration statement current), or arising out of, based upon or resulting from the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements made therein not misleading; provided, however, that the Partnership shall not be liable to any Indemnified Person to the extent that any such claim arises out of, is based upon or results from an untrue statement or alleged untrue statement or omission or alleged omission made in such registration statement, such preliminary, summary or final prospectus or such amendment or supplement, in reliance upon and in conformity with written information furnished to the Partnership by or on behalf of such Indemnified Person specifically for use in the preparation thereof.

(d) The provisions of Section 7.12(a) and 7.12(b) shall continue to be applicable with respect to the General Partner (and any of the General Partner's Affiliates) after it ceases to be a Partner of the Partnership, during a period of two years subsequent to the effective date of such cessation and for so long thereafter as is required for the Holder to sell all of the Partnership Securities with respect to which it has requested during such two-year period inclusion in a registration statement otherwise filed or that a registration statement be filed; provided, however, that the Partnership shall not be required to file successive registration statements covering the same Partnership Securities for which registration was demanded during such two-year period. The provisions of Section 7.12(c) shall continue in effect thereafter.

(e) Any request to register Partnership Securities pursuant to this Section 7.12 shall (i) specify the Partnership Securities intended to be offered and sold by the Person making the request, (ii) express such Person's present intent to offer such Partnership Securities for distribution, (iii) describe the nature or method of the proposed offer and sale of Partnership Securities, and (iv) contain the undertaking of such Person to provide all such information and materials and take all action as may be required in order to permit the Partnership to comply with all applicable requirements in connection with the registration of such Partnership Securities.

Section 7.13 *Reliance by Third Parties.*

Notwithstanding anything to the contrary in this Agreement, any Person dealing with the Partnership shall be entitled to assume that the General Partner and any officer of the General Partner

authorized by the General Partner to act on behalf of and in the name of the Partnership has full power and authority to encumber, sell or otherwise use in any manner any and all assets of the Partnership and to enter into any authorized contracts on behalf of the Partnership, and such Person shall be entitled to deal with the General Partner or any such officer as if it were the Partnership's sole party in interest, both legally and beneficially. Each Limited Partner hereby waives any and all defenses or other remedies that may be available against such Person to contest, negate or disaffirm any action of the General Partner or any such officer in connection with any such dealing. In no event shall any Person dealing with the General Partner or any such officer or its representatives be obligated to ascertain that the terms of this Agreement have been complied with or to inquire into the necessity or expedience of any act or action of the General Partner or any such officer or its representatives. Each and every certificate, document or other instrument executed on behalf of the Partnership by the General Partner or its representatives shall be conclusive evidence in favor of any and every Person relying thereon or claiming thereunder that (a) at the time of the execution and delivery of such certificate, document or instrument, this Agreement was in full force and effect, (b) the Person executing and delivering such certificate, document or instrument was duly authorized and empowered to do so for and on behalf of the Partnership and (c) such certificate, document or instrument was duly executed and delivered in accordance with the terms and provisions of this Agreement and is binding upon the Partnership.

ARTICLE VIII

BOOKS, RECORDS, ACCOUNTING AND REPORTS

Section 8.1 *Records and Accounting.*

The General Partner shall keep or cause to be kept at the principal office of the Partnership appropriate books and records with respect to the Partnership's business, including all books and records necessary to provide to the Limited Partners any information required to be provided pursuant to Section 3.4(a). Any books and records maintained by or on behalf of the Partnership in the regular course of its business, including the record of the Record Holders and Assignees of Units or other Partnership Securities, books of account and records of Partnership proceedings, may be kept on, or be in the form of, computer disks, hard drives, punch cards, magnetic tape, photographs, micrographics or any other information storage device; provided, that the books and records so maintained are convertible into clearly legible written form within a reasonable period of time. The books of the Partnership shall be maintained, for financial reporting purposes, on an accrual basis in accordance with U.S. GAAP.

Section 8.2 *Fiscal Year.*

The fiscal year of the Partnership shall be a fiscal year ending December 31.

Section 8.3 *Reports.*

(a) As soon as practicable, but in no event later than 120 days after the close of each fiscal year of the Partnership, the General Partner shall cause to be mailed or made available to each Record Holder of a Unit as of a date selected by the General Partner in its discretion, an annual report containing financial statements of the Partnership for such fiscal year of the Partnership, presented in accordance with U.S. GAAP, including a balance sheet and statements of operations, Partnership equity and cash flows, such statements to be audited by a firm of independent public accountants selected by the General Partner.

(b) As soon as practicable, but in no event later than 90 days after the close of each Quarter except the last Quarter of each fiscal year, the General Partner shall cause to be mailed or made available to each Record Holder of a Unit, as of a date selected by the General Partner in its discretion, a report containing unaudited financial statements of the Partnership and such other

information as may be required by applicable law, regulation or rule of any National Securities Exchange on which the Units are listed for trading, or as the General Partner determines to be necessary or appropriate.

ARTICLE IX

TAX MATTERS

Section 9.1 *Tax Returns and Information.*

The Partnership shall timely file all returns of the Partnership that are required for federal, state and local income tax purposes on a taxable year ending on December 31 or such other period as may be required by law, as determined by the General Partner in good faith. The tax information reasonably required by Record Holders for federal and state income tax reporting purposes with respect to a taxable year shall be furnished to them within 90 days of the close of the calendar year in which the Partnership's taxable year ends. The classification, realization and recognition of income, gain, losses and deductions and other items shall be on the accrual method of accounting for federal income tax purposes.

Section 9.2 *Tax Elections.*

(a) The Partnership shall make the election under Section 754 of the Code in accordance with applicable regulations thereunder, subject to the reservation of the right to seek to revoke any such election upon the General Partner's determination that such revocation is in the best interests of the Limited Partners. Notwithstanding any other provision herein contained, for the purposes of computing the adjustments under Section 743(b) of the Code, the General Partner shall be authorized (but not required) to adopt a convention whereby the price paid by a transferee of a Limited Partner Interest will be deemed to be the lowest quoted closing price of the Limited Partner Interests on any National Securities Exchange on which such Limited Partner Interests are traded during the calendar month in which such transfer is deemed to occur pursuant to Section 6.2(g) without regard to the actual price paid by such transferee.

(b) The Partnership shall elect to deduct expenses incurred in organizing the Partnership ratably over a sixty-month period as provided in Section 709 of the Code.

(c) Except as otherwise provided herein, the General Partner shall determine whether the Partnership should make any other elections permitted by the Code.

Section 9.3 *Tax Controversies.*

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

Section 9.4 *Withholding.*

The General Partner is authorized to take any action that it determines in its discretion to be necessary or appropriate to cause the Partnership and other Group Members to comply with any withholding requirements established under the Code or any other federal, state or local law including, without limitation, pursuant to Sections 1441, 1442, 1445 and 1446 of the Code. To the extent that the Partnership is required or elects to withhold and pay over to any taxing authority any amount resulting from the allocation or distribution of income to any Partner or Assignee (including, without limitation,

by reason of Section 1446 of the Code), the amount withheld may at the discretion of the General Partner be treated by the Partnership as a distribution of cash pursuant to the then applicable provision of this Agreement in the amount of such withholding from such Partner.

ARTICLE X

ADMISSION OF PARTNERS

Section 10.1 *Admission of Initial Limited Partners.*

Upon the issuance by the Partnership of Common Units, Subordinated Units and Incentive Distribution Rights to the General Partner, Crosstex Energy, Inc. and the Underwriters as described in Sections 5.2 and 5.3 in connection with the Initial Offering, the General Partner shall admit such parties to the Partnership as Initial Limited Partners in respect of the Common Units, Subordinated Units or Incentive Distribution Rights issued to them.

Section 10.2 *Admission of Substituted Limited Partner.*

By transfer of a Limited Partner Interest in accordance with Article IV, the transferor shall be deemed to have given the transferee the right to seek admission as a Substituted Limited Partner subject to the conditions of, and in the manner permitted under, this Agreement. A transferor of a Certificate representing a Limited Partner Interest shall, however, only have the authority to convey to a purchaser or other transferee who does not execute and deliver a Transfer Application (a) the right to negotiate such Certificate to a purchaser or other transferee and (b) the right to transfer the right to request admission as a Substituted Limited Partner to such purchaser or other transferee in respect of the transferred Limited Partner Interests. Each transferee of a Limited Partner Interest (including any nominee holder or an agent acquiring such Limited Partner Interest for the account of another Person) who executes and delivers a Transfer Application shall, by virtue of such execution and delivery, be an Assignee and be deemed to have applied to become a Substituted Limited Partner with respect to the Limited Partner Interests so transferred to such Person. Such Assignee shall become a Substituted Limited Partner (x) at such time as the General Partner consents thereto, which consent may be given or withheld in the General Partner's discretion, and (y) when any such admission is shown on the books and records of the Partnership. If such consent is withheld, such transferee shall be an Assignee. An Assignee shall have an interest in the Partnership equivalent to that of a Limited Partner with respect to allocations and distributions, including liquidating distributions, of the Partnership. With respect to voting rights attributable to Limited Partner Interests that are held by Assignees, the General Partner shall be deemed to be the Limited Partner with respect thereto and shall, in exercising the voting rights in respect of such Limited Partner Interests on any matter, vote such Limited Partner Interests at the written direction of the Assignee who is the Record Holder of such Limited Partner Interests. If no such written direction is received, such Limited Partner Interests will not be voted. An Assignee shall have no other rights of a Limited Partner.

Section 10.3 *Admission of Successor General Partner.*

A successor General Partner approved pursuant to Section 11.1 or 11.2 or the transferee of or successor to all of the General Partner Interest pursuant to Section 4.6 who is proposed to be admitted as a successor General Partner shall be admitted to the Partnership as the General Partner, effective immediately prior to the withdrawal or removal of the predecessor or transferring General Partner, pursuant to Section 11.1 or 11.2 or the transfer of the General Partner Interest pursuant to Section 4.6; provided, however, that no such successor shall be admitted to the Partnership until compliance with the terms of Section 4.6 has occurred and such successor has executed and delivered such other documents or instruments as may be required to effect such admission. Any such successor shall, subject to the terms hereof, carry on the business of the members of the Partnership Group without dissolution.

Section 10.4 *Admission of Additional Limited Partners.*

(a) A Person (other than the General Partner, an Initial Limited Partner or a Substituted Limited Partner) who makes a Capital Contribution to the Partnership in accordance with this Agreement shall be admitted to the Partnership as an Additional Limited Partner only upon furnishing to the General Partner

(i) evidence of acceptance in form satisfactory to the General Partner of all of the terms and conditions of this Agreement, including the power of attorney granted in Section 2.6, and

(ii) such other documents or instruments as may be required in the discretion of the General Partner to effect such Person's admission as an Additional Limited Partner.

(b) Notwithstanding anything to the contrary in this Section 10.4, no Person shall be admitted as an Additional Limited Partner without the consent of the General Partner, which consent may be given or withheld in the General Partner's discretion. The admission of any Person as an Additional Limited Partner shall become effective on the date upon which the name of such Person is recorded as such in the books and records of the Partnership, following the consent of the General Partner to such admission.

Section 10.5 *Amendment of Agreement and Certificate of Limited Partnership.*

To effect the admission to the Partnership of any Partner, the General Partner shall take all steps necessary and appropriate under the Delaware Act to amend the records of the Partnership to reflect such admission and, if necessary, to prepare as soon as practicable an amendment to this Agreement and, if required by law, the General Partner shall prepare and file an amendment to the Certificate of Limited Partnership, and the General Partner may for this purpose, among others, exercise the power of attorney granted pursuant to Section 2.6.

ARTICLE XI

WITHDRAWAL OR REMOVAL OF PARTNERS

Section 11.1 *Withdrawal of the General Partner.*

(a) The General Partner shall be deemed to have withdrawn from the Partnership upon the occurrence of any one of the following events (each such event herein referred to as an "Event of Withdrawal");

(i) The General Partner voluntarily withdraws from the Partnership by giving written notice to the other Partners;

(ii) The General Partner transfers all of its rights as General Partner pursuant to Section 4.6;

(iii) The General Partner is removed pursuant to Section 11.2;

(iv) The General Partner (A) makes a general assignment for the benefit of creditors; (B) files a voluntary bankruptcy petition for relief under Chapter 7 of the United States Bankruptcy Code; (C) files a petition or answer seeking for itself a liquidation, dissolution or similar relief (but not a reorganization) under any law; (D) files an answer or other pleading admitting or failing to contest the material allegations of a petition filed against the General Partner in a proceeding of the type described in clauses (A)-(C) of this Section 11.1(a)(iv); or (E) seeks, consents to or acquiesces in the appointment of a trustee (but not a debtor-in-possession), receiver or liquidator of the General Partner or of all or any substantial part of its properties;

(v) A final and non-appealable order of relief under Chapter 7 of the United States Bankruptcy Code is entered by a court with appropriate jurisdiction pursuant to a voluntary or involuntary petition by or against the General Partner; or

(vi) (A) in the event the General Partner is a corporation, a certificate of dissolution or its equivalent is filed for the General Partner, or 90 days expire after the date of notice to the General Partner of revocation of its charter without a reinstatement of its charter, under the laws of its state of incorporation; (B) in the event the General Partner is a partnership or a limited liability company, the dissolution and commencement of winding up of the General Partner; (C) in the event the General Partner is acting in such capacity by virtue of being a trustee of a trust, the termination of the trust; (D) in the event the General Partner is a natural person, his death or adjudication of incompetency; and (E) otherwise in the event of the termination of the General Partner.

If an Event of Withdrawal specified in Section 11.1(a)(iv), (v) or (vi)(A), (B), (C) or (E) occurs, the withdrawing General Partner shall give notice to the Limited Partners within 30 days after such occurrence. The Partners hereby agree that only the Events of Withdrawal described in this Section 11.1 shall result in the withdrawal of the General Partner from the Partnership.

(b) Withdrawal of the General Partner from the Partnership upon the occurrence of an Event of Withdrawal shall not constitute a breach of this Agreement under the following circumstances: (i) at any time during the period beginning on the Closing Date and ending at 12:00 midnight, Eastern Standard Time, on December 31, 2012, the General Partner voluntarily withdraws by giving at least 90 days' advance notice of its intention to withdraw to the Limited Partners; provided that prior to the effective date of such withdrawal, the withdrawal is approved by Unitholders holding at least a majority of the Outstanding Common Units (excluding Common Units held by the General Partner and its Affiliates) and the General Partner delivers to the Partnership an Opinion of Counsel ("Withdrawal Opinion of Counsel") that such withdrawal (following the selection of the successor General Partner) would not result in the loss of the limited liability of any Limited Partner or any Group Member or cause any Group Member to be treated as an association taxable as a corporation or otherwise to be taxed as an entity for federal income tax purposes (to the extent not previously treated as such); (ii) at any time after 12:00 midnight, Eastern Standard Time, on December 31, 2012, the General Partner voluntarily withdraws by giving at least 90 days' advance notice to the Unitholders, such withdrawal to take effect on the date specified in such notice; (iii) at any time that the General Partner ceases to be the General Partner pursuant to Section 11.1(a)(ii) or is removed pursuant to Section 11.2; or (iv) notwithstanding clause (i) of this sentence, at any time that the General Partner voluntarily withdraws by giving at least 90 days' advance notice of its intention to withdraw to the Limited Partners, such withdrawal to take effect on the date specified in the notice, if at the time such notice is given one Person and its Affiliates (other than the General Partner and its Affiliates) own beneficially or of record or control at least 50% of the Outstanding Units. The withdrawal of the General Partner from the Partnership upon the occurrence of an Event of Withdrawal shall also constitute the withdrawal of the General Partner as general partner or managing member, to the extent applicable, of the other Group Members. If the General Partner gives a notice of withdrawal pursuant to Section 11.1(a)(i), the holders of a Unit Majority, may, prior to the effective date of such withdrawal, elect a successor General Partner. The Person so elected as successor General Partner shall automatically become the successor general partner or managing member, to the extent applicable, of the other Group Members of which the General Partner is a general partner or a managing member. If, prior to the effective date of the General Partner's withdrawal, a successor is not selected by the Unitholders as provided herein or the Partnership does not receive a Withdrawal Opinion of Counsel, the Partnership shall be dissolved in accordance with Section 12.1. Any successor General Partner elected in accordance with the terms of this Section 11.1 shall be subject to the provisions of Section 10.3.

Section 11.2 *Removal of the General Partner.*

The General Partner may be removed if such removal is approved by the Unitholders holding at least 66 2/3% of the Outstanding Units (including Units held by the General Partner and its Affiliates). Any such action by such holders for removal of the General Partner must also provide for the election of a successor General Partner by the Unitholders holding a majority of the outstanding Common Units voting as a class and a majority of the outstanding Subordinated Units voting as a class (including Units held by the General Partner and its Affiliates). Such removal shall be effective immediately following the admission of a successor General Partner pursuant to Section 10.3. The removal of the General Partner shall also automatically constitute the removal of the General Partner as general partner or managing member, to the extent applicable, of the other Group Members of which the General Partner is a general partner or a managing member. If a Person is elected as a successor General Partner in accordance with the terms of this Section 11.2, such Person shall, upon admission pursuant to Section 10.3, automatically become a successor general partner or managing member, to the extent applicable, of the other Group Members of which the General Partner is a general partner or a managing member. The right of the holders of Outstanding Units to remove the General Partner shall not exist or be exercised unless the Partnership has received an opinion opining as to the matters covered by a Withdrawal Opinion of Counsel. Any successor General Partner elected in accordance with the terms of this Section 11.2 shall be subject to the provisions of Section 10.3.

Section 11.3 *Interest of Departing Partner and Successor General Partner.*

(a) In the event of (i) withdrawal of the General Partner under circumstances where such withdrawal does not violate this Agreement or (ii) removal of the General Partner by the holders of Outstanding Units under circumstances where Cause does not exist, if the successor General Partner is elected in accordance with the terms of Section 11.1 or 11.2, the Departing Partner shall have the option, exercisable prior to the effective date of the departure of such Departing Partner, to require its successor to purchase its General Partner Interest and its general partner interest (or equivalent interest), if any, in the other Group Members and all of its Incentive Distribution Rights (collectively, the "Combined Interest") in exchange for an amount in cash equal to the fair market value of such Combined Interest, such amount to be determined and payable as of the effective date of its departure. If the General Partner is removed by the Unitholders under circumstances where Cause exists or if the General Partner withdraws under circumstances where such withdrawal violates this Agreement, and if a successor General Partner is elected in accordance with the terms of Section 11.1 or 11.2, such successor shall have the option, exercisable prior to the effective date of the departure of such Departing Partner, to purchase the Combined Interest for such fair market value of such Combined Interest of the Departing Partner. In either event, the Departing Partner shall be entitled to receive all reimbursements due such Departing Partner pursuant to Section 7.4, including any employee-related liabilities (including severance liabilities), incurred in connection with the termination of any employees employed by the Departing Partner for the benefit of the Partnership or the other Group Members.

For purposes of this Section 11.3(a), the fair market value of the Departing Partner's Combined Interest shall be determined by agreement between the Departing Partner and its successor or, failing agreement within 30 days after the effective date of such Departing Partner's departure, by an independent investment banking firm or other independent expert selected by the Departing Partner and its successor, which, in turn, may rely on other experts, and the determination of which shall be conclusive as to such matter. If such parties cannot agree upon one independent investment banking firm or other independent expert within 45 days after the effective date of such departure, then the Departing Partner shall designate an independent investment banking firm or other independent expert, the Departing Partner's successor shall designate an independent investment banking firm or other independent expert, and such firms or experts shall mutually select a third independent investment banking firm or independent expert, which third independent investment banking firm or other independent expert shall determine the fair market value of the Combined Interest of the Departing

Partner. In making its determination, such third independent investment banking firm or other independent expert may consider the then current trading price of Units on any National Securities Exchange on which Units are then listed, the value of the Partnership's assets, the rights and obligations of the Departing Partner and other factors it may deem relevant.

(b) If the Combined Interest is not purchased in the manner set forth in Section 11.3(a), the Departing Partner (or its transferee) shall become a Limited Partner and its Combined Interest shall be converted into Common Units pursuant to a valuation made by an investment banking firm or other independent expert selected pursuant to Section 11.3(a), without reduction in such Partnership Interest (but subject to proportionate dilution by reason of the admission of its successor). Any successor General Partner shall indemnify the Departing Partner (or its transferee) as to all debts and liabilities of the Partnership arising on or after the date on which the Departing Partner (or its transferee) becomes a Limited Partner. For purposes of this Agreement, conversion of the Combined Interest of the Departing Partner to Common Units will be characterized as if the Departing Partner (or its transferee) contributed its Combined Interest to the Partnership in exchange for the newly issued Common Units.

(c) If a successor General Partner is elected in accordance with the terms of Section 11.1 or 11.2 and the option described in Section 11.3(a) is not exercised by the party entitled to do so, the successor General Partner shall, at the effective date of its admission to the Partnership, contribute to the Partnership cash in the amount equal to $^{2}/_{98}$ths of the Net Agreed Value of the Partnership's assets on such date. In such event, such successor General Partner shall, subject to the following sentence, be entitled to 2% of all Partnership allocations and distributions to which the Departing Partner was entitled. In addition, the successor General Partner shall cause this Agreement to be amended to reflect that, from and after the date of such successor General Partner's admission, the successor General Partner's interest in all Partnership distributions and allocations shall be 2%.

Section 11.4 *Termination of Subordination Period, Conversion of Subordinated Units and Extinguishment of Cumulative Common Unit Arrearages.*

Notwithstanding any provision of this Agreement, if the General Partner is removed as general partner of the Partnership under circumstances where Cause does not exist and Units held by the General Partner and its Affiliates are not voted in favor of such removal, (i) the Subordination Period will end and all Outstanding Subordinated Units will immediately and automatically convert into Common Units on a one-for-one basis and (ii) all Cumulative Common Unit Arrearages on the Common Units will be extinguished.

Section 11.5 *Withdrawal of Limited Partners.*

No Limited Partner shall have any right to withdraw from the Partnership; provided, however, that when a transferee of a Limited Partner's Limited Partner Interest becomes a Record Holder of the Limited Partner Interest so transferred, such transferring Limited Partner shall cease to be a Limited Partner with respect to the Limited Partner Interest so transferred.

ARTICLE XII

DISSOLUTION AND LIQUIDATION

Section 12.1 *Dissolution.*

The Partnership shall not be dissolved by the admission of Substituted Limited Partners or Additional Limited Partners or by the admission of a successor General Partner in accordance with the terms of this Agreement. Upon the removal or withdrawal of the General Partner, if a successor General Partner is elected pursuant to Section 11.1 or 11.2, the Partnership shall not be dissolved and such successor General Partner shall continue the business of the Partnership. The Partnership shall dissolve, and (subject to Section 12.2) its affairs shall be wound up, upon:

(a) an Event of Withdrawal of the General Partner as provided in Section 11.1(a) (other than Section 11.1(a)(ii)), unless a successor is elected and an Opinion of Counsel is received as provided in Section 11.1(b) or 11.2 and such successor is admitted to the Partnership pursuant to Section 10.3;

(b) an election to dissolve the Partnership by the General Partner that is approved by the holders of a Unit Majority;

(c) the entry of a decree of judicial dissolution of the Partnership pursuant to the provisions of the Delaware Act; or

(d) the sale of all or substantially all of the assets and properties of the Partnership Group.

Section 12.2 *Continuation of the Business of the Partnership After Dissolution.*

Upon (a) dissolution of the Partnership following an Event of Withdrawal caused by the withdrawal or removal of the General Partner as provided in Section 11.1(a)(i) or (iii) and the failure of the Partners to select a successor to such Departing Partner pursuant to Section 11.1 or 11.2, then within 90 days thereafter, or (b) dissolution of the Partnership upon an event constituting an Event of Withdrawal as defined in Section 11.1(a)(iv), (v) or (vi), then, to the maximum extent permitted by law, within 180 days thereafter, the holders of a Unit Majority may elect to reconstitute the Partnership and continue its business on the same terms and conditions set forth in this Agreement by forming a new limited partnership on terms identical to those set forth in this Agreement and having as the successor General partner a Person approved by the holders of a Unit Majority. Unless such an election is made within the applicable time period as set forth above, the Partnership shall conduct only activities necessary to wind up its affairs. If such an election is so made, then:

(i) the reconstituted Partnership shall continue unless earlier dissolved in accordance with this Article XII;

(ii) if the successor General Partner is not the former General Partner, then the interest of the former General Partner shall be treated in the manner provided in Section 11.3; and

(iii) all necessary steps shall be taken to cancel this Agreement and the Certificate of Limited Partnership and to enter into and, as necessary, to file a new partnership agreement and certificate of limited partnership, and the successor General Partner may for this purpose exercise the powers of attorney granted the General Partner pursuant to Section 2.6; provided, that the right of the holders of a Unit Majority to approve a successor General Partner and to reconstitute and to continue the business of the Partnership shall not exist and may not be exercised unless the Partnership has received an Opinion of Counsel that (x) the exercise of the right would not result in the loss of limited liability of any Limited Partner and (y) neither the Partnership, the reconstituted limited partnership nor the Operating Partnership or any other Group Member would be treated as an association taxable as a corporation or otherwise be taxable as an entity for federal income tax purposes upon the exercise of such right to continue.

Section 12.3 *Liquidator.*

Upon dissolution of the Partnership, unless the Partnership is continued under an election to reconstitute and continue the Partnership pursuant to Section 12.2, the General Partner shall select one or more Persons to act as Liquidator. The Liquidator (if other than the General Partner) shall be entitled to receive such compensation for its services as may be approved by holders of at least a majority of the Outstanding Common Units and Subordinated Units voting as a single class. The Liquidator (if other than the General Partner) shall agree not to resign at any time without 15 days' prior notice and may be removed at any time, with or without cause, by notice of removal approved by holders of at least a majority of the Outstanding Common Units and Subordinated Units voting as a single class. Upon dissolution, removal or resignation of the Liquidator, a successor and substitute Liquidator (who shall have and succeed to all rights, powers and duties of the original Liquidator) shall within 30 days thereafter be approved by holders of at least a majority of the Outstanding Common Units and Subordinated Units voting as a single class. The right to approve a successor or substitute Liquidator in the manner provided herein shall be deemed to refer also to any such successor or substitute Liquidator approved in the manner herein provided. Except as expressly provided in this Article XII, the Liquidator approved in the manner provided herein shall have and may exercise, without further authorization or consent of any of the parties hereto, all of the powers conferred upon the General Partner under the terms of this Agreement (but subject to all of the applicable limitations, contractual and otherwise, upon the exercise of such powers, other than the limitation on sale set forth in Section 7.3(b)) to the extent necessary or desirable in the good faith judgment of the Liquidator to carry out the duties and functions of the Liquidator hereunder for and during such period of time as shall be reasonably required in the good faith judgment of the Liquidator to complete the winding up and liquidation of the Partnership as provided for herein.

Section 12.4 *Liquidation.*

The Liquidator shall proceed to dispose of the assets of the Partnership, discharge its liabilities, and otherwise wind up its affairs in such manner and over such period as the Liquidator determines to be in the best interest of the Partners, subject to Section 17-804 of the Delaware Act and the following:

(a) The assets may be disposed of by public or private sale or by distribution in kind to one or more Partners on such terms as the Liquidator and such Partner or Partners may agree. If any property is distributed in kind, the Partner receiving the property shall be deemed for purposes of Section 12.4(c) to have received cash equal to its fair market value; and contemporaneously therewith, appropriate cash distributions must be made to the other Partners. The Liquidator may, in its absolute discretion, defer liquidation or distribution of the Partnership's assets for a reasonable time if it determines that an immediate sale or distribution of all or some of the Partnership's assets would be impractical or would cause undue loss to the Partners. The Liquidator may, in its absolute discretion, distribute the Partnership's assets, in whole or in part, in kind if it determines that a sale would be impractical or would cause undue loss to the Partners.

(b) Liabilities of the Partnership include amounts owed to the Liquidator as compensation for serving in such capacity (subject to the terms of Section 12.3) and amounts to Partners otherwise than in respect of their distribution rights under Article VI. With respect to any liability that is contingent, conditional or unmatured or is otherwise not yet due and payable, the Liquidator shall either settle such claim for such amount as it thinks appropriate or establish a reserve of cash or other assets to provide for its payment. When paid, any unused portion of the reserve shall be distributed as additional liquidation proceeds.

(c) All property and all cash in excess of that required to discharge liabilities as provided in Section 12.4(b) shall be distributed to the Partners in accordance with, and to the extent of, the positive balances in their respective Capital Accounts, as determined after taking into account all Capital Account adjustments (other than those made by reason of distributions pursuant to this Section 12.4(c))

for the taxable year of the Partnership during which the liquidation of the Partnership occurs (with such date of occurrence being determined pursuant to Treasury Regulation Section 1.704-1(b)(2)(ii)(g)), and such distribution shall be made by the end of such taxable year (or, if later, within 90 days after said date of such occurrence).

Section 12.5 *Cancellation of Certificate of Limited Partnership.*

Upon the completion of the distribution of Partnership cash and property as provided in Section 12.4 in connection with the liquidation of the Partnership, the Partnership shall be terminated and the Certificate of Limited Partnership and all qualifications of the Partnership as a foreign limited partnership in jurisdictions other than the State of Delaware shall be canceled and such other actions as may be necessary to terminate the Partnership shall be taken.

Section 12.6 *Return of Contributions.*

The General Partner shall not be personally liable for, and shall have no obligation to contribute or loan any monies or property to the Partnership to enable it to effectuate, the return of the Capital Contributions of the Limited Partners or Unitholders, or any portion thereof, it being expressly understood that any such return shall be made solely from Partnership assets.

Section 12.7 *Waiver of Partition.*

To the maximum extent permitted by law, each Partner hereby waives any right to partition of the Partnership property.

Section 12.8 *Capital Account Restoration.*

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

ARTICLE XIII

AMENDMENT OF PARTNERSHIP AGREEMENT; MEETINGS; RECORD DATE

Section 13.1 *Amendment to be Adopted Solely by the General Partner.*

Each Partner agrees that the General Partner, without the approval of any Partner or Assignee, may amend any provision of this Agreement and execute, swear to, acknowledge, deliver, file and record whatever documents may be required in connection therewith, to reflect:

(a) a change in the name of the Partnership, the location of the principal place of business of the Partnership, the registered agent of the Partnership or the registered office of the Partnership;

(b) admission, substitution, withdrawal or removal of Partners in accordance with this Agreement;

(c) a change that, in the sole discretion of the General Partner, is necessary or advisable to qualify or continue the qualification of the Partnership as a limited partnership or a partnership in which the Limited Partners have limited liability under the laws of any state or to ensure that the Group Members will not be treated as associations taxable as corporations or otherwise taxed as entities for federal income tax purposes;

(d) a change that, in the discretion of the General Partner, (i) does not adversely affect the Limited Partners (including any particular class of Partnership Interests as compared to other classes of Partnership Interests) in any material respect, (ii) is necessary or advisable to (A) satisfy any requirements, conditions or guidelines contained in any opinion, directive, order, ruling or regulation of

any federal or state agency or judicial authority or contained in any federal or state statute (including the Delaware Act) or (B) facilitate the trading of the Units (including the division of any class or classes of Outstanding Units into different classes to facilitate uniformity of tax consequences within such classes of Units) or comply with any rule, regulation, guideline or requirement of any National Securities Exchange on which the Units are or will be listed for trading, compliance with any of which the General Partner determines in its discretion to be in the best interests of the Partnership and the Limited Partners, (iii) is necessary or advisable in connection with action taken by the General Partner pursuant to Section 5.10 or (iv) is required to effect the intent expressed in the Registration Statement or the intent of the provisions of this Agreement or is otherwise contemplated by this Agreement;

(e) a change in the fiscal year or taxable year of the Partnership and any changes that, in the discretion of the General Partner, are necessary or advisable as a result of a change in the fiscal year or taxable year of the Partnership including, if the General Partner shall so determine, a change in the definition of "Quarter" and the dates on which distributions are to be made by the Partnership;

(f) an amendment that is necessary, in the Opinion of Counsel, to prevent the Partnership, or the General Partner or its directors, officers, trustees or agents from in any manner being subjected to the provisions of the Investment Company Act of 1940, as amended, the Investment Advisers Act of 1940, as amended, or "plan asset" regulations adopted under the Employee Retirement Income Security Act of 1974, as amended, regardless of whether such are substantially similar to plan asset regulations currently applied or proposed by the United States Department of Labor;

(g) subject to the terms of Section 5.7, 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;

(h) any amendment expressly permitted in this Agreement to be made by the General Partner acting alone;

(i) an amendment effected, necessitated or contemplated by a Merger Agreement approved in accordance with Section 14.3;

(j) an amendment that, in the discretion of the General Partner, is necessary or advisable to reflect, account for and deal with appropriately the formation by the Partnership of, or investment by the Partnership in, any corporation, partnership, joint venture, limited liability company or other entity, in connection with the conduct by the Partnership of activities permitted by the terms of Section 2.4;

(k) a merger or conveyance pursuant to Section 14.3(d); or

(l) any other amendments substantially similar to the foregoing.

Section 13.2 *Amendment Procedures.*

Except as provided in Sections 13.1 and 13.3, all amendments to this Agreement shall be made in accordance with the following requirements. Amendments to this Agreement may be proposed only by or with the consent of the General Partner which consent may be given or withheld in its sole discretion. A proposed amendment shall be effective upon its approval by the holders of a Unit Majority, unless a greater or different percentage is required under this Agreement or by Delaware law. Each proposed amendment that requires the approval of the holders of a specified percentage of Outstanding Units shall be set forth in a writing that contains the text of the proposed amendment. If such an amendment is proposed, the General Partner shall seek the written approval of the requisite percentage of Outstanding Units or call a meeting of the Unitholders to consider and vote on such proposed amendment. The General Partner shall notify all Record Holders upon final adoption of any such proposed amendments.

Section 13.3 *Amendment Requirements.*

(a) Notwithstanding the provisions of Sections 13.1 and 13.2, no provision of this Agreement that establishes a percentage of Outstanding Units (including Units deemed owned by the General Partner) required to take any action shall be amended, altered, changed, repealed or rescinded in any respect that would have the effect of reducing such voting percentage unless such amendment is approved by the written consent or the affirmative vote of holders of Outstanding Units whose aggregate Outstanding Units constitute not less than the voting requirement sought to be reduced.

(b) Notwithstanding the provisions of Sections 13.1 and 13.2, no amendment to this Agreement may (i) enlarge the obligations of any Limited Partner without its consent, unless such shall be deemed to have occurred as a result of an amendment approved pursuant to Section 13.3(c), (ii) enlarge the obligations of, restrict in any way any action by or rights of, or reduce in any way the amounts distributable, reimbursable or otherwise payable to, the General Partner or any of its Affiliates without its consent, which consent may be given or withheld in its sole discretion, (iii) change Section 12.1(b), or (iv) change the term of the Partnership or, except as set forth in Section 12.1(b), give any Person the right to dissolve the Partnership.

(c) Except as provided in Section 14.3, and without limitation of the General Partner's authority to adopt amendments to this Agreement without the approval of any Partners or Assignees as contemplated in Section 13.1, any amendment that would have a material adverse effect on the rights or preferences of any class of Partnership Interests in relation to other classes of Partnership Interests must be approved by the holders of not less than a majority of the Outstanding Partnership Interests of the class affected.

(d) Notwithstanding any other provision of this Agreement, except for amendments pursuant to Section 13.1 and except as otherwise provided by Section 14.3(b), no amendments shall become effective without the approval of the holders of at least 90% of the Outstanding Units voting as a single class unless the Partnership obtains an Opinion of Counsel to the effect that such amendment will not affect the limited liability of any Limited Partner under applicable law.

(e) Except as provided in Section 13.1, this Section 13.3 shall only be amended with the approval of the holders of at least 90% of the Outstanding Units.

Section 13.4 *Special Meetings.*

All acts of Limited Partners to be taken pursuant to this Agreement shall be taken in the manner provided in this Article XIII. Special meetings of the Limited Partners may be called by the General Partner or by Limited Partners owning 20% or more of the Outstanding Units of the class or classes for which a meeting is proposed. Limited Partners shall call a special meeting by delivering to the General Partner one or more requests in writing stating that the signing Limited Partners wish to call a special meeting and indicating the general or specific purposes for which the special meeting is to be called. Within 60 days after receipt of such a call from Limited Partners or within such greater time as may be reasonably necessary for the Partnership to comply with any statutes, rules, regulations, listing agreements or similar requirements governing the holding of a meeting or the solicitation of proxies for use at such a meeting, the General Partner shall send a notice of the meeting to the Limited Partners either directly or indirectly through the Transfer Agent. A meeting shall be held at a time and place determined by the General Partner on a date not less than 10 days nor more than 60 days after the mailing of notice of the meeting. Limited Partners shall not vote on matters that would cause the Limited Partners to be deemed to be taking part in the management and control of the business and affairs of the Partnership so as to jeopardize the Limited Partners' limited liability under the Delaware Act or the law of any other state in which the Partnership is qualified to do business.

Section 13.5 *Notice of a Meeting.*

Notice of a meeting called pursuant to Section 13.4 shall be given to the Record Holders of the class or classes of Units for which a meeting is proposed in writing by mail or other means of written communication in accordance with Section 16.1. The notice shall be deemed to have been given at the time when deposited in the mail or sent by other means of written communication.

Section 13.6 *Record Date.*

For purposes of determining the Limited Partners entitled to notice of or to vote at a meeting of the Limited Partners or to give approvals without a meeting as provided in Section 13.11 the General Partner may set a Record Date, which shall not be less than 10 nor more than 60 days before (a) the date of the meeting (unless such requirement conflicts with any rule, regulation, guideline or requirement of any National Securities Exchange on which the Units are listed for trading, in which case the rule, regulation, guideline or requirement of such exchange shall govern) or (b) in the event that approvals are sought without a meeting, the date by which Limited Partners are requested in writing by the General Partner to give such approvals.

Section 13.7 *Adjournment.*

When a meeting is adjourned to another time or place, notice need not be given of the adjourned meeting and a new Record Date need not be fixed, if the time and place thereof are announced at the meeting at which the adjournment is taken, unless such adjournment shall be for more than 45 days. At the adjourned meeting, the Partnership may transact any business which might have been transacted at the original meeting. If the adjournment is for more than 45 days or if a new Record Date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given in accordance with this Article XIII.

Section 13.8 *Waiver of Notice; Approval of Meeting; Approval of Minutes.*

The transactions of any meeting of Limited Partners, however called and noticed, and whenever held, shall be as valid as if it had occurred at a meeting duly held after regular call and notice, if a quorum is present either in person or by proxy, and if, either before or after the meeting, Limited Partners representing such quorum who were present in person or by proxy and entitled to vote, sign a written waiver of notice or an approval of the holding of the meeting or an approval of the minutes thereof. All waivers and approvals shall be filed with the Partnership records or made a part of the minutes of the meeting. Attendance of a Limited Partner at a meeting shall constitute a waiver of notice of the meeting, except when the Limited Partner does not approve, at the beginning of the meeting, of the transaction of any business because the meeting is not lawfully called or convened; and except that attendance at a meeting is not a waiver of any right to disapprove the consideration of matters required to be included in the notice of the meeting, but not so included, if the disapproval is expressly made at the meeting.

Section 13.9 *Quorum.*

The holders of a majority of the Outstanding Units of the class or classes for which a meeting has been called (including Outstanding Units deemed owned by the General Partner) represented in person or by proxy shall constitute a quorum at a meeting of Limited Partners of such class or classes unless any such action by the Limited Partners requires approval by holders of a greater percentage of such Units, in which case the quorum shall be such greater percentage. At any meeting of the Limited Partners duly called and held in accordance with this Agreement at which a quorum is present, the act of Limited Partners holding Outstanding Units that in the aggregate represent a majority of the Outstanding Units entitled to vote and be present in person or by proxy at such meeting shall be deemed to constitute the act of all Limited Partners, unless a greater or different percentage is required with respect to such action under the provisions of this Agreement, in which case the act of

the Limited Partners holding Outstanding Units that in the aggregate represent at least such greater or different percentage shall be required. The Limited Partners present at a duly called or held meeting at which a quorum is present may continue to transact business until adjournment, notwithstanding the withdrawal of enough Limited Partners to leave less than a quorum, if any action taken (other than adjournment) is approved by the required percentage of Outstanding Units specified in this Agreement (including Outstanding Units deemed owned by the General Partner). In the absence of a quorum any meeting of Limited Partners may be adjourned from time to time by the affirmative vote of holders of at least a majority of the Outstanding Units entitled to vote at such meeting (including Outstanding Units deemed owned by the General Partner) represented either in person or by proxy, but no other business may be transacted, except as provided in Section 13.7.

Section 13.10 *Conduct of a Meeting.*

The General Partner shall have full power and authority concerning the manner of conducting any meeting of the Limited Partners or solicitation of approvals in writing, including the determination of Persons entitled to vote, the existence of a quorum, the satisfaction of the requirements of Section 13.4, the conduct of voting, the validity and effect of any proxies and the determination of any controversies, votes or challenges arising in connection with or during the meeting or voting. The General Partner shall designate a Person to serve as chairman of any meeting and shall further designate a Person to take the minutes of any meeting. All minutes shall be kept with the records of the Partnership maintained by the General Partner. The General Partner may make such other regulations consistent with applicable law and this Agreement as it may deem advisable concerning the conduct of any meeting of the Limited Partners or solicitation of approvals in writing, including regulations in regard to the appointment of proxies, the appointment and duties of inspectors of votes and approvals, the submission and examination of proxies and other evidence of the right to vote, and the revocation of approvals in writing.

Section 13.11 *Action Without a Meeting.*

If authorized by the General Partner, any action that may be taken at a meeting of the Limited Partners may be taken without a meeting if an approval in writing setting forth the action so taken is signed by Limited Partners owning not less than the minimum percentage of the Outstanding Units (including Units deemed owned by the General Partner) that would be necessary to authorize or take such action at a meeting at which all the Limited Partners were present and voted (unless such provision conflicts with any rule, regulation, guideline or requirement of any National Securities Exchange on which the Units are listed for trading, in which case the rule, regulation, guideline or requirement of such exchange shall govern). Prompt notice of the taking of action without a meeting shall be given to the Limited Partners who have not approved in writing. The General Partner may specify that any written ballot submitted to Limited Partners for the purpose of taking any action without a meeting shall be returned to the Partnership within the time period, which shall be not less than 20 days, specified by the General Partner. If a ballot returned to the Partnership does not vote all of the Units held by the Limited Partners, the Partnership shall be deemed to have failed to receive a ballot for the Units that were not voted. If approval of the taking of any action by the Limited Partners is solicited by any Person other than by or on behalf of the General Partner, the written approvals shall have no force and effect unless and until (a) they are deposited with the Partnership in care of the General Partner, (b) approvals sufficient to take the action proposed are dated as of a date not more than 90 days prior to the date sufficient approvals are deposited with the Partnership and (c) an Opinion of Counsel is delivered to the General Partner to the effect that the exercise of such right and the action proposed to be taken with respect to any particular matter (i) will not cause the Limited Partners to be deemed to be taking part in the management and control of the business and affairs of the Partnership so as to jeopardize the Limited Partners' limited liability, and (ii) is otherwise permissible under the state statutes then governing the rights, duties and liabilities of the Partnership and the Partners.

Section 13.12 *Voting and Other Rights.*

(a) Only those Record Holders of the Units on the Record Date set pursuant to Section 13.6 (and also subject to the limitations contained in the definition of "Outstanding") shall be entitled to notice of, and to vote at, a meeting of Limited Partners or to act with respect to matters as to which the holders of the Outstanding Units have the right to vote or to act. All references in this Agreement to votes of, or other acts that may be taken by, the Outstanding Units shall be deemed to be references to the votes or acts of the Record Holders of such Outstanding Units.

(b) With respect to Units that are held for a Person's account by another Person (such as a broker, dealer, bank, trust company or clearing corporation, or an agent of any of the foregoing), in whose name such Units are registered, such other Person shall, in exercising the voting rights in respect of such Units on any matter, and unless the arrangement between such Persons provides otherwise, vote such Units in favor of, and at the direction of, the Person who is the beneficial owner, and the Partnership shall be entitled to assume it is so acting without further inquiry. The provisions of this Section 13.12(b) (as well as all other provisions of this Agreement) are subject to the provisions of Section 4.3.

ARTICLE XIV

MERGER

Section 14.1 *Authority.*

The Partnership may merge or consolidate with one or more corporations, limited liability companies, business trusts or associations, real estate investment trusts, common law trusts or unincorporated businesses, including a general partnership or limited partnership, formed under the laws of the State of Delaware or any other state of the United States of America, pursuant to a written agreement of merger or consolidation ("Merger Agreement") in accordance with this Article XIV.

Section 14.2 *Procedure for Merger or Consolidation.*

Merger or consolidation of the Partnership pursuant to this Article XIV requires the prior approval of the General Partner. If the General Partner shall determine, in the exercise of its discretion, to consent to the merger or consolidation, the General Partner shall approve the Merger Agreement, which shall set forth:

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

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

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

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

of the Surviving Business Entity or any general or limited partnership, corporation, trust or other entity (other than the Surviving Business Entity), or evidences thereof, are to be delivered;

(e) a statement of any changes in the constituent documents or the adoption of new constituent documents (the articles or certificate of incorporation, articles of trust, declaration of trust, certificate or agreement of limited partnership or other similar charter or governing document) of the Surviving Business Entity to be effected by such merger or consolidation;

(f) the effective time of the merger, which may be the date of the filing of the certificate of merger pursuant to Section 14.4 or a later date specified in or determinable in accordance with the Merger Agreement (provided, that if the effective time of the merger is to be later than the date of the filing of the certificate of merger, the effective time shall be fixed no later than the time of the filing of the certificate of merger and stated therein); and

(g) such other provisions with respect to the proposed merger or consolidation as are deemed necessary or appropriate by the General Partner.

Section 14.3 *Approval by Limited Partners of Merger or Consolidation.*

(a) Except as provided in Section 14.3(d), the General Partner, upon its approval of the Merger Agreement, shall direct that the Merger Agreement be submitted to a vote of Limited Partners, whether at a special meeting or by written consent, in either case in accordance with the requirements of Article XIII. A copy or a summary of the Merger Agreement shall be included in or enclosed with the notice of a special meeting or the written consent.

(b) Except as provided in Section 14.3(d), the Merger Agreement shall be approved upon receiving the affirmative vote or consent of the holders of a Unit Majority unless the Merger Agreement contains any provision that, if contained in an amendment to this Agreement, the provisions of this Agreement or the Delaware Act would require for its approval the vote or consent of a greater percentage of the Outstanding Units or of any class of Limited Partners, in which case such greater percentage vote or consent shall be required for approval of the Merger Agreement.

(c) Except as provided in Section 14.3(d), after such approval by vote or consent of the Limited Partners, and at any time prior to the filing of the certificate of merger pursuant to Section 14.4, the merger or consolidation may be abandoned pursuant to provisions therefor, if any, set forth in the Merger Agreement.

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

Section 14.4 *Certificate of Merger.*

Upon the required approval by the General Partner and the Unitholders of a Merger Agreement, a certificate of merger shall be executed and filed with the Secretary of State of the State of Delaware in conformity with the requirements of the Delaware Act.

Section 14.5 *Effect of Merger.*

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

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

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

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

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

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

ARTICLE XV

RIGHT TO ACQUIRE LIMITED PARTNER INTERESTS

Section 15.1 *Right to Acquire Limited Partner Interests.*

(a) Notwithstanding any other provision of this Agreement, if at any time more than 80% of the total Limited Partner Interests of any class then Outstanding is held by the General Partner and its Affiliates, the General Partner shall then have the right, which right it may assign and transfer in whole or in part to the Partnership or any Affiliate of the General Partner, exercisable in its sole discretion, to purchase all, but not less than all, of such Limited Partner Interests of such class then Outstanding held by Persons other than the General Partner and its Affiliates, at the greater of (x) the Current Market Price as of the date three days prior to the date that the notice described in Section 15.1(b) is mailed and (y) the highest price paid by the General Partner or any of its Affiliates for any such Limited Partner Interest of such class purchased during the 90-day period preceding the date that the notice described in Section 15.1(b) is mailed. As used in this Agreement, (i) "Current Market Price" as of any date of any class of Limited Partner Interests means the average of the daily Closing Prices (as hereinafter defined) per Limited Partner Interest of such class for the 20 consecutive Trading Days (as hereinafter defined) immediately prior to such date; (ii) "Closing Price" for any day means the last sale price on such day, regular way, or in case no such sale takes place on such day, the average of the closing bid and asked prices on such day, regular way, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted for trading on the principal National Securities Exchange (other than the Nasdaq Stock Market) on which such Limited Partner Interests of such class are listed or admitted to trading or, if such Limited Partner Interests of such class are not listed or admitted to trading on any National Securities Exchange (other than the Nasdaq Stock Market), the last quoted price on such day or, if not so quoted, the average of the high bid and low asked prices on such day in the over-the-counter market, as reported by the Nasdaq Stock Market or such other system then in use, or, if on any such day such Limited Partner Interests of such class are not quoted by any such organization, the average of the closing bid and asked prices on such day as furnished by a professional market maker making a market in such Limited Partner Interests of

such class selected by the General Partner, or if on any such day no market maker is making a market in such Limited Partner Interests of such class, the fair value of such Limited Partner Interests on such day as determined reasonably and in good faith by the General Partner; and (iii) "Trading Day" means a day on which the principal National Securities Exchange on which such Limited Partner Interests of any class are listed or admitted to trading is open for the transaction of business or, if Limited Partner Interests of a class are not listed or admitted to trading on any National Securities Exchange, a day on which banking institutions in New York City generally are open.

(b) If the General Partner, any Affiliate of the General Partner or the Partnership elects to exercise the right to purchase Limited Partner Interests granted pursuant to Section 15.1(a), the General Partner shall deliver to the Transfer Agent notice of such election to purchase (the "Notice of Election to Purchase") and shall cause the Transfer Agent to mail a copy of such Notice of Election to Purchase to the Record Holders of Limited Partner Interests of such class (as of a Record Date selected by the General Partner) at least 10, but not more than 60, days prior to the Purchase Date. Such Notice of Election to Purchase shall also be published for a period of at least three consecutive days in at least two daily newspapers of general circulation printed in the English language and published in the Borough of Manhattan, New York. The Notice of Election to Purchase shall specify the Purchase Date and the price (determined in accordance with Section 15.1(a)) at which Limited Partner Interests will be purchased and state that the General Partner, its Affiliate or the Partnership, as the case may be, elects to purchase such Limited Partner Interests, upon surrender of Certificates representing such Limited Partner Interests in exchange for payment, at such office or offices of the Transfer Agent as the Transfer Agent may specify, or as may be required by any National Securities Exchange on which such Limited Partner Interests are listed or admitted to trading. Any such Notice of Election to Purchase mailed to a Record Holder of Limited Partner Interests at his address as reflected in the records of the Transfer Agent shall be conclusively presumed to have been given regardless of whether the owner receives such notice. On or prior to the Purchase Date, the General Partner, its Affiliate or the Partnership, as the case may be, shall deposit with the Transfer Agent cash in an amount sufficient to pay the aggregate purchase price of all of such Limited Partner Interests to be purchased in accordance with this Section 15.1. If the Notice of Election to Purchase shall have been duly given as aforesaid at least 10 days prior to the Purchase Date, and if on or prior to the Purchase Date the deposit described in the preceding sentence has been made for the benefit of the holders of Limited Partner Interests subject to purchase as provided herein, then from and after the Purchase Date, notwithstanding that any Certificate shall not have been surrendered for purchase, all rights of the holders of such Limited Partner Interests (including any rights pursuant to Articles IV, V, VI, and XII) shall thereupon cease, except the right to receive the purchase price (determined in accordance with Section 15.1(a)) for Limited Partner Interests therefor, without interest, upon surrender to the Transfer Agent of the Certificates representing such Limited Partner Interests, and such Limited Partner Interests shall thereupon be deemed to be transferred to the General Partner, its Affiliate or the Partnership, as the case may be, on the record books of the Transfer Agent and the Partnership, and the General Partner or any Affiliate of the General Partner, or the Partnership, as the case may be, shall be deemed to be the owner of all such Limited Partner Interests from and after the Purchase Date and shall have all rights as the owner of such Limited Partner Interests (including all rights as owner of such Limited Partner Interests pursuant to Articles IV, V, VI and XII).

(c) At any time from and after the Purchase Date, a holder of an Outstanding Limited Partner Interest subject to purchase as provided in this Section 15.1 may surrender his Certificate evidencing such Limited Partner Interest to the Transfer Agent in exchange for payment of the amount described in Section 15.1(a), therefor, without interest thereon.

ARTICLE XVI

GENERAL PROVISIONS

Section 16.1 *Addresses and Notices.*

Any notice, demand, request, report or proxy materials required or permitted to be given or made to a Partner or Assignee under this Agreement shall be in writing and shall be deemed given or made when delivered in person or when sent by first class United States mail or by other means of written communication to the Partner or Assignee at the address described below. Any notice, payment or report to be given or made to a Partner or Assignee hereunder shall be deemed conclusively to have been given or made, and the obligation to give such notice or report or to make such payment shall be deemed conclusively to have been fully satisfied, upon sending of such notice, payment or report to the Record Holder of such Partnership Securities at his address as shown on the records of the Transfer Agent or as otherwise shown on the records of the Partnership, regardless of any claim of any Person who may have an interest in such Partnership Securities by reason of any assignment or otherwise. An affidavit or certificate of making of any notice, payment or report in accordance with the provisions of this Section 16.1 executed by the General Partner, the Transfer Agent or the mailing organization shall be prima facie evidence of the giving or making of such notice, payment or report. If any notice, payment or report addressed to a Record Holder at the address of such Record Holder appearing on the books and records of the Transfer Agent or the Partnership is returned by the United States Postal Service marked to indicate that the United States Postal Service is unable to deliver it, such notice, payment or report and any subsequent notices, payments and reports shall be deemed to have been duly given or made without further mailing (until such time as such Record Holder or another Person notifies the Transfer Agent or the Partnership of a change in his address) if they are available for the Partner or Assignee at the principal office of the Partnership for a period of one year from the date of the giving or making of such notice, payment or report to the other Partners and Assignees. Any notice to the Partnership shall be deemed given if received by the General Partner at the principal office of the Partnership designated pursuant to Section 2.3. The General Partner may rely and shall be protected in relying on any notice or other document from a Partner, Assignee or other Person if believed by it to be genuine.

Section 16.2 *Further Action.*

The parties shall execute and deliver all documents, provide all information and take or refrain from taking action as may be necessary or appropriate to achieve the purposes of this Agreement.

Section 16.3 *Binding Effect.*

This Agreement shall be binding upon and inure to the benefit of the parties hereto and their heirs, executors, administrators, successors, legal representatives and permitted assigns.

Section 16.4 *Integration.*

This Agreement constitutes the entire agreement among the parties hereto pertaining to the subject matter hereof and supersedes all prior agreements and understandings pertaining thereto.

Section 16.5 *Creditors.*

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

Section 16.6 *Waiver.*

No failure by any party to insist upon the strict performance of any covenant, duty, agreement or condition of this Agreement or to exercise any right or remedy consequent upon a breach thereof shall constitute waiver of any such breach of any other covenant, duty, agreement or condition.

Section 16.7 *Counterparts.*

This Agreement 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. Each party shall become bound by this Agreement immediately upon affixing its signature hereto or, in the case of a Person acquiring a Unit, upon accepting the certificate evidencing such Unit or executing and delivering a Transfer Application as herein described, independently of the signature of any other party.

Section 16.8 *Applicable Law.*

This Agreement 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 16.9 *Invalidity of Provisions.*

If any provision of this Agreement is or becomes invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not be affected thereby.

Section 16.10 *Consent of Partners.*

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

[REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK.]

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

GENERAL PARTNER:

CROSSTEX ENERGY GP, L.P.

By: Crosstex Energy GP, LLC,
its general partner

By: /s/ WILLIAM W. DAVIS

Name: William W. Davis

Title: Executive Vice-President and Chief Financial 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: Crosstex Energy GP, L.P.
General Partner, as attorney-in-fact for the Limited Partners pursuant to the Powers of Attorney granted pursuant to Section 2.6.

By: Crosstex Energy GP, LLC, its General Partner

By: /s/ WILLIAM W. DAVIS

Name: William W. Davis

Title: Executive Vice-President and Chief Financial Officer

EXHIBIT A
to the Amended and Restated
Agreement of Limited Partnership of
Crosstex Energy, L.P.
Certificate Evidencing Common Units
Representing Limited Partner Interests in
Crosstex Energy, L.P.

No. _____ _____ Common Units

In accordance with Section 4.1 of the Amended and Restated Agreement of Limited Partnership of Crosstex Energy, L.P., as amended, supplemented or restated from time to time (the "*Partnership Agreement*"), Crosstex Energy, L.P., a Delaware limited partnership (the "*Partnership*"), hereby certifies that (the "*Holder*") is the registered owner of Common Units representing limited partner interests in the Partnership (the "*Common Units*") transferable on the books of the Partnership, in person or by duly authorized attorney, upon surrender of this Certificate properly endorsed and accompanied by a properly executed application for transfer of the Common Units represented by this Certificate. The rights, preferences and limitations of the Common Units are set forth in, and this Certificate and the Common Units represented hereby are issued and shall in all respects be subject to the terms and provisions of, the Partnership Agreement. Copies of the Partnership Agreement are on file at, and will be furnished without charge on delivery of written request to the Partnership at, the principal office of the Partnership located at 2501 Cedar Springs, Suite 600, Dallas, Texas 75201. Capitalized terms used herein but not defined shall have the meanings given them in the Partnership Agreement.

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

This Certificate shall not be valid for any purpose unless it has been countersigned and registered by the Transfer Agent and Registrar.

Dated:

Countersigned and Registered by:

as Transfer Agent and Registrar

By:

Authorized Signature

Crosstex Energy, L.P.

By: Crosstex Energy GP, L.P.,
its General Partner

By: Crosstex Energy GP, LLC, its general partner

By:

Name:

By:

Secretary

[Reverse of Certificate]

ABBREVIATIONS

The following abbreviations, when used in the inscription on the face of this Certificate, shall be construed as follows according to applicable laws or regulations:

TEN COM—	as tenants in common	UNIF GIFT/TRANSFERS MIN ACT
TEN ENT—	as tenants by the entireties	_____ Custodian _____
		(Cust) (Minor)
JT TEN—	as joint tenants with right of survivorship and not as tenants in common	under Uniform Gifts/Transfers to CD Minors Act (State)

Additional abbreviations, though not in the above list, may also be used.

ASSIGNMENT OF COMMON UNITS
in
CROSSTEX ENERGY, L.P.
IMPORTANT NOTICE REGARDING INVESTOR RESPONSIBILITIES
DUE TO TAX SHELTER STATUS OF
CROSSTEX ENERGY, L.P.

You have acquired an interest in Crosstex Energy, L.P., 2501 Cedar Springs, Suite 600, Dallas, Texas 75201, whose taxpayer identification number is 16-1616605. The Internal Revenue Service has issued Crosstex Energy, L.P. the following tax shelter registration number: _____.

YOU MUST REPORT THIS REGISTRATION NUMBER TO THE INTERNAL REVENUE SERVICE IF YOU CLAIM ANY DEDUCTION, LOSS, CREDIT OR OTHER TAX BENEFIT OR REPORT ANY INCOME BY REASON OF YOUR INVESTMENT IN CROSSTEX ENERGY, L.P.

You must report the registration number as well as the name and taxpayer identification number of Crosstex Energy, L.P. on Form 8271. FORM 8271 MUST BE ATTACHED TO THE RETURN ON WHICH YOU CLAIM THE DEDUCTION, LOSS, CREDIT OR OTHER TAX BENEFIT OR REPORT ANY INCOME BY REASON OF YOUR INVESTMENT IN CROSSTEX ENERGY, L.P.

If you transfer your interest in Crosstex Energy, L.P. to another person, you are required by the Internal Revenue Service to keep a list containing (a) that person's name, address and taxpayer identification number, (b) the date on which you transferred the interest and (c) the name, address and tax shelter registration number of Crosstex Energy, L.P. If you do not want to keep such a list, you must (1) send the information specified above to the Partnership, which will keep the list for this tax shelter, and (2) give a copy of this notice to the person to whom you transfer your interest. Your failure to comply with any of the above-described responsibilities could result in the imposition of a penalty under Section 6707(b) or 6708(a) of the Internal Revenue Code of 1986, as amended, unless such failure is shown to be due to reasonable cause.

ISSUANCE OF A REGISTRATION NUMBER DOES NOT INDICATE THAT THIS INVESTMENT OR THE CLAIMED TAX BENEFITS HAVE BEEN REVIEWED, EXAMINED OR APPROVED BY THE INTERNAL REVENUE SERVICE.

FOR VALUE RECEIVED, _____ hereby assigns, conveys, sells and transfers unto

(Please print or typewrite name and address of Assignee)

(Please insert Social Security or other identifying number of Assignee)

_____ Common Units representing limited partner interests evidenced by this Certificate, subject to the Partnership Agreement, and does hereby irrevocably constitute and appoint _____ as its attorney-in-fact with full power of substitution to transfer the same on the books of Crosstex Energy, L.P.

Date: _____

NOTE: The signature to any endorsement hereon must correspond with the name as written upon the face of this Certificate in every particular, without alteration, enlargement or change.

THE SIGNATURE(S) MUST BE GUARANTEED BY AN ELIGIBLE GUARANTOR INSTITUTION (BANKS, STOCKBROKERS, SAVINGS AND LOAN ASSOCIATIONS AND CREDIT UNIONS WITH MEMBERSHIP IN AN APPROVED SIGNATURE GUARANTEE MEDALLION PROGRAM), PURSUANT TO S.E.C. RULE 17d-15

(Signature)

(Signature)

No transfer of the Common Units evidenced hereby will be registered on the books of the Partnership, unless the Certificate evidencing the Common Units to be transferred is surrendered for registration or transfer and an Application for Transfer of Common Units has been executed by a transferee either (a) on the form set forth below or (b) on a separate application that the Partnership will furnish on request without charge. A transferor of the Common Units shall have no duty to the transferee with respect to execution of the transfer application in order for such transferee to obtain registration of the transfer of the Common Units.

APPLICATION FOR TRANSFER OF COMMON UNITS

The undersigned ("*Assignee*") hereby applies for transfer to the name of the Assignee of the Common Units evidenced hereby.

The Assignee (a) requests admission as a Substituted Limited Partner and agrees to comply with and be bound by, and hereby executes, the Amended and Restated Agreement of Limited Partnership of Crosstex Energy, L.P. (the "*Partnership*"), as amended, supplemented or restated to the date hereof (the "*Partnership Agreement*"), (b) represents and warrants that the Assignee has all right, power and authority and, if an individual, the capacity necessary to enter into the Partnership Agreement, (c) appoints the General Partner of the Partnership and, if a Liquidator shall be appointed, the Liquidator of the Partnership as the Assignee's attorney-in-fact to execute, swear to, acknowledge and file any document, including, without limitation, the Partnership Agreement and any amendment thereto and the Certificate of Limited Partnership of the Partnership and any amendment thereto, necessary or appropriate for the Assignee's admission as a Substituted Limited Partner and as a party to the Partnership Agreement, (d) gives the powers of attorney provided for in the Partnership Agreement, and (e) makes the waivers and gives the consents and approvals contained in the Partnership Agreement. Capitalized terms not defined herein have the meanings assigned to such terms in the Partnership Agreement.

Date: _____

Social Security or other identifying number	Signature of Assignee
Purchase Price including commissions, if any	Name and Address of Assignee

Type of Entity (check one):

☐ Individual ☐ Partnership ☐ Corporation

☐ Trust ☐ Other (specify)

Nationality (check one):

☐ U.S. Citizen, Resident or Domestic Entity

☐ Foreign Corporation ☐ Non-resident Alien

If the U.S. Citizen, Resident or Domestic Entity box is checked, the following certification must be completed.

Under Section 1445(e) of the Internal Revenue Code of 1986, as amended (the "*Code*"), the Partnership must withhold tax with respect to certain transfers of property if a holder of an interest in the Partnership is a foreign person. To inform the Partnership that no withholding is required with respect to the undersigned interestholder's interest in it, the undersigned hereby certifies the following (or, if applicable, certifies the following on behalf of the interestholder).

Complete Either A or B:

A. Individual Interestholder

1. I am not a non-resident alien for purposes of U.S. income taxation.

2. My U.S. taxpayer identification number (Social Security Number) is _____

3. My home address is _____.

B. Partnership, Corporation or Other Interestholder

1. is not a foreign corporation, foreign partnership, foreign trust (Name of Interestholder) or foreign estate (as those terms are defined in the Code and Treasury Regulations).

2. The interestholder's U.S. employer identification number is _____.

3. The interestholder's office address and place of incorporation (if applicable) is _____.

The interestholder agrees to notify the Partnership within sixty (60) days of the date the interestholder becomes a foreign person.

The interestholder understands that this certificate may be disclosed to the Internal Revenue Service by the Partnership and that any false statement contained herein could be punishable by fine, imprisonment or both.

Under penalties of perjury, I declare that I have examined this certification and to the best of my knowledge and belief it is true, correct and complete and, if applicable, I further declare that I have authority to sign this document on behalf of:

Name of Interestholder

Signature and Date

Title (if applicable)

Note: If the Assignee is a broker, dealer, bank, trust company, clearing corporation, other nominee holder or an agent of any of the foregoing, and is holding for the account of any other person, this application should be completed by an officer thereof or, in the case of a broker or dealer, by a registered representative who is a member of a registered national securities exchange or a member of the National Association of Securities Dealers, Inc., or, in the case of any other nominee holder, a person performing a similar function. If the Assignee is a broker, dealer, bank, trust company, clearing corporation, other nominee owner or an agent of any of the foregoing, the above certification as to any person for whom the Assignee will hold the Common Units shall be made to the best of the Assignee's knowledge.

QuickLinks

Exhibit 3.3

AMENDMENT NO. 1 TO

SECOND AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP

OF

CROSSTEX ENERGY, L.P.

This Amendment No. 1 (this "*Amendment*") to the Second Amended and Restated Agreement of Limited Partnership (as amended prior to the date hereof, the "*Partnership Agreement*") of Crosstex Energy, L.P. (the "*Partnership*") is hereby adopted effective as of 11:01 a.m. Eastern Time on April 1, 2004, by Crosstex Energy GP, L.P., a Delaware limited partnership (the "*General Partner*"), as general partner of the Partnership. Capitalized terms used but not defined herein have the meaning given such terms in the Partnership Agreement.

WHEREAS, the General Partner, the Organizational Limited Partner and the Limited Partners of the Partnership entered into that certain First Amended and Restated Agreement of Limited Partnership of the Partnership dated as of December 17, 2002;

WHEREAS, the General Partner adopted the Second Amended and Restated Agreement of Limited Partnership of the Partnership effective as of March 29, 2004;

WHEREAS, Section 13.1(d)(i) of the Partnership Agreement provides that the General Partner may amend any provision of the Partnership Agreement without the approval of any Partner or Assignee to reflect a change that, in the discretion of the General Partner, does not adversely affect the Limited Partners (including any particular class of Partnership Interests as compared to other classes of Partnership Interests) in any material respect; and

WHEREAS, acting pursuant to the power and authority granted to it under Section 13.1(d)(i) of the Partnership Agreement, the General Partner has determined that the following amendment to the Partnership Agreement does not adversely affect the Limited Partners (including any particular class of Partnership Interests as compared to other classes of Partnership Interests) in any material respect.

NOW THEREFORE, the General Partner does hereby amend the Partnership Agreement as follows:

Section 1. *Amendment.*

Section 7.3(b) is hereby amended by deleting the last sentence thereof in its entirety and replacing such clause with the following:

"Without the approval of holders of a Unit Majority, the General Partner shall not, on behalf of the Partnership, (i)(A) consent to any amendment to the Operating Partnership Agreement, (B) except as expressly permitted by Section 7.9(d), take any action permitted to be taken by a partner of the Operating Partnership, or (C) cause the reduction of the interest of the Partnership in preferred units of the Operating Partnership, or in other equity, debt or other securities of the Operating Partnership, that are or may hereafter be held by Crosstex Louisiana Energy, L.P., a Delaware limited partnership, or its Subsidiaries or fail to prevent such a reduction (including any reduction which would occur by reason of a sale or other disposition of any such security of the Operating Partnership or by reason of an issuance or a sale or other disposition of any security of Crosstex Louisiana Energy, L.P. or any Subsidiary thereof), provided, however, that this clause (C) shall not preclude or limit the General Partner's ability to mortgage, pledge, hypothecate or grant a security interest in all or substantially all of the assets of the Partnership or the Operating Partnership or their Subsidiaries and shall not apply to any forced sale of any or all of the assets of the Partnership or the Operating Partnership or their Subsidiaries pursuant to the foreclosure of, or other realization upon, any such encumbrance, in the case of clauses (A) through (C), that would adversely affect the Limited Partners (including any particular class of Partnership Interests as compared to any other class of Partnership Interests) in any material respect or (ii) except as

permitted under Sections 4.6, 11.1 and 11.2, elect or cause the Partnership to elect a successor general partner of the Partnership."

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.

[The Remainder Of This Page Is Intentionally Blank]

IN WITNESS WHEREOF, the General Partner has executed this Amendment as of the date first set forth above.

GENERAL PARTNER:

CROSSTEX ENERGY GP, L.P.

By: Crosstex Energy GP, LLC,
its general partner

By: /s/ WILLIAM W. DAVIS

Name: William W. Davis

Title: Executive Vice-President and Chief Financial Officer

QuickLinks

Exhibit 3.5

SECOND AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP

OF

CROSSTEX ENERGY SERVICES, L.P.

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SECOND AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP

OF

CROSSTEX ENERGY SERVICES, L.P.

This SECOND AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP of CROSSTEX ENERGY SERVICES, L.P., dated as of April 1, 2004, is entered into by and between Crosstex Operating GP, LLC, a Delaware limited liability company, Crosstex Energy, L.P., a Delaware limited partnership and the other parties hereto as provided herein.

***R E C I T A L S*:**

WHEREAS, the Partners of the Partnership now desire to amend the Amended and Restated Agreement of Limited Partnership of Crosstex Energy Services, L.P. dated as of December 17, 2002 (the "*Current Partnership Agreement*") to provide for the issuance by the Partnership of certain preferred units;

NOW, THEREFORE, in consideration of the covenants, conditions and agreements contained herein, the parties hereto hereby amend and restate the limited partnership agreement of the Partnership to be as follows:

ARTICLE I

DEFINITIONS

Section 1.1 *Definitions.* The following definitions shall be for all purposes, unless otherwise clearly indicated to the contrary, applied to the terms used in this Agreement. Capitalized terms used herein but not otherwise defined shall have the meanings assigned to such terms in the MLP Agreement.

"*Additional Limited Partner*" means a Person admitted to the Partnership as a Limited Partner pursuant to Section 10.3 and who is shown as such on the books and records of the Partnership.

"*Adjusted Capital Account*" of a Partner means the Capital Account maintained for such Partner adjusted as provided herein. The balance of an Adjusted Capital Account at any time is the balance of the Capital Account at such time (a) increased by any amounts that such Partner is obligated at such time to restore under the standards set by Treasury Regulation Section 1.704-1(b)(2)(ii)(c) (or is deemed obligated to restore under Treasury Regulation Sections 1.704-2(g) and 1.704-2(i)(5)) and (b) decreased by (i) the amount of losses and deductions that are reasonably expected at such time to be allocated to such Partner in subsequent taxable periods of the Partnership under Sections 704(e)(2) and 706(d) of the Code and Treasury Regulation Section 1.751-1(b)(2)(ii), and (ii) the amount of all distributions that are reasonably expected at such time to be made to such Partner in subsequent taxable periods to the extent they exceed offsetting increases to such Partner's Capital Account that are reasonably expected to occur during (or prior to) the taxable period in which such distributions are reasonably expected to be made (other than increases as a result of a minimum gain chargeback pursuant to Section 6.1(c)(i) or 6.1(c)(ii)). The foregoing definition of Adjusted Capital Account is intended to comply with the provisions of Treasury Regulation Section 1.704-1(b)(2)(ii)(d) and shall be interpreted consistently therewith. The "Adjusted Capital Account" of an OLP Common Unit, an OLP Preferred Unit or any other Partnership Interest shall be the amount which the Adjusted Capital Account of a Partner would be if such Partnership Interest were the only interest in the Partnership held by that Partner from and after the Effective Time.

"*Affiliate*" means, with respect to any Person, any other Person that directly or indirectly through one or more intermediaries controls, is controlled by or is under common control with, the Person in question. As used herein, the term "control" means the possession, direct or indirect, of the power to

direct or cause the direction of the management and policies of a Person, whether through ownership of voting securities, by contract or otherwise.

"*Agreed Value*" of each asset that the Partnership owns on as of the Omnibus Agreement Closing Date is determined as is set out in the Omnibus Agreement.

"*Agreement*" means this Agreement of Limited Partnership of Crosstex Energy Services, L.P., as it may be amended, supplemented or restated from time to time.

"*Assets*" means all assets conveyed, contributed or otherwise transferred, including any transfers of assets pursuant to the transactions set forth in the Omnibus Agreement, to or owned by the Partnership Group.

"*Assignee*" means a Person to whom one or more Limited Partner Interests have been transferred in a manner permitted under this Agreement, but who has not been admitted as a Substituted Limited Partner.

"*Available Cash*" means, with respect to any Quarter ending prior to the Liquidation Date:

(a) the sum of (i) all cash and cash equivalents of the Partnership on hand at the end of such Quarter, and (ii) all additional cash and cash equivalents of the Partnership on hand on the date of determination of Available Cash with respect to such Quarter resulting from Working Capital Borrowings made subsequent to the end of such Quarter, less

(b) the amount of any 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 Partnership (including reserves for future capital expenditures and for anticipated future credit needs of the Partnership) 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 any Group Member is a party or by which it is bound or its assets are subject or (iii) provide funds for distributions under Section 6.4 or 6.5 of the MLP Agreement in respect of any one or more of the next four Quarters; provided, however, that the General Partner may not establish cash reserves pursuant to (iii) above if the effect of such reserves would be that the MLP is unable to distribute the Minimum Quarterly Distribution on all Common Units, plus any Cumulative Common Unit Arrearage on all Common Units, with respect to such Quarter; and, provided further, that disbursements made by a Group Member 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.

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

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

"Capital Account" of a Partner is maintained as provided in Section 5.5. The "*Capital Account*" of a Common Unit, an OLP Preferred Unit or other Partnership Interest is the Capital Account that would be maintained if such Partnership Interest were the only interest in the Partnership held by a Partner from and after the Effective Time.

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

"*Carrying Value*" is determined pursuant to Section 5.5(b) hereof.

"*Certificate of Limited Partnership*" means the Certificate of Limited Partnership of the Partnership filed with the Secretary of State of the State of Delaware as referenced in Section 7.2, as such Certificate of Limited Partnership may be amended, supplemented or restated from time to time.

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

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

"Contributed Property" means each property or other asset, in such form as may be permitted by the Delaware Act, but excluding cash, contributed to the Partnership.

"Current Partnership Agreement" is defined in the Recitals.

"*Delaware Act*" means the Delaware Revised Uniform Limited Partnership Act, 6 Del. C. §17-101 et seq., as amended, supplemented or restated from time to time, and any successor to such statute.

"*Departing Partner*" means a former General Partner from and after the effective date of any withdrawal or removal of such former General Partner pursuant to Section 11.1 or 11.2.

"*Distributable Coupon*" is initially zero, and increases on the last day of each Quarter thereafter by $18.25.

"*Distributable But Not Distributed Coupon*" at a time means the Distributable Coupon at the time reduced, but not below zero, by the amount of cash that has been distributed pursuant to Section 6.3(a)(i) hereof with respect to a OLP Preferred Unit before that time.

"Effective Time" means the time immediately following the closing of the Omnibus Agreement.

"*Event of Withdrawal*" has the meaning assigned to such term in Section 11.1(a).

"Exchange Act" means the Securities Exchange Act of 1934, as amended, supplemented or restated from time to time or any successor statute.

"*General Partner*" means the general partner of the Partnership.

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

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

"Guaranteed Payments" for a taxable period is defined in Section 6.2(a) hereof.

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

"*Limited Partner*" means any Person that is admitted to the Partnership as a limited partner pursuant to the terms and conditions of this Agreement; but the term "Limited Partner" shall not

include any Person from and after the time such Person withdraws as a Limited Partner from the Partnership.

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

"*Liquidation Date*" means (a) in the case of an event giving rise to the dissolution of the Partnership of the type described in clauses (a) and (b) of the first sentence of Section 12.2, the date on which the applicable time period during which the Partners have the right to elect to reconstitute the Partnership and continue its business has expired without such an election being made, and (b) in the case of any other event giving rise to the dissolution of the Partnership, the date on which such event occurs.

"*Liquidator*" means one or more Persons selected by the General Partner to perform the functions described in Section 12.3 as liquidating trustee of the Partnership within the meaning of the Delaware Act.

"*Merger Agreement*" has the meaning assigned to such term in Section 14.1.

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

"*MLP Agreement*" means the Amended and Restated Agreement of Limited Partnership of Crosstex Energy, L.P. as it may be amended from time to time.

"*MLP General Partner*" means Crosstex Energy GP, L.P., a Delaware limited partnership and the general partner of the MLP.

"Net Agreed Value" means (a) in the case of any Contributed Property, the Agreed Value of such property reduced by any liabilities either assumed by the Partnership upon such contribution or to which such property is subject when contributed and (b) in the case of any property distributed by the Partnership, the Partnership's Carrying Value in such property determined as though the adjustment permitted by Section 5.5(d)(ii) is made immediately before the time such property is distributed, reduced by any indebtedness either assumed by the distributee or to which such property is subject at the time of distribution, in either case, as determined by Section 752 of the Code.

"Net Income" for any taxable period of the Partnership means the sum, if positive, of all items of income, gain, loss and deduction that are recognized by the Partnership during such taxable period. The items included in the calculation of Net Income shall be determined in accordance with Section 5.5(b) but shall not include any items allocated under Section 6.1(c).

"Net Loss" for any taxable period of the Partnership means the sum, if negative, of all items of income, gain, loss or deduction that are recognized by the Partnership during such taxable period of the Partnership. The items included in the calculation of Net Loss shall be determined in accordance with Section 5.5(b) but shall not include any items allocated under Section 6.1(c).

"OLP Common Unit" means a Partnership Interest, as defined herein.

"OLP Preferred Unit" means a Partnership Interest, as defined herein.

"*Omnibus Agreement Closing Date*" means the date on which the closing of the Omnibus Agreement occurs.

"*Omnibus Agreement"* means the Omnibus Agreement dated as of April 1, 2004 among the Partnership, the General Partner, the MLP and the other parties thereto.

"Nonrecourse Deductions" means deductions attributable to nonrecourse liabilities for purposes of Treasury Regulation Section 1.1001-2.

"Nonrecourse Liabilities" has the meaning set forth in Treasury Regulation Section 1.752-1(a)(2).

"*OLP Subsidiary*" means a Subsidiary of the Partnership.

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

"*Partner Nonrecourse Debt"* has the meaning set forth in Treasury Regulation Section 1.704-2(b)(4).

"Partner Nonrecourse Debt Minimum Gain" has the meaning set forth in Treasury Regulation Section 1.704-2(i)(2).

"Partner Nonrecourse Deductions" means any and all items of loss or deduction determined in accordance with Section 5.5(b) that, in accordance with the principles of Treasury Regulation Section 1.704-2(i), are attributable to a Partner Nonrecourse Debt.

"*Partners*" means the General Partner and the Limited Partners.

"*Partnership*" means Crosstex Energy Services, L.P., a Delaware limited partnership, and any successors thereto.

"*Partnership Group*" means the Partnership and all OLP Subsidiaries, treated as a single consolidated entity.

"*Partnership Interest*" means an interest in the Partnership, which shall include the General Partner Interest and Limited Partner Interests.

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

"Partnership Security" or *"Partnership Securities"* means any class or series of equity interest in the Partnership (but excluding any options, rights, warrants and appreciation rights relating to an equity interest in the Partnership).

"*Person*" means an individual or a corporation, limited liability company, partnership, joint venture, trust, unincorporated organization, association, government agency or political subdivision thereof or other entity.

"*Quarter*" means, unless the context requires otherwise, a fiscal quarter, or, with respect to the first fiscal quarter after the Omnibus Agreement Closing Date, the portion of such fiscal quarter after the Omnibus Agreement Closing Date, of the Partnership.

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

"Securities Act" means the Securities Act of 1933, as amended, supplemented or restated from time to time and any successor to such statute.

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

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

"*Substituted Limited Partner*" means a Person who is admitted as a Limited Partner to the Partnership pursuant to Section 10.2 in place of and with all the rights of a Limited Partner and who is shown as a Limited Partner on the books and records of the Partnership.

"*Surviving Business Entity*" has the meaning assigned to such term in Section 14.2(b).

"*Taxable Period of the Partnership" or "taxable period of the Partnership"* has the meaning assigned thereto in Section 5.5(b)(viii).

"Transfer" or *"transfer"* has the meaning assigned to such term in Section 4.1(a).

"*Unit*" means an OLP Common Unit or an OLP Preferred Unit.

"*Unrealized Gain"* of any item of Partnership property at any time means the excess, if any, of (a) the fair market value of such property at such time (prior to any adjustment to be made pursuant to Section 5.5(d) as of the time) over (b) the Carrying Value of such property as of such time prior to any adjustment to be made pursuant to Section 5.5(d) as of such time.

"Unrealized Loss" of any item of Partnership property at any time means the excess, if any, of (a) the Carrying Value of such property as of such time (prior to any adjustment to be made pursuant to Section 5.5(d) as of such time) over (b) the fair market value of such property as of such time.

"U.S. GAAP" means United States Generally Accepted Accounting Principles consistently applied.

"*Withdrawal Opinion of Counsel*" has the meaning assigned to such term in Section 11.1(b).

"*Working Capital Borrowings*" means borrowings used solely for working capital purposes or to pay distributions to Partners made pursuant to a credit facility or other arrangement to the extent such borrowings are required to be reduced to a relatively small amount each year for an economically meaningful period of time.

Section 1.2 *Construction.* Unless the context requires otherwise: (a) any pronoun used in this Agreement shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns, pronouns and verbs shall include the plural and vice versa; (b) references to Articles and Sections refer to Articles and Sections of this Agreement; and (c) the term "include" or "includes" means includes, without limitation, and "including" means including, without limitation.

ARTICLE II

ORGANIZATION

Section 2.1 *Formation.* The General Partner and the MLP previously formed the Partnership as a limited partnership pursuant to the provisions of the Delaware Act. Except as expressly provided to the contrary in this Agreement, the rights, duties (including fiduciary duties), liabilities and obligations of the Partners and the administration, dissolution and termination of the Partnership shall be governed by the Delaware Act. All Partnership Interests shall constitute personal property of the owner thereof for all purposes and a Partner has no interest in specific Partnership property.

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

Section 2.3 *Registered Office; Registered Agent; Principal Office; Other Offices.* Unless and until changed by the General Partner, the registered office of the Partnership in the State of Delaware shall be located at 1209 Orange Street, Wilmington, Delaware 19801, and the registered agent for service of process on the Partnership in the State of Delaware at such registered office shall be The Corporation Trust Company. The principal office of the Partnership shall be located at 2501 Cedar Springs, Suite 600, Dallas, Texas 75201, or such other place as the General Partner may from time to time designate by notice to the Limited Partners. The Partnership may maintain offices at such other place or places within or outside the State of Delaware as the General Partner deems necessary or appropriate. The address of the General Partner shall be 2501 Cedar Springs, Suite 600, Dallas, Texas 75201, or such other place as the General Partner may from time to time designate by notice to the Limited Partners.

Section 2.4 *Purpose and Business.* The purpose and nature of the business to be conducted by the Partnership shall be to (a) acquire, manage, operate and sell the Assets and any similar assets or properties now or hereafter acquired by the Partnership, (b) engage directly in, or enter into or form any corporation, partnership, joint venture, limited liability company or other arrangement to engage indirectly in, any business activity that the Partnership is permitted to engage in, or any type of business or activity engaged in by the General Partner prior to the Omnibus Agreement Closing Date and, in connection therewith, to exercise all of the rights and powers conferred upon the Partnership pursuant to the agreements relating to such business activity, (c) engage directly in, or enter into or form any corporation, partnership, joint venture, limited liability company or other arrangement to engage indirectly in, any business activity that is approved by the General Partner and that lawfully may be conducted by a limited partnership organized pursuant to the Delaware Act and, in connection therewith, to exercise all of the rights and powers conferred upon the Partnership pursuant to the agreements relating to such business activity, and (d) do anything necessary or appropriate to the foregoing, including the making of capital contributions or loans to a Group Member, the MLP or any Subsidiary of the MLP; provided, however, that the General Partner shall not cause the Partnership to engage, directly or indirectly, in any business activity that the General Partner reasonably determines would cause the Partnership to be treated as an association taxable as a corporation or otherwise taxable as an entity for federal income tax purposes. The General Partner has no obligation or duty to the Partnership, the Limited Partners or the Assignees to propose or approve, and in its discretion may decline to propose or approve, the conduct by the Partnership of any business.

Section 2.5 *Powers.* The Partnership shall be empowered to do any and all acts and things necessary, appropriate, proper, advisable, incidental to or convenient for the furtherance and accomplishment of the purposes and business described in Section 2.4 and for the protection and benefit of the Partnership.

Section 2.6 *Power of Attorney.*

(a) Each Limited Partner and each Assignee hereby constitutes and appoints the General Partner and, if a Liquidator shall have been selected pursuant to Section 12.3, the Liquidator (and any successor to the Liquidator by merger, transfer, assignment, election or otherwise) and each of their

authorized officers and attorneys-in-fact, as the case may be, with full power of substitution, as its true and lawful agent and attorney-in-fact, with full power and authority in his name, place and stead, to:

(i) execute, swear to, acknowledge, deliver, file and record in the appropriate public offices (A) all certificates, documents and other instruments (including this Agreement and the Certificate of Limited Partnership and all amendments or restatements hereof or thereof) that the General Partner or the Liquidator deems necessary or appropriate to form, qualify or continue the existence or qualification of the Partnership as a limited partnership (or a partnership in which the limited partners have limited liability) in the State of Delaware and in all other jurisdictions in which the Partnership may conduct business or own property; (B) all certificates, documents and other instruments that the General Partner or the Liquidator deems necessary or appropriate to reflect, in accordance with its terms, any amendment, change, modification or restatement of this Agreement; (C) all certificates, documents and other instruments (including conveyances and a certificate of cancellation) that the General Partner or the Liquidator deems necessary or appropriate to reflect the dissolution and liquidation of the Partnership pursuant to the terms of this Agreement; (D) all certificates, documents and other instruments relating to the admission, withdrawal, removal or substitution of any Partner pursuant to, or other events described in, Article IV, X, XI or XII; (E) all certificates, documents and other instruments relating to the determination of the rights, preferences and privileges of any class or series of Partnership Interests issued pursuant hereto; and (F) all certificates, documents and other instruments (including agreements and a certificate of merger) relating to a merger or consolidation of the Partnership pursuant to Article XIV; and

(ii) execute, swear to, acknowledge, deliver, file and record all ballots, consents, approvals, waivers, certificates, documents and other instruments necessary or appropriate, in the discretion of the General Partner or the Liquidator, to make, evidence, give, confirm or ratify any vote, consent, approval, agreement or other action that is made or given by the Partners hereunder or is consistent with the terms of this Agreement or is necessary or appropriate, in the discretion of the General Partner or the Liquidator, to effectuate the terms or intent of this Agreement; provided, that when required by any provision of this Agreement that establishes a percentage of the Limited Partners or of the Limited Partners of any class or series required to take any action, the General Partner and the Liquidator may exercise the power of attorney made in this Section 2.6(a)(ii) only after the necessary vote, consent or approval of the Limited Partners or of the Limited Partners of such class or series, as applicable.

Nothing contained in this Section 2.6(a) shall be construed as authorizing the General Partner to amend this Agreement except in accordance with Article XIII or as may be otherwise expressly provided for in this Agreement.

(b) The foregoing power of attorney is hereby declared to be irrevocable and a power coupled with an interest, and it shall survive and, to the maximum extent permitted by law, not be affected by the subsequent death, incompetency, disability, incapacity, dissolution, bankruptcy or termination of any Limited Partner or Assignee and the transfer of all or any portion of such Limited Partner's or Assignee's Partnership Interest and shall extend to such Limited Partner's or Assignee's heirs, successors, assigns and personal representatives. Each such Limited Partner or Assignee hereby agrees to be bound by any representation made by the General Partner or the Liquidator acting in good faith pursuant to such power of attorney; and each such Limited Partner or Assignee, to the maximum extent permitted by law, hereby waives any and all defenses that may be available to contest, negate or disaffirm the action of the General Partner or the Liquidator taken in good faith under such power of attorney. Each Limited Partner or Assignee shall execute and deliver to the General Partner or the Liquidator, within 15 days after receipt of the request therefor, such further designation, powers of attorney and other instruments as the General Partner or the Liquidator deems necessary to effectuate this Agreement and the purposes of the Partnership.

Section 2.7 *Term.* The term of the Partnership commenced upon the filing of the Certificate of Limited Partnership in accordance with the Delaware Act and shall continue in existence until the dissolution of the Partnership in accordance with the provisions of Article XII. The existence of the Partnership as a separate legal entity shall continue until the cancellation of the Certificate of Limited Partnership as provided in the Delaware Act.

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

ARTICLE III

RIGHTS OF LIMITED PARTNERS

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

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

Section 3.3 *Outside Activities of the Limited Partners.* Subject to the provisions of Article II and the Omnibus Agreement, which shall continue to be applicable to the Persons referred to therein, regardless of whether such Persons shall also be Limited Partners or Assignees, any Limited Partner or Assignee shall be entitled to and may have business interests and engage in business activities in addition to those relating to the Partnership, including business interests and activities in direct competition with the Partnership Group. Neither the Partnership nor any of the other Partners or Assignees shall have any rights by virtue of this Agreement in any business ventures of any Limited Partner or Assignee.

Section 3.4 *Rights of Limited Partners* (a) In addition to other rights provided by this Agreement or by applicable law, and except as limited by Section 3.4(b), each Limited Partner shall have the right,

for a purpose reasonably related to such Limited Partner's interest as a limited partner in the Partnership, upon reasonable written demand and at such Limited Partner's own expense:

(i) promptly after becoming available, to obtain a copy of the Partnership's federal, state and local income tax returns for each year;

(ii) to have furnished to him a current list of the name and last known business, residence or mailing address of each Partner;

(iii) to have furnished to him a copy of this Agreement and the Certificate of Limited Partnership and all amendments thereto, together with a copy of the executed copies of all powers of attorney pursuant to which this Agreement, the Certificate of Limited Partnership and all amendments thereto have been executed;

(iv) to obtain true and full information regarding the amount of cash and a description and statement of Net Agreed Value of any other Capital Contribution by each Partner and that each Partner has agreed to contribute in the future, and the date on which each became a Partner; and

(v) to obtain such other information regarding the affairs of the Partnership as is just and reasonable; and

(vi) to obtain true and full information regarding the status of the business and financial condition of the Partnership.

(b) The General Partner may keep confidential from the Limited Partners and Assignees, for such period of time as the General Partner deems reasonable, (i) any information that the General Partner reasonably believes to be in the nature of trade secrets or (ii) other information the disclosure of which the General Partner in good faith believes (A) is not in the best interests of the MLP or the Partnership Group, (B) could damage the MLP or the Partnership Group or (C) that any Group Member is required by law or by agreement with any third party to keep confidential (other than agreements with Affiliates of the Partnership the primary purpose of which is to circumvent the obligations set forth in this Section 3.4).

ARTICLE IV

TRANSFERS OF PARTNERSHIP INTERESTS

Section 4.1 *Transfer Generally.* (a) The term "transfer," when used in this Agreement with respect to a Partnership Interest, shall be deemed to refer to a transaction by which a General Partner assigns its General Partner Interest to another Person who becomes the General Partner or by which the holder of a Limited Partner Interest assigns such Limited Partner Interest to another Person who is or becomes a Limited Partner (or an Assignee), and includes a sale, assignment, gift, pledge, encumbrance, hypothecation, mortgage, exchange or any other disposition by law or otherwise.

(b) No Partnership Interest shall be transferred, in whole or in part, except in accordance with the terms and conditions set forth in this Article IV. Any transfer or purported transfer of a Partnership Interest not made in accordance with this Article IV shall be null and void.

(c) Nothing contained in this Agreement shall be construed to prevent a disposition by any member or other owner of the General Partner of any or all of the issued and outstanding membership interests or other ownership interests of the General Partner.

Section 4.2 *Transfer of General Partner's General Partner Interest.* No provision of this Agreement shall be construed to prevent (and the Limited Partners do hereby expressly consent to) (i) the transfer by the General Partner of all or a portion of its General Partner Interest to one or more Affiliates, which transferred General Partner Interest, to the extent not transferred to a successor General Partner, shall constitute a Limited Partner Interest or (ii) the transfer by the General Partner, in whole

and not in part, of its General Partner Interest upon (a) its merger, consolidation or other combination into any other Person or the transfer by it of all or substantially all of its assets to another Person or (b) sale of all or substantially all of the membership interests of the General Partner by its members if, in the case of a transfer described in either clause (i) or (ii) of this sentence, the rights and duties of the General Partner with respect to the General Partner Interest so transferred are assumed by the transferee and the transferee agrees to be bound by the provisions of this Agreement; *provided, however*, that in either such case, the transferee is primarily controlled, directly or indirectly, by the MLP or the MLP General Partner or any Person primarily controlling, directly or indirectly, the MLP or the MLP General Partner; *provided, further*, that in either such case, such transferee furnishes to the Partnership an Opinion of Counsel that such merger, consolidation, combination, transfer or assumption will not result in a loss of limited liability of any Limited Partner or cause the Partnership to be taxable as a corporation or otherwise to be taxed as an entity for federal income tax purposes (to the extent not already so treated or taxed). No provision of this Agreement shall be construed to prevent (and the Limited Partners do hereby expressly consent to) the transfer in connection with any pledge of (or any related foreclosure on) a General Partner Interest by a General Partner solely for the purpose of securing, directly or indirectly, indebtedness of the Partnership or the MLP. In the case of a transfer pursuant to this Section 4.2 to a Person proposed as a successor general partner of the Partnership, the transferee or successor (as the case may be) shall, subject to compliance with the terms of Section 10.4, be admitted to the Partnership as the General Partner immediately prior to the transfer of the Partnership Interest, and the business of the Partnership shall continue without dissolution.

Section 4.3 *Transfer of a Limited Partner's Partnership Interest.* A Limited Partner may transfer all, but not less than all, of its Partnership Interest as a Limited Partner in connection with the merger, consolidation or other combination of such Limited Partner with or into any other Person or the transfer by such Limited Partner of all or substantially all of its assets to another Person and, following any such transfer, such Person may become a Substituted Limited Partner pursuant to Article X. Except as set forth in the immediately preceding sentence, or in connection with any pledge of (or any related foreclosure on) a Partnership Interest of a Limited Partner solely for the purpose of securing, directly or indirectly, indebtedness of the Partnership or the MLP, a Limited Partner may not transfer all or any part of its Partnership Interest or withdraw from the Partnership.

Section 4.4 *Restrictions on Transfers.* (a) Notwithstanding the other provisions of this Article IV, no transfer of any Partnership Interest shall be made if such transfer would (i) violate the then applicable federal or state securities laws or the rules and regulations of the Commission, any state securities commission or any other governmental authority with jurisdiction over such transfer, (ii) terminate the existence or qualification of the Partnership or the MLP under the laws of the jurisdiction of its formation or (iii) cause the Partnership or the MLP to be treated as an association taxable as a corporation or otherwise to be taxed as an entity for federal income tax purposes (to the extent not already so treated or taxed).

(b) The General Partner may impose restrictions on the transfer of Partnership Interests if a subsequent Opinion of Counsel determines that such restrictions are necessary to avoid a significant risk of the Partnership or the MLP becoming taxable as a corporation or otherwise to be taxed as an entity for federal income tax purposes. The restrictions may be imposed by making such amendments to this Agreement as the General Partner may determine to be necessary or appropriate to impose such restrictions.

(c) Notwithstanding anything herein to the contrary, the OLP Preferred Units shall not be assigned or otherwise transferred in whole or in part without the consent of all Partners. Any such consent shall be treated as an amendment of this Agreement for purposes of determining MLP's ability to give such a consent.

Section 4.5 *Redemption of OLP Preferred Units.* (a) The OLP Preferred Units may be redeemed at the option of the Partnership at any time after April 1, 2009, upon 30 days' prior written notice, as a whole at any time or in part from time to time, at a Redemption Price (as set forth in (i) through (v) below) per OLP Preferred Unit, together with all Distributable But Not Distributed Coupon that remains undistributed at the Redemption Date (as defined below), as follows:

(i) if the Redemption Date occurs during the 12 months beginning April 1, 2009, $1,036.25 per OLP Preferred Unit;

(ii) if the Redemption Date occurs during the 12 months beginning April 1, 2010, $1,024.17 per OLP Preferred Unit;

(iii) if the Redemption Date occurs during the 12 months beginning April April 1, 2011, $1,012.08 per OLP Preferred Unit;

(iv) if the Redemption Date occurs during the 24 months beginning April April 1, 2012, $1,000 per OLP Preferred Unit; and

(b) The OLP Preferred Units shall be called for redemption by the Partnership and redeemed on April April 1, 2014 at a Redemption Price per OLP Preferred Unit of $1,000 together with all Distributable But Not Distributed Coupon that remains undistributed at the Redemption Date.

(c) For purposes hereof, "Redemption Date" shall mean the applicable date of any redemption of the OLP Preferred Units made by the Partnership pursuant to this Section 4.5 and "Redemption Price" shall mean the applicable redemption price per unit paid by the Partnership for any redemption of the OLP Preferred Units pursuant to this Section 4.5.

(d) The General Partner shall, not later than the 30th day before the applicable Redemption Date, give notice of redemption to the holders of the OLP Preferred Units, at the last address of each such holder designated on the records of the Partnership, by registered or certified mail, postage prepaid. The notice shall be deemed to have been given when so mailed. The notice shall specify the applicable Redemption Date, the applicable Redemption Price, whether all or less than all of the OLP Preferred Units are being redeemed and the total number of OLP Preferred Units being redeemed, the place of payment, that payment of the redemption price will be made upon surrender of the OLP Preferred Units being redeemed and that on and after the applicable Redemption Date no further allocations or distributions to which the Limited Partner or Assignee would otherwise be entitled in respect of the OLP Preferred Units being redeemed will accrue or be made. If fewer than all the outstanding OLP Preferred Units are to be redeemed pursuant to Section 4.5, the Partnership will select those to be redeemed as nearly pro rata as practicable. Failure by the Partnership to give any notice described in this paragraph, or the formal insufficiency of any such notice, shall not prejudice or affect the rights of any holders of OLP Preferred Units to cause the Partnership to redeem any such shares held by such holder.

(e) After the Redemption Date for any OLP Preferred Units, the holder of such units shall not be entitled to receive payment of the Redemption Price for such units until such holder shall cause to be delivered to the place specified in the notice given (which shall be at a reasonable location in the United States) with respect to such redemption such OLP Preferred Units and, if required by the Partnership, accompanied by instruments of transfer to the Partnership. No interest shall accrue on the Redemption Price of any OLP Preferred Units after its Redemption Date. After the Redemption Date, OLP Preferred Units being redeemed shall no longer constitute issued and outstanding Limited Partner Interests.

(f) The Partnership shall have the right at any time to acquire any OLP Preferred Units from the owner of such units on such terms as may be agreeable to such owner without offering any other holders of OLP Preferred Units an equal opportunity to sell his units to the Partnership, and no

purchase by the Partnership from any holder of OLP Preferred Units pursuant to this paragraph shall be deemed to create any right on the part of any other holder of OLP Preferred Units to sell any OLP Preferred Units to the Partnership.

(g) Notwithstanding the redemption rights granted to the holders of the OLP Preferred Units in this Section 4.5, the Partnership shall redeem OLP Preferred Units only if such redemption is not prohibited by applicable law or by any loan agreement, security agreement, mortgage, debt instrument or other agreement or obligation to which the Partnership is a party or by which it is bound or its assets are subject.

Section 4.6 *Purchase of OLP Preferred Units at Option of the Holder Upon Change in Control.*

(a) If at any time that OLP Preferred Units remain outstanding there shall occur a Change in Control, OLP Preferred Units shall be purchased by the Partnership at the option of the holders thereof as of a date that is within 35 Business Days after the occurrence of the Change in Control (the "Change in Control Purchase Date") at a purchase price equal to $1,010 per OLP Preferred Unit together with all Distributable But Not Distributed Coupon that remains undistributed at the Change in Control Purchase Date (the "Change in Control Purchase Price"), subject to satisfaction by or on behalf of any holder of the requirements set forth in subsection (c) of this Section 4.6.

A "Change in Control" shall be deemed to have occurred if any of the following occurs after the Effective Date:

(i) any "person" or "group" (as such terms are defined below) other than Yorktown Partners LLC, a Delaware limited liability company, or its Affiliates including any funds under its management ("Yorktown") is or becomes the "beneficial owner" (as defined below), directly or indirectly, of shares of Voting Stock of Crosstex Energy, Inc. representing 50% or more of the combined voting power of all outstanding classes of Voting Stock of Crosstex Energy, Inc. or has the power, directly or indirectly, to elect a majority of the members of the Board of Directors of Crosstex Energy, Inc.; or

(ii) Crosstex Operating GP, LLC is no longer (i) the sole general partner of the Partnership (other than as a result of the application of Section 7.12) or (ii) controlled by Crosstex Energy, Inc.; or

(iii) any sale, lease, exchange or other transfer (in one or a series of related transactions) of all or substantially all of the assets of the Partnership to any Person or its Affiliates, other than the Partnership or any of its Affiliates; or

(iv) there shall occur the liquidation or dissolution of the Partnership.

For the purpose of the definition of "Change in Control", (i) "person" and "group" have the meanings given such terms under Section 13(d) and 14(d) of the Exchange Act or any successor provision to either of the foregoing, and the term "group" includes any group acting for the purpose of acquiring, holding or disposing of securities within the meaning of Rule 13d-5(b)(1) under the Exchange Act (or any successor provision thereto), (ii) a "beneficial owner" shall be determined in accordance with Rule 13d-3 under the Exchange Act, as in effect on the Effective Date, except that the number of shares of Voting Stock of Crosstex Energy, Inc. shall be deemed to include, in addition to all outstanding shares of Voting Stock of Crosstex Energy, Inc. and Unissued Shares deemed to be held by the "person" or "group" (as such terms are defined above) or other person with respect to which the Change in Control determination is being made, all Unissued Shares deemed to be held by all other persons, and (iii) the terms "beneficially owned" and "beneficially own" shall have meanings correlative to that of "beneficial owner". The term "Unissued Shares" means shares of Voting Stock not outstanding that are subject to options, warrants, rights to purchase or conversion privileges exercisable within 60 days of the date of determination of a Change in Control. "Voting Stock" means

any class or classes of capital stock pursuant to which the holders thereof under ordinary circumstances have the power to vote in the election of the board of directors, managers or trustees of any Person (or other Persons performing similar functions), irrespective of whether or not, at the time, capital stock of any other class or classes shall have, or might have, voting power by reason of the happening of any contingency.

(b) Within 15 Business Days after the occurrence of a Change in Control, the Partnership shall mail a written notice of the Change in Control to each holder of OLP Preferred Units. The notice shall include the form of a Change in Control Purchase Notice to be completed by the holder and shall state:

(i) the date of such Change in Control and, briefly, the events causing such Change in Control;

(ii) the date by which the Change in Control Purchase Notice pursuant to this Section 4.6 must be given;

(iii) the Change in Control Purchase Date;

(iv) the Change in Control Purchase Price;

(v) the procedures that the holder must follow to exercise rights under this Section 4.6; and

(vi) the procedures for withdrawing a Change in Control Purchase Notice, including a form of notice of withdrawal.

(c) A holder of OLP Preferred Units may exercise its rights specified in subsection (a) of this Section 4.6 upon delivery of a written notice (which shall be in substantially the form included as an attachment to the written notice of the Change of Control delivered pursuant to subsection (b) of this Section 4.6 and which may be delivered by letter, overnight courier, hand delivery, facsimile transmission or in any other written form) of the exercise of such rights (a "Change in Control Purchase Notice") to the Partnership at any time prior to the close of business on the Business Day next preceding the Change in Control Purchase Date.

The delivery of such OLP Preferred Unit to the Partnership (together with instruments of transfer to the Partnership) shall be a condition to the receipt by the holder of the Change in Control Purchase Price therefor.

The Partnership shall purchase from the holder thereof, pursuant to this Section 4.6, a portion of a OLP Preferred Unit. Provisions of this Agreement that apply to the purchase of all of a OLP Preferred Unit pursuant to this Section 4.6 also apply to the purchase of such portion of such OLP Preferred Unit.

Notwithstanding anything herein to the contrary, any holder delivering to the Partnership the Change in Control Purchase Notice contemplated by this subsection (c) shall have the right to withdraw such Change in Control Purchase Notice in whole or in a portion thereof at any time prior to the close of business on the Business Day next preceding the Change in Control Purchase Date by delivery of a written notice of withdrawal to the Partnership in accordance with subsection (d) of this Section 4.6.

(d) Upon receipt by the Partnership of the Change in Control Purchase Notice specified in Section 4.6(c), the holder of the OLP Preferred Unit in respect of which such Change in Control Purchase Notice was given shall (unless such Change in Control Purchase Notice is withdrawn as specified below) thereafter be entitled to receive the Change in Control Purchase Price with respect to such OLP Preferred Unit. Such Change in Control Purchase Price shall be paid to such holder promptly following the later of (a) the Change in Control Purchase Date with respect to such OLP Preferred Unit (provided the conditions in Section 4.6(c) have been satisfied) and (b) the time of

delivery of such OLP Preferred Unit to the Partnership by the holder thereof in the manner required by Section 4.6(c).

A Change in Control Purchase Notice may be withdrawn by means of a written notice (which may be delivered by letter, overnight courier, hand delivery, facsimile transmission or in any other written form) of withdrawal delivered by the holder to the Partnership at any time prior to the close of business on the Business Day immediately preceding the Change in Control Purchase Date, specifying the number of OLP Preferred Units or portion thereof with respect to which such notice of withdrawal is being submitted.

(e) Notwithstanding the rights granted to the holders of the OLP Preferred Units in this Section 4.6, the Partnership shall purchase OLP Preferred Units pursuant to this Section 4.6 only if such purchase is not prohibited by applicable law or by any loan agreement, security agreement, mortgage, debt instrument or other agreement or obligation to which the Partnership is a party or by which it is bound or its assets are subject.

ARTICLE V

CAPITAL CONTRIBUTIONS AND ISSUANCE OF PARTNERSHIP INTERESTS

Section 5.1 *OLP Common Units.* Crosstex Operating GP, LLC is the holder of one OLP Common Unit and MLP is the holder of 99,999 OLP Common Units.

Section 5.2 *OLP Preferred Units.* The Persons who hold OLP Preferred Units are listed below.

Crosstex Louisiana Energy, L.P.,
a Delaware limited partnership

LIG Chemical Company,
a Louisiana corporation

LIG Liquids Holdings, L.P.
a Delaware limited partnership

The total number of OLP Preferred Units that such Persons shall hold is 81,200,000, and such number of OLP Preferred Units shall be divided thereamong in proportion to the relative fair market value of the contributions that each such Person makes to the Partnership pursuant to that certain Contribution Agreement made and entered into on April 4, 2004 to which such Persons and the Partnership are parties. Such relative fair market values shall be determined after the date hereof by an appraiser determined by such Persons or by agreement of such Persons.

Section 5.3 *Interest.* No interest shall be paid by the Partnership on Capital Contributions.

Section 5.4 *Withdrawal.* No Partner or Assignee shall be entitled to the withdrawal or return of its Capital Contribution, except to the extent, if any, that distributions made pursuant to this Agreement or upon termination of the Partnership may be considered as such by law and then only to the extent provided for in this Agreement. Except to the extent expressly provided in this Agreement, no Partner or Assignee shall have priority over any other Partner or Assignee either as to the return of Capital Contributions or as to profits, losses or distributions. Any such return shall be a compromise to which all Partners and Assignees agree within the meaning of Section 17-502(b) of the Delaware Act.

Section 5.5 *Capital Accounts.*

(a) The balance of the Capital Account at the Effective Time of each holder of OLP Preferred Units shall be the $1,000 for each OLP Preferred Unit so held. The initial balance of the Capital Account of each holder of OLP Common Units shall be the Net Agreed Value of the assets of OLP at the Omnibus Agreement Closing Date as set out in the Omnibus Agreement multiplied by the number

of OLP Common Units so held and divided by 100,000. Thereafter, the Capital Account of each Partner shall be increased by (i) the amount of cash and the Net Agreed Value of property contributed to the Partnership by such Partner pursuant to this Agreement and (ii) all items of Partnership income and gain allocated to such Partner pursuant to Section 6.1 and any amount that is allocated thereto pursuant to Section 6.2(a) as a Guaranteed Payment, and it shall be decreased by (x) the amount of cash or Net Agreed Value of all distributions of cash or property made to such Partner pursuant to this Agreement and (y) all items of Partnership deduction and loss allocated to such Partner pursuant to Section 6.1. The General Partner may in connection with the issuance of Partnership Interests after the Effective Time adjust the balance of the Capital Account of any Partner so as to preserve the agreed economic relationship between the Partnership Interests that are so issued and the Partnership Interests that were outstanding prior to such issuance; provided that the economic relationships between the Partnership Interests that were outstanding prior to such issuance are not changed thereby. Any such adjustment shall be recorded in the records of the Partnership.

(b) The items of income, gain, loss or deduction that are recognized by the Partnership for federal income tax purposes during a taxable period of the Partnership shall be adjusted as is set out in this Section 5.5(b) and shall then be allocated among the Partners as is provided in Section 6.1.

(i) The Partnership shall be treated as owning directly its share (as determined by the General Partner) of all property owned by any OLP Subsidiary that is, in each case, classified as a partnership or is disregarded for federal income tax purposes.

(ii) All fees and other expenses incurred by the Partnership to promote the sale of (or to sell) a Partnership Interest that cannot either be deducted or amortized under Section 709 of the Code shall be treated as an item of deduction at the time such fees and other expenses are incurred.

(iii) The computation of items of income, gain, loss and deduction shall be made without regard to any election under Section 754 of the Code; provided that if an adjustment to the adjusted tax basis of any Partnership asset is required pursuant to Section 734(b) or 743(b) of the Code, pursuant to Treasury Regulation Section 1.704-1(b)(2)(iv)(m), to be taken into account in determining Capital Account balances, the amount of such adjustment shall be treated as an item of income or deduction, as the case may be, at the time of the adjustment, and the Carrying Value of each Partnership asset in respect of which there was such an adjustment shall also be adjusted at that time.

(iv) Any income, gain, deduction or loss attributable to the taxable disposition of any Partnership property shall be determined as if the adjusted basis of such property were equal to the Partnership's Carrying Value for such property as of the date of disposition.

(v) Any deductions for depreciation, cost recovery or amortization that are attributable to any Partnership property shall be determined as if the adjusted basis of such property were equal to the Carrying Value thereof and by using a rate of depreciation, cost recovery or amortization derived from the same method and useful life (or, if applicable, the remaining useful life) as is applied for federal income tax purposes and appropriately taking into account the length of any short taxable period of the Partnership; provided, however, that, if the Partnership property has a zero adjusted basis for federal income tax purposes, depreciation, cost recovery or amortization deductions shall be determined using any reasonable method that the General Partner may adopt. Any deduction for depreciation, cost recovery or amortization in respect of Partnership property that is determined pursuant to this Section 5.5(b) shall reduce the Carrying Value of that Partnership property as of the end of the taxable period of the Partnership in which such deduction was recognized. Notwithstanding the foregoing portion of this Section 5.5(b)(v), such deductions for depreciation, cost recovery, or amortization shall be determined with respect to any portion of such Carrying Value with respect to which Treasury Regulation Section 1.704-3(d) remedial allocations are to be made (including reverse section 704(c) allocations that are to be

made as Treasury Regulation Section 1.704-3(d) remedial allocations) pursuant to provisions hereof in accordance with a method that is permitted by such Treasury Regulation Section 1.704-3(d) and that is selected by the General Partner.

(vi) If the Partnership's adjusted basis in property is reduced for federal income tax purposes pursuant to Section 48(q)(1) or 48(q)(3) of the Code, the amount of such reduction shall be an additional depreciation or cost recovery deduction in the year such property is placed in service at the time of such reduction and shall be treated as a reduction in the Carrying Value of such property. Any restoration of such basis pursuant to Section 48(q)(2) of the Code shall be an item of income at the time of such restoration and shall be treated as an increase in the Carrying Value of such property at the time of such restoration.

(vii) Any items of gain and loss that are determined pursuant to Section 5.5(d) hereof shall be treated as items of income and deduction, respectively, that are recognized in the taxable period of the Partnership that ends with the event that causes the determination of such gain or loss which shall be allocated as is provided in Section 6.1 hereof. An item of income of the Partnership that is described in Section 705(a)(1)(B) of the Code (with respect to items of income that are exempt from tax) shall be treated as an item of income for the purpose of this Section 5.5(b), and an item of expense of the Partnership that is described in Section 705(a)(2)(B) of the Code (with respect to expenditures that are deductible and not chargeable to capital account), shall be treated as an item of deduction for the purpose of this Section 5.5(b).

(viii) A taxable period of the Partnership includes a taxable year of the Partnership. The portion of a taxable period of the Partnership that ends with the Omnibus Agreement Closing Date or with an event in respect of which there is an adjustment to Carrying Values pursuant to Section 5.5(d) hereof shall be treated as the end of a taxable period of the Partnership. The portion of such taxable year of the Partnership that begins immediately thereafter shall be treated as a taxable period for purposes of the preceding sentence with the result that each taxable year of the Partnership may contain one or more taxable periods of the Partnership. The items of income, gain, loss and deduction of the Partnership that are recognized for federal, state or local income tax purposes on or prior to the Omnibus Agreement Closing Date shall be allocated pursuant to the Current Partnership Agreement.

(ix) The portion, if any, of a Guaranteed Payment that is capitalized for federal income tax purposes into the basis of an asset shall increase the Carrying Value of that asset. The balance of any such Guaranteed Payment shall be an item of deduction that is recognized in the taxable period in which it accrued for purposes of this Section 5.5(b).

(c) A transferee of a Partnership Interest shall succeed to a pro rata portion of the Capital Account of the transferor relating to the Partnership Interest so transferred.

(d) (i) On an issuance of additional Partnership Interests for cash or other property the General Partner may cause any Unrealized Gain or Unrealized Loss attributable to Partnership property to be recognized as if there had been a sale of all such property immediately prior to such issuance in which event the Carrying Value of each Partnership property shall be adjusted as of the beginning of the next taxable period to be equal to such fair market value. In determining such Unrealized Gain or Unrealized Loss, the aggregate cash amount and fair market value of all Partnership assets immediately prior to the issuance of additional Partnership Interests shall be determined by the General Partner using such reasonable method of valuation as it may adopt; provided, however, that the General Partner, in arriving at such valuation, must take fully into account the fair market value of the Partnership Interests of all Partners at such time. The General Partner shall allocate such aggregate value among the assets of the Partnership (in such manner as it determines in its discretion to be reasonable).

(ii) Immediately prior to any distribution to a Partner (other than a distribution of cash that is not in redemption or retirement of a Partnership Interest and other than the redemption of an OLP Preferred Unit pursuant to the terms hereof), the General Partner may cause any Unrealized Gain or Unrealized Loss attributable to each Partnership property to be recognized as if there had been a sale of such property immediately prior to such distribution in which event the Carrying Value of each Partnership property shall be as of the beginning of the next taxable period equal to the fair market value thereof. In determining such Unrealized Gain or Unrealized Loss the aggregate cash amount and fair market value of all Partnership assets immediately prior to a distribution shall be determined and allocated in the same manner as that provided in Section 5.5(d)(i).

(iii) After any adjustment of Carrying Values pursuant to Section 5.5(d)(i) or 5.5(d)(ii), the General Partner shall determine the way, if any, in which such changes in Carrying Value shall affect the allocations for federal, state and local income tax purposes pursuant to Section 6.2 of the items of income, gain, loss, deduction and credit that are recognized by the Partnership for such purposes. Any such determination shall be entered in the records of the Partnership.

Section 5.6 *Loans from Partners.* Loans by a Partner to the Partnership shall not constitute Capital Contributions. If any Partner shall advance funds to the Partnership in excess of the amounts required hereunder to be contributed by it to the capital of the Partnership, the amount of any such excess advances shall be a debt obligation of the Partnership to such Partner and shall be payable or collectible only out of the Partnership assets in accordance with the terms and conditions upon which such advances are made.

Section 5.7 *Issuances of Additional Partnership Securities.*

(a) Subject to Section 5.8, the Partnership may issue additional Partnership Securities and options, rights, warrants and appreciation rights relating to the Partnership Securities for any Partnership purpose at any time and from time to time to such Persons for such consideration and on such terms and conditions as shall be established by the General Partner in its sole discretion. The issuance by the Partnership of Partnership Securities or rights, warrants or appreciation rights in respect thereof shall be deemed an amendment to this Agreement.

(b) Each additional Partnership Security authorized to be issued by the Partnership pursuant to Section 5.7(a) may be issued in one or more classes, or one or more series of any such classes, with such designations, preferences, rights, powers and duties (which may be senior to existing classes and series of Partnership Securities), as shall be fixed by the General Partner in its sole discretion, including (i) the right to share Partnership profits and losses or items thereof; (ii) the right to share in Partnership distributions; (iii) the rights upon dissolution and liquidation of the Partnership; (iv) whether, and the terms and conditions upon which, the Partnership may redeem such Partnership Security; (v) whether such Partnership Security is issued with the privilege of conversion or exchange and, if so, the terms and conditions of such conversion or exchange; (vi) the terms and conditions upon which each Partnership Security will be issued, evidenced by certificates and assigned or transferred; and (vii) the right, if any, of the holder of each such Partnership Security to vote on Partnership matters, including matters relating to the relative designations, preferences, rights, powers and duties of such Partnership Security.

(c) The General Partner is hereby authorized and directed to take all actions that it deems necessary or appropriate in connection with (i) each issuance of Partnership Securities and options, rights, warrants and appreciation rights relating to Partnership Securities pursuant to this Section 5.7, (ii) the admission of Additional Limited Partners and (iii) all additional issuances of Partnership Securities. The General Partner is further authorized and directed to specify the relative rights, powers and duties of the holders of the Partnership Interests or other Partnership Securities being so issued. The General Partner shall do all things necessary to comply with the Delaware Act and is authorized

and directed to do all things it deems necessary or advisable in connection with any future issuance of Partnership Securities, including compliance with any statute, rule, regulation or guideline of any federal, state or other governmental agency.

Section 5.8 *Limitations on Issuance of Additional Partnership Securities.* The issuance of Partnership Securities pursuant to Section 5.6 shall be subject to the following restrictions and limitations:

(a) Without the prior approval of the holders of 66.66% of the OLP Preferred Units, the Partnership shall not issue (and shall not issue any options, rights, warrants or appreciation rights relating to) any additional OLP Preferred Units or any other Partnership Security of any other class or series that have the right to receive distributions of Available Cash pursuant to each of subclauses (a)(i) of Section 6.3 in the same order of priority with respect to the participation of OLP Preferred Units in such distributions regardless of whether the amounts or value so distributed or allocated on each such Partnership Security equals the amount or value so distributed or allocated on each OLP Preferred Unit.

(b) Without the prior approval of the holders of 66.66% of the OLP Preferred Units, the Partnership shall not issue any additional Partnership Securities (or options, rights, warrants or appreciation rights related thereto) that are entitled in any Quarter to receive any distribution of Available Cash before the OLP Preferred Units have received (or amounts have been set aside for payment of) the Distributable But Not Distributed Coupon for such Quarter.

Section 5.9 *Limited Preemptive Rights.* No Person shall have preemptive, preferential or other similar rights with respect to (a) additional Capital Contributions; (b) issuance or sale of any class or series of Partnership Interests, whether unissued, held in the treasury or hereafter created; (c) issuance of any obligations, evidences of indebtedness or other securities of the Partnership convertible into or exchangeable for, or carrying or accompanied by any rights to receive, purchase or subscribe to, any such Partnership Interests; (d) issuance of any right of subscription to or right to receive, or any warrant or option for the purchase of, any such Partnership Interests; or (e) issuance or sale of any other securities that may be issued or sold by the Partnership.

Section 5.10 *Fully Paid and Non-Assessable Nature of Limited Partner Interests.* All Limited Partner Interests issued pursuant to, and in accordance with the requirements of, this Article V shall be fully paid and non-assessable Limited Partner Interests, except as such non-assessability may be affected by Section 17-607 of the Delaware Act.

ARTICLE VI

ALLOCATIONS AND DISTRIBUTIONS

Section 6.1 *Allocations for Book Purposes.* The Partnership's items of ordinary income, gain, loss and deduction for a taxable period of the Partnership (such items are computed in accordance with Section 5.5(b)) shall be allocated among the Partners first to the extent provided in Section 6.1(c) and then the balance of such items shall be aggregated into Net Income and Net Loss, as the case may be, which shall then be allocated as follows:

(a) *Net Income.* Net Income for a taxable period of the Partnership shall be allocated as follows:

(i) First, 100% to the General Partner until the aggregate Net Income allocated pursuant to this sentence for the current taxable period of the Partnership and all previous taxable periods of the Partnership is equal to the aggregate Net Loss allocated to the General Partner pursuant to Section 6.1(b)(iii) for all previous taxable periods of the Partnership.

(ii) Second, 100% to the holders of OLP Preferred Units in proportion to the number of such OLP Preferred Units held until the aggregate Net Income allocated pursuant to this sentence for the current taxable period of the Partnership and all previous taxable periods of the Partnership is equal to the aggregate Net Loss allocated to the holders of OLP Preferred Units pursuant to Section 6.1(b)(ii) for all previous taxable periods of the Partnership.

(iii) Third, to the holders of OLP Common Units in proportion to the number of OLP Common Units held.

The items of income, gain, loss and deduction that are included in Net Income for a taxable period of the Partnership shall be allocated in the ratio in which Net Income for such taxable period is allocated.

(b) *Net Loss.* Net Loss for a taxable period of the Partnership shall be allocated as follows:

(i) First, to the holders of OLP Common Units in proportion to the number of OLP Common Units held; provided, that Net Loss shall not be allocated pursuant to this sentence to the extent that such allocation would cause the Adjusted Capital Account of any such OLP Common Unit to have a deficit balance at the end of such taxable period of the Partnership.

(ii) Second, to the holders of OLP Preferred Units in proportion to the number of OLP Preferred Units held; provided, that Net Loss shall not be allocated pursuant to this sentence to the extent that such allocation would cause the Adjusted Capital Account of any OLP Preferred Units to have a deficit balance at the end of such taxable period of the Partnership.

(iii) Third, the balance, if any, 100% to the General Partner.

The items of income, gain, loss and deduction that are included in Net Loss for a taxable period of the Partnership shall be allocated in the ratio in which Net Loss for such taxable period is allocated.

(c) *Special Allocations.* Prior to making any allocation pursuant to another portion of this Section 6.1 for a taxable period of the Partnership, the following allocations shall be made in the order stated:

(i) *Partnership Minimum Gain Chargeback.* If there is a net decrease in Partnership Minimum Gain during the taxable period of the Partnership, each Partner shall be allocated items of Partnership income and gain for such taxable period (and, if necessary, subsequent taxable periods of the Partnership) in the manner and amounts provided in Treasury Regulation Sections 1.704-2(f) or any successor provisions. This Section 6.1(c)(i) is intended to comply with the Partnership Minimum Gain Chargeback requirement in Treasury Regulation Section 1.704-2(f) and shall be interpreted consistently therewith.

(ii) *Partner Nonrecourse Debt Minimum Gain Chargeback.* If there is a net decrease in Partner Nonrecourse Debt Minimum Gain during any taxable period of the Partnership, any Partner with a share of Partner Nonrecourse Debt Minimum Gain at the beginning of such taxable period shall be allocated items of Partnership income and gain for such taxable period (and, if necessary, subsequent taxable periods of the Partnership) in the manner and amounts provided in Treasury Regulation Section 1.704-2(i)(4) or any successor provision. This Section 6.1(c)(ii) is intended to comply with the Partnership Nonrecourse Debt Minimum Gain Chargeback of items of income and gain requirement in Treasury Regulation Section 1.704-2(i)(4) and shall be interpreted consistently therewith.

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

(iv) *Nonrecourse Deductions.* Nonrecourse Deductions for the taxable period shall be allocated to the Partners in proportion to the number of OLP Common Units held. If the General Partner determines in good faith that the Nonrecourse Deductions must be allocated in a different ratio to satisfy the safe harbor requirements of the Treasury Regulations promulgated under Section 704(b) of the Code, the General Partner may, upon notice to the other Partners, revise the prescribed ratio in order to satisfy such safe harbor requirements.

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

Section 6.2 *Allocations for Tax Purposes.* (a) The amount by which Distributable Coupon increases during each period that an OLP Preferred Unit is outstanding is a guaranteed payment within the meaning of Treasury Regulation Section 1.707-1(c) as to each such OLP Preferred Unit and a holder of such an OLP Preferred Unit shall include as income the amount of ordinary income that is required by Treasury Regulation Section 1.707-1(c). The aggregate amount that is so includible by the holders of the OLP Preferred Units during a taxable period of the Partnership is referred to herein as the *Guaranteed Payments* for such taxable period. Except as otherwise provided in this section 6.2, each other item of income, gain, loss and deduction (including any deduction that is allowed by reason of a Guaranteed Payment) that is recognized by the Partnership for federal income tax purposes shall be allocated among the Partners with reference to the allocations of the corresponding items pursuant to Section 6.1.

(b) The Partnership shall make the allocations that are required by Section 704(c) of the Code with respect to the difference between the Agreed Value and adjusted basis for federal income tax purposes of any asset that the Partnership holds immediately after the Omnibus Agreement Closing Date using remedial allocations within the meaning of Treasury Regulation Section 1.704-3(d). The Partnership shall, at any other time that it acquires property with respect to which it must make allocations for federal income tax purposes pursuant to Section 704(c) of the Code, make such allocations using remedial allocations within the meaning of Treasury Regulation Section 1.704-3(d) or any other method selected by the General Partner in its sole discretion. The Partnership shall make any "reverse section 704(c) allocations" as "remedial allocations" as set out in Treasury Regulation

Section 1.704-3(d) or under any other method that the General Partner selects in its sole discretion. The General Partner may cause the Partnership to make agreements as to the manner in which Section 704(c) allocations shall be made upon the acquisition by the Partnership of property in exchange for a Partnership Interest or reverse Section 704(c) allocations shall be made with respect to the assets of the Partnership upon the issuance by the Partnership of a Partnership Interest in exchange for cash or other property.

(c) For the proper administration of the Partnership and to facilitate the calculation of the items of income, gain, loss and deduction that are allocated to the Partners for federal, state or local income tax purposes and to take into account the effect of the Section 754 election that the Partnership is to make, the General Partner shall have sole discretion (i) to adopt such conventions as it deems appropriate in determining the amount of depreciation, amortization and cost recovery deductions; (ii) to make special allocations for federal income tax purposes of income (including, without limitation, gross income) or deductions; and (iii) to amend the provisions of this Agreement as appropriate (x) to reflect the proposal or promulgation of Treasury Regulations under Section 704(b) or Section 704(c) of the Code or (y) otherwise to preserve or achieve uniformity of the Limited Partner Interests (or any class or classes thereof) or to facilitate the calculation of such adjustments that are required by the Section 754 election from the information that is known by the Partnership, such as the date of the purchase of the Limited Partner Interest and the amount that is paid therefor.

(d) The General Partner in its discretion may determine to depreciate or amortize the portion of an adjustment under Section 743(b) of the Code that is attributable to unrealized appreciation in any Partnership property (to the extent of the unamortized difference between Carrying Value and adjusted basis for federal income tax purposes or if more than one adjustment to Carrying Value has been made to the extent of any unamortized increment between Carrying Value and the immediately prior Carrying Value) using a predetermined rate derived from the depreciation or amortization method and useful life applied to the Partnership's common basis of such property. If the General Partner determines that such reporting position cannot reasonably be taken, the General Partner may adopt depreciation and amortization conventions under which all purchasers acquiring Limited Partner Interests in the same month would receive depreciation and amortization deductions, based upon the same applicable rate as if they had purchased a direct interest in the Partnership's property. If the General Partner chooses not to utilize such aggregate method, the General Partner may use any other depreciation and amortization conventions that it determines are appropriate.

(e) Any gain allocated to a Partner upon the sale or other taxable disposition of any Partnership asset shall, to the extent possible be characterized as Recapture Income to the same extent as such Partner (or its predecessor in interest) has been allocated any deductions directly or indirectly giving rise to the treatment of such gains as Recapture Income.

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

(g) Each item of Partnership income, gain, loss and deduction that is allocated to a Partnership Interest that is transferred during a calendar year shall for federal income tax purposes, be determined on an annual basis and prorated on a monthly basis and shall be allocated to the Partners as of the opening of the New York Stock Exchange on the first Business Day of each month. The General Partner may revise, alter or otherwise modify such methods of allocation as it determines necessary or appropriate in its sole discretion, to the extent permitted or required by Section 706 of the Code and the regulations or rulings promulgated thereunder.

(h) The portion of the Nonrecourse Liabilities of the Partnership that are allocable pursuant to Treasury Regulation Section 1.752-3(a)(3) shall be allocated among the holders of OLP Common Units in proportion to the number of OLP Common Units held. The allocations of Nonrecourse Liabilities that may be made as provided in Treasury Regulation Section 1.752-3(a)(2) are to be made as determined by the General Partner in its sole discretion.

Section 6.3 *Distributions.* This Section 6.3 applies both prior to and during winding up of the Partnership.

(a) Within 45 days following the end of each Quarter that ends after the Effective Time an amount that is equal to 100% of Available Cash with respect to such Quarter shall, subject to Section 17-607 of the Delaware Act, be distributed by the Partnership to the Partners in accordance with the following:

(i) First, to the holders of OLP Preferred Units in proportion to the number of OLP Preferred Units held until the amount that is so distributed to each such OLP Preferred Unit pursuant to this sentence is equal to the Distributable But Not Distributed Coupon at the time of the distribution.

(ii) Second, to the holders of OLP Common Units in proportion to the number of OLP Common Units held; provided that no amount shall be distributed pursuant to this sentence that would be in violation of another provision of this Agreement.

This Section 6.3 shall not require any distribution of cash if such distribution would be prohibited by applicable law or by any loan agreement, security agreement, mortgage, debt instrument or other agreement or obligation to which the Partnership is a party or by which it is bound or its assets are subject. All distributions required to be made under this Agreement shall be made subject to Section 17-607 of the Delaware Act.

(b) In the event of the dissolution and liquidation of the Partnership, all receipts received during or after the Quarter in which the Liquidation Date occurs, other than from borrowings described in (a)(ii) of the definition of Available Cash, shall be applied and distributed solely in accordance with, and subject to the terms and conditions of, Section 12.4.

(c) The General Partner shall treat taxes that are imposed on a holder of Units under applicable law and that are paid by the Partnership as a distribution for purposes of Section 6.1(a).

ARTICLE VII

MANAGEMENT AND OPERATION OF BUSINESS

Section 7.1 *Management.* (a) The General Partner shall conduct, direct and manage all activities of the Partnership. Except as otherwise expressly provided in this Agreement, all management powers over the business and affairs of the Partnership shall be exclusively vested in the General Partner, and no Limited Partner or Assignee shall have any management power over the business and affairs of the Partnership. In addition to the powers now or hereafter granted a general partner of a limited partnership under applicable law or that are granted to the General Partner under any other provision of this Agreement, the General Partner, subject to Section 7.3, shall have full power and authority to do all things and on such terms as it, in its sole discretion, may deem necessary or appropriate to conduct the business of the Partnership, to exercise all powers set forth in Section 2.5 and to effectuate the purposes set forth in Section 2.4, including the following:

(i) the making of any expenditures, the lending or borrowing of money, the assumption or guarantee of, or other contracting for, indebtedness and other liabilities, the issuance of evidences of indebtedness, including indebtedness that is convertible into a Partnership Interest, and the incurring of any other obligations;

(ii) the making of tax, regulatory and other filings, or rendering of periodic or other reports to governmental or other agencies having jurisdiction over the business or assets of the Partnership;

(iii) the acquisition, disposition, mortgage, pledge, encumbrance, hypothecation or exchange of any or all of the assets of the Partnership or the merger or other combination of the Partnership with or into another Person (the matters described in this clause (iii) being subject, however, to any prior approval that may be required by Section 7.3);

(iv) the use of the assets of the Partnership (including cash on hand) for any purpose consistent with the terms of this Agreement, including the financing of the conduct of the operations of the Partnership Group; subject to Section 7.6, the lending of funds to other Persons (including the MLP and any member of the Partnership Group); the repayment of obligations of the MLP or any member of the Partnership Group and the making of capital contributions to any member of the Partnership Group;

(v) the negotiation, execution and performance of any contracts, conveyances or other instruments (including instruments that limit the liability of the Partnership under contractual arrangements to all or particular assets of the Partnership, with the other party to the contract to have no recourse against the General Partner or its assets other than its interest in the Partnership, even if same results in the terms of the transaction being less favorable to the Partnership than would otherwise be the case);

(vi) the distribution of Partnership cash;

(vii) the selection and dismissal of employees (including employees having titles such as "president," "vice president," "secretary" and "treasurer") and agents, outside attorneys, accountants, consultants and contractors and the determination of their compensation and other terms of employment or hiring;

(viii) the maintenance of such insurance for the benefit of the Partnership Group and the Partners as it deems necessary or appropriate;

(ix) the formation of, or acquisition of an interest in, and the contribution of property and the making of loans to, any further limited or general partnerships, joint ventures, corporations, limited liability companies or other relationships subject to the restrictions set forth in Section 2.4;

(x) the control of any matters affecting the rights and obligations of the Partnership, including the bringing and defending of actions at law or in equity and otherwise engaging in the conduct of litigation and the incurring of legal expense and the settlement of claims and litigation; and

(xi) the indemnification of any Person against liabilities and contingencies to the extent permitted by law.

(b) Notwithstanding any other provision of this Agreement, the MLP Agreement, the Delaware Act or any applicable law, rule or regulation, each of the Partners and the Assignees and each other Person who may acquire an interest in the Partnership hereby (i) approves, ratifies and confirms the execution, delivery and performance by the parties thereto of this Agreement, the Underwriting Agreement, the Omnibus Agreement, the Contribution Agreements and the other agreements and documents described in or filed as exhibits to the Registration Statement that are related to the transactions contemplated by the Registration Statement; (ii) agrees that the General Partner (on its own or through any officer of the Partnership) is authorized to execute, deliver and perform the agreements referred to in clause (i) of this sentence, as applicable, and the other agreements, acts, transactions and matters described in or contemplated by the Registration Statement on behalf of the Partnership without any further act, approval or vote of the Partners or the Assignees or the other

Persons who may acquire an interest in the Partnership; and (iii) agrees that the execution, delivery or performance by the General Partner, the MLP, any Group Member or any Affiliate of any of them, of this Agreement or any agreement authorized or permitted under this Agreement (including the exercise by the General Partner or any Affiliate of the General Partner of the rights accorded pursuant to Article XV), shall not constitute a breach by the General Partner of any duty that the General Partner may owe the Partnership or the Limited Partners or any other Persons under this Agreement (or any other agreements) or of any duty stated or implied by law or equity.

Section 7.2 *Certificate of Limited Partnership.* The General Partner has caused the Certificate of Limited Partnership to be filed with the Secretary of State of the State of Delaware as required by the Delaware Act. The General Partner shall use all reasonable efforts to cause to be filed such other certificates or documents as may be determined by the General Partner in its sole discretion to be reasonable and necessary or appropriate for the formation, continuation, qualification and operation of a limited partnership (or a partnership in which the limited partners have limited liability) in the State of Delaware or any other state in which the Partnership may elect to do business or own property. To the extent that such action is determined by the General Partner in its sole discretion to be reasonable and necessary or appropriate, the General Partner shall file amendments to and restatements of the Certificate of Limited Partnership and do all things to maintain the Partnership as a limited partnership (or a partnership or other entity in which the limited partners have limited liability) under the laws of the State of Delaware or of any other state in which the Partnership may elect to do business or own property. Subject to the terms of Section 3.4(a), the General Partner shall not be required, before or after filing, to deliver or mail a copy of the Certificate of Limited Partnership, any qualification document or any amendment thereto to any Limited Partner or Assignee.

Section 7.3 *Restrictions on the General Partner's Authority.* (a) The General Partner may not, without written approval of the specific act by the Limited Partners or by other written instrument executed and delivered by the Limited Partners subsequent to the date of this Agreement, take any action in contravention of this Agreement, including, except as otherwise provided in this Agreement, (i) committing any act that would make it impossible to carry on the ordinary business of the Partnership; (ii) possessing Partnership property, or assigning any rights in specific Partnership property, for other than a Partnership purpose; (iii) admitting a Person as a Partner; (iv) amending this Agreement in any manner; or (v) transferring its General Partner Interest.

(b) Except as provided in Articles XII and XIV, the General Partner may not sell, exchange or otherwise dispose of all or substantially all of the Partnership's assets in a single transaction or a series of related transactions (including by way of merger, consolidation or other combination) or approve on behalf of the Partnership the sale, exchange or other disposition of all or substantially all of the assets of the Partnership, without the approval of the holders of a majority of the OLP Common Units; provided however that this provision shall not preclude or limit the General Partner's ability to mortgage, pledge, hypothecate or grant a security interest in all or substantially all of the assets of the Partnership and shall not apply to any forced sale of any or all of the assets of the Partnership pursuant to the foreclosure of, or other realization upon, any such encumbrance.

Section 7.4 *Reimbursement of the General Partner.* (a) Except as provided in this Section 7.4 and elsewhere in this Agreement or in the Omnibus Agreement, the General Partner shall not be compensated for its services as General Partner or as general partner or managing member of any Group Member.

(b) The General Partner shall be reimbursed on a monthly basis, or such other reasonable basis as the General Partner may determine in its sole discretion, for (i) all direct and indirect expenses it incurs or payments it makes on behalf of the Partnership (including salary, bonus, incentive compensation and other amounts paid to any Person including Affiliates of the General Partner to perform services for the Partnership or for the General Partner in the discharge of its duties to the

Partnership), and (ii) all other necessary or appropriate expenses allocable to the Partnership or otherwise reasonably incurred by the General Partner in connection with operating the Partnership's business (including expenses allocated to the General Partner by its Affiliates). The General Partner shall determine the expenses that are allocable to the Partnership in any reasonable manner determined by the General Partner in its sole discretion. Reimbursements pursuant to this Section 7.4 shall be in addition to any reimbursement to the General Partner as a result of indemnification pursuant to Section 7.7.

(c) Subject to Section 5.7, the General Partner, in its sole discretion and without the approval of the Limited Partners (who shall have no right to vote in respect thereof), may propose and adopt on behalf of the Partnership employee benefit plans, employee programs and employee practices, or cause the Partnership to issue Partnership Interests in connection with or pursuant to any employee benefit plan, employee program or employee practice maintained or sponsored by the General Partner or any of its Affiliates, in each case for the benefit of employees of the General Partner, any Group Member or any Affiliate, or any of them, in respect of services performed, directly or indirectly, for the benefit of the Partnership Group. Expenses incurred by the General Partner in connection with any such plans, programs and practices shall be reimbursed in accordance with Section 7.4(b). Any and all obligations of the General Partner under any employee benefit plans, employee programs or employee practices adopted by the General Partner as permitted by this Section 7.4(c) shall constitute obligations of the General Partner hereunder and shall be assumed by any successor General Partner approved pursuant to Section 11.1 or 11.2 or the transferee of or successor to all of the General Partner's General Partner Interest pursuant to Section 4.2.

Section 7.5 *Outside Activities.* (a) After the Omnibus Agreement Closing Date, the General Partner, for so long as it is the General Partner of the Partnership, (i) agrees that its sole business will be to act as the General Partner of the Partnership and a general partner or managing member, as the case may be, of any other partnership or limited liability company of which the Partnership is, directly or indirectly, a partner or member, and to undertake activities that are ancillary or related thereto, and (ii) shall not engage in any business or activity or incur any debts or liabilities except in connection with or incidental to (A) its performance as general partner of the Partnership or one or more Group Members or as described in or contemplated by the Registration Statement or (B) the acquiring, owning or disposing of debt or equity securities in any Group Member.

(b) Except as specifically restricted by Section 7.5(a) and the Omnibus Agreement, each Indemnitee (other than the General Partner) shall have the right to engage in businesses of every type and description and other activities for profit and to engage in and possess an interest in other business ventures of any and every type or description, whether in businesses engaged in or anticipated to be engaged in by the MLP or any Group Member, independently or with others, including business interests and activities in direct competition with the business and activities of the MLP or any Group Member, and none of the same shall constitute a breach of this Agreement or any duty express or implied by law to the MLP or any Group Member or any Partner or Assignee. Neither the MLP nor any Group Member, any Limited Partner nor any other Person shall have any rights by virtue of this Agreement, the MLP Agreement or the partnership relationship established hereby or thereby in any business ventures of any Indemnitee.

(c) Subject to the terms of Section 7.5(a), Section 7.5(b) and the Omnibus Agreement, but otherwise notwithstanding anything to the contrary in this Agreement, (i) the engaging in competitive activities by any Indemnitee (other than the General Partner) in accordance with the provisions of this Section 7.5 is hereby approved by the Partnership and all Partners, (ii) it shall be deemed not to be a breach of the General Partner's fiduciary duty or any other obligation of any type whatsoever of the General Partner for the Indemnitees (other than the General Partner) to engage in such business interests and activities in preference to or to the exclusion of the Partnership and (iii) except as set

forth in the Omnibus Agreement, the Indemnitees shall have no obligation to present business opportunities to the Partnership.

(d) The General Partner and any of its Affiliates may acquire additional Units or other MLP securities and, except as otherwise provided in this Agreement, shall be entitled to exercise all rights relating to such Units or MLP securities.

(e) The term "Affiliates" when used in Section 7.5(d) with respect to the General Partner shall not include any Group Member or any Subsidiary of the MLP or any Group Member.

(f) Anything in this Agreement to the contrary notwithstanding, to the extent that provisions of Sections 7.7, 7.8, 7.9, 7.10 or other Sections of this Agreement purport or are interpreted to have the effect of restricting the fiduciary duties that might otherwise, as a result of Delaware or other applicable law, be owed by the General Partner to the Partnership and its Limited Partners, or to constitute a waiver or consent by the Limited Partners to any such restriction, such provisions shall be inapplicable and have no effect in determining whether the General Partner has complied with its fiduciary duties in connection with determinations made by it under this Section 7.5.

Section 7.6 *Loans from the General Partner; Loans or Contributions from the Partnership; Contracts with Affiliates; Certain Restrictions on the General Partner.* (a) The General Partner or any of its Affiliates may lend to the Partnership, the MLP or any Group Member, and the Partnership, the MLP or any Group Member may borrow from the General Partner or any of its Affiliates, funds needed or desired by the MLP or the Group Member for such periods of time and in such amounts as the General Partner may determine; provided, however, that in any such case the lending party may not charge the borrowing party interest at a rate greater than the rate that would be charged the borrowing party or impose terms less favorable to the borrowing party than would be charged or imposed on the borrowing party by unrelated lenders on comparable loans made on an arm's-length basis (without reference to the lending party's financial abilities or guarantees). The borrowing party shall reimburse the lending party for any costs (other than any additional interest costs) incurred by the lending party in connection with the borrowing of such funds. For purposes of this Section 7.6(a) and Section 7.6(b), the term "Group Member" shall include any Affiliate of a Group Member that is controlled by the Group Member.

(b) The Partnership may lend or contribute to any Group Member, and any Group Member may borrow from the Partnership, funds on terms and conditions established in the sole discretion of the General Partner; provided, however, that the Partnership may not charge the Group Member interest at a rate less than the rate that would be charged to the Group Member (without reference to the General Partner's financial abilities or guarantees) by unrelated lenders on comparable loans. The foregoing authority shall be exercised by the General Partner in its sole discretion and shall not create any right or benefit in favor of any Group Member or any other Person.

(c) The General Partner may itself, or may enter into an agreement with the MLP General Partner or any of its Affiliates to, render services to a Group Member or to the General Partner in the discharge of its duties as general partner of the Partnership. Any services rendered to a Group Member by the General Partner, the MLP General Partner or any of their Affiliates shall be on terms that are fair and reasonable to the Partnership; provided, however, that the requirements of this Section 7.6(c) shall be deemed satisfied as to (i) any transaction approved by Special Approval, (ii) any transaction, the terms of which are no less favorable to the Partnership Group than those generally being provided to or available from unrelated third parties or (iii) any transaction that, taking into account the totality of the relationships between the parties involved (including other transactions that may be particularly favorable or advantageous to the Partnership Group), is equitable to the Partnership Group. The provisions of Section 7.4 shall apply to the rendering of services described in this Section 7.6(c).

(d) The Partnership Group may transfer assets to joint ventures, other partnerships, corporations, limited liability companies or other business entities in which it is or thereby becomes a participant upon such terms and subject to such conditions as are consistent with this Agreement and applicable law.

(e) Neither the General Partner nor any of its Affiliates shall sell, transfer or convey any property to, or purchase any property from, the Partnership, directly or indirectly, except pursuant to transactions that are fair and reasonable to the Partnership; provided, however, that the requirements of this Section 7.6(e) shall be deemed to be satisfied as to (i) the transactions effected pursuant to the Contribution Agreements and any other transactions described in or contemplated by the Registration Statement, (ii) any transaction approved by Special Approval, (iii) any transaction, the terms of which are no less favorable to the Partnership than those generally being provided to or available from unrelated third parties, or (iv) any transaction that, taking into account the totality of the relationships between the parties involved (including other transactions that may be particularly favorable or advantageous to the Partnership Group), is equitable to the Partnership.

(f) The General Partner and its Affiliates will have no obligation to permit any Group Member to use any facilities or assets of the General Partner and its Affiliates, except as may be provided in contracts entered into from time to time specifically dealing with such use, nor shall there be any obligation on the part of the General Partner or its Affiliates to enter into such contracts.

(g) Without limitation of Sections 7.6(a) through 7.6(f), and notwithstanding anything to the contrary in this Agreement, the existence of the conflicts of interest described in the Registration Statement are hereby approved by all Partners.

Section 7.7 *Indemnification.* (a) To the fullest extent permitted by law but subject to the limitations expressly provided in this Agreement, all Indemnitees shall be indemnified and held harmless by the Partnership from and against any and all losses, claims, damages, liabilities, joint or several, expenses (including legal fees and expenses), judgments, fines, penalties, interest, settlements or other amounts arising from any and all claims, demands, actions, suits or proceedings, whether civil, criminal, administrative or investigative, in which any Indemnitee may be involved, or is threatened to be involved, as a party or otherwise, by reason of its status as an Indemnitee; provided, that in each case the Indemnitee acted in good faith and in a manner that such Indemnitee reasonably believed to be in, or (in the case of a Person other than the General Partner) not opposed to, the best interests of the Partnership and, with respect to any criminal proceeding, had no reasonable cause to believe its conduct was unlawful; provided, further, no indemnification pursuant to this Section 7.7 shall be available to the General Partner with respect to its obligations incurred pursuant to the Underwriting Agreement or the Contribution Agreements (other than obligations incurred by the General Partner on behalf of the Partnership). The termination of any action, suit or proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere, or its equivalent, shall not create a presumption that the Indemnitee acted in a manner contrary to that specified above. Any indemnification pursuant to this Section 7.7 shall be made only out of the assets of the Partnership, it being agreed that the General Partner shall not be personally liable for such indemnification and shall have no obligation to contribute or loan any monies or property to the Partnership to enable it to effectuate such indemnification.

(b) To the fullest extent permitted by law, expenses (including legal fees and expenses) incurred by an Indemnitee who is indemnified pursuant to Section 7.7(a) in defending any claim, demand, action, suit or proceeding shall, from time to time, be advanced by the Partnership prior to the final disposition of such claim, demand, action, suit or proceeding upon receipt by the Partnership of any undertaking by or on behalf of the Indemnitee to repay such amount if it shall be determined that the Indemnitee is not entitled to be indemnified as authorized in this Section 7.7.

(c) The indemnification provided by this Section 7.7 shall be in addition to any other rights to which an Indemnitee may be entitled under any agreement, pursuant to any vote of the Partners, as a matter of law or otherwise, both as to actions in the Indemnitee's capacity as an Indemnitee and as to actions in any other capacity (including any other capacity under the Underwriting Agreement), and shall continue as to an Indemnitee who has ceased to serve in such capacity and shall inure to the benefit of the heirs, successors, assigns and administrators of the Indemnitee.

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

(e) For purposes of this Section 7.7, the Partnership shall be deemed to have requested an Indemnitee to serve as fiduciary of an employee benefit plan whenever the performance by it of its duties to the Partnership also imposes duties on, or otherwise involves services by, it to the plan or participants or beneficiaries of the plan; excise taxes assessed on an Indemnitee with respect to an employee benefit plan pursuant to applicable law shall constitute "fines" within the meaning of Section 7.7; and action taken or omitted by it with respect to any employee benefit plan in the performance of its duties for a purpose reasonably believed by it to be in the interest of the participants and beneficiaries of the plan shall be deemed to be for a purpose that is in, or not opposed to, the best interests of the Partnership.

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

(g) An Indemnitee shall not be denied indemnification in whole or in part under this Section 7.7 because the Indemnitee had an interest in the transaction with respect to which the indemnification applies if the transaction was otherwise permitted by the terms of this Agreement.

(h) The provisions of this Section 7.7 are for the benefit of the Indemnitees, their heirs, successors, assigns and administrators and shall not be deemed to create any rights for the benefit of any other Persons.

(i) No amendment, modification or repeal of this Section 7.7 or any provision hereof shall in any manner terminate, reduce or impair the right of any past, present or future Indemnitee to be indemnified by the Partnership, nor the obligations of the Partnership to indemnify any such Indemnitee under and in accordance with the provisions of this Section 7.7 as in effect immediately prior to such amendment, modification or repeal with respect to claims arising from or relating to matters occurring, in whole or in part, prior to such amendment, modification or repeal, regardless of when such claims may arise or be asserted.

Section 7.8 *Liability of Indemnitees.* (a) Notwithstanding anything to the contrary set forth in this Agreement, no Indemnitee shall be liable for monetary damages to the Partnership, the Limited Partners, the Assignees or any other Persons who have acquired interests in the Units or other MLP securities, for losses sustained or liabilities incurred as a result of any act or omission if such Indemnitee acted in good faith.

(b) Subject to its obligations and duties as General Partner set forth in Section 7.1(a), the General Partner may exercise any of the powers granted to it by this Agreement and perform any of the duties imposed upon it hereunder either directly or by or through its agents, and the General Partner shall not be responsible for any misconduct or negligence on the part of any such agent appointed by the General Partner in good faith.

(c) To the extent that, at law or in equity, an Indemnitee has duties (including fiduciary duties) and liabilities relating thereto to the Partnership or to the Partners, the General Partner and any other Indemnitee acting in connection with the Partnership's business or affairs shall not be liable to the Partnership or to any Partner for its good faith reliance on the provisions of this Agreement. The provisions of this Agreement, to the extent that they restrict or otherwise modify the duties and liabilities of an Indemnitee otherwise existing at law or in equity, are agreed by the Partners to replace such other duties and liabilities of such Indemnitee.

(d) Any amendment, modification or repeal of this Section 7.8 or any provision hereof shall be prospective only and shall not in any way affect the limitations on the liability to the Partnership, the Limited Partners, the General Partner, and the Partnership's and General Partner's directors, officers and employees under this Section 7.8 as in effect immediately prior to such amendment, modification or repeal with respect to claims arising from or relating to matters occurring, in whole or in part, prior to such amendment, modification or repeal, regardless of when such claims may arise or be asserted.

Section 7.9 *Resolution of Conflicts of Interest.* (a) Unless otherwise expressly provided in this Agreement or the MLP Agreement, whenever a potential conflict of interest exists or arises between the General Partner or any of its Affiliates, on the one hand, and the Partnership, the MLP, any Partner or any Assignee, on the other, any resolution or course of action by the General Partner or its Affiliates in respect of such conflict of interest shall be permitted and deemed approved by all Partners, and shall not constitute a breach of this Agreement, of the MLP Agreement, of any agreement contemplated herein or therein, or of any duty stated or implied by law or equity, if the resolution or course of action is, or by operation of this Agreement is deemed to be, fair and reasonable to the Partnership. The General Partner shall be authorized but not required in connection with its resolution of such conflict of interest to seek Special Approval of such resolution. Any conflict of interest and any resolution of such conflict of interest shall be conclusively deemed fair and reasonable to the Partnership if such conflict of interest or resolution is (i) approved by Special Approval (as long as the material facts known to the General Partner or any of its Affiliates regarding any proposed transaction were disclosed to the Conflicts Committee at the time it gave its approval), (ii) on terms no less favorable to the Partnership than those generally being provided to or available from unrelated third parties or (iii) fair to the Partnership, taking into account the totality of the relationships between the parties involved (including other transactions that may be particularly favorable or advantageous to the Partnership). The General Partner may also adopt a resolution or course of action that has not received Special Approval. The General Partner (including the Conflicts Committee in connection with Special Approval) shall be authorized in connection with its determination of what is "fair and reasonable" to the Partnership and in connection with its resolution of any conflict of interest to consider (A) the relative interests of any party to such conflict, agreement, transaction or situation and the benefits and burdens relating to such interest; (B) any customary or accepted industry practices and any customary or historical dealings with a particular Person; (C) any applicable generally accepted accounting practices or principles; and (D) such additional factors as the General Partner (including the Conflicts Committee) determines in its sole discretion to be relevant, reasonable or appropriate under the circumstances. Nothing contained in this Agreement, however, is intended to nor shall it be construed to require the General Partner (including the Conflicts Committee) to consider the interests of any Person other than the Partnership. In the absence of bad faith by the General Partner, the resolution, action or terms so made, taken or provided by the General Partner with respect to such matter shall not constitute a breach of this Agreement or any other agreement contemplated herein or a breach of any standard of care or duty imposed herein or therein or, to the extent permitted by law, under the Delaware Act or any other law, rule or regulation.

(b) Whenever this Agreement or any other agreement contemplated hereby provides that the General Partner or any of its Affiliates is permitted or required to make a decision (i) in its "sole discretion" or "discretion," that it deems "necessary or appropriate" or "necessary or advisable" or

under a grant of similar authority or latitude, except as otherwise provided herein, the General Partner or such Affiliate shall be entitled to consider only such interests and factors as it desires and shall have no duty or obligation to give any consideration to any interest of, or factors affecting, the Partnership, the MLP, any Limited Partner or any Assignee, (ii) it may make such decision in its sole discretion (regardless of whether there is a reference to "sole discretion" or "discretion") unless another express standard is provided for, or (iii) in "good faith" or under another express standard, the General Partner or such Affiliate shall act under such express standard and shall not be subject to any other or different standards imposed by this Agreement, the MLP Agreement, any other agreement contemplated hereby or under the Delaware Act or any other law, rule or regulation. In addition, any actions taken by the General Partner or such Affiliate consistent with the standards of "reasonable discretion" set forth in the definition of Available Cash shall not constitute a breach of any duty of the General Partner to the Partnership or the Limited Partners. The General Partner shall have no duty, express or implied, to sell or otherwise dispose of any asset of the Partnership Group other than in the ordinary course of business. No borrowing by any Group Member or the approval thereof by the General Partner shall be deemed to constitute a breach of any duty of the General Partner to the Partnership or the Limited Partners by reason of the fact that the purpose or effect of such borrowing is directly or indirectly to (A) enable distributions to the General Partner or its Affiliates to exceed 0.001% of the total amount distributed to all Partners or (B) hasten the expiration of the Subordination Period or the conversion of any Subordinated Units into Common Units.

(c) Whenever a particular transaction, arrangement or resolution of a conflict of interest is required under this Agreement to be "fair and reasonable" to any Person, the fair and reasonable nature of such transaction, arrangement or resolution shall be considered in the context of all similar or related transactions.

(d) The Limited Partner hereby authorizes the General Partner, on behalf of the Partnership as a partner or member of a Group Member, to approve of actions by the general partner or managing member of such Group Member similar to those actions permitted to be taken by the General Partner pursuant to this Section 7.9.

Section 7.10 *Other Matters Concerning the General Partner.* (a) The General Partner may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, bond, debenture or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties.

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

(c) The General Partner shall have the right, in respect of any of its powers or obligations hereunder, to act through any of its duly authorized officers, a duly appointed attorney or attorneys-in-fact or the duly authorized officers of the Partnership.

(d) Any standard of care and duty imposed by this Agreement or under the Delaware Act or any applicable law, rule or regulation shall be modified, waived or limited, to the extent permitted by law, as required to permit the General Partner to act under this Agreement or any other agreement contemplated by this Agreement and to make any decision pursuant to the authority prescribed in this Agreement, so long as such action is reasonably believed by the General Partner to be in, or not inconsistent with, the best interests of the Partnership.

Section 7.11 *Reliance by Third Parties.* Notwithstanding anything to the contrary in this Agreement, any Person dealing with the Partnership shall be entitled to assume that the General Partner and any officer of the General Partner authorized by the General Partner to act on behalf of and in the name of the Partnership has full power and authority to encumber, sell or otherwise use in any manner any and all assets of the Partnership and to enter into any authorized contracts on behalf of the Partnership, and such Person shall be entitled to deal with the General Partner or any such officer as if it were the Partnership's sole party in interest, both legally and beneficially. Each Limited Partner hereby waives any and all defenses or other remedies that may be available against such Person to contest, negate or disaffirm any action of the General Partner or any such officer in connection with any such dealing. In no event shall any Person dealing with the General Partner or any such officer or its representatives be obligated to ascertain that the terms of the Agreement have been complied with or to inquire into the necessity or expedience of any act or action of the General Partner or any such officer or its representatives. Each and every certificate, document or other instrument executed on behalf of the Partnership by the General Partner or its representatives shall be conclusive evidence in favor of any and every Person relying thereon or claiming thereunder that (a) at the time of the execution and delivery of such certificate, document or instrument, this Agreement was in full force and effect, (b) the Person executing and delivering such certificate, document or instrument was duly authorized and empowered to do so for and on behalf of the Partnership and (c) such certificate, document or instrument was duly executed and delivered in accordance with the terms and provisions of this Agreement and is binding upon the Partnership.

Section 7.12 *Management in the Event of Failure to Pay Distributable Coupon and other Defaults.* Notwithstanding any other provision of this Agreement, during the period (a) commencing on the date that the Partnership (1) has not distributed to the holders of OLP Preferred Units an amount equal to the Distributable But Not Distributed Coupon pursuant to subclause (a)(i) of Section 6.3 for eight consecutive Quarters, (2) issues Partnership Securities without approval of the holders of 66.66% of the OLP Preferred Units required by Section 5.8 or (3) fails to comply with any obligation to redeem the OLP Preferred Units pursuant to Section 4.5(b) (determined without regard to Section 4.5(g)) or purchase the OLP Preferred Units pursuant to Section 4.6 (determined without regard to Section 4.6(e)) and (b) ending on the date that (1) the Partnership distributes to the holders of OLP Preferred Units an amount equal to the Distributable But Not Distributed Coupon pursuant to subclause (a)(i) of Section 6.3, (2) the Partnership Securities referred to in subclause (a)(2) are no longer outstanding, (3) the Partnership complies with any obligation to redeem the OLP Preferred Units pursuant to Section 4.5(b) or purchase the OLP Preferred Units pursuant to Section 4.6 or (4) the General Partner Interest of the Existing GP (as defined below) is transferred in connection with any foreclosure on such General Partner Interest pledged solely for the purpose of securing, directly or indirectly, indebtedness of the Partnership or the MLP (the "Default Period") all management powers over the business and affairs of the Partnership shall be vested exclusively in any Person designated by the holders of a majority of the OLP Preferred Units (the "Default GP") and the general partner at the time of the commencement of the Default Period (the "Existing GP") shall cause the Default GP to become a general partner of the Partnership (without being required to make any contribution and without any right to distributions). During the Default Period, neither the Existing GP nor any Limited Partner or Assignee shall have any management power or control over the business and affairs of the Partnership. In order to enable the Default GP to manage the business and affairs of the Partnership, the Existing GP hereby delegates to the Default GP during the Default Period all management powers over the business and affairs of the Partnership that it may now or hereafter possess under applicable law. The Existing GP further agrees to take any and all action necessary and appropriate, in the sole discretion of the Default GP, to effect the provisions of this Section 7.12 and any duly authorized actions by the Default GP, including amending this Agreement, executing or filing any agreements, instruments or certificates, delivering all documents, providing all information and taking or refraining from taking action as may be necessary or appropriate to achieve the effective delegation of power

described in this Section 7.12. Each of the Partners and Assignees and each Person who may acquire an interest in a Partnership Interest hereby approves, consents to, ratifies and confirms such delegation. The delegation by the Existing GP to the Default GP of management powers over the business and affairs of the Partnership pursuant to the provisions of this Agreement shall not cause the Existing GP to cease to be a general partner of the Partnership. Immediately following the Default Period, the Default GP shall be deemed to have automatically withdrawn as a general partner of the Partnership without, however, causing a dissolution of the Partnership, and the delegation by the Existing GP to the Default GP of management powers over the business and affairs of the Partnership pursuant to this Section 7.12 shall automatically be revoked. The remedy of the holders of OLP Preferred Units in the event of the Partnership's (1) failure to distribute to the holders of OLP Preferred Unites an amount equal to the Distributable But Not Distributed Coupon pursuant to subclause (a)(i) of Section 6.3, (2) issuance of Partnership Securities without approval of the holders of 66.66% of the OLP Preferred Units required by Section 5.8 or (3) failure to comply with any obligation to redeem the OLP Preferred Units pursuant to Section 4.5(b) or purchase the OLP Preferred Units pursuant to Section 4.6 shall be limited to the rights set forth in this Section 7.12.

ARTICLE VIII

BOOKS, RECORDS AND ACCOUNTING

Section 8.1 *Records and Accounting.* The General Partner shall keep or cause to be kept at the principal office of the Partnership appropriate books and records with respect to the Partnership's business, including all books and records necessary to provide to the Limited Partners any information required to be provided pursuant to Section 3.4(a). Any books and records maintained by or on behalf of the Partnership in the regular course of its business, including books of account and records of Partnership proceedings, may be kept on, or be in the form of, computer disks, hard drives, punch cards, magnetic tape, photographs, micrographics or any other information storage device; provided, that the books and records so maintained are convertible into clearly legible written form within a reasonable period of time. The books of the Partnership shall be maintained, for financial reporting purposes, on an accrual basis in accordance with U.S. GAAP.

Section 8.2 *Fiscal Year.* The fiscal year of the Partnership shall be a fiscal year ending December 31.

ARTICLE IX

TAX MATTERS

Section 9.1 *Tax Returns and Information.* The Partnership shall timely file any returns of the Partnership that are required for federal, state and local income tax purposes on the basis of the accrual method and a taxable year ending on December 31. Any tax information reasonably required by the Partners for federal and state income tax reporting purposes with respect to a taxable year shall be furnished to them within 90 days of the close of the calendar year in which the Partnership's taxable year ends. The classification, realization and recognition of income, gain, losses and deductions and other items shall be on the accrual method of accounting for income tax purposes.

Section 9.2 *Tax Elections.* (a) To the extent applicable for federal income tax purposes, the Partnership shall make the election under Section 754 of the Code in accordance with applicable regulations thereunder, subject to the reservation of the right to seek to revoke any such election upon the General Partner's determination that such revocation is in the best interests of the Limited Partners.

To the extent applicable for federal income tax purposes, the Partnership shall elect to deduct expenses incurred in organizing the Partnership ratably over a sixty-month period as provided in Section 709 of the Code.

(b) Except as otherwise provided herein, the General Partner shall determine whether the Partnership should make any other elections permitted by the Code.

Section 9.3 *Tax Controversies.* Subject to the provisions hereof, the General Partner is designated as the Tax Matters Partner (as defined in the Code) and is authorized and required to represent the Partnership (at the Partnership's expense) in connection with all examinations of the Partnership's affairs by tax authorities, including resulting administrative and judicial proceedings, and to expend Partnership funds for professional services and costs associated therewith. Each Partner agrees to cooperate with the General Partner and to do or refrain from doing any or all things reasonably required by the General Partner to conduct such proceedings.

Section 9.4 *Withholding.* Notwithstanding any other provision of this Agreement, the General Partner is authorized to take any action that it determines in its discretion to be necessary or appropriate to cause the Partnership to comply with any withholding requirements established under the Code or any other federal, state or local law including, without limitation, pursuant to Sections 1441, 1442, 1445 and 1446 of the Code. To the extent that the Partnership is required or elects to withhold and pay over to any taxing authority any amount resulting from the allocation or distribution of income to any Partner or Assignee (including, without limitation, by reason of Section 1446 of the Code), the amount withheld may at the discretion of the General Partner be treated by the Partnership as a distribution of cash pursuant to Section 6.3 in the amount of such withholding from such Partner.

ARTICLE X

ADMISSION OF PARTNERS

Section 10.1 *Partners.* Crosstex Operating GP, LLC is the general partner of the Partnership. MLP, Crosstex Louisiana Energy, L.P., a Delaware limited partnership, LIG Chemical Company, a Louisiana corporation, and LIG Liquids Holdings, L.P., a Delaware limited partnership are the limited partners of the Partnership.

Section 10.2 *Admission of Substituted Limited Partner.* By transfer of a Limited Partner Interest in accordance with Article IV, the transferor shall be deemed to have given the transferee the right to seek admission as a Substituted Limited Partner subject to the conditions of, and in the manner permitted under, this Agreement. A transferor of a Limited Partner Interest shall, however, only have the authority to convey to a purchaser or other transferee (a) the right to negotiate such Limited Partner Interest to a purchaser or other transferee and (b) the right to request admission as a Substituted Limited Partner to such purchaser or other transferee in respect of the transferred Limited Partner Interests. Each transferee of a Limited Partner Interest shall be an Assignee and be deemed to have applied to become a Substituted Limited Partner with respect to the Limited Partner Interests so transferred to such Person. Such Assignee shall become a Substituted Limited Partner (x) at such time as the General Partner consents thereto, which consent may be given or withheld in the General Partner's discretion, and (y) when any such admission is shown on the books and records of the Partnership. If such consent is withheld, such transferee shall remain an Assignee. An Assignee shall have an interest in the Partnership equivalent to that of a Limited Partner with respect to allocations and distributions, including liquidating distributions, of the Partnership. With respect to voting rights attributable to Limited Partner Interests that are held by Assignees, the General Partner shall be deemed to be the Limited Partner with respect thereto and shall, in exercising the voting rights in respect of such Limited Partner Interests on any matter, vote such Limited Partner Interests at the written direction of the Assignee. If no such written direction is received, such Partnership Interests will not be voted. An Assignee shall have no other rights of a Limited Partner. Notwithstanding the

foregoing, the transferee of a Limited Partner Interest acquired in connection with any foreclosure on such Limited Partner Interest pledged solely for the purpose of securing, directly or indirectly, indebtedness of the Partnership or the MLP shall, if such transferee so elects, be automatically admitted as a Substituted Limited Partner, without need for any further action or notice under this Agreement.

Section 10.3 *Admission of Additional Limited Partners.* (a) A Person (other than the General Partner or a Limited Partner) who makes a Capital Contribution to the Partnership in accordance with this Agreement shall be admitted to the Partnership as an Additional Limited Partner only upon furnishing to the General Partner:

(i) evidence of acceptance in form satisfactory to the General Partner of all of the terms and conditions of this Agreement, including the power of attorney granted in Section 2.6, and

(ii) such other documents or instruments as may be required in the discretion of the General Partner to effect such Person's admission as an Additional Limited Partner.

(b) Notwithstanding anything to the contrary in this Section 10.3, no Person shall be admitted as an Additional Limited Partner without the consent of the General Partner, which consent may be given or withheld in the General Partner's discretion. The admission of any Person as an Additional Limited Partner shall become effective on the date upon which the name of such Person is recorded as such in the books and records of the Partnership, following the consent of the General Partner to such admission.

Section 10.4 *Admission of Successor or Transferee General Partner.* A successor General Partner approved pursuant to Section 11.1 or 11.2 or the transferee of or successor to all of the General Partner's Partnership Interest pursuant to Section 4.2 who is proposed to be admitted as a successor General Partner shall, subject to compliance with the terms of Section 11.3, if applicable, be admitted to the Partnership as the General Partner, effective immediately prior to the withdrawal or removal of the predecessor or transferring General Partner pursuant to Section 11.1 or 11.2 or the transfer of the General Partner Interest pursuant to Section 4.2, provided, however, that no such successor shall be admitted to the Partnership until compliance with the terms of Section 4.2 has occurred and such successor has executed and delivered such other documents or instruments as may be required to effect such admission. Notwithstanding the foregoing, the transferee of a General Partner Interest acquired in connection with any foreclosure on such General Partner Interest pledged solely for the purpose of securing, directly or indirectly, indebtedness of the Partnership or the MLP shall, if its so elects, be automatically admitted as a successor General Partner, without need for any further action or notice under this Agreement. Any such successor shall, subject to the terms hereof, carry on the business of the members of the Partnership Group without dissolution.

Section 10.5 *Amendment of Agreement and Certificate of Limited Partnership.* To effect the admission to the Partnership of any Partner, the General Partner shall take all steps necessary and appropriate under the Delaware Act to amend the records of the Partnership to reflect such admission and, if necessary, to prepare as soon as practicable an amendment to this Agreement and, if required by law, the General Partner shall prepare and file an amendment to the Certificate of Limited Partnership, and the General Partner may for this purpose, among others, exercise the power of attorney granted pursuant to Section 2.6.

ARTICLE XI

WITHDRAWAL OR REMOVAL OF PARTNERS

Section 11.1 *Withdrawal of the General Partner.* (a) The General Partner shall be deemed to have withdrawn from the Partnership upon the occurrence of any one of the following events (each such event herein referred to as an "Event of Withdrawal");

(i) The General Partner voluntarily withdraws from the Partnership by giving written notice to the other Partners;

(ii) The General Partner transfers all of its rights as General Partner pursuant to Section 4.2;

(iii) The General Partner is removed pursuant to Section 11.2;

(iv) The General Partner (A) makes a general assignment for the benefit of creditors; (B) files a voluntary bankruptcy petition for relief under Chapter 7 of the United States Bankruptcy Code; (C) files a petition or answer seeking for itself a liquidation, dissolution or similar relief (but not a reorganization) under any law; (D) files an answer or other pleading admitting or failing to contest the material allegations of a petition filed against the General Partner in a proceeding of the type described in clauses (A)-(C) of this Section 11.1(a)(iv); or (E) seeks, consents to or acquiesces in the appointment of a trustee (but not a debtor-in-possession), receiver or liquidator of the General Partner or of all or any substantial part of its properties;

(v) A final and non-appealable order of relief under Chapter 7 of the United States Bankruptcy Code is entered by a court with appropriate jurisdiction pursuant to a voluntary or involuntary petition by or against the General Partner; or

(vi) (A) in the event the General Partner is a corporation, a certificate of dissolution or its equivalent is filed for the General Partner, or 90 days expire after the date of notice to the General Partner of revocation of its charter without a reinstatement of its charter, under the laws of its state of incorporation; (B) in the event the General Partner is a partnership or limited liability company, the dissolution and commencement of winding up of the General Partner; (C) in the event the General Partner is acting in such capacity by virtue of being a trustee of a trust, the termination of the trust; (D) in the event the General Partner is a natural person, his death or adjudication of incompetency; and (E) otherwise in the event of the termination of the General Partner.

If an Event of Withdrawal specified in Section 11.1(a)(iv), (v) or (vi)(A), (B), (C) or (E) occurs, the withdrawing General Partner shall give notice to the Limited Partners within 30 days after such occurrence. The Partners hereby agree that only the Events of Withdrawal described in this Section 11.1 shall result in the withdrawal of the General Partner from the Partnership.

(b) Withdrawal of the General Partner from the Partnership upon the occurrence of an Event of Withdrawal shall not constitute a breach of this Agreement under the following circumstances: (i) at any time during the period beginning on the Omnibus Agreement Closing Date and ending at 12:00 midnight, Eastern Standard Time, on December 31, 2012, the General Partner voluntarily withdraws by giving at least 90 days' advance notice of its intention to withdraw to the Limited Partners; provided that prior to the effective date of such withdrawal, the withdrawal is approved by the Limited Partners and the General Partner delivers to the Partnership an Opinion of Counsel ("Withdrawal Opinion of Counsel") that such withdrawal (following the selection of the successor General Partner) would not result in the loss of the limited liability of any Limited Partner or of the limited partners of the MLP or cause the Partnership or the MLP to be treated as an association taxable as a corporation or otherwise to be taxed as an entity for federal income tax purposes (to the extent not previously treated as such); (ii) at any time after 12:00 midnight, Eastern Standard Time, on December 31, 2012, the General Partner voluntarily withdraws by giving at least 90 days' advance notice to the Limited Partners, such withdrawal to take effect on the date specified in such notice; (iii) at any time that the General Partner ceases to be the General Partner pursuant to Section 11.1(a)(ii) or (iii). If the General Partner gives a notice of withdrawal pursuant to Section 11.1(a)(i) hereof, the Limited Partners may, prior to the effective date of such withdrawal, elect a successor General Partner. If, prior to the effective date of the General Partner's withdrawal, a successor is not selected by the Limited Partners

as provided herein or the Partnership does not receive a Withdrawal Opinion of Counsel, the Partnership shall be dissolved in accordance with Section 12.1. Any successor General Partner elected in accordance with the terms of this Section 11.1 shall be subject to the provisions of Section 10.3.

Section 11.2 *Removal of the General Partner.* The General Partner may be removed by the MLP. Upon the removal of the General Partner by the MLP, the MLP shall elect a successor general partner for the Partnership. The admission of any such successor General Partner to the Partnership shall be subject to the provisions of Section 10.3.

Section 11.3 *Interest of Departing Partner.* (a) The Partnership Interest of the Departing Partner departing as a result of withdrawal or removal pursuant to Section 11.1 or 11.2 shall be purchased by the successor to the Departing Partner for an amount in cash equal to the fair market value of such Partnership Interest, such amount to be determined and payable as of the effective date of the Departing Partner's departure. Such purchase shall be a condition to the admission to the Partnership of the successor as the General Partner. Any successor General Partner shall indemnify the Departing Partner as to all debts and liabilities of the Partnership arising on or after the effective date of the withdrawal or removal of the Departing Partner.

For purposes of this Section 11.3(a), the fair market value of the Departing Partner's General Partner Interest shall be determined by agreement between the Departing Partner and its successor or, failing agreement within 30 days after the effective date of such Departing Partner's departure, by an independent investment banking firm or other independent expert selected by the Departing Partner and its successor, which, in turn, may rely on other experts, and the determination of which shall be conclusive as to such matter. If such parties cannot agree upon one independent investment banking firm or other independent expert within 45 days after the effective date of such departure, then the Departing Partner shall designate an independent investment banking firm or other independent expert, the Departing Partner's successor shall designate an independent investment banking firm or other independent expert, and such firms or experts shall mutually select a third independent investment banking firm or independent expert, which third independent investment banking firm or other independent expert shall determine the fair market value of the General Partner Interest of the Departing Partner. In making its determination, such third independent investment banking firm or other independent expert may consider the value of the Partnership's assets, the rights and obligations of the Departing Partner and other factors it may deem relevant.

(b) The Departing Partner shall be entitled to receive all reimbursements due such Departing Partner pursuant to Section 7.4, including any employee-related liabilities (including severance liabilities), incurred in connection with the termination of any employees employed by such Departing Partner for the benefit of the Partnership.

Section 11.4 *Withdrawal of a Limited Partner.* Without the prior written consent of the General Partner, which may be granted or withheld in its sole discretion, and except as provided in Section 10.2, no Limited Partner shall have the right to withdraw from the Partnership.

ARTICLE XII

DISSOLUTION AND LIQUIDATION

Section 12.1 *Dissolution.* The Partnership shall not be dissolved by the admission of Substituted Limited Partners or Additional Limited Partners or by the admission of a successor General Partner in accordance with the terms of this Agreement. Upon the removal or withdrawal of the General Partner, if a successor General Partner is elected pursuant to Section 11.1 or 11.2, the Partnership shall not be dissolved and such successor General Partner shall continue the business of the Partnership. The Partnership shall dissolve, and (subject to Section 12.2) its affairs shall be wound up, upon:

(a) an Event of Withdrawal of the General Partner as provided in Section 11.1(a) (other than Section 11.1(a)(ii)), unless a successor is elected and an Opinion of Counsel is received as provided in Section 11.1(b) or 11.2 and such successor is admitted to the Partnership pursuant to Section 10.4;

(b) an election to dissolve the Partnership by the General Partner that is approved by all of the Limited Partners;

(c) the entry of a decree of judicial dissolution of the Partnership pursuant to the provisions of the Delaware Act;

(d) the sale of all or substantially all of the assets and properties of the Partnership Group; or

(e) the dissolution of the MLP.

Section 12.2 *Continuation of the Business of the Partnership After Dissolution.* Upon dissolution of the Partnership following an Event of Withdrawal caused by the withdrawal or removal of the General Partner as provided in Section 11.1(a)(i) or (iii) and the failure of the Partners to select a successor to such Departing Partner pursuant to Section 11.1 or 11.2, then within 90 days thereafter, all of the Limited Partners may elect to reconstitute the Partnership and continue its business on the same terms and conditions set forth in this Agreement by forming a new limited partnership on terms identical to those set forth in this Agreement and having as a general partner a Person approved by a majority in interest of the Limited Partners. In addition, upon dissolution of the Partnership pursuant to Section 12.1(e), if the MLP is reconstituted pursuant to Section 12.2 of the MLP Agreement, the reconstituted MLP may, within 180 days after such event of dissolution, acting alone, regardless of whether there are any other Limited Partners, elect to reconstitute the Partnership in accordance with the immediately preceding sentence. Upon any such election by the Limited Partners or the MLP, as the case may be, all Partners shall be bound thereby and shall be deemed to have approved same. Unless such an election is made within the applicable time period as set forth above, the Partnership shall conduct only activities necessary to wind up its affairs. If such an election is so made, then:

(a) the reconstituted Partnership shall continue unless earlier dissolved in accordance with this Article XII;

(b) if the successor General Partner is not the former General Partner, then the interest of the former General Partner shall be purchased by the successor General Partner; and

(c) all necessary steps shall be taken to cancel this Agreement and the Certificate of Limited Partnership and to enter into and, as necessary, to file, a new partnership agreement and certificate of limited partnership, and the successor General Partner may for this purpose exercise the powers of attorney granted the General Partner pursuant to Section 2.6; provided, that the right to approve a successor General Partner and to reconstitute and to continue the business of the Partnership shall not exist and may not be exercised unless the Partnership has received an Opinion of Counsel that (x) the exercise of the right would not result in the loss of limited liability of the Limited Partners or any limited partner of the MLP and (y) neither the Partnership, the reconstituted limited partnership, the

MLP nor any Group Member would be treated as an association taxable as a corporation or otherwise be taxable as an entity for federal income tax purposes upon the exercise of such right to continue.

Section 12.3 *Liquidator.* Upon dissolution of the Partnership, unless the Partnership is continued under an election to reconstitute and continue the Partnership pursuant to Section 12.2, the General Partner shall select one or more Persons to act as Liquidator. The Liquidator (if other than the General Partner) shall be entitled to receive such compensation for its services as may be approved by a majority of the Limited Partners. The Liquidator (if other than the General Partner) shall agree not to resign at any time without 15 days' prior notice and may be removed at any time, with or without cause, by notice of removal approved by a majority in interest of the Limited Partners. Upon dissolution, removal or resignation of the Liquidator, a successor and substitute Liquidator (who shall have and succeed to all rights, powers and duties of the original Liquidator) shall within 30 days thereafter be approved by at least a majority in interest of the Limited Partners. The right to approve a successor or substitute Liquidator in the manner provided herein shall be deemed to refer also to any such successor or substitute Liquidator approved in the manner herein provided. Except as expressly provided in this Article XII, the Liquidator approved in the manner provided herein shall have and may exercise, without further authorization or consent of any of the parties hereto, all of the powers conferred upon the General Partner under the terms of this Agreement (but subject to all of the applicable limitations, contractual and otherwise, upon the exercise of such powers, other than the limitation on sale set forth in Section 7.3(b)) to the extent necessary or desirable in the good faith judgment of the Liquidator to carry out the duties and functions of the Liquidator hereunder for and during such period of time as shall be reasonably required in the good faith judgment of the Liquidator to complete the winding up and liquidation of the Partnership as provided for herein.

Section 12.4 *Liquidation* The Liquidator shall proceed to dispose of the assets of the Partnership, discharge its liabilities, and otherwise wind up its affairs in such manner and over such period as the Liquidator determines to be in the best interest of the Partners, subject to Section 17-804 of the Delaware Act and the following:

(a) *Disposition of Assets.* The assets may be disposed of by public or private sale or by distribution in kind to one or more Partners on such terms as the Liquidator and such Partner or Partners may agree. If any property is distributed in kind, the Partner receiving the property shall be deemed for purposes of Section 12.4(c) to have received cash equal to its fair market value; and contemporaneously therewith, appropriate cash distributions must be made to the other Partners. The Liquidator may, in its absolute discretion, defer liquidation or distribution of the Partnership's assets for a reasonable time if it determines that an immediate sale or distribution of all or some of the Partnership's assets would be impractical or would cause undue loss to the Partners. The Liquidator may, in its absolute discretion, distribute the Partnership's assets, in whole or in part, in kind if it determines that a sale would be impractical or would cause undue loss to the Partners.

(b) *Discharge of Liabilities.* Liabilities of the Partnership include amounts owed to the Liquidator as compensation for serving in such capacity (subject to the terms of Section 12.3) and amounts owed to Partners otherwise than in respect of their distribution rights under Article VI. With respect to any liability that is contingent, conditional or unmatured or is otherwise not yet due and payable, the Liquidator shall either settle such claim for such amount as it thinks appropriate or establish a reserve of cash or other assets to provide for its payment. When paid, any unused portion of the reserve shall be distributed as additional liquidation proceeds.

(c) *Liquidation Distributions*. All property and all cash in excess of that required to discharge liabilities as provided in Section 12.4(b) shall be distributed as set out in Section 6.3.

Section 12.5 *Cancellation of Certificate of Limited Partnership.* Upon the completion of the distribution of Partnership cash and property as provided in Section 12.4 in connection with the liquidation of the Partnership, the Partnership shall be terminated and the Certificate of Limited

Partnership, and all qualifications of the Partnership as a foreign limited partnership in jurisdictions other than the State of Delaware, shall be canceled and such other actions as may be necessary to terminate the Partnership shall be taken.

Section 12.6 *Return of Contributions.* The General Partner shall not be personally liable for, and shall have no obligation to contribute or loan any monies or property to the Partnership to enable it to effectuate, the return of the Capital Contributions of the Limited Partners, or any portion thereof, it being expressly understood that any such return shall be made solely from Partnership assets.

Section 12.7 *Waiver of Partition.* To the maximum extent permitted by law, each Partner hereby waives any right to partition of the Partnership property.

ARTICLE XIII

AMENDMENT OF PARTNERSHIP AGREEMENT

Section 13.1 *Amendment to be Adopted Solely by the General Partner.* Each Partner agrees that the General Partner, without the approval of any Partner or Assignee, may amend any provision of this Agreement and execute, swear to, acknowledge, deliver, file and record whatever documents may be required in connection therewith, to reflect:

(a) a change in the name of the Partnership, the location of the principal place of business of the Partnership, the registered agent of the Partnership or the registered office of the Partnership;

(b) admission, substitution, withdrawal or removal of Partners in accordance with this Agreement;

(c) a change that, in the sole discretion of the General Partner, is necessary or advisable to qualify or continue the qualification of the Partnership as a limited partnership or a partnership in which the Limited Partners have limited liability under the laws of any state or to ensure that no Group Member will be treated as an association taxable as a corporation or otherwise taxed as an entity for federal income tax purposes;

(d) a change that, in the discretion of the General Partner, (i) does not adversely affect the Limited Partners (including any particular class of Partnership Interests as compared to other classes of Partnership Interests) in any material respect, (ii) is necessary or advisable to (A) satisfy any requirements, conditions or guidelines contained in any opinion, directive, order, ruling or regulation of any federal or state agency or judicial authority or contained in any federal or state statute (including the Delaware Act) or (B) facilitate the trading of limited partner interests of the MLP (including the division of any class or classes of outstanding limited partner interests of the MLP into different classes to facilitate uniformity of tax consequences within such classes of limited partner interests of the MLP) or comply with any rule, regulation, guideline or requirement of any National Securities Exchange on which such limited partner interests are or will be listed for trading, compliance with any of which the General Partner determines in its discretion to be in the best interests of the MLP and the limited partners of the MLP, (iii) is required to effect the intent expressed in the Registration Statement or the intent of the provisions of this Agreement or is otherwise contemplated by this Agreement or (iv) is required to conform the provisions of this Agreement with the provisions of the MLP Agreement as the provisions of the MLP Agreement may be amended, supplemented or restated from time to time;

(e) a change in the fiscal year or taxable year of the Partnership and any changes that, in the discretion of the General Partner, are necessary or advisable as a result of a change in the fiscal year or taxable year of the Partnership including, if the General Partner shall so determine, a change in the definition of "Quarter" and the dates on which distributions are to be made by the Partnership;

(f) an amendment that is necessary, in the Opinion of Counsel, to prevent the Partnership, or the General Partner or its members, directors, officers, trustees or agents from in any manner being subjected to the provisions of the Investment Company Act of 1940, as amended, the Investment

Advisers Act of 1940, as amended, or "plan asset" regulations adopted under the Employee Retirement Income Security Act of 1974, as amended, regardless of whether such are substantially similar to plan asset regulations currently applied or proposed by the United States Department of Labor;

(g) any amendment expressly permitted in this Agreement to be made by the General Partner acting alone;

(h) an amendment effected, necessitated or contemplated by a Merger Agreement approved in accordance with Section 14.3;

(i) an amendment that, in the discretion of the General Partner, is necessary or advisable to reflect, account for and deal with appropriately the formation by the Partnership of, or investment by the Partnership in, any corporation, partnership, joint venture, limited liability company or other entity, in connection with the conduct by the Partnership of activities permitted by the terms of Section 2.4;

(j) a merger or conveyance pursuant to Section 14.3(d); or

(k) any other amendments substantially similar to the foregoing.

Section 13.2 *Amendment Procedures.* Except with respect to amendments of the type described in Section 13.1 and 13.3, all amendments to this Agreement shall be made in accordance with the following requirements: Amendments to this Agreement may be proposed only by or with the consent of the General Partner, which consent may be given or withheld in its sole discretion. A proposed amendment shall be effective upon its approval by the holders of a majority of the outstanding OLP Common Units, unless a greater or different percentage is required under this Agreement or by Delaware law.

Section 13.3 *Amendment Requirements.*

(a) Notwithstanding the provisions of Sections 13.1 and 13.2, no provision of this Agreement that establishes a percentage of outstanding Units required to take any action shall be amended, altered, changed, repealed or rescinded in any respect that would have the effect of reducing such voting percentage unless such amendment is approved by the written consent or the affirmative vote of holders of outstanding Units whose aggregate outstanding Units constitute not less than the voting requirement sought to be reduced.

(b) Except as provided in Section 14.3, and without limitation of the General Partner's authority to adopt amendments to this Agreement without the approval of any Partners or Assignees as contemplated in Section 13.1, any amendment that would have a material adverse effect on the rights or preferences of any class of Partnership Interests must be approved by the holders of not less than 66.66% of the outstanding Partnership Interests of the class affected.

ARTICLE XIV

MERGER

Section 14.1 *Authority.* The Partnership may merge or consolidate with one or more corporations, limited liability companies, business trusts or associations, real estate investment trusts, common law trusts or unincorporated businesses, including a general partnership or limited partnership, formed under the laws of the State of Delaware or any other state of the United States of America, pursuant to a written agreement of merger or consolidation ("Merger Agreement") in accordance with this Article XIV.

Section 14.2 *Procedure for Merger or Consolidation.* Merger or consolidation of the Partnership pursuant to this Article XIV requires the prior approval of the General Partner. If the General Partner

shall determine, in the exercise of its discretion, to consent to the merger or consolidation, the General Partner shall approve the Merger Agreement, which shall set forth:

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

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

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

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

(e) a statement of any changes in the constituent documents or the adoption of new constituent documents (the articles or certificate of incorporation, articles of trust, declaration of trust, certificate or agreement of limited partnership or other similar charter or governing document) of the Surviving Business Entity to be effected by such merger or consolidation;

(f) the effective time of the merger, which may be the date of the filing of the certificate of merger pursuant to Section 14.4 or a later date specified in or determinable in accordance with the Merger Agreement (provided, that if the effective time of the merger is to be later than the date of the filing of the certificate of merger, the effective time shall be fixed no later than the time of the filing of the certificate of merger and stated therein); and

(g) such other provisions with respect to the proposed merger or consolidation as are deemed necessary or appropriate by the General Partner.

Section 14.3 *Approval by Limited Partners of Merger or Consolidation.* (a) Except as provided in Section 14.3(d), the General Partner, upon its approval of the Merger Agreement, shall direct that the Merger Agreement be submitted to a vote of the Limited Partners, whether at a special meeting or by written consent, in either case in accordance with the requirements of Article XIII. A copy or a summary of the Merger Agreement shall be included in or enclosed with the notice of a special meeting or the written consent.

(b) Except as provided in Section 14.3(d), the Merger Agreement shall be approved upon receiving the affirmative vote or consent of the holders of a majority of the OLP Common Units unless the Merger Agreement contains any provision that, if contained in an amendment to this Agreement, the provisions of this Agreement or the Delaware Act would require for its approval the vote or consent of a greater percentage of the outstanding Units or of any class of Limited Partners, in which case such greater percentage vote or consent shall be required for approval of the Merger Agreement.

(c) Except as provided in Section 14.3(d), after such approval and at any time prior to the filing of the certificate of merger pursuant to Section 14.4, the merger or consolidation may be abandoned pursuant to provisions therefor, if any, set forth in the Merger Agreement.

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

Section 14.4 *Certificate of Merger.* Upon the required approval by the General Partner and the Limited Partners of a Merger Agreement, a certificate of merger shall be executed and filed with the Secretary of State of the State of Delaware in conformity with the requirements of the Delaware Act.

Section 14.5 *Effect of Merger.*

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

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

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

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

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

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

ARTICLE XV

GENERAL PROVISIONS

Section 15.1 *Addresses and Notices.* Any notice, demand, request, report or proxy materials required or permitted to be given or made to a Partner or Assignee under this Agreement shall be in writing and shall be deemed given or made when delivered in person or when sent by first class United States mail or by other means of written communication to the Partner or Assignee at the address appearing on the books and records of the Partnership. Any notice to the Partnership shall be deemed given if received by the General Partner at the principal office of the Partnership designated pursuant to Section 2.3. The General Partner may rely and shall be protected in relying on any notice or other document from a Partner, Assignee or other Person if believed by it to be genuine.

Section 15.2 *Further Action.* The parties shall execute and deliver all documents, provide all information and take or refrain from taking action as may be necessary or appropriate to achieve the purposes of this Agreement.

Section 15.3 *Binding Effect.* This Agreement shall be binding upon and inure to the benefit of the parties hereto and their heirs, executors, administrators, successors, legal representatives and permitted assigns.

Section 15.4 *Integration.* This Agreement constitutes the entire agreement among the parties hereto pertaining to the subject matter hereof and supersedes all prior agreements and understandings pertaining thereto.

Section 15.5 *Creditors.* None of the provisions of this Agreement shall be for the benefit of, or shall be enforceable by, any creditor of the Partnership.

Section 15.6 *Waiver.* No failure by any party to insist upon the strict performance of any covenant, duty, agreement or condition of this Agreement or to exercise any right or remedy consequent upon a breach thereof shall constitute waiver of any breach of any other covenant, duty, agreement or condition.

Section 15.7 *Counterparts.* This Agreement 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. Each party shall become bound by this Agreement immediately upon affixing its signature hereto, independently of the signature of any other party.

Section 15.8 *Applicable Law.* This Agreement 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 15.9 *Invalidity of Provisions.* If any provision of this Agreement is or becomes invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not be affected thereby.

Section 15.10 *Consent of Partners.* Each Partner hereby expressly consents and agrees that, whenever in this Agreement it is specified that an action may be taken upon the affirmative vote or consent of less than all of the Partners, such action may be so taken upon the concurrence of less than all of the Partners and each Partner shall be bound by the results of such action.

[Remainder of Page Intentionally Left Blank]

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

GENERAL PARTNER:

CROSSTEX OPERATING GP, LLC

By: /s/ JAMES R. WALES

Name: James R. Wales

Title: Executive Vice-President

LIMITED PARTNERS:
CROSSTEX ENERGY, L.P.

By: Crosstex Energy GP, L.P.
its general partner

By: Crosstex Energy GP, LLC
its general partner

By: /s/ WILLIAM W. DAVIS

Name: William W. Davis

Title: Executive Vice-President

CROSSTEX LOUISIANA ENERGY, L.P.,
a Delaware limited partnership

By: Crosstex Energy GP, LLC
its general partner

By: /s/ WILLIAM W. DAVIS

Name: William W. Davis

Title: Executive Vice-President

LIG CHEMICAL COMPANY,
a Louisiana corporation

By: /s/ WILLIAM W. DAVIS

Name: William W. Davis

Title: Executive Vice-President

LIG LIQUIDS HOLDINGS, L.P.,
a Delaware limited partnership

By: Crosstex Louisiana Energy, L.P.
its general partner

By: Crosstex Operating GP, LLC
its general partner

By: /s/ WILLIAM W. DAVIS

Name: William W. Davis

Title:

QuickLinks

Exhibit 10.1

THIRD AMENDMENT

THIS THIRD AMENDMENT TO SECOND AMENDED AND RESTATED CREDIT AGREEMENT (this "*Amendment*") is entered into as of the 1st day of April, 2004 by and among each of the persons listed on the signature pages hereof as banks (the "*Banks*"), Crosstex Energy Services, L.P., a Delaware limited partnership (the "*Borrower*"), and Union Bank of California, N.A., as administrative agent (the "*Administrative Agent*").

BACKGROUND

A. The Banks, the Administrative Agent and the Borrower are parties to that certain Second Amended and Restated Credit Agreement dated as of November 26, 2002, as amended by the First Amendment dated as of June 3, 2003 and the Second Amendment dated as of October 30, 2003 (said Agreement, as so amended, herein called the "*Credit Agreement*"). Terms defined in the Credit Agreement and not otherwise defined herein have the same respective meanings when used herein.

B. Crosstex Louisiana Energy, L.P., a Delaware limited partnership and Subsidiary of the Limited Partner ("*Crosstex Louisiana*"), intends to acquire all of the capital stock of LIG Pipeline Company, a Nevada corporation ("*LIG*"), (the "*LIG Acquisition*") pursuant to the Purchase and Sale Agreement dated as of February 13, 2004 between the Limited Partner and AEP Energy Services Investments, Inc., a Delaware corporation (the "*Seller*"), as amended by the First Amendment dated as of February 13, 2004 between the Limited Partner and the Seller (as amended the "*LIG Purchase and Sale Agreement*"), and all other agreements, instruments or documents executed in connection therewith or otherwise related to the LIG Acquisition (collectively, the "*LIG Acquisition Documents*").

C. In order to effect the LIG Acquisition, the Borrower will borrow Advances under the Credit Agreement and make a cash distribution to the Limited Partner in the amount of such Advances (the "*Cash Distribution*"). The Limited Partner will loan the Cash Distribution to Crosstex Louisiana in order to fund all or part of the purchase price in connection with the LIG Acquisition. In connection with the LIG Acquisition, the Borrower and its Partners will effect a reorganization as described more fully in the Omnibus Agreement dated as of March 31, 2004 among the Limited Partner, the Borrower, Crosstex Louisiana, Crosstex Operating GP, LLC, a Delaware limited liability company, the General Partner, LIG Liquids Holdings, L.P., a Delaware limited partnership, Crosstex Tuscaloosa, LLC, a Louisiana limited liability company, Crosstex Treating Services GP, LLC, a Delaware limited liability company, Crosstex Acquisition Management GP, LLC, a Delaware limited liability company, and Crosstex Gulf Coast Marketing Ltd., a Texas limited partnership (the "*Omnibus Agreement*"), which specifically provides that (1) Crosstex Louisiana will subsequently transfer substantially all of the assets acquired pursuant to the LIG Acquisition Documents to the Borrower and its Subsidiaries, (2) Crosstex Operating GP, LLC will be substituted as the general partner of Borrower, and (3) Crosstex Acquisition Management GP, LLC and Crosstex Treating Services GP, LLC will merge with and into Crosstex Energy Services GP, LLC (the "*Reorganization*").

D. The Borrower has requested, and the Banks have agreed, to (1) consent to the LIG Acquisition, the Cash Distribution and the subsequent Reorganization, (2) increase the aggregate amount of the Revolver A Commitments to $100,000,000 and the Revolver B Commitments to $100,000,000 and (3) make certain other amendments to the Credit Agreement.

E. In addition, the parties hereto wish to add each of BNP Paribas, General Electric Capital Corporation and Guaranty Bank as a "Bank" under the Credit Agreement (the "*New Banks*").

AGREEMENT

NOW THEREFORE, in consideration of the covenants, conditions and agreements hereafter set forth, and for other good and valuable consideration, the receipt and adequacy of which are all hereby acknowledged, the parties hereto covenant and agree as follows:

Section 1. *Amendments*.

(a) Schedules 1 and 2 to the Credit Agreement are hereby deleted in their entirety and Schedules 1 and 2 attached hereto are hereby substituted therefor.

(b) The definition of "Applicable Margin" is hereby amended in its entirety as follows:

"*Applicable Margin*" means, as of any date of determination, the following percentages determined as a function of the Borrower's Leverage Ratio:

Leverage Ratio	Eurodollar Rate Advances	Reference Rate Advances	Commitment Fees	Letter of Credit Fees
> 3.00	2.50%	1.00%	0.50%	1.75%
> 2.50 and £3.00	2.25%	0.75%	0.50%	1.75%
> 2.00 and £2.50	2.00%	0.50%	0.375%	1.50%
£2.00	1.75%	0.25%	0.375%	1.50%

The foregoing ratio (a) shall be determined as if the Leverage Ratio is less than or equal to 2.50 but greater than 2.00 for the period from the Third Amendment Effective Date through the date financial statements are delivered pursuant to Section 5.01(c) for the fiscal quarter ending March 31, 2004, and (b) shall thereafter be determined from the financial statements of the Borrower and its Subsidiaries most recently delivered pursuant to Section 5.01(c) or Section 5.01(d) and certified to by a Responsible Officer in accordance with such Sections. Any change in the Applicable Margin shall be effective upon the date of delivery of the financial statements pursuant to Section 5.01(c) or Section 5.01(d), as the case may be, and receipt by the Administrative Agent of the compliance certificate required by such Sections. If the Borrower fails to deliver any financial statements within the times specified in Section 5.01(c) or 5.01(d), as the case may be, such ratio shall be determined as if the Leverage Ratio is greater than 3.00 from the date the Administrative Agent notifies the Borrower and the Banks that such financial statements should have been delivered until the Borrower delivers such financial statements to the Administrative Agent and the Banks. Notwithstanding the foregoing, if at any time the ratings applicable to the senior, unsecured, long-term indebtedness for borrowed money of the Borrower, the MLP, and/or any Subsidiary thereof that is not guaranteed by any other Person (other than the Borrower, the MLP, the General Partner or any Subsidiary thereof) or subject to any other credit enhancement are either (i) BB or higher by S&P and Ba2 or higher by Moody's or (ii) 2 or higher by the National Association of Insurance Commissioners, then the Applicable Margin with respect to Eurodollar Rate Advances shall be reduced by 0.25%.

(c) The following new definitions are hereby added to Section 1.01 of the Credit Agreement in appropriate alphabetical order:

"*Finance Entity*" means any Subsidiary of the MLP that is not also a Subsidiary of the Borrower and that is formed for the purpose of issuing Debt specifically permitted by Section 6.02(k).

"*LIG Acquisition*" means the acquisition of LIG Pipeline Company, a Nevada corporation, pursuant to the LIG Purchase and Sale Agreement.

"*LIG Acquisition Documents*" means the LIG Purchase and Sale Agreement and all other agreements, instruments or documents executed in connection therewith or otherwise related to the LIG Acquisition.

"*LIG Purchase and Sale Agreement*" means the Purchase and Sale Agreement dated as of February 13, 2004 between the MLP and AEP Energy Services Investments, Inc., a Delaware corporation (the "*Seller*"), as amended by the First Amendment dated as of February 13, 2004 between the MLP and the Seller.

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

"*OLP Common Units*" has the meaning set forth in the Borrower Partnership Agreement.

"*OLP Preferred Units*" has the meaning set forth in the Borrower Partnership Agreement.

"*Third Amendment*" means the Third Amendment dated as of April 1, 2004 among the Borrower, the Banks and the Administrative Agent.

"*Third Amendment Effective Date*" means the date on which the Third Amendment to this Agreement becomes effective.

(d) The definition of "Asset-Based Audits" in Section 1.01 of the Credit Agreement is hereby deleted.

(e) The definition of "Banks" in Section 1.01 of the Credit Agreement is hereby amended in its entirety as follows:

"*Banks*" means the lenders listed on Schedule 1 hereto and each Eligible Assignee that shall become a party to this Agreement pursuant to Section 9.06.

(f) The definition of "Change of Control" in Section 1.01 of the Credit Agreement is hereby amended in its entirety as follows:

"*Change of Control*" means (a) the General Partner is no longer the sole general partner of the Borrower, (b) the MLP owns less than 99.999% of the OLP Common Units, (c) the failure of the MLP to own, directly or indirectly, 100% of the outstanding equity interests of any holder of the OLP Preferred Units or (d) individuals who, at the beginning of any period of 12 consecutive months, constitute the General Partner's Board of Directors cease for any reason (other than death or disability) to constitute a majority of the General Partner's Board of Directors then in office.

(g) The definition of "General Partner" in Section 1.01 of the Credit Agreement is hereby amended in its entirety as follows:

"*General Partner*" means Crosstex Operating GP, LLC, a Delaware limited liability company.

(h) The definitions of "Guarantor", "Guaranty", and "Reorganization" in Section 1.01 of the Credit Agreement are hereby amended by replacing "Limited Partner" with "MLP" therein.

(i) The definition of "Limited Partner" in Section 1.01 of the Credit Agreement is hereby amended in its entirety as follows:

"*Limited Partners*" means the MLP and the holders of the OLP Preferred Units.

(j) Each reference in the Credit Agreement to "Limited Partner" shall be amended to refer to "Limited Partners".

(k) The definition of "Note Agreement" in Section 1.01 of the Credit Agreement is hereby amended in its entirety as follows:

"*Note Agreement*" means the Master Shelf Agreement dated as of June 3, 2003 among the Borrower, Prudential Investment Management, Inc. and each of the initial noteholders party thereto, as amended by the Letter Amendment No. 1 dated as of April 1, 2004, as the same may be amended, modified or supplemented from time-to-time as permitted by this Agreement.

(l) The definition of "Responsible Officer" in Section 1.01 of the Credit Agreement is hereby amended in its entirety as follows:

"*Responsible Officer*" means the Chief Executive Officer, President, Chief Financial Officer, any Executive Vice President, any Senior Vice President, any Vice President, Treasurer or Assistant Treasurer of the General Partner.

(m) The definition of "Pledge Agreements" in Section 1.01 of the Credit Agreement is hereby amended in its entirety as follows:

"*Pledge Agreement*" means, collectively, (a) the Amended and Restated Pledge Agreement among the Partners and the Collateral Agent in form and substance reasonably satisfactory to the Collateral Agent and the Banks, and (b) any other pledge agreements executed at any time in connection with securing any Obligations, in each case as the same may hereafter be amended, modified or supplemented from time-to-time.

(n) Section 2.01(b) of the Credit Agreement is hereby amended by (i) replacing "$25,000,000" with "$50,000,000" in the second proviso of the first sentence thereof and (ii) adding the following parenthetical at the end thereof:

(other than any reimbursements from the Banks to the Issuing Bank deemed to be Revolver B Advances)

(o) Section 2.06(b) of the Credit Agreement is hereby amended in its entirety as follows:

(b) *Agent Fees*. The Borrower agrees to pay to the Administrative Agent for the benefit of the Administrative Agent or the Lead Arranger, as applicable, the fees described in the letter dated as of February 26, 2004 from UBOC to the Borrower (the "Fee Letters").

(p) Section 4.19(a) of the Credit Agreement is hereby amended in its entirety as follows:

(a) The General Partner is the sole general partner of the Borrower, and the Limited Partners are the only limited partners of the Borrower. As of the date hereof, (i) the General Partner is the legal and beneficial owner of 0.001% of the OLP Common Units in the Borrower, and (ii) the MLP is the legal and beneficial owner of 99.999% of the OLP Common Units in the Borrower and 100% of the membership interests of the General Partner. No part of the partnership interests in the Borrower or the membership interests of the General Partner is subject to any Lien, other than preferential rights of the Partners under the Borrower Partnership Agreement and Liens in favor of the Collateral Agent.

(q) Section 5.08 of the Credit Agreement is hereby amended by replacing "four occasions in any calendar year" with "two occasions in any calendar year" and by deleting ", two of which shall be for the purpose of conducting Asset-Based Audits."

(r) Section 5.10 of the Credit Agreement is hereby amended by adding the following prior to the period at the end thereof:

; provided that this Section 5.10 shall not apply to any guaranty by the Borrower or any Guarantor of Debt of the Borrower and/or a Finance Entity specifically permitted by Section 6.02(k).

(s) A new Section 5.14 of the Credit Agreement is hereby added as follows:

Section 5.14. *Post-Closing Requirements.*

(a) Within five Business Days following the Third Amendment Effective Date (or, with respect to the items listed in Section 5.14(a)(vii) below, within a commercially reasonable period of time following the Third Amendment Effective Date) deliver or cause to be delivered to the Administrative Agent or the Collateral Agent, as applicable:

(i) except as otherwise provided by Section 5.14(b) below and as determined by the Collateral Agent in its reasonable discretion, new Security Documents and appropriate UCC-1 and UCC-3 Financing Statements covering the Collateral for filing with the appropriate authorities covering the Property being acquired pursuant to the LIG Acquisition Documents and the Reorganization (as defined in the Third Amendment);

(ii) a Guaranty executed by each of Crosstex Tuscaloosa, LLC, a Louisiana limited liability company, Crosstex LIG, LLC, a Louisiana limited liability company, and Crosstex LIG Liquids, LLC, a Louisiana limited liability company (collectively, the "*New Subsidiary Guarantors*"), in form and substance reasonably satisfactory to the Administrative Agent and the Banks;

(iii) an Amended and Restated Pledge Agreement executed among the General Partner, the MLP and the Collateral Agent in form and substance reasonably satisfactory to the Collateral Agent and the Banks;

(iv) a Pledge Agreement executed by Crosstex Energy Services GP, LLC, in form and substance reasonably satisfactory to the Collateral Agent and the Banks;

(v) a certificate of the secretary or assistant secretary of the General Partner certifying (A) the existence of the Borrower and the General Partner, (B) its organizational documents and the Borrower Partnership Agreement, (C) the resolutions of the General Partner approving the LIG Acquisition, the Cash Distribution, the Reorganization (each as defined in the Third Amendment), the Third Amendment and the other Credit Documents executed and delivered on or before the date of such certificate, and (D) all documents evidencing other necessary corporate, partnership or limited liability company action and governmental approvals, if any, with respect to the Third Amendment and the other Credit Documents executed and delivered on or before the date of such certificate;

(vi) a certificate of the secretary or assistant secretary of each of the Guarantors certifying (A) either (1) that there have been no changes to its organizational documents since the date such documents were last certified to the Administrative Agent and the Banks, or (2) its organizational documents, (B) the resolutions of the governing body of such Guarantor approving the Third Amendment and the other Credit Documents executed and delivered on or before the date of such certificate, and (C) all documents evidencing other necessary corporate, partnership or limited liability company action and governmental approvals, if any, with respect to the Third Amendment and the other Credit Documents executed and delivered on or before the date of such certificate;

(vii) certificates of good standing, existence and authority for the Borrower, the General Partner, the MLP and each of the Guarantors from each of the states in which the Borrower, each such Partner and each of the Guarantors is organized;

(viii) supplements to the Intercreditor Agreement executed by each of the New Subsidiary Guarantors;

(ix) a favorable opinion of Thompson & Knight L.L.P., outside Texas counsel to the Borrower, the General Partner, the MLP and the Guarantors;

(x) a favorable opinion of Taylor, Porter, Brooks & Phillips L.L.P., outside Louisiana counsel to the Borrower and the New Subsidiary Guarantors;

(xi) certificate(s) of insurance naming the Collateral Agent as loss payee or additional insured evidencing insurance which meets the requirements of this Agreement and the Security Documents and which is in amount, form and substance and from an issuer satisfactory to the Collateral Agent; and

(xii) such other approvals, opinions, evidence and documents as any Bank, through the Administrative Agent, may reasonably request.

(b) Within 120 days following the Third Amendment Effective Date deliver or cause to be delivered to the Collateral Agent the following, each in form, scope and substance satisfactory to the Collateral Agent:

(i) new Mortgages, other Security Documents and appropriate UCC-1 and UCC-3 Financing Statements covering the Collateral for filing with the appropriate authorities covering the Property being acquired by the Borrower and its Subsidiaries pursuant to the LIG Acquisition Documents and the Reorganization (as defined in the Third Amendment) to the extent any of the foregoing were not required to be delivered by the Collateral Agent pursuant to subsection (a) of this Section 5.14; and

(ii) a favorable opinion of Taylor, Porter, Brooks & Phillips L.L.P., outside Louisiana counsel to the Borrower and the New Subsidiary Guarantors with respect to such Security Documents.

(t) Section 6.01(e) of the Credit Agreement is hereby amended by adding "and the negative pledge contained in any agreement, instrument or document executed at any time in connection with Debt permitted by Section 6.02(k); provided that any such negative pledge in connection with Debt permitted by Section 6.02(k) shall not place any restriction on the creation or existence of any Lien now or hereafter securing the Obligations or, as a result of the creation or existence of any Lien securing the Obligations, cause or require the creation of any Lien securing such Debt" at the end thereof;

(u) Section 6.01(g) of the Credit Agreement is hereby amended by replacing "$500,000" with "$1,000,000";

(v) Section 6.02 of the Credit Agreement is hereby amended as follows:

(i) Section 6.02(f) of the Credit Agreement is hereby amended by replacing "$5,000,000" with "$7,500,000";

(ii) Section 6.02(g) of the Credit Agreement is hereby amended by replacing "$3,000,000" with "$10,000,000";

(iii) Section 6.02(i) of the Credit Agreement is hereby amended by replacing "$5,000,000" with "$7,500,000" and by deleting "and" at the end thereof;

(iv) Section 6.02(j) of the Credit Agreement is hereby amended by replacing the period at the end thereof with "; and"; and

(v) A new Section 6.02(k) is hereby added as follows:

(k) unsecured Debt of the Borrower and/or a Finance Entity not exceeding $125,000,000 in an aggregate principal amount at any time outstanding and any unsecured guaranty of such Debt by the Borrower or any Guarantor; provided that (i) such Debt is issued within 90 days of the Third Amendment Effective Date and (ii) the maturity of such Debt is at least five years after the issuance thereof.

(w) Section 6.04(g) of the Credit Agreement is hereby amended by replacing "$3,000,000" with "$5,000,000".

(x) Section 6.05(h) of the Credit Agreement is hereby amended by replacing "Limited Partner" with "MLP."

(y) Section 6.12 of the Credit Agreement is hereby amended in its entirety as follows:

Section 6.12. [Intentionally omitted].

(z) Section 6.15 of the Credit Agreement is hereby amended by replacing "$60,000,000" with "$90,000,000" and by replacing "December 31, 2002" with "March 31, 2004".

(aa) Section 6.17 of the Credit Agreement is hereby amended by replacing "$50,000,000" with "$125,000,000".

(bb) Section 7.01 of the Credit Agreement is hereby amended as follows:

(i) Section 7.01(c) of the Credit Agreement is amended by replacing "5.02, 5.07 or 5.13" with "5.02, 5.07, 5.13 or 5.14";

(ii) Section 7.01(d) of the Credit Agreement is amended by replacing "$3,000,000" with "$5,000,000"; and

(iii) Section 7.01(f) of the Credit Agreement is amended by replacing "$3,000,000" with "$5,000,000".

Section 2. *Consent and Waiver*. The Banks hereby (a) consent to the LIG Acquisition, the Cash Distribution and the Reorganization, (b) consent to the amendment and restatement of the Borrower Partnership Agreement in substantially the form delivered to the Administrative Agent on the date hereof and (c) waive any and all Defaults or Events of Default arising or which may have heretofore arisen under the Credit Agreement or any of the Credit Documents resulting from the execution, delivery or performance of the transactions and agreements in connection with the LIG Acquisition, the Cash Distribution, the Reorganization or the amendment and restatement of the Borrower Partnership Agreement. This waiver is limited to the extent described herein and shall not be construed to be a consent to or a waiver of any other actions prohibited by the Credit Agreement or any other Credit Document. The Administrative Agent and each of the Banks reserves the right to exercise any rights and remedies available to it in connection with any future defaults with respect to the Credit Agreement or any other provision of any Credit Document, including, without limitation, Sections 6.03, 6.06, and 7.01(j) of the Credit Agreement. Further, if the Reorganization is not completed as described in the Omnibus Agreement and such failure to be completed as described in the Omnibus Agreement would be materially adverse to the Banks, all consents granted hereunder shall be void. The Borrower agrees to deliver to the Administrative Agent copies of all amendments, modifications or supplements to the Omnibus Agreement.

Section 3. *Conditions Precedent*. This Amendment shall become effective as of the date first set forth above when:

(a) the Borrower shall have paid to the Administrative Agent all costs and expenses which have been invoiced and are payable pursuant to Section 9.04 of the Credit Agreement;

(b) the Administrative Agent shall have received all of the following, each dated the date hereof, in form and substance satisfactory to the Administrative Agent and in the number of originals requested by the Administrative Agent:

(i) this Amendment, duly executed by the Borrower, the Banks and the Administrative Agent;

(ii) new Revolver A Notes in favor of each of the Banks, each in the face amount of such Bank's Revolver A Commitment and duly executed by the Borrower (the "*New Revolver A Notes*");

(iii) new Revolver B Notes in favor of each of the Banks, each in the face amount of such Bank's Revolver B Commitment and duly executed by the Borrower (the "*New Revolver B Notes*"; together with the New Revolver A Notes, the "*New Notes*");

(iv) one or more consents to this Amendment, duly executed by each Guarantor that has previously executed a Guaranty;

(v) amendments to each of the existing Mortgages in form and substance satisfactory to the Collateral Agent;

(vi) copies of the LIG Purchase and Sale Agreement certified by a Responsible Officer (A) as being true and correct copies of such documents as of the date hereof, and (B) except as otherwise disclosed in writing and acceptable to the Administrative Agent (i) as being in full force and effect and no material term or condition thereof shall have been amended, modified or waived after the execution thereof; and (ii) that to the knowledge of such Responsible Officer, none of the parties to the LIG Acquisition Documents shall have failed to perform any material obligation or covenant required by the LIG Acquisition Documents to be performed or complied with by it on or before the date of closing of the LIG Acquisition;

(vii) a report by Barnes and Click, Inc. in form and substance satisfactory to the Administrative Agent and the Banks;

(viii) a Phase I environmental review by Flat Rock Energy Partners covering those Properties to be acquired in connection with the LIG Acquisition in form and substance satisfactory to the Administrative Agent and the Banks;

(ix) an executed copy of the First Amendment to Note Agreement certified by a Responsible Officer as being a true and correct copy of such document as of the date hereof;

(x) supplements as required by Section 6.4(a) of the Intercreditor Agreement, executed by each New Bank;

(xi) an executed copy of the Omnibus Agreement certified by a Responsible Officer as being a true and correct copy of such document as of the date hereof;

(xii) a certificate from a Responsible Officer stating that (A) all representations and warranties of the Borrower set forth in the Credit Agreement and each of the other Credit Documents to which it is a party are true and correct in all material respects, except to the extent any such representation or warranty is stated to relate solely to an earlier date, in which case such representation or warranty shall have been true and correct on such earlier

date; (B) no Default has occurred and is continuing; and (C) the conditions in this Section 3 have been met; and

(xiii) such other approvals, opinions, evidence and documents as any Bank, through the Administrative Agent, may reasonably request;

(c) no event or events has occurred which, individually or in the aggregate, have had or could reasonably be expected to have a Material Adverse Effect;

(d) no Default shall have occurred and be continuing;

(e) the representations and warranties of the Borrower and the Guarantors contained in this Amendment, Article IV of the Credit Agreement and in each of the other Credit Documents executed and delivered on or before date hereof shall be true and correct in all material respects on and as of the date hereof, except to the extent any such representation or warranty is stated to relate solely to an earlier date, in which case such representation or warranty shall have been true and correct on such earlier date;

(f) no legal or regulatory action or proceeding has commenced and is continuing against the Borrower or any Guarantor which could reasonably be expected to cause a Material Adverse Effect;

(g) the LIG Acquisition shall, simultaneously with the making of the related Borrowing, have been consummated by the Borrower, and all other conditions to the LIG Acquisition shall have been satisfied in form and substance satisfactory to the Administrative Agent;

(h) the Collateral Agent shall have received satisfactory evidence that arrangements have been made so that the Liens granted to it under the Security Documents are or will be Acceptable Security Interests and that all actions or filings necessary to protect, preserve and validly perfect such Liens have been made, taken or obtained (or will be upon the filing and recording of the appropriate Security Documents), as the case may be, and are in full force and effect;

(i) the Administrative Agent shall be satisfied in its sole discretion as to the status of the Borrower's or Guarantor's, as applicable, title to the Properties acquired in connection with the LIG Acquisition; and

(j) the Administrative Agent shall be satisfied in its sole discretion with its due diligence analysis and review of the Properties acquired pursuant to the LIG Acquisition.

Section 4. *Representations and Warranties*. The Borrower represents and warrants to the Banks and the Administrative Agent as set forth below:

(a) The execution, delivery and performance by the Borrower of this Amendment, the New Notes and the Credit Documents, as amended hereby and thereby, to which the Borrower is a party are within the Borrower's legal powers, have been duly authorized by all necessary partnership action and do not (i) contravene the Borrower Partnership Agreement, (ii) contravene any Governmental Rule or contractual restriction binding on or affecting the Borrower or (iii) result in or require the creation or imposition of any Lien (other than any created by the Credit Documents) upon or with respect to any of the properties of the Borrower.

(b) No Governmental Action is required for the due execution, delivery or performance by the Borrower of this Amendment, the New Notes or any of the Credit Documents, as amended hereby and thereby, to which the Borrower is a party.

(c) This Amendment, the New Notes and each of the Credit Documents, as amended hereby and thereby, to which the Borrower is a party constitute legal, valid and binding obligations of the Borrower, enforceable against the Borrower in accordance with their respective terms, except as

the enforceability thereof may be limited by bankruptcy, insolvency, moratorium, reorganization or other similar laws affecting creditors' rights generally or by general principles of equity.

(d) Each of the Security Documents constitutes an Acceptable Security Interest on the Collateral purported to be encumbered thereby, enforceable against all third parties in all jurisdictions, and secures the payment of all obligations stated to be secured thereby under the Credit Documents, as amended hereby and by the New Notes, and the execution, delivery and performance of this Amendment and the New Notes do not adversely affect any Lien of the Security Documents.

(e) The quarterly and annual financial statements most recently delivered to the Banks pursuant to Sections 5.01(c) and (d) of the Credit Agreement fairly present the Consolidated financial condition of the Borrower and its Subsidiaries as of the respective dates thereof and the Consolidated results of the operations of the Borrower and its Subsidiaries for the respective fiscal periods ended on such dates, all in accordance with GAAP applied on a consistent basis (subject to normal year-end audit adjustments and the absence of footnotes in the case of the quarterly financial statements). Since December 31, 2003 there has been no material and adverse change in the business, condition (financial or otherwise), operations, performance, properties or prospects of the Borrower or any Subsidiary. The Borrower and its Subsidiaries have no material contingent liabilities except as disclosed in such financial statements or the notes thereto.

(f) There is no pending or, to the knowledge of the Borrower, threatened action or proceeding affecting the Borrower or any Subsidiary before any Governmental Person, referee or arbitrator that could reasonably be expected to have a Material Adverse Effect.

(g) There has been no amendment to the Borrower Partnership Agreement. The representations and warranties of the Borrower contained in the Credit Documents are correct on and as of the date hereof as though made on and as of such date except to the extent any such representation or warranty is stated to relate solely to an earlier date, in which case such representation or warranty shall have been true and correct on such earlier date. No event has occurred and is continuing, or would result from the effectiveness of this Amendment, that constitutes a Default.

Section 5. *Modification and Increase in Commitments.* The Borrower, the Administrative Agent, and the Banks hereby agree that the Commitments of the Banks under the Credit Agreement shall be modified to reflect the Commitments for the Banks set forth on the attached Schedule 1 and upon the effectiveness of this Amendment pursuant to Section 3 above, each such Bank's Commitment shall be the Commitment set forth on the attached Schedule 1. On the date hereof, each New Bank shall pay to the Administrative Agent, for the account of the Banks (other than the New Banks) an amount equal to such New Bank's Pro Rata Share of the outstanding Advances. Such payment shall be made by wire transfer of immediately available funds to an account designated by the Administrative Agent. Upon receipt of such funds, the Administrative Agent shall promptly pay to each Bank, by wire transfer in immediately available funds, the amount of each such Bank's ratable share of such payment, such that after such payment, the Banks (including the New Banks) shall each hold its Pro Rata Share of the Advances.

Section 6. *Addition of New Banks*. Each of the New Banks (i) confirms that it has received a copy of the Credit Agreement, together with copies of the financial statements referred to in Section 4.05 and 5.01 thereof and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Amendment; (ii) agrees that it will, independently and without reliance upon the Administrative Agent 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 the Credit Agreement or any other Credit Document; (iii) appoints and authorizes the Administrative Agent and the Collateral Agent to take such action as agent on its

behalf and to exercise such powers as it deems necessary under the Credit Agreement and any other Credit Document as are delegated to the Administrative Agent or the Collateral Agent by the terms thereof, together with such powers as are reasonably incidental thereto; (iv) agrees that it will perform in accordance with their terms all of the obligations which by the terms of the Credit Agreement or any other Credit Document are required to be performed by it as a Bank; and (v) specifies as its Domestic Lending Office (and address for notices) the office set forth beneath its name on Schedule 2 hereto.

Section 7. *Reference to and Effect on the Credit Agreement.*

(a) On and after the effective date of this Amendment, each reference in the Credit Agreement to "this Agreement," "hereunder," "hereof," "herein" or words of like import shall mean and be a reference to the Credit Agreement, and each reference in the other Credit Documents to "the Credit Agreement," "thereunder," "thereof," "therein" or words of like import referring to the Credit Agreement, shall mean and be a reference to the Credit Agreement as amended by this Amendment.

(b) Except as specifically amended above and except for the issuance of the New Notes, the Credit Agreement and the other Credit Documents shall remain in full force and effect and are hereby ratified and confirmed. Without limiting the generality of the foregoing, the Security Documents and all of the Collateral described therein do and shall continue to secure the payment of all obligations stated to be secured thereby under the Credit Documents, as amended hereby and by the New Notes.

(c) Except as expressly set forth herein, the execution, delivery and effectiveness of this Amendment shall not operate as a waiver of any right, power or remedy of the Administrative Agent or any Bank under any of the Credit Documents or constitute a waiver of any provision of any of the Credit Documents.

Section 8. *Execution in Counterparts.* This Amendment may be executed in any number of counterparts and by the parties hereto in separate counterparts, each which when so executed and delivered shall be deemed to be an original and all of which when taken together shall constitute but one and the same instrument. Delivery of an executed counterpart of a signature page to this Amendment by telecopier shall be effective as delivery of an originally executed counterpart of this Amendment.

Section 9. *Governing Law; Binding Effect.* This Amendment shall be governed by, and construed and enforced in accordance with, the laws of the State of Texas, and shall be binding upon the Borrower, the Administrative Agent, each Bank and their respective successors and assigns.

Section 10. *Costs and Expenses*. The Borrower agrees to pay on demand all costs and expenses of the Administrative Agent in connection with the preparation, execution and delivery of this Amendment and the other instruments and documents to be delivered hereunder, including the reasonable fees and out-of-pocket expenses of counsel for the Administrative Agent with respect thereto and with respect to advising the Administrative Agent as to its rights and responsibilities hereunder and thereunder.

[Remainder of this page blank; signature page follows]

Effective as of the 1st day of April, 2004.

CROSSTEX ENERGY SERVICES, L.P.

By: CROSSTEX OPERATING GP, LLC, General Partner

By: /s/ WILLIAM W. DAVIS

William W. Davis
Executive Vice President and Chief Financial Officer

UNION BANK OF CALIFORNIA, N.A., as Lead Arranger, Administrative Agent and Bank

By: /s/ JOHN CLARK

John Clark
Vice President

By: /s/ SEAN MURPHY

Name: Sean Murphy
Title: Vice President

THE ROYAL BANK OF CANADA, as Co-Arranger, Syndication Agent and Bank

By: /s/ LORNE GARTNER

Name: Lorne Gartner
Title: Authorized Signatory

FLEET NATIONAL BANK, as Documentation Agent and Bank

By: /s/ ROBERT D. VALBONA

Name: Robert D. Valbona
Title: Managing Director

U.S. BANK NATIONAL ASSOCIATION, as Bank

By: /s/ MATTHEW J. PURCHASE

Name: Matthew J. Purchase
Title: Vice President

BANK OF AMERICA, N.A., as Bank

By: /s/ STEVEN A. MACKENZIE

Name: Steven A. Mackenzie
Title: Vice President

BNP PARIBAS, as Bank

By: /s/ JOE ONISCHUK

Name: Joe Onischuk
Title: Director

By: /s/ LARRY ROBINSON

Name: Larry Robinson
Title: Director

GENERAL ELECTRIC CAPITAL CORPORATION, as Bank

By: /s/ SIMON DUNCAN

Name: Simon Duncan
Title: Manager—Operations

GUARANTY BANK, as Bank

By: /s/ JIM R. HAMILTON

Name: Jim R. Hamilton
Title: Senior Vice President

QuickLinks

Exhibit 10.2

LETTER AMENDMENT NO. 1

to

MASTER SHELF AGREEMENT

As of April 1, 2004

Prudential Investment Management, Inc.
The Prudential Insurance Company of America
Pruco Life Insurance Company
c/o Prudential Capital Group
Gateway Center Four
100 Mulberry Street
Newark, New Jersey 08102-4069

Ladies and Gentlemen:

We refer to the Master Shelf Agreement dated as of June 3, 2003 (the "**Agreement**") among Crosstex Energy Services, L.P., a Delaware limited partnership (the "**Company**"), Prudential Investment Management, Inc. ("**Prudential**"), The Prudential Insurance Company of America ("**PICA**") and Pruco Life Insurance Company ("**Pruco**" and, together with Prudential and PICA, the "**Purchasers**"). Unless otherwise defined in this Letter Amendment No. 1 to Master Shelf Agreement (this "**Amendment**"), the terms defined in the Agreement shall be used herein as therein defined.

The Company and its Affiliates propose to acquire LIG Pipeline Company, a Nevada corporation, pursuant to the Purchase and Sale Agreement dated as of February 13, 2004 between Crosstex Energy, L.P., a Delaware limited liability company (the "**MLP**") and AEP Energy Services Investments, Inc., a Delaware corporation, as amended by the First Amendment thereto dated as of February 13, 2004 (the "**LIG Acquisition**"). In order to effect the LIG Acquisition, the Company proposes to borrow funds under the Bank Agreement and distribute such funds in cash to the MLP (the "**Cash Distribution**"). The MLP proposes then to make a loan in the amount of the Cash Distribution to Crosstex Louisiana Energy, L.P., a subsidiary of the MLP ("**Crosstex Louisiana**"), in order to fund all or part of the purchase price in connection with the LIG Acquisition. In connection with the LIG Acquisition, the Company and its Affiliates propose to effect a reorganization as described in the Omnibus Agreement dated as of March 31, 2004 among the MLP, the Company, Crosstex Louisiana, Crosstex Operating GP, LLC, a Delaware limited liability company, the General Partner, LIG Liquids Holdings, L.P., a Delaware limited partnership, Crosstex Tuscaloosa, LLC, a Louisiana limited liability company, Crosstex Treating Services GP, LLC, a Delaware limited liability company, Crosstex Acquisition Management GP, LLC, a Delaware limited liability company, and Crosstex Gulf Coast Marketing Ltd., a Texas limited partnership (the "**Omnibus Agreement**"), which specifically provides that (a) Crosstex Louisiana will transfer substantially all of the assets acquired by it and its Subsidiaries pursuant to the LIG Acquisition to the Company and its Subsidiaries, (b) Crosstex Operating GP, LLC will be substituted as the general partner of the Company and (c) Crosstex Acquisition Management GP, LLC and Crosstex Treating Services GP, LLC will each merge with and into Crosstex Energy Services GP, LLC (the "**Reorganization**").

In connection with the foregoing, the Company has requested that the Purchasers make certain amendments to the Agreement and grant a limited consent and waiver with respect to the LIG Acquisition, the Cash Distribution and the Reorganization. Subject to the terms and conditions specified herein, the Purchasers have indicated their willingness to make such amendments, and grant such limited consent and waiver, all as more particularly set forth herein. Accordingly, subject to satisfaction of the conditions set forth in paragraph 8 hereof, and in reliance on the representations and warranties of the Company set forth in paragraph 7 hereof, the Purchasers hereby agree with the Company to amend the Agreement as provided in paragraphs 1 through 5 below, and to grant the

limited consent and waiver specified in paragraph 6 below, effective in each case as of the Amendment No. 1 Effective Date (as defined in paragraph 8 below).

1. Amendments to Paragraph 5. Affirmative Covenants.

(a) **Paragraph 5C. Visitation Rights.** Paragraph 5C of the Agreement is hereby amended by replacing "four occasions in any calendar year" with "two occasions in any calendar year".

(b) **Paragraph 5K. Transactions with Affiliates.** Paragraph 5K of the Agreement is hereby amended by adding the following prior to the period at the end thereof:

"; *provided* that this paragraph 5K shall not apply to any guaranty by the Company or a Guarantor of Debt of a Finance Entity specifically permitted by clause (xi) of paragraph 6C(2)"

(c) Paragraph 5 of the Agreement is amended by adding a new paragraph 5P to the end thereof, to read as follows:

"5P. **Post-Closing Requirements**.

(i) Within five Business Days following the Amendment No. 1 Effective Date (or, with respect to clause (g) below, within a commercially reasonable period of time following the Amendment No. 1 Effective Date), the Company shall deliver or cause to be delivered to each Holder the following, each in form, scope and substance satisfactory to the Required Holder(s):

(a) except as otherwise provided by clause (ii) of this paragraph 5P and as determined by the Required Holder(s), new Security Documents and appropriate UCC-1 and UCC-3 Financing Statements, describing as Collateral the Property being acquired by the Company and its Subsidiaries pursuant to the LIG Acquisition Documents and the Reorganization (as defined in Amendment No. 1);

(b) Guaranties or supplements thereto executed by each of Crosstex Tuscaloosa, LLC, a Louisiana limited liability company, Crosstex LIG, LLC, a Louisiana limited liability company, and Crosstex LIG Liquids, LLC, a Louisiana limited liability company (collectively, the "**New Subsidiary Guarantors**");

(c) an Amended and Restated Pledge Agreement executed among the General Partner, the MLP and the Collateral Agent;

(d) a Pledge Agreement executed by Crosstex Energy Services GP, LLC;

(e) Supplements to the Intercreditor Agreement executed by each of the New Subsidiary Guarantors;

(f) a certificate of the secretary or assistant secretary of the General Partner certifying (I) the existence of the Company and the General Partner, (II) its organizational documents and the Company Partnership Agreement, (III) the resolutions of the General Partner approving the LIG Acquisition, the Cash Distribution (as defined in Amendment No. 1), the Reorganization (as defined in Amendment No. 1) and the Loan Documents (other than Amendment No. 1) executed and delivered on or before the date of such certificate, and (IV) all documents evidencing other necessary corporate, partnership or limited liability company action and governmental approvals, if any, with respect to Amendment No. 1 and the other Loan Documents;

(g) a certificate of the secretary or assistant secretary of each of the Guarantors certifying (I) either (A) that there have been no changes to such Guarantor's organizational documents since June 3, 2003, or (B) its attached organizational

documents, (II) the resolutions of the governing body of such Guarantor approving the Loan Documents (other than Amendment No. 1) executed and delivered by such Guarantor on or before the date of such certificate, and (III) all documents evidencing other necessary corporate, partnership or limited liability company action and governmental approvals, if any, with respect to Amendment No. 1 and the other Loan Documents executed and delivered on or before the date of such certificate;

(h) certificates of good standing, existence and authority for the Company, the General Partner, the MLP and each of the Guarantors from each of the states in which the Company, each such Partner and each of the Guarantors is organized;

(i) a favorable opinion of Thompson & Knight L.L.P., outside Texas counsel to the Company, the General Partner, the MLP and the Guarantors;

(j) a favorable opinion of Taylor, Porter, Brooks & Phillips L.L.P., outside Louisiana counsel to the Company, the General Partner, the MLP and the New Subsidiary Guarantors;

(k) certificate(s) of insurance naming the Collateral Agent as loss payee or additional insured evidencing insurance which meets the requirements of this Agreement and the Security Documents and which is in amount, form and substance and from an issuer satisfactory to the Required Holder(s); and

(l) such other approvals, opinions, evidence and documents as the Required Holder(s) may reasonably request.

(ii) Within 120 days following the Amendment No. 1 Effective Date, the Company shall deliver or cause to be delivered to each Holder the following, each in form, scope and substance satisfactory to the Required Holder(s):

(a) new Mortgages, other Security Documents and appropriate UCC-1 and UCC-3 Financing Statements, describing as Collateral the Property being acquired by the Company and its Subsidiaries pursuant to the LIG Acquisition Documents and the Reorganization (as defined in Amendment No. 1), to the extent any of the foregoing were not required to be delivered by such Purchaser pursuant to clause (i) of this paragraph 5P; and

(b) a favorable opinion of Taylor, Porter, Brooks & Phillips L.L.P., outside Louisiana counsel to the Company, the General Partner and the New Subsidiary Guarantors with respect to such Security Documents."

2. Amendments to Paragraph 6. Negative Covenants.

(a) **Paragraph 6A(1). Current Ratio.** Paragraph 6A(1) of the Agreement is amended by deleting such paragraph in its entirety and replacing it with the following:

"6A(1). [Intentionally omitted.]"

(b) **Paragraph 6A(4). Minimum Tangible Net Worth.** Paragraph 6A(4) of the Agreement is amended by replacing "$60,000,000" with "$90,000,000" and replacing "December 31, 2002" with "March 31, 2004".

(c) **Paragraph 6C(1). Liens, Etc.**

(I) Clause (v) of paragraph 6C(1) of the Agreement is amended by deleting such clause in its entirety and replacing it with the following:

"(v) the negative pledge contained in the Bank Agreement and the negative pledge contained in any agreement, instrument or document executed at any time in connection with Debt permitted by clause (xi) of paragraph 6C(2); *provided* that any such negative pledge in connection with Debt permitted by clause (xi) of paragraph 6C(2) shall not place any restriction on the creation or existence of any Lien now or hereafter securing the Obligations or, as a result of the creation or existence of any Lien securing the Obligations, cause or require the creation of any Lien securing such Debt;"

(II) Clause (vii) of paragraph 6C(1) of the Agreement is amended by replacing "$500,000" with "$1,000,000".

(d) **Paragraph 6C(2). Debt.**

(I) Clause (vii) of paragraph 6C(2) of the Agreement is amended by replacing "$5,000,000" with "$7,500,000".

(II) Clause (viii) of paragraph 6C(2) of the Agreement is amended by replacing "$3,000,000" with "$10,000,000".

(III) Clause (ix) of paragraph 6C(2) of the Agreement is amended by deleting "and" at the end thereof.

(IV) Clause (x) of paragraph 6C(2) of the Agreement is amended by replacing "$5,000,000" with "$7,500,000" and replacing the period at the end thereof with "; and".

(V) Paragraph 6C(2) of the Agreement is amended by adding a new clause (xi) at the end thereof, to read as follows:

"(xi) unsecured Debt of the Company and/or a Finance Entity not exceeding $125,000,000 in aggregate principal amount at any time outstanding and any unsecured guaranty of such Debt by the Company or any Guarantor; *provided* that (a) such Debt is issued within 90 days of the Amendment No. 1 Effective Date and (b) the maturity of such Debt is at least seven years after the issuance thereof."

(e) **Paragraph 6C(3). Investments in Other Persons.** Clause (vi) of paragraph 6C(3) of the Agreement is amended by replacing "Limited Partner" with "MLP".

(f) **Paragraph 6C(5). Sales, Etc. of Property.** Clause (vii) of paragraph 6C(5) of the Agreement is amended by replacing "$3,000,000" with "$5,000,000".

(g) **Paragraph 6I. Amendment of Company Partnership Agreement.** Paragraph 6I of the Agreement is amended by deleting such paragraph in its entirety and replacing it with the following:

"6I. **Amendment of Company Partnership Agreement**. The Company will not amend, modify or supplement (i) the definition of "Available Cash" without the prior written consent of the Required Holders, (ii) the rights of the OLP Preferred Units or the obligations of the Company with respect to such holders or the OLP Preferred Units without the prior written consent of the Required Holders or (iii) any other provision of the Company Partnership Agreement if such amendment, modification or supplement would be materially adverse to the interests of the Holders without the prior written consent of the Required Holders."

(h) **Paragraph 6J. Bank Agreement.** Paragraph 6J of the Agreement is amended by replacing "$100,000,000" with "$200,000,000".

3. Amendments to Paragraph 7A. Acceleration.

(a) Clause (iii) of paragraph 7A of the Agreement is amended by replacing "$3,000,000" with "$5,000,000".

(b) Clause (v) of paragraph 7A of the Agreement is amended by replacing "5A(iii), 5E, 5I or 5N" with "5A(iii), 5E, 5I, 5N or 5P".

(c) Clause (xiii)(a) of paragraph 7A of the Agreement is amended by replacing "$3,000,000" with "$5,000,000".

4. Amendment to Paragraph 8U. Ownership.

Clause (a) of paragraph 8U of the Agreement is amended by deleting such clause in its entirety and replacing it with the following:

"(a) The General Partner is the sole general partner of the Company, and the Limited Partners are the only limited partners of the Company. As of the date hereof, (i) the General Partner is the legal and beneficial owner of 0.001% of the OLP Common Units in the Company, and (ii) the MLP is the legal and beneficial owner of 99.999% of the OLP Common Units in the Company and 100% of the membership interests of the General Partner. No part of the partnership interests in the Company or the membership interests of the General Partner is subject to any Lien, other than preferential rights of the Partners under the Company Partnership Agreement and Liens in favor of the Collateral Agent."

5. Amendments to Paragraph 10B. Other Terms.

(a) Paragraph 10B of the Agreement is amended by inserting each of the following new definitions in the appropriate alphabetical positions:

"**Amendment No. 1**" shall mean Letter Amendment No. 1 to this Agreement, dated as of April 1, 2004.

"**Amendment No. 1 Effective Date**" shall mean the date on which Amendment No. 1 shall have become effective in accordance with its terms.

"**Finance Entity**" means any Subsidiary of the MLP that is not also a Subsidiary of the Company and that is formed for the purpose of issuing Debt specifically permitted by clause (xi) of paragraph 6C(2).

"**LIG Acquisition**" the acquisition of LIG Pipeline Company, a Nevada corporation, pursuant to the LIG Purchase and Sale Agreement.

"**LIG Purchase and Sale Agreement**" means the Purchase and Sale Agreement dated as of February 13, 2004 between the MLP and AEP Energy Services Investments, Inc., a Delaware corporation, as amended by the First Amendment thereto dated as of February 13, 2004.

"**LIG Acquisition Documents**" means the LIG Purchase and Sale Agreement and all other agreements, instruments or documents executed in connection therewith or otherwise related to the LIG Acquisition.

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

"**OLP Common Units**" has the meaning set forth in the Company Partnership Agreement.

"**OLP Preferred Units**" has the meaning set forth in the Company Partnership Agreement."

(b) Paragraph 10B of the Agreement is further amended by replacing the definitions of "Bank Agreement", "Change of Control", "General Partner", "Limited Partner", "Pledge Agreements" and

"Responsible Officer" therein with the following, and each reference in the Agreement to "Limited Partner" shall be amended to refer to "Limited Partners":

" "**Bank Agreement**" means the Second Amended and Restated Credit Agreement dated as of November 26, 2002 among the Company, the Banks, Union Bank of California, N.A., as Administrative Agent, and The Royal Bank of Canada, as Syndication Agent, as amended by that certain First Amendment thereto dated June 3, 2003, that certain Second Amendment thereto dated as of October 30, 2003 and that certain Third Amendment thereto dated as of April 1, 2004, and as further amended, modified or supplemented from time to time as permitted by this Agreement.

"**Change of Control**" means (a) the General Partner is no longer the sole general partner of the Company, (b) the MLP owns less than 99.999% of the OLP Common Units, (c) the failure of the MLP to own, directly or indirectly, 100% of the outstanding equity interests of any holder of OLP Preferred Units or (d) individuals who, at the beginning of any period of 12 consecutive months, constitute the General Partner's Board of Directors cease for any reason (other than death or disability) to constitute a majority of the General Partner's Board of Directors then in office.

"**General Partner**" shall mean Crosstex Operating GP, LLC, a Delaware limited liability company.

"**Limited Partners**" means the MLP and the holders of the OLP Preferred Units.

"**Pledge Agreements**" means (a) the Amended and Restated Pledge Agreement among the Partners and the Collateral Agent in substantially the form of Exhibit J attached hereto, (b) the Amended and Restated Pledge Agreement between Crosstex Treating Services, GP, LLC and the Collateral Agent in substantially the form of Exhibit K attached hereto, each as amended by the respective First Amendments thereto dated as of June 3, 2003, (c) the Pledge Agreement, dated as of June 3, 2003, between Crosstex Acquisition Management GP and the Collateral Agent in substantially the form of Exhibit L attached hereto, and (d) any other pledge agreements executed at any time in connection with securing any Obligations, in each case as the same may hereafter be amended, modified, supplemented or replaced from time-to-time.

"**Responsible Officer**" means the Chief Executive Officer, President, Chief Financial Officer, any Executive Vice President, any Senior Vice President, any Vice President, Treasurer or Assistant Treasurer of the General Partner."

(c) Paragraph 10B of the Agreement is further amended by replacing "Limited Partner" with "MLP" in the definitions of "Guarantor" and "Guaranty" therein.

(d) Paragraph 10B of the Agreement is further amended by deleting the definition of "Renewal Fee" therein.

6. Limited Consent and Waiver. Subject to satisfaction of the conditions set forth in paragraph 8 hereof, and in reliance on the representations and warranties of the Company set forth in paragraph 7 hereof, effective as of the Amendment No. 1 Effective Date, the Purchasers hereby (i) consent to the LIG Acquisition, the Cash Distribution and the Reorganization, (ii) consent to the amendment and restatement of the Company Partnership Agreement, in the form delivered to the Purchasers on the date hereof (the "**OLP Restatement**") and (iii) waive any and all Defaults or Events of Default arising or which may heretofore have arisen under the Agreement or any of the other Loan Documents as a result of the execution, delivery or performance of the transactions and agreements in connection with the LIG Acquisition, the Cash Distribution, the Reorganization or the OLP Restatement; *provided* that if the Reorganization is not completed as described in the Omnibus Agreement and such failure to be completed as described in the Omnibus Agreement would be materially adverse to the Holders, the

foregoing limited consent and waiver shall be void; *provided*, *further*, that the foregoing limited consent and waiver shall not apply to any violation of paragraph 6B of the Agreement (other than as a result of the Cash Distribution), to any amendment, modification or supplement to the definition of "Available Cash" in the Company Partnership Agreement or to any other amendment, restatement, supplement or other modification of the Company Partnership Agreement other than the OLP Restatement. The foregoing consent and waiver shall be limited precisely as written and shall relate solely to the Agreement in the manner and to the extent described herein, and nothing in this Amendment shall be deemed to (i) constitute a waiver of compliance by the Company with respect to any term, provision or condition of the Agreement or any other Loan Document except as specifically provided herein, or (ii) prejudice any right or remedy that any holder of Notes may now have (after giving effect to the foregoing consent and waiver) or may have in the future under or in connection with the Agreement or any other Loan Document. The Company agrees to deliver to each Purchaser copies of all amendments, modifications or supplements to the Omnibus Agreement.

7. Representations and Warranties. In order to induce the Purchasers to enter into this Amendment, the Company hereby represents and warrants as follows:

(a) The execution, delivery and performance by the Company of this Amendment and the Agreement, as amended hereby, have in each case been duly authorized by all necessary limited liability company, limited partnership or other organizational action and do not and will not (i) contravene the terms of the Company Partnership Agreement or the limited liability company agreement or certificate of formation (or other organizational documents) of the General Partner, the Company or any of their Subsidiaries, (ii) conflict with or result in any breach or contravention of, or the creation of any Lien under, any document evidencing any contractual obligation to which the General Partner, the Company or any of their Subsidiaries is a party and which could subject any holder of Notes to any liability, (iii) conflict with or result in any breach or contravention of any order, injunction, writ or decree of any governmental authority binding on the General Partner, the Company, any of their Subsidiaries or their respective properties, or (iv) violate any applicable law binding on or affecting the General Partner, the Company or any of their Subsidiaries.

(b) Each of the representations and warranties contained in paragraph 8 of the Agreement is true and correct on and as of the date hereof, and will be true and correct immediately upon, and as of the date of, consummation of the LIG Acquisition and the Reorganization, in each case except to the extent that such representations and warranties specifically refer to an earlier date, in which case they shall be true and correct as of such earlier date.

(c) On and as of the date hereof, and after giving effect to this Amendment, no Default or Event of Default exists under the Agreement.

(d) No Governmental Action is required for the due execution, delivery or performance by the Company or any of its Subsidiaries of this Amendment, the Agreement, as amended hereby, or any of the Loan Documents, as amended in connection herewith, to which the Company or any of its Subsidiaries is a party.

(e) This Amendment, the Agreement, as amended hereby, and each of the Loan Documents, as amended in connection herewith, to which the Company or any of its Subsidiaries is a party, constitute legal, valid and binding obligations of the Company or such Subsidiary, as applicable, enforceable against the Company or such Subsidiary, as applicable, in accordance with their respective terms.

(f) Each of the Liens under the Security Documents constitutes (and each of the Liens under the Security Documents to be delivered in connection with paragraph 5P of the Agreement, as amended hereby, will constitute) an Acceptable Security Interest on the Collateral purported to be encumbered thereby, enforceable against all third parties in all jurisdictions, securing the payment of all obligations stated to be secured thereby under such Security Documents, and the execution, delivery and

performance of this Amendment and the Agreement, as amended hereby, do not adversely affect any Lien under any of the Security Documents.

(g) The quarterly and annual financial statements most recently delivered to the Purchasers pursuant to clauses (i) and (ii) of paragraph 5A of the Agreement fairly present the Consolidated financial condition of the Company and its Subsidiaries as of the respective dates thereof and the Consolidated results of the operations of the Company and its Subsidiaries for the respective fiscal periods ended on such dates, all in accordance with GAAP applied on a consistent basis (subject to normal year-end audit adjustments and the absence of footnotes in the case of the quarterly financial statements). Since December 31, 2003 there has been no material and adverse change in the business, condition (financial or otherwise), operations, performance, properties or prospects of the Company or any of its Subsidiaries. The Company and its Subsidiaries have no material contingent liabilities except as disclosed in such financial statements or the notes thereto.

(h) There is no pending or, to the knowledge of the Company, threatened action or proceeding affecting the Company or any of its Subsidiaries before any Governmental Person, referee or arbitrator that could reasonably be expected to have a Material Adverse Effect.

8. Conditions to Effectiveness. This Amendment shall become effective as of the date (the "**Amendment No. 1 Effective Date**") first above written when and if each of the conditions set forth in this paragraph 8 shall have been satisfied (or waived in writing by the Required Holder(s)).

(a) **Execution and Delivery of Documents**. Each Purchaser shall have received the following, each to be dated the date of execution and delivery thereof unless otherwise indicated, and each to be in form and substance satisfactory to such Purchaser and executed and delivered by each of the parties thereto, as applicable:

(i) This Amendment, dated as of the Amendment No. 1 Effective Date.

(ii) A certificate of a Responsible Officer certifying that (A) the representations and warranties contained in this Amendment and the Agreement, as amended hereby, are true and correct on and as of the Amendment No. 1 Effective Date, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they shall be true and correct as of such earlier date, (B) no Event of Default or Default exists as of the date hereof and (C) all of the conditions specified in this paragraph 8 have been met.

(iii) Amendments to each of the existing Mortgages.

(iv) A copy of the LIG Purchase and Sale Agreement certified by a Responsible Officer (A) as being a true and correct copy of such document as of the Amendment No. 1 Effective Date, (B) except as otherwise disclosed in writing and acceptable to such Purchaser, as being in full force and effect and no material term or condition thereof having been amended, modified or waived after the execution thereof and (C) except as otherwise disclosed in writing and acceptable to such Purchaser, that to the knowledge of such Responsible Officer, none of the parties to any of the LIG Acquisition Documents shall have failed to perform any material obligation or covenant required by the LIG Acquisition Documents to be performed or complied with by it on or before the date of closing of the LIG Acquisition.

(v) A report by Barnes and Click, Inc. regarding the Properties that are the subject of the LIG Acquisition.

(vi) A Phase I environmental review by Flat Rock Energy Partners covering those Properties to be acquired in connection with the LIG Acquisition.

(vii) An executed copy of the Third Amendment to the Bank Agreement, certified by a Responsible Officer as being a true and correct copy of such document as of the Amendment No. 1 Effective Date.

(viii) Supplements as contemplated by Section 6.4(a) of the Intercreditor Agreement, executed by each additional Bank becoming a Bank in connection with the Third Amendment to the Bank Agreement.

(ix) An executed copy of the Omnibus Agreement certified by a Responsible Officer as being a true and correct copy of such document as of the date hereof.

(x) Such additional documents or certificates with respect to such legal matters or limited liability company, limited partnership or other proceedings related to the transactions contemplated hereby as may be reasonably requested by such Purchaser.

(b) **Accuracy of Representations and Warranties**. The representations and warranties contained in paragraph 7 of this Amendment shall be true and correct as of the Amendment No. 1 Effective Date.

9. Miscellaneous.

(a) **Effect on Agreement**. On and after the Amendment No. 1 Effective Date, each reference in the Agreement to "this Agreement", "hereunder", "hereof", or words of like import referring to the Agreement and each reference in the Notes and all other documents executed in connection with the Agreement to "the Agreement", "thereunder", "thereof", or words of like import referring to the Agreement shall mean the Agreement as amended by this Amendment. The Agreement, as amended by this Amendment, is and shall continue to be in full force and effect and is hereby in all respects ratified and confirmed. The execution, delivery and effectiveness of this Amendment shall not operate as a waiver of any right, power or remedy under the Agreement nor, except as specifically set forth and limited in paragraph 6 hereof, constitute a waiver of any provision of the Agreement. Without limiting the generality of the foregoing, nothing in this Amendment shall be deemed (i) to constitute a waiver of compliance or consent to noncompliance by the Company or any other Person with respect to any term, provision, covenant or condition of the Agreement or any other Loan Document not expressly described in paragraph 6 or (ii) to prejudice any right or remedy that any holder of Notes may now have (after giving effect to the waiver set forth in paragraph 6) or may have in the future under or in connection with the Agreement or any other Loan Document.

(b) **Counterparts**. This Amendment may be executed in any number of counterparts (including those transmitted by facsimile) and by any combination of the parties hereto in separate counterparts, each of which counterparts shall be an original and all of which taken together shall constitute one and the same Amendment. Delivery of this Amendment may be made by facsimile transmission of a duly executed counterpart copy hereof.

(c) **Expenses**. The Company confirms its agreement, pursuant to paragraph 11B of the Agreement, to pay promptly all out-of-pocket expenses of the Purchasers related to the preparation, negotiation, reproduction, execution and delivery of this Amendment and all matters contemplated hereby and thereby, including without limitation all fees and out-of-pocket expenses of the Purchasers' special counsel.

(d) **Governing Law**. **THIS AMENDMENT SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, AND THE RIGHTS OF THE PARTIES SHALL BE GOVERNED BY, THE LAW OF THE STATE OF NEW YORK.**

(e) **Affirmation of Obligations**. Notwithstanding that such consent is not required under the Guaranties, each of the Guarantors consents to the execution and delivery of this Amendment by the parties hereto. As a material inducement to the undersigned to amend the Agreement as set forth

herein, each of the Guarantors respectively (i) acknowledges and confirms the continuing existence, validity and effectiveness of the Guaranty to which it is a party and (ii) agrees that the execution, delivery and performance of this Amendment shall not in any way release, diminish, impair, reduce or otherwise affect its obligations thereunder.

(f) FINAL AGREEMENT. THIS AMENDMENT, TOGETHER WITH THE AGREEMENT AND THE OTHER TRANSACTION DOCUMENTS, REPRESENTS 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.

{Remainder of this page blank; signature page follows.}

If you agree to the terms and provisions hereof, please evidence your agreement by executing and returning at least one counterpart to the Company at 2501 Cedar Springs, Suite 600, Dallas, Texas 85201.

Very truly yours,

CROSSTEX ENERGY SERVICES, L.P.

By: Crosstex Operating GP, LLC,
its general partner

By:
/s/ WILLIAM W. DAVIS

Name: William W. Davis
Title: Executive Vice President and Chief Financial Officer

Agreed to as of the Amendment Effective Date:

PRUDENTIAL INVESTMENT MANAGEMENT, INC.

By:
/s/ RANDALL KOB

Vice President

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA

By:
/s/ RANDALL KOB

Vice President

PRUCO LIFE INSURANCE COMPANY

By:
/s/ RANDALL KOB

Vice President

Agreed to and acknowledged by each of the undersigned for the purposes set forth in paragraph 9(e):

GUARANTORS:

CROSSTEX ENERGY, L.P.

By: Crosstex Energy GP, L.P.,
its general partner

By: Crosstex Energy GP, LLC,
its general partner

By:
/s/ WILLIAM W. DAVIS

Name: William W. Davis
Title: Executive Vice-President and Chief Financial Officer

CROSSTEX CCNG GATHERING LTD.
CROSSTEX CCNG MARKETING LTD.
CROSSTEX CCNG PROCESSING LTD.
CROSSTEX CCNG TRANSMISSION LTD.
CROSSTEX GULF COAST MARKETING LTD.
CROSSTEX GULF COAST TRANSMISSION LTD.

By: Crosstex Energy Services GP, LLC,
general partner of each above limited partnership

By: /s/ WILLIAM W. DAVIS

Name: William W. Davis
Title: Executive Vice-President and Chief Financial Officer

CROSSTEX ALABAMA GATHERING SYSTEM, L.P.
CROSSTEX MISSISSIPPI INDUSTRIAL GAS SALES, L.P.
CROSSTEX MISSISSIPPI PIPELINE, L.P.
CROSSTEX SEMINOLE GAS, L.P.
CROSSTEX ACQUISITION MANAGEMENT, L.P.

By: Crosstex Acquisition Management GP, LLC,
general partner of each above limited partnership

By: /s/ WILLIAM W. DAVIS

Name: William W. Davis
Title: Executive Vice-President and Chief Financial Officer

CROSSTEX TREATING SERVICES, L.P.

By: Crosstex Treating Services GP, LLC,
its general partner

By: /s/ WILLIAM W. DAVIS

Name: William W. Davis
Title: Executive Vice-President and Chief Executive Officer

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Exhibit 21.1

List of Subsidiaries

Name of Subsidiary	State of Organization
Crosstex Energy, L.P.	Delaware
Crosstex Operating GP, LLC	Delaware
Crosstex Energy Services GP, LLC	Delaware
Crosstex Energy Services, L.P.	Delaware
Crosstex Pipeline, LLC	Texas
Crosstex Pipeline Partners, L.P.	Texas
Crosstex Gulf Coast Transmission Ltd.	Texas
Crosstex Gulf Coast Marketing Ltd.	Texas
Crosstex CCNG Gathering, Ltd.	Texas
Crosstex CCNG Marketing, Ltd.	Texas
Crosstex CCNG Transmission, Ltd.	Texas
Crosstex CCNG Processing, Ltd.	Texas
Crosstex Treating Services, L.P.	Delaware
Crosstex Alabama Gathering System, L.P.	Delaware
Crosstex Mississippi Industrial Gas Sales, L.P.	Delaware
Crosstex Mississippi Pipeline, L.P.	Delaware
Crosstex Seminole Gas, L.P.	Delaware
Crosstex Acquisition Management, L.P.	Delaware
Crosstex Louisiana Energy, L.P.	Delaware
LIG Chemical GP, LLC	Delaware
LIG Chemical, L.P.	Delaware
LIG Liquids Holdings, L.P.	Delaware
Crosstex LIG, LLC	Louisiana
Crosstex Tuscaloosa, LLC	Louisiana
Crosstex LIG Liquids, LLC	Louisiana
Crosstex DC Gathering Company, J.V.	Texas

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Exhibit 31.1

CERTIFICATIONS

I, Barry E. Davis, President and Chief Executive Officer of Crosstex Energy GP, LLC, the general partner of Crosstex Energy GP, L.P., the general partner of the registrant, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Crosstex Energy, 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 the 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 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 data 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 controls over financial reporting.

Date: May 7, 2004

/s/ BARRY E. DAVIS

Barry E. Davis,
President and Chief Executive Officer
(principal executive officer)

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Exhibit 31.2

CERTIFICATIONS

I, William W. Davis, Executive Vice President and Chief Financial Officer of Crosstex Energy GP, LLC, the general partner of Crosstex Energy GP, L.P., the general partner of the registrant, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Crosstex Energy, 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 the 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 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 data 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 controls over financial reporting.

Date: May 7, 2004

/s/ WILLIAM W. DAVIS

William W. Davis,
Executive Vice President and Chief Financial Officer
(principal financial and accounting officer)

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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 Crosstex Energy, L.P., (the "Registrant") on Form 10-Q for the quarter ended March 31, 2004, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned, Barry E. Davis, Chief Executive Officer of Crosstex Energy GP, LLC, and William W. Davis, Chief Financial Officer of Crosstex Energy GP, LLC, certifies, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that to his 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 Registrant.

/s/ BARRY E. DAVIS

Barry E. Davis
Chief Executive Officer

May 7, 2004

/s/ WILLIAM W. DAVIS

William W. Davis
Chief Financial Officer

May 7, 2004

A signed original of this written statement required by Section 906 has been provided to the Registrant and will be retained by the Registrant and furnished to the Securities and Exchange Commission or its staff upon request. The foregoing certification is being furnished to the Securities and Exchange Commission as an exhibit to the Report.

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