Use these links to rapidly review the document
TABLE OF CONTENTS

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

Form 10−K

☒ Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2002

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)

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

Title of Each Class	Name of Exchange on which Registered
None	Not applicable

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:

Title of Class
Common Units Representing Limited Partnership Interests

Indicate by check mark whether registrant 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, and has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S−K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10−K or any amendment to this Form 10−K. ☒

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

The aggregate market value of the Common Units representing limited partner interests held by non−affiliates of the registrant was approximately $48,524,500 on December 31, 2002, based on $21.40 per unit, the closing price of the Common Units as reported on the NASDAQ National Market on such date.

At March 4, 2003, there were outstanding 2,633,000 Common Units and 4,667,000 Subordinated Units.

DOCUMENTS INCORPORATED BY REFERENCE: None.

TABLE OF CONTENTS
DESCRIPTION

CROSSTEX ENERGY, L.P.

PART I

Item 1. *Business*

General

Crosstex Energy, L.P. (the "Registrant" or "Partnership") is a publicly traded Delaware limited partnership, formed in July 2002 in connection with its initial public offering, which was completed in December 2002. Our Common Units are listed on the NASDAQ National Market. Our business activities are conducted through our subsidiary, Crosstex Energy Services, L.P., a Delaware limited partnership (the "Operating Partnership") and the subsidiaries of the Operating Partnership. Our executive offices are located at 2501 Cedar Springs, Suite 600, Dallas, Texas 75201, and our telephone number is (214) 953−9500. In this report, the terms "Partnership" and "Registrant," as well as the terms "our," "we," and "its," are sometimes used as abbreviated references to Crosstex Energy, L.P. itself or Crosstex Energy, L.P. and its consolidated subsidiaries, including the Operating Partnership.

We are primarily engaged in the midstream energy business focused on the gathering, transmission, treating, processing and marketing of natural gas. We connect the wells of natural gas producers in our market areas to our gathering systems, treat natural gas to remove impurities to ensure that it meets pipeline quality specifications, process natural gas for the removal of natural gas liquids or NGLs, transport natural gas and ultimately provide an aggregated supply of natural gas to a variety of markets. We purchase natural gas from natural gas producers and other supply points and sell that natural gas to utilities, industrial consumers, other marketers and pipelines and thereby generate gross margins based on the difference between the purchase and resale prices. In addition, we purchase natural gas from producers not connected to our gathering systems for resale and sell natural gas on behalf of producers for a fee.

Our major assets include over 1,700 miles of natural gas gathering and transmission pipelines, one natural gas processing plant (the "Gregory plant") connected to our Gregory gathering system, a smaller gas processing plant (the "Masters Creek plant") and 49 natural gas treating plants. Our gathering systems consist of a network of pipelines that collect natural gas from points near producing wells and transport it to larger pipelines for further transmission. Our transmission pipelines primarily receive natural gas from our gathering systems and from third−party gathering and transmission systems and deliver natural gas to industrial end−users, utilities and other pipelines. Our processing plants remove NGLs from a natural gas stream and, in the case of the Gregory Plant, fractionates, or separates, the NGLs into separate NGL products, including ethane, propane, mixed butanes and natural gasoline. Our natural gas treating plants, located largely in the Texas Gulf Coast area, remove impurities from natural gas prior to delivering the gas into pipelines to ensure that it meets pipeline quality specifications.

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. See Note Thirteen to the consolidated financial statements for financial information about these business segments.

Our general partner interest is held by Crosstex Energy GP, L.P., a Delaware limited partnership. Crosstex Energy GP, LLC, a Delaware limited liability company, is Crosstex Energy GP, L.P.'s general partner. Crosstex Energy GP, LLC manages our operations and activities and employs our officers.

References in this report to "our predecessor" refer to Crosstex Energy Services, Ltd., a Texas limited partnership, substantially all of the assets of which were transferred to the Partnership at the closing of our initial public offering.

As generally used in the energy industry and in this document, the following terms have the following meanings:

/d = per day
Btu = British thermal units
Mcf = thousand cubic feet
MMBtu = million British thermal units
MMcf = million cubic feet

Midstream Division

Gathering and Transmission. Our natural gas gathering and transmission operations include over 1,700 miles of pipeline. We own a cryogenic gas processing facility with full liquid fractionation capabilities that is located on one of our major gathering systems north of Corpus Christi, Texas. For the year ended December 31, 2002, we gathered and transported approximately 368,177 Mcf/d of natural gas. Set forth below is a discussion of our principal pipeline systems.

- *Gulf Coast System*. We generate operating profits in our Gulf Coast system through the margins we earn by purchasing, gathering, transporting and reselling natural gas. We purchase natural gas from a producer, pipeline or marketing company and then transport and resell the gas. As of December 31, 2002, we were purchasing gas from over 60 producers primarily pursuant to month−to−month contracts and were reselling the natural gas to over 10 customers primarily pursuant to short−term or month−to−month arrangements. Beginning in July 2002, we started supplying natural gas to Entex (the natural gas utility for the City of Houston) under a two year contract. For the year ended December 31, 2002, approximately 92% of the natural gas volumes we purchased were purchased at a fixed price relative to an index and the remainder were purchased at a percentage of an index, and all the natural gas volumes we sold were sold at a fixed price relative to an index.

- *Corpus Christi System*. We generate operating profits in our Corpus Christi system through the margins we earn by purchasing, gathering, transporting and reselling natural gas. As of December 31, 2002, we were purchasing natural gas from approximately 29 producers generally on month−to−month or short−term arrangements. For the year ended December 31, 2002, substantially all of the natural gas volumes we purchased were purchased at a fixed price relative to an index. The Corpus Christi system transports natural gas to the Corpus Christi area where its customers include multiple major refineries and other industrial installations, as well as the local electric utility. As of December 31, 2002, we were selling gas to over 10 customers primarily pursuant to contracts that expire at various times between 2003 and 2006. For the year ended December 31, 2002, all of the natural gas volumes we sold were sold at a fixed price relative to an index. New customers added since the acquisition of this system have increased our sales volumes by 50,000 Mcf/d, replacing less profitable sales volumes that have been discontinued. Additionally, in December 2001 we entered into an agreement to provide transportation services to Calpine Energy Services, LP, the owner of a co−generation facility in Corpus Christi. The Calpine facility adds significantly to system demand under a 15 year contract that includes minimum annual payments to us in exchange for providing firm capacity of up to 100,000 MMBtu/d. This 500 megawatt co−generation facility will receive gas supply solely through two interconnections to the Corpus Christi transmission system.

- *Gregory Gathering System*. We generate operating profits in our Gregory gathering system and our Gregory processing plant through the margins earned by purchasing, gathering, transporting

and reselling natural gas, and through the incremental margin, if any, generated by processing the portion of the gas for which we retain the processing risk. As of December 31, 2002, we were purchasing gas from over 40 producers primarily pursuant to month−to−month contracts, and for the year ended December 31, 2002, approximately 92% of the natural gas volumes we purchased were purchased at a fixed price relative to an index and the remainder were purchased at percentage of an index. The gas is delivered to the Gregory plant where the residue gas is sold to one customer pursuant to a contract expiring in 2006 at a price based on a fixed price relative to a monthly index. Liquids produced from processing are sold under two contracts, one expiring in 2007, and the other expiring in March 2004.

- *Gregory Processing Plant*. In addition to the margins generated by the Gregory gathering system, we generate revenues at our Gregory processing plant under two types of arrangements:

  - For the year ended December 31, 2002, we purchased approximately 44% of the natural gas volumes on our Gregory system under contracts in which we were exposed to the risk of loss or gain in processing the natural gas. Under these contracts, we fractionate the NGLs into separate NGL products, which we then sell at prices based upon the market price for NGL products. Since we extract Btu's from the gas stream in the form of the liquids or consume it as fuel during processing, we reduce the Btu content of the natural gas but seek to more than offset this by creating value from the separated NGL products. Accordingly, our margins under these arrangements can be negatively affected in periods where the value of natural gas is high relative to the value of NGLs.

  - For the year ended December 31, 2002, we purchased approximately 56% of the natural gas volumes on our Gregory system at a spot or market price less a discount that includes a conditioning fee for processing and marketing the natural gas and NGLs at our Gregory processing plant with no risk of loss or gain in processing the natural gas. Under these contracts, the producer retains ownership of the fractionated NGLs, and accordingly bears the risk and retains the benefits associated with processing the natural gas. We anticipate purchasing increasing percentages of gas under fixed fee arrangements as opposed to contracts under which the processing economics are for our account.

- *Arkoma Gathering System*. We generate a margin for gathering and transporting gas in the Arkoma gathering system equal to a percentage of the proceeds from the sale of the natural gas to the mainline transmission pipeline into which we deliver. We take title to the gas at the point of receipt into the gathering system, with payment based upon an allocation of the metered volume sold into the mainline transmission facilities of our customer with the producer sharing their pro rata portion of the fuel costs for the compression and the removal of water from the natural gas stream.

Producer Services. We currently purchase for resale volumes of natural gas that do not move through our gathering, processing or transmission assets from over 50 independent producers. We engage in such activities on more than 30 interstate and intrastate pipelines with a major emphasis on Gulf Coast pipelines. 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.

Our business strategy includes developing relationships with natural gas producers to facilitate the purchase of their production on a long−term basis. We believe that this business also provides us with strategic insights and valuable market intelligence which may impact our expansion and acquisition strategy.

We offer to our customers the ability to hedge their purchase or sale price by agreeing to sell to us or to purchase from us volumes of natural gas. This risk management tool enables our customers to reduce pricing volatility associated with the sale and purchase of natural gas. When we agree to purchase or sell natural gas from a customer, we contemporaneously execute a contract for the sale or purchase of such natural gas or we enter into an offsetting obligation using futures contracts on the New York Mercantile Exchange or by using over−the−counter derivative instruments with third parties.

Treating Division

We operate treating plants which remove carbon dioxide and hydrogen sulfide from natural gas before it is delivered into transportation systems to ensure that it meets pipeline quality specifications. The plants we operate are primarily amine plants. The amine treating process involves a continuous circulation of a liquid chemical called amine that physically contacts with the natural gas. Amine has a chemical affinity for hydrogen sulfide and carbon dioxide that allows it to absorb the impurities from the gas. After mixing, gas and amine are separated and the impurities are removed from the amine by heating. Treating plants are sized by the amine circulation capacity in terms of gallons per minute. Our hydrogen sulfide scavenger facilities use a liquid or solid chemical that reacts with hydrogen sulfide thereby removing it from the gas. Used chemicals are disposed of and cannot be regenerated as amine can. In addition, our membrane plants use a molecular filter to separate carbon dioxide and hydrogen sulfide from natural gas.

Business Strategy

Our strategy is to increase distributable cash flow per unit by making accretive acquisitions of assets that are essential to the production, transportation, and marketing of natural gas; improving the profitability of our owned assets by increasing their utilization while controlling costs; accomplishing economies of scale through new construction or expansion in core operating areas; and maintaining financial flexibility to take advantage of opportunities. Our strategy is based on our expectation of a continued high level of drilling in our principal geographic areas and a process of ongoing divestitures of gas transportation and processing assets by large industry participants. We believe these two factors should present opportunities for continued expansion in our existing areas of operation as well as opportunities to acquire assets in new geographic areas that may serve as a platform for future growth. Key elements of our strategy include the following:

- *Pursuing accretive acquisitions.* We intend to use our acquisition and integration experience to continue to make strategic acquisitions of midstream assets that offer the opportunity for operational efficiencies and the potential for increased utilization and expansion of the acquired asset. We pursue acquisitions that we believe will add to existing core areas in order to capitalize on our existing infrastructure, personnel, and producer and consumer relationships. We also examine opportunities to establish new core areas in regions with significant natural gas reserves and high levels of drilling activity or with growing demand for natural gas. We plan to establish new core areas primarily through the acquisition of key assets that will serve as a platform for further growth both through additional acquisitions and the construction of new assets.

- *Improving existing system profitability.* After we acquire or construct a new system, we begin an aggressive effort to market services directly to both producers and end users in order to connect new supplies of natural gas, improve margins, and fully utilize the system's capacity. Many of our recently acquired systems have excess capacity that provides us opportunities to increase throughput with minimal incremental cost. As part of this process, we focus on providing a full range of services to small and medium size independent producers and end users, including supply aggregation, transportation and hedging, which we believe provides us with a competitive advantage when we compete for sources of natural gas supply. Additionally, we emphasize increasing the percentage of our natural gas sales directly to end users, such as industrial and

utility consumers in an effort to increase our operating margins. For the year ended December 31, 2002, approximately 63% of our on−system natural gas sales were to industrial end users and utilities.

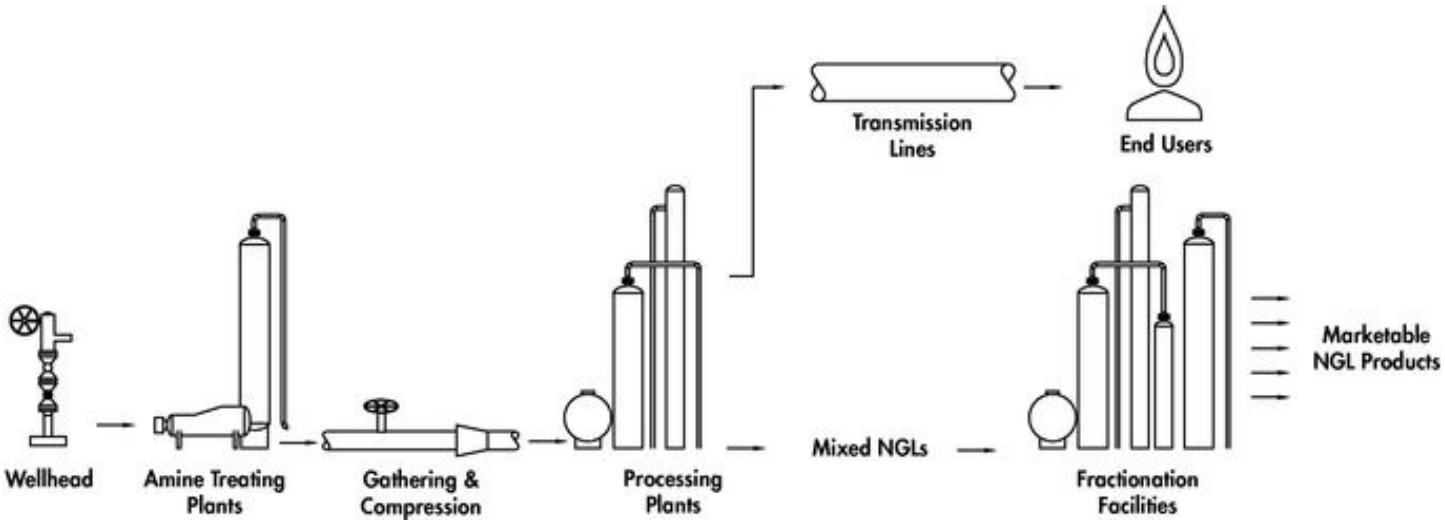
- *Undertaking construction and expansion opportunities.* We leverage our existing infrastructure and producer and customer relationships by constructing and expanding systems to meet new or increased demand for our gathering, transmission, treating, processing and marketing services. These projects include expansion of existing systems and construction of new facilities. As an example, we modified the Gregory system by adding a by−pass around our Gregory processing plant which allowed us to deliver an additional 30,000 Mcf/d of gas to the plant tailgate without processing. Our recent acquisition from Florida Gas Transmission has facilitated establishing connections between our Corpus Christi and our Gulf Coast systems which has increased our flexibility in balancing gas supply and market requirements throughout the regions covered, in addition to serving new markets in Florida. We are also evaluating the economic feasibility of increasing the capacity of our Gregory processing plant to 150,000 Mcf/d, a 76% increase over the current capacity, and marketing the additional gas through our Corpus Christi and Gulf Coast systems.

Recent Acquisitions and New Construction

In December 2002, we acquired the Vanderbilt System from Devon Energy Corporation for $12.0 million, and the 50% operating interest in a treating plant (the Will−O−Mills plant) in which we already owned a 50% non−operating interest, for $2.2 million. We also recently formed a joint venture to construct a gathering system in an area of the Barnett Shale gas play at an initial cost of $3.0 million. See Item 2. "Properties."

Industry Overview

The following diagram illustrates the natural gas treating, gathering, processing, fractionation and transmission process.



The midstream natural gas industry is the link between exploration and production of natural gas and the delivery of its components to end−use markets. The midstream industry is generally characterized by regional competition based on the proximity of gathering systems and processing plants to natural gas producing wells.

Natural gas gathering. The natural gas gathering process begins with the drilling of wells into gas bearing rock formations. Once a well has been completed, the well is connected to a gathering system. Gathering systems typically consist of a network of small diameter pipelines and, if necessary,

compression systems that collect natural gas from points near producing wells and transport it to larger pipelines for further transmission.

Natural gas treating. Natural gas has a varied composition depending on the field, the formation and the reservoir from which it is produced. Natural gas from certain formations in the Texas Gulf Coast is high in carbon dioxide. Treating plants are placed at or near a well and remove carbon dioxide and hydrogen sulfide from natural gas before it is introduced into gathering systems to ensure that it meets pipeline quality specifications.

Natural gas processing and fractionation. The principal components of natural gas are methane and ethane, but most natural gas also contains varying amounts of NGLs and contaminants, such as water, sulfur compounds, nitrogen or helium. Natural gas is described as dry or wet depending on its NGL content. These are relative terms, but as generally used, a wet gas may contain two gallons or more of NGLs per Mcf, whereas a dry gas usually contains less than one gallon of recoverable liquids per Mcf. Most wet natural gas is not suitable for long−haul pipeline transportation or commercial use and must be processed to remove the heavier hydrocarbon components and contaminants. Natural gas in commercial distribution systems is composed almost entirely of methane and ethane, with NGLs and contaminants removed to very low concentrations. NGL fractionation facilities separate mixed NGL streams into discrete NGL products: ethane, propane, isobutane, normal butane and natural gasoline.

Natural gas transmission. Natural gas transmission pipelines receive natural gas from mainline transmission pipelines, plant tailgates, and gathering systems and deliver it to industrial end−users, utilities and to other pipelines.

Risk Management

It is our policy that as we purchase natural gas, we establish a margin by selling natural gas for physical delivery to third−party users. We seek to maintain a position that is substantially balanced between purchases, on the one hand, and sales or future delivery obligations, on the other hand. Our policy is not to acquire and hold natural gas future contracts or derivative products for the purpose of speculating on price changes. For that portion of the gas we purchase which we buy on a percentage−of−index or percentage−of−proceeds contracts, since our margin can vary with the price of natural gas, we may hedge our margin. We also enter into similar contracts to hedge prices on behalf of producers we serve, using over−the−counter derivative instruments or by entering into a future delivery obligation under futures contracts on the New York Mercantile Exchange.

Competition

The business of providing natural gas gathering, transmission, treating, processing and marketing services is highly competitive. We face strong competition in acquiring new natural gas supplies. Our competitors in obtaining additional gas supplies and in treating new natural gas supplies include major integrated oil companies, major interstate and intrastate pipelines, and other natural gas gatherers that gather, process and market natural gas. Competition for natural gas supplies is primarily based on the reputation, efficiency and reliability of the gatherer and the pricing arrangements offered by the gatherer. Many of our competitors have capital resources and control supplies of natural gas substantially greater than ours. Our major competitors in the Texas Gulf Coast area for natural gas supplies and markets include El Paso Field Services, Kinder Morgan Inc., Houston Pipeline Company and Duke Energy Field Services.

Our gas treating operations face competition from manufacturers of new treating plants and from a small number of regional operators that provide plant leasing and operations similar to ours. We also face competition from vendors of used equipment that occasionally lease and operate plants for

producers. Our primary competitor for natural gas treating services in our principal market area is The Hanover Company.

In marketing natural gas, we have numerous competitors, including marketing affiliates of interstate pipelines, major integrated oil companies, and local and national natural gas gatherers, brokers and marketers of widely varying sizes, financial resources and experience. Local utilities and distributors of natural gas are, in some cases, engaged directly, and through affiliates, in marketing activities that compete with our marketing operations.

Natural Gas Supply

Our end−user pipelines have connections with major interstate and intrastate pipelines, which we believe have ample supplies of natural gas in excess of the volumes required for these systems. In connection with the construction and acquisition of our gathering systems, we evaluated well and reservoir data furnished by producers to determine the availability of natural gas supply for the systems. Based on those evaluations, we believe that there should be adequate natural gas supply to recoup our investment with an adequate rate of return. We do not routinely obtain independent evaluations of reserves dedicated to our systems due to the cost of such evaluations. Accordingly, we do not have estimates of total reserves dedicated to our systems or the anticipated life of such producing reserves.

Regulation

Intrastate Pipeline Regulation. Our intrastate natural gas pipeline operations generally are not subject to rate regulation by FERC, but they are subject to regulation by various agencies of the states in which they are located, principally the Texas Railroad Commission. However, to the extent that our intrastate pipeline systems transport natural gas in interstate commerce, the rates, terms and conditions of such transportation service are subject to FERC jurisdiction under Section 311 of the Natural Gas Policy Act, or NGA, which regulates, among other things, the provision of transportation services by an intrastate natural gas pipeline on behalf of a local distribution company or an interstate natural gas pipeline. Most states have agencies that possess the authority to review and authorize natural gas transportation transactions and the construction, acquisition, abandonment and interconnection of physical facilities.

Our operations in Texas are subject to the Texas Gas Utility Regulatory Act, as implemented by the TRRC. Generally the TRRC is vested with authority to ensure that rates charged for natural gas sales or transportation services are just and reasonable. The rates we charge for transportation services are deemed just and reasonable under Texas law unless challenged in a complaint. We cannot predict whether such a complaint will be filed against us or whether the TRRC will change its regulation of these rates.

Pipeline Integrity Rules recently implemented by the TRRC require a pipeline operator to prove operational safety of a pipeline segment on a periodic basis. The rules offer two methods of proving a pipeline's integrity; Direct (Risk−Based) Assessment or Prescriptive Testing. Risk−Based Assessment proves a pipeline's integrity through documentation (including construction, testing and operating records) and Prescriptive Testing proves integrity through physical testing (an in−line inspection or hydrostatic pressure test). Crosstex intends to use the Risk−Based Assessment method to achieve full compliance in a cost effective manner in conjunction with Prescriptively Testing of pipeline segments in high consequence areas.

Gathering Pipeline Regulation. Section 1(b) of the NGA exempts natural gas gathering facilities from the jurisdiction of FERC under the NGA. We own a number of natural gas pipelines that we believe meet the traditional tests FERC has used to establish a pipeline's status as a gatherer not subject to FERC jurisdiction. However, the distinction between FERC−regulated transmission services and federally unregulated gathering services is the subject of substantial, on−going litigation, so the

classification and regulation of our gathering facilities are subject to change based on future determinations by FERC and the courts. State regulation of gathering facilities generally includes various safety, environmental and, in some circumstances, nondiscriminatory take requirements, and in some instances complaint−based rate regulation.

We are subject to state ratable take and common purchaser statutes. The ratable take statutes generally require gatherers to take, without undue discrimination, natural gas production that may be tendered to the gatherer for handling. Similarly, common purchaser statutes generally require gatherers to purchase without undue discrimination as to source of supply or producer. These statutes are designed to prohibit discrimination in favor of one producer over another producer or one source of supply over another source of supply. These statutes have the effect of restricting our right as an owner of gathering facilities to decide with whom we contract to purchase or transport natural gas.

Sales of Natural Gas. The price at which we sell natural gas currently is not subject to federal regulation and, for the most part, is not subject to state regulation. FERC is continually proposing and implementing new rules and regulations affecting the natural gas industry, most notably interstate natural gas transmission companies, that remain subject to FERC's jurisdiction. These initiatives also may affect the intrastate transportation of natural gas under certain circumstances. The stated purpose of many of these regulatory changes is to promote competition among the various sectors of the natural gas industry. We cannot predict the ultimate impact of these regulatory changes to our natural gas marketing operations. Some of FERC's more recent proposals may adversely affect the availability and reliability of interruptible transportation service on interstate pipelines. We do not believe that we will be affected by any such FERC action materially differently than other natural gas marketers with whom we compete.

Environmental Matters

General. Our operation of processing and fractionization plants, pipelines and associated facilities in connection with the gathering and processing of natural gas and the transportation, fractionization and storage of NGLs is subject to stringent and complex federal, state and local laws and regulations relating to release of hazardous substances or wastes into the environment or otherwise relating to protection of the environment. As with the industry generally, compliance with existing and anticipated environmental laws and regulations increases our overall costs of doing business, including our cost of planning, constructing, and operating our plants, pipelines, and other facilities. Included in our construction and operation costs are capital cost items necessary to maintain or upgrade our equipment and facilities.

Any failure to comply with applicable environmental laws and regulations, including those relating to obtaining required governmental approvals, may result in the assessment of administrative, civil, or criminal penalties, imposition of investigatory or remedial activities and, in less common circumstances, issuance of injunctions or construction bans or delays.

Hazardous Substance and Waste. The Comprehensive Environmental Response, Compensation and Liability Act, or CERCLA, also known as the "Superfund" law, and comparable state laws, impose liability without regard to fault or the legality of the original conduct, on certain classes of persons that contributed to a release of "hazardous substance" into the environment. These persons include the owner or operator of the site where a release occurred and companies that disposed or arranged for the disposal of the hazardous substances found at the site. Under CERCLA, these persons may be subject to joint and several liability for the costs of cleaning up the hazardous substances that have been released into the environment, for damages to natural resources, and for the costs of certain health studies. CERCLA also authorizes the EPA and, in some cases, third parties to take actions in response to threats to the public health or the environment and to seek to recover from the responsible classes of persons the costs they incur. It is not uncommon for neighboring landowners and other third

parties to file claims for personal injury and property damage allegedly caused by hazardous substances or other wastes released into the environment. Although "petroleum" as well as natural gas and NGLs are excluded from CERCLA's definition of a "hazardous substance," in the course of our ordinary operations we will generate wastes that may fall within the definition of a "hazardous substance." We may be responsible under CERCLA for all or part of the costs required to clean up sites at which such wastes have been disposed. We have not received any notification that we may be potentially responsible for cleanup costs under CERCLA or any analogous state laws.

We also generate both hazardous and nonhazardous solid wastes that are subject to requirements of the federal Resource Conservation and Recovery Act, or RCRA, and comparable state statutes. From time to time, the Environmental Protection Agency, or EPA, has considered the adoption of stricter disposal standards for nonhazardous wastes, including crude oil and natural gas wastes. We are not currently required to comply with a substantial portion of the RCRA requirements because our operations generate minimal quantities of hazardous wastes.

We currently own or lease, and have in the past owned or leased, properties that have been used over the years for natural gas gathering and processing and for NGL fractionation, transportation and storage. These properties and wastes disposed thereon may be subject to CERCLA, RCRA, and analogous state laws. Under these laws, we could be required to remove or remediate previously disposed wastes or property contamination, including groundwater contamination or to perform remedial operations to prevent future contamination.

Air Emissions. Our operations are subject to the Clean Air Act and comparable state statutes. Amendments to the Clean Air Act were enacted in 1990. Moreover, recent or soon to be adopted changes to state implementation plans for controlling air emissions in regional, non−attainment areas require or will require most industrial operations in the United States to incur capital expenditures in order to meet air emission control standards developed by the EPA and state environmental agencies. Such requirements, if applicable to our operations, could cause us to incur capital expenditures in the next several years for air pollution control equipment in connection with maintaining or obtaining governmental approvals addressing air emission−related issues. In addition, the 1990 Clean Air Act Amendments established a new operating permit for major sources, which applies to some of our facilities. Although we can give no assurances, we believe implementation of the 1990 Clean Air Act Amendments will not have a material adverse effect on our financial condition or results of operations.

Clean Water Act. The Federal Water Pollution Control Act, also known as the Clean Water Act, and similar state laws impose restrictions and strict controls regarding the discharge of pollutants, including natural gas liquid−related wastes, into state waters or waters of the United States. Regulations promulgated pursuant to these laws require that entities that discharge into federal and state waters obtain National Pollutant Discharge Elimination System, or NPDES, and/or state permits authorizing these discharges. The Clean Water Act and analogous state laws assess administrative, civil and criminal penalties for discharges of unauthorized pollutants into the water and impose substantial liability for the costs of removing spills from such waters. In addition, the Clean Water Act and analogous state laws require that individual permits or coverage under general permits be obtained by covered facilities for discharges of storm water runoff. We believe that we are in substantial compliance with Clean Water Act permitting requirements as well as the conditions imposed thereunder, and that continued compliance with such existing permit conditions will not have a material effect on our results of operations.

Employee Safety. We are subject to the requirements of the Occupational Safety and Health Act, referred to as OSHA, and comparable state laws that regulate the protection of the health and safety of workers. In addition, the OSHA hazard communication standard requires that information be maintained about hazardous materials used or produced in operations and that this information be provided to employees, state and local government authorities and citizens. We believe that our

operations are in substantial compliance with the OSHA requirements, including general industry standards, record keeping requirements, and monitoring of occupational exposure to regulated substances.

Safety Regulations. Portions of our pipelines are subject to regulation by the U.S. Department of Transportation under the Hazardous Liquid Pipeline Safety Act, as amended, or HLPSA, relating to the design, installation, testing, construction, operation, replacement and management of pipeline facilities. The HLPSA covers crude oil, carbon dioxide, NGL and petroleum products pipelines and requires any entity which owns or operates pipeline facilities to comply with the regulations under the HLPSA, to permit access to and allow copying of records and to make certain reports and provide information as required by the Secretary of Transportation. We believe that our pipeline operations are in substantial compliance with applicable HLPSA requirements.

Office Facilities

In addition to our gathering and treating facilities discussed above, we occupy approximately 17,000 square feet of space at our executive offices in Dallas, Texas under a lease expiring in November 2004.

Employees

As of December 31, 2002, our operating partnership, Crosstex Energy Services, L.P., had approximately 126 full−time employees. Approximately half of our employees were general and administrative, engineering, accounting and commercial personnel and the remainder were operational employees. We are not party to any collective bargaining agreements, and we have not had any significant labor disputes in the past. We believe that we have good relations with our employees.

Item 2. *Properties*

Set forth in the table below is a list of our significant acquisitions since January 2000.

Acquisition	Acquisition Date	Purchase Price (in thousands)	Asset Type	Average Throughput at Time of Acquisition (MMBtu/d)	Average Throughput for Year Ended December 31, 2002 (MMBtu/d)
Provident City Plant	February 2000	$ 350	Treating plants	3,000	29,442
Will−O−Mills	February 2000	2,000	Treating plants	11,800	11,586
Arkoma Gathering System	September 2000	10,500	Gathering pipeline	12,000	10,785
Gulf Coast System	September 2000	10,632	Gathering and transmission pipeline	117,000	103,323
CCNG acquisition	May 2001	30,003	Gathering and transmission pipeline and processing plant	358,000	348,085
Pettus Gathering System	June 2001	450	Gathering system	—	—
Millennium Gas Services	October 2001	2,124	Treating assets	—	—
Florida Gas Transmission	June 2002	2,300	Pipeline segment	—	—
Pandale System	June 2002	2,000	Gathering pipeline	17,000	—(1)
KCS McCaskill Pipeline	June 2002	250	Pipeline segment	—	—
Vanderbilt Pipeline	December 2002	12,000	Transmission pipeline	32,000	—(1)
Will−O−Mills	December 2002	2,235	Treating plant	10,590	—(1)

(1) Acquired during 2002.

Midstream Division

Our primary Midstream assets are four major systems and a natural gas processing plant along the Texas Gulf Coast and one gathering system in eastern Oklahoma, which in the aggregate consist of approximately 1,700 miles of gathering and transmission pipelines. For the year ended December 31,

2002, we gathered and transported approximately 368,177 Mcf/d of natural gas. Certain information regarding our primary assets in our Midstream division is summarized in the table below:

Asset	Type	Length (miles)	Throughput Capacity (Mcf/d)	Year Ended December 31, 2002 Average Throughput (Mcf/d)	Year Ended December 31, 2002 Utilization of Capacity
Gulf Coast system	Gathering and transmission pipelines	484	200,000	98,123	49.1%
Corpus Christi system	Gathering and transmission pipelines	295	350,000	155,279	44.4%
Gregory gathering system(1)	Gathering pipelines	297	200,000	95,984	48.0%
Gregory processing plant	Processing and fractionation facility	N/A	80,000	75,337	94.2%
Arkoma gathering system	Gathering pipelines	100	20,000	10,080	50.4%
Vanderbilt pipeline	Transmission pipeline	200	130,000	30,095	23.2%
Other systems	Gathering and transmission pipelines	330	319,400	63,828	20.0%
Total		1,706			

(1) The throughput on our Gregory gathering system is limited by the processing capacity of the Gregory processing plant, which is currently 85,000 Mcf/d, and a by−pass around the Gregory processing plant which has a capacity of 30,000 Mcf/d.

Gulf Coast System. The Gulf Coast system is an intrastate pipeline system consisting of approximately 484 miles of gathering and transmission pipelines with a mainline from Refugio County in south Texas running northeast along the Gulf Coast to the Brazos River in Fort Bend County near Houston. The system's gathering and transmission pipelines range in diameter from 4 to 20 inches. We acquired the Gulf Coast system in September 2000 for a purchase price of approximately $10.6 million.

The Gulf Coast system has two supply pipeline laterals which connect to gathering systems which collect natural gas from approximately 76 receipt points and five treating and processing plants operated by third parties. This system has three delivery laterals—an 8 inch lateral into the Victoria area, a 12 inch lateral into the Point Comfort area, and a 16 inch lateral into the Bay City area—which deliver natural gas directly to large industrial and utility consumers along the Gulf Coast. The system interconnects with multiple third−party pipelines through which we may purchase volumes not gathered through our systems for resale or through which we might deliver natural gas to customers which are not connected to our system. We also hold firm transportation capacity on the TXU Lone Star pipeline, which provides access for our Gulf Coast mainline system in Fort Bend County to the Katy hub, a major natural gas physical exchange that allows access to seven third−party pipelines, including Kinder Morgan, TECO and Trunkline. The Gulf Coast system had average throughput of approximately 103,323 MMBtu/d for the year ended December 31, 2002.

Vanderbilt System. On December 19, 2002, we acquired the Vanderbilt System from a subsidiary of Devon Energy Corporation. The Vanderbilt system has approximately 200 miles of gathering pipeline located near our Gulf Coast system. The purchase price was $12.0 million. The pipeline ranges in diameter from 4 to 14 inches and had throughput at the time of acquisition of approximately 32,000 MMBtu/d. Gathered natural gas currently flows to the Exxon Katy plant, which is scheduled to close in November 2003. We have a contract to deliver the natural gas from this gathering system to the Formosa Hydrocarbons processing plant at Point Comfort, Texas beginning in the spring of 2003.

Corpus Christi System. The Corpus Christi system is an intrastate pipeline system consisting of approximately 295 miles of gathering and transmission pipelines and extends from supply points in south Texas to markets in Corpus Christi, Texas. Its gathering and transmission pipelines range in diameter from 4 to 20 inches. We acquired the Corpus Christi system in May 2001 in conjunction with the acquisition of the Gregory gathering system and Gregory processing plant, (the CCNG Acquisition), for an aggregate purchase price of approximately $30 million. The main lines comprising the Corpus Christi system were constructed in the 1940's with additional expansions throughout the 1990's. We believe the expected remaining life of the pipeline system is approximately 50 years.

Natural gas is supplied to the Corpus Christi system from approximately 13 receipt points, 12 treating and processing plants and third−party gathering systems and pipelines. The system interconnects with multiple third−party pipelines through which we may purchase volumes not gathered through our systems for resale or through which we may deliver natural gas to customers which are not connected to our system, including the Banquette hub. The Corpus Christi system had an average throughput of approximately 157,918 MMBtu/d for the year ended December 31, 2002.

In June 2002, we acquired from Florida Gas Transmission approximately 70 miles of 20 inch transmission line which allows us access to the Florida Gas transmission mainline and accordingly the ability to reach markets in Florida. We have constructed an addition to this transmission line creating a connection between our Gulf Coast system and our Corpus Christi system. This connection allows us to transport gas between our two systems, thereby reducing our dependence on third−party suppliers, move gas supplies to more favorable markets and enhance our margins. In December, 2002, after completion of the interconnect between our systems and Florida Gas Transmission Company, we sold an average daily quantity of 43,000 MMBtu/d into the Florida markets.

Gregory Gathering System. We acquired the Gregory processing plant and the Gregory gathering system in May 2001 in connection with the CCNG Acquisition. The plant and the gathering system are located north of Corpus Christi, Texas. The gathering system is connected to approximately 70 receipt points in San Patricio County, the Corpus Christi Bay area, Mustang Island, and adjacent coastal areas. The gathering system consists of approximately 297 miles of pipeline ranging in diameter from 2 inches to 18 inches. Until early 2002, all of the gas from the gathering system had been delivered to the inlet of the processing plant. Accordingly, the capacity of the gathering system was constrained by the inlet capacity of the plant. In January 2002, we constructed a by−pass around the plant so that additional gas can be delivered to the plant tailgate without processing. The gathering system had average throughput of approximately 106,543 MMBtu/d for the year ended December 31, 2002 compared to approximately 76,500 MMBtu of gas per day at the time of our acquisition. The Gregory gathering system was constructed in the 1980's and we believe the expected remaining life of the pipeline system is approximately 50 years.

Gregory Processing Plant. Our Gregory processing plant is a cryogenic turbo−expander with a 210,000 gallon per day fractionator that removes liquid hydrocarbons from the liquids−rich gas produced into the Gregory gathering system. Our Gregory processing plant had an average throughput of approximately 83,624 MMBtu/d for the year ended December 31, 2002. At the time of our acquisition, the plant was processing approximately 86,247 MMBtu of gas per day. The Gregory processing plant was constructed in the 1980's and expanded and upgraded in 1998. We believe the expected remaining life of the Gregory processing plant is approximately 20 years. As part of the CCNG Acquisition, we entered into a contract whereby all of the processed natural gas coming from our Gregory processing plant is sold to a subsidiary of Kinder Morgan under a contract that expires in March, 2006.

Arkoma Gathering System. We acquired the Arkoma gathering system, located in the Southeastern region of Oklahoma, in September 2000 for $10.5 million. In addition, since acquiring this system, we have acquired the Shawnee extension, consisting of 15 miles of gathering pipelines extending through additional supply areas in this region. The Arkoma gathering system when acquired was approximately

84 miles in length and included a 3,700 horsepower compressor station. With the addition of the Shawnee extension and additional well connections, the system is now approximately 100 miles in length and ranges in diameter from 2 to 10 inches. This low−pressure system gathers gas from approximately 146 wells to three compressor stations for discharge to a mainline transmission pipeline. This system had average throughput of approximately 10,785 MMBtu/d for the year ended December 31, 2002.

Other Systems. We own several small gathering systems totaling approximately 330 miles, including our Manziel system in Wood County, Texas, our San Augustine system in San Augustine County, Texas, our Freestone Rusk system in Freestone County, Texas, and our Jack Starr and North Edna systems in Jackson County, Texas. Through Crosstex Pipeline Partners, a limited partnership of which we are the co−general partner, we own a 28% interest in five gathering systems in east Texas, totaling 64 miles. We also own five industrial bypass systems each of which supplies natural gas directly from a pipeline to a dedicated customer. The combined volumes for these five industrial bypass systems was approximately 4,900 MMBtu/d for the year ended December 31, 2002. In addition to these systems, we own various smaller gathering and transmission systems located in Texas and New Mexico.

Treating Division

As of December 31, 2002, we owned 49 treating plants, 26 of which were operated by our personnel, 9 of which were operated by producers, and 14 of which were held in inventory. We entered the treating business in 1998 with the strategic acquisition of WRA Gas Services. In October 2001, we completed our largest acquisition of gas treating assets with the acquisition of Millenium Gas Services, which added 11 treating plants, four of which were in operation and seven of which were placed in our inventory.

The treating plants remove carbon dioxide and hydrogen sulfide from natural gas before it is introduced to transportation systems to ensure that it meets pipeline quality specifications. Natural gas from certain formations in the Texas Gulf Coast is high in carbon dioxide. The majority of our active plants are treating gas from the Wilcox and Edwards formations, both of which are deeper formations that are high in carbon dioxide. Our active treating facilities include 33 amine plants and two hydrogen sulfide scavenger installations. In cases where producers pay us to operate the treating facilities, we either charge a fixed rate per Mcf of natural gas treated or charge a fixed monthly fee. If the producer operates the facility, we receive a fixed monthly fee.

In addition to our treating plants, we have three gathering systems in our treating division with an aggregate of 43 miles of gathering pipeline located in Val Verde, Crockett, Dewitt and Live Oak counties, Texas that are connected to approximately 73 producing wells. These gathering systems are connected to three of our treating plants, including the Will−O−Mills plant in Val Verde County, Texas, which we consolidated ownership of in December 2002. The diameter of these gathering pipelines ranges from 2 to 6 inches. These gathering assets in the aggregate had average throughput of approximately 23,396 MMBtu/d for the year ended December 31, 2002. In cases where we both gather and treat natural gas, our fee is generally based on throughput.

A component of our strategy is to purchase used plants and then refurbish and repair them at our shop and seven−acre yard in Victoria, Texas and our 14−acre yard in Odessa, Texas. We believe that we can purchase used plants and recondition them at a significant cost savings to purchasing new plants. We have an inventory of plants of varying sizes which can be deployed after refurbishment. We also mount most of the plant equipment on skids allowing them to be moved in a timely and cost efficient manner. At such time as our active plants come offline, we put them in our inventory pending redeployment. We believe our plant inventory gives us an advantage of several weeks in the time required to respond to a producer's request for treating services.

Title to Properties

Substantially all of our pipelines are constructed on rights−of−way granted by the apparent record owners of the property. Lands over which pipeline rights−of−way have been obtained may be subject to prior liens that have not been subordinated to the right−of−way grants. We have obtained, where necessary, easement agreements from public authorities and railroad companies to cross over or under, or to lay facilities in or along, watercourses, county roads, municipal streets, railroad properties and state highways, as applicable. In some cases, property on which our pipeline was built was purchased in fee. Our Gregory processing plant is on land that we own in fee.

Some of the leases, easements, rights−of−way, permits, licenses and franchise ordinances that will be transferred to us will require the consent of the current landowner to transfer these rights, which in some instances is a governmental entity. Our general partner believes that it has obtained or will obtain sufficient third−party consents, permits and authorizations for the transfer of the assets necessary for us to operate our business in all material respects. With respect to any consents, permits or authorizations that have not been obtained, our general partner believes that these consents, permits or authorizations will be obtained or that the failure to obtain these consents, permits or authorizations will have no material adverse effect on the operation of our business.

Our general partner believes that we have satisfactory title to all of our assets. Record title to some of our assets may continue to be held by affiliates of our predecessor until we have made the appropriate filings in the jurisdictions in which such assets are located and obtained any consents and approvals that are not obtained prior to transfer. Title to property may be subject to encumbrances. Our general partner believes that none of such encumbrances should materially detract from the value of our properties or from our interest in these properties or should materially interfere with their use in the operation of our business.

Item 3. *Legal Proceedings*

We are not currently a party to any material litigation. Our operations are subject to a variety of risks and disputes normally incident to our business. As a result, at any given time we may be a defendant in various legal proceedings and litigation arising in the ordinary course of business. We maintain insurance policies with insurers in amounts and with coverage and deductibles as the managing general partner believes are reasonable and prudent. However, we cannot assure that this insurance will be adequate to protect us from all material expenses related to potential future claims for personal and property damage or that these levels of insurance will be available in the future at economical prices.

Item 4. *Submission of Matters to a Vote of Security Holders*

No matters were submitted to security holders during the fourth quarter of the year ended December 31, 2002.

PART II

Item 5. *Market for Registrant's Common Equity and Related Stockholder Matters*

The Partnership's common units representing limited partner interests in the Partnership are listed on the NASDAQ National Market under the symbol "XTEX". The common units began trading on December 12, 2002, at an initial public offering price of $20.00 per common unit. On March 4, 2003, the market price for the common units was 23.95 per unit and there were approximately 2,610 record holders and beneficial owners (held in street name) of the Partnership's common units and one record holder of the Partnership's subordinated units. There is no established public trading market for the Partnership's subordinated units.

The following table sets forth, for the portion of the fourth quarter 2002 in which the common units were traded, the range of high and low closing sales prices for the common units as reported by the NASDAQ National Market, and the amount of cash distribution paid per common unit for the portion of the fourth quarter 2002 commencing December 17, 2002, the date of closing of the initial public offering.

	Common Unit Price Range		
	High	Low	Cash Distribution Paid Per Unit
2002:			
4th Quarter	$ 21.75	$ 19.46	$ 0.00

The Partnership has also issued subordinated units representing limited partner interests in the Partnership, all of which are held by an affiliate of the general partner, for which there is no established public trading market.

Beginning with the quarter ending March 31, 2003, we will distribute, on a quarterly basis, all of our available cash. Available cash generally means, for any of our fiscal quarters, all cash on hand at the end of the quarter less the amount of cash reserves that is necessary or appropriate in the reasonable discretion of our general partner to:

- provide for the proper conduct of our business;
- comply with applicable law, any of our debt instruments or other agreements; or
- provide funds for distributions to unitholders and our general partner for any one or more of the next four quarters.

Minimum quarterly distributions are $0.50 for each full fiscal quarter. Distributions of available cash to the holders of subordinated units are subject to the prior rights of the holders of common units to receive the minimum quarterly distributions for each quarter during the subordination period, and to receive any arrearages in the distribution of minimum quarterly distributions on the common units for prior quarters during the subordination period. We will adjust the minimum quarterly distribution for our initial distribution by approximately $.07 for the period from the closing of our initial public offering on December 17, 2002 through March 31, 2003.

The subordination period will end if certain financial tests contained in the partnership agreement are met for three consecutive four−quarter periods (the "testing period"), but no sooner than December 31, 2007. During the first quarter after the end of the subordination period, all of the subordinated units will convert into Common Units. Early conversion of a portion of the subordinated units may occur if the financial tests are satisfied before December 31, 2007.

In addition to distributions on its 2% general partner interest, our general partner is entitled to receive incentive distributions if the amount we distribute with respect to any quarter exceeds levels specified in our partnership agreement. Under the quarterly incentive distribution provisions, generally

our general partner is entitled to 13% of amounts we distribute in excess of $0.50 per unit, 23% of the amounts we distribute in excess of $0.625 per unit and 48% of amounts we distribute in excess of $0.75 per unit.

Under the terms of our bank credit agreement and letter of credit and borrowing facility, we are prohibited from declaring or paying any distribution to unitholders if a default or event of default (as defined in such agreements) exists. See Item 7. "Management's Discussion and Analysis—Liquidity and Capital Resources."

Recent Sales of Unregistered Securities

On December 17, 2002 and in offerings exempt from registration under Section 4(2) of the Securities Act of 1933, as amended, the Partnership converted the existing limited partner interest in the Partnership owned by Crosstex Energy Holdings Inc. into 333,000 common units and 4,667,000 subordinated units in connection with the contribution of the interests of our subsidiaries which hold our operating assets. There have been no other sales of unregistered securities of the Partnership within the past three years.

Use of Proceeds From Registered Securities

On December 12, 2002, the Partnership's registration statement on Form S−1 (Registration No. 333−97779) was declared effective by the Securities and Exchange Commission in connection with the public offering of 2,000,000 common units representing limited partner interests in the Partnership (plus up to 300,000 additional common units upon the exercise of the underwriters' over−allotment option), which commenced on December 17, 2002. The initial public offering did not terminate prior to the sale of all the securities registered. The underwriters of the offering were A. G. Edwards & Sons, Inc., Raymond James & Associates, Inc., and RBC Dain Rauscher Inc. The initial public offering consisted solely of the one class of common units. The number of securities registered, including the Common Units subject to the underwriters' over−allotment option, was 2,300,000, all of which have been sold to the public.

The price to public, underwriting discounts and commissions, and proceeds to the Partnership are set forth in the following table:

	Price to Public	Underwriting Discounts and Commissions	Proceeds to the Partnership (1)
Per common unit	$ 20.00	$ 1.40	$ 18.60
Total upon initial public offering	$ 40,000,000	$ 2,800,000	$ 37,200,000
Total upon exercise of over−allotment	$ 46,000,000	$ 3,220,000	$ 42,780,000

(1) Before deducting expenses of $2.59 million paid by the Partnership.

The net proceeds of the initial public offering of the common units, after deducting expenses of $2.59 million and underwriting discounts and commissions of $3.22 million, was $40.19 million. The Partnership distributed $2.50 million of the net proceeds from the sale of the common units in the initial public offering and the exercise of the underwriters' over−allotment to Crosstex Energy Holdings Inc., pursuant to the terms of the partnership agreement of the Partnership. The Partnership contributed the remainder of such net proceeds ($37.69 million) to the Operating Partnership. Net proceeds from the sale of common units in the initial public offering were used by the Operating Partnership to repay $33.00 million of outstanding borrowings under our existing credit facility, which replaced our predecessor's credit facility, and the remaining $4.69 million was added to the working capital of the Operating Partnership.

For additional information regarding the terms of the our existing credit facility. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources."

Item 6. *Selected Financial Data*

The following table sets forth selected historical financial and operating data of Crosstex Energy, L.P. and our predecessor, Crosstex Energy Services, Ltd., as of and for the dates and periods indicated. The selected historical financial data are derived from the audited financial statements of Crosstex Energy, L.P. or our predecessor, Crosstex Energy Services, Ltd. As described in our historical financial statements, the investment in our predecessor by Yorktown Energy Partners IV, L.P. in May 2000 resulted in the dissolution of the predecessor partnership and the creation of a new partnership with the same organization, purpose, assets, and liabilities. Accordingly, the audited financial statements of our predecessor for 2000 are divided into the four months ended April 30, 2000 and the eight months ended December 31, 2000 because a new basis of accounting was established effective May 1, 2000 to give effect to the Yorktown transaction. In addition, the summary historical financial and operating data of Crosstex Energy Services, Ltd. include the results of operations of the Arkoma system beginning in September 2000, the Gulf Coast system beginning in September 2000 and the CCNG system, which includes the Corpus Christi system, the Gregory gathering system and the Gregory processing plant, beginning in May 2001.

The table should be read together with "Management's Discussion and Analysis of Financial Condition and Results of Operations."

	Crosstex Energy, L.P.			Crosstex Energy Services, Ltd.(1)		
	Year Ended December 31, 2002	Year Ended December 31, 2001	Eight Months Ended December 31, 2000	Four Months Ended April 30, 2000	Year Ended December 31, 1999	Year Ended December 31, 1998
Statement of Operations Data:						
Revenues:						
Midstream	$ 437,676	$ 362,673	$ 88,008	$ 3,591	$ 7,896	$ 7,181
Treating	14,817	24,353	17,392	5,947	9,770	1,647
Total revenues	452,493	387,026	105,400	9,538	17,666	8,828
Operating costs and expenses:						
Midstream purchased gas	413,982	344,755	83,672	2,746	5,154	5,561
Treating purchased gas	5,767	18,078	14,876	4,731	8,110	1,025
Operating expenses	10,468	7,430	1,796	544	986	871
General and administrative	8,454	5,914	2,010	810	2,078	2,006
Stock based compensation	41	—	—	8,802	—	—
Impairments	4,175	2,873	—	—	538	—
(Profit) loss on energy trading contracts	(2,703)	3,714	(1,253)	(638)	(1,764)	(1,402)
Depreciation and amortization	7,745	6,101	2,261	522	1,286	843
Total operating costs and expenses	447,929	388,865	103,362	17,517	16,388	8,904
Operating income (loss)	4,564	(1,839)	2,038	(7,979)	1,278	(76)
Other income (expense):						
Interest expense, net	(2,717)	(2,253)	(530)	(79)	(638)	(502)
Other income (expense)	155	174	115	381	(138)	88
Total other income (expense)	(2,562)	(2,079)	(415)	302	(776)	(414)
Net income (loss)	$ 2,002	($ 3,918)	$ 1,623	($ 7,677)	$ 502	($ 490)
Balance Sheet Data:						
Working capital surplus (deficit)	(8,672)	(2,254)	5,861	(4,005)	(3,483)	(3,394)
Property and equipment, net	109,948	84,951	37,242	10,540	8,072	10,103
Total assets	232,438	168,376	201,268	45,051	36,497	37,223
Long−term debt	22,550	60,000	22,000	7,000	5,389	6,589
Partners' equity	89,816	41,155	40,354	3,608	3,242	2,655
Cash Flow Data:						
Net cash flow provided by (used in):						
Operating activities	$ 19,956	$ (8,326)	$ 7,741	$ 7,380	$ 1,404	$ 3,963
Investing activities	(33,240)	(52,535)	(25,643)	(2,849)	(1,342)	(4,821)
Financing activities	14,240	42,558	36,557	198	(857)	1,437
Operating Data:						
Pipeline throughput (MMBtu/d)	392,608	313,103	104,185	23,098	19,712	16,435
Natural gas processed (MMBtu/d)	85,581	60,629	15,661	30,699	23,112	13,394
Treating volumes (MMBtu/d)(2)	97,033	62,782	35,910	26,872	12,896	3,982

(1) Crosstex Energy Services, Ltd. is the predecessor to Crosstex Energy, L.P. Results of operations and balance sheet data prior to May 1, 2000 represent historical results of the predecessor to Crosstex Energy Services, Ltd. These results are not necessarily comparable to the results of Crosstex Energy Services, Ltd. subsequent to May 2000 due to the new basis of accounting.

(2) Represent volumes for treating plants operated by us whereby we receive a fee based on the volumes treated.

Item 7. *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. For more detailed information regarding the basis of presentation for the following information, you should read the notes to the financial statements included in this report.

Overview

We are a Delaware limited partnership formed by Crosstex Energy Holdings 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 year ended December 31, 2002, 73% of our gross margin was generated in the Midstream division, with the balance in the Treating division, and approximately 86% of our gross margin was generated in the Texas Gulf Coast region.

Since our formation, we have grown significantly as a result of our construction and acquisition of gathering and transmission pipelines, treating and processing plants. From January 1, 2000 through December 31, 2002, we have invested approximately $115.1 million to develop or acquire new assets. The purchased assets were acquired from numerous sellers at different periods and were accounted for under the purchase method of accounting. Accordingly, the results of operations for such acquisitions are included in our financial statements only from the applicable date of the acquisition. As a consequence, the historical results of operations for the periods presented may not be comparable.

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. We generate revenues from four primary sources:

- gathering and transporting natural gas on the pipeline systems we own;
- processing natural gas at our processing plants;
- providing producer services; and
- treating natural gas at our treating plants.

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. We attempt to execute all purchases and sales substantially concurrently. 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.

Set forth in the table below is the volume of the natural gas purchased and sold at a fixed discount or premium to the index price and at a percentage discount or premium to the index price for our

principal gathering and transmission systems and for our producer services business for the year ended December 31, 2002.

	Year Ended December 31, 2002			
	Gas Purchased		Gas Sold	
Asset or Business	Fixed Amount to Index	Percentage of Index	Fixed Amount to Index	Percentage of Index
	(in billions of MMBtus)			
Gulf Coast system	34.7	3.0	37.7	—
Corpus Christi system	54.6	0.3	54.9	—
Gregory gathering system (1)	35.8	3.2	31.9	—
Arkoma gathering system	—	3.9	3.9	—
Producer services (2)	81.2	2.9	84.1	—

(1) Gas sold is less than gas purchased due to production of natural gas liquids.

(2) These volumes are not reflected in revenues or purchased gas cost, but are presented net as a component of profit (loss) on energy trading contracts in accordance with EITF 02−03.

In addition to the margins generated by the Gregory gathering system, we generate revenues at our Gregory processing plant under two types of arrangements:

- For the year ended December 31, 2002, we purchased approximately 44% of the natural gas volumes on our Gregory system under contracts in which we were exposed to the risk of loss or gain in processing the natural gas. Under these contracts, we fractionate the NGLs into separate NGL products, which we then sell at prices based upon the market price for NGL products. All of the processed natural gas is delivered to a single customer at a price based on a fixed price relative to a monthly index. Since we extract Btu's from the gas stream in the form of the liquids or consume it as fuel during processing, we reduce the Btu content of the natural gas but seek to more than offset this by creating value from the separated NGL products. Accordingly, our margins under these arrangements can be negatively affected in periods where the value of natural gas is high relative to the value of NGLs.

- For the year ended December 31, 2002, we purchased approximately 56% of the natural gas volumes on our Gregory system at a spot or market price less a discount that includes a fixed margin for gathering, processing and marketing the natural gas and NGLs at our Gregory processing plant with no risk of loss or gain in processing the natural gas. Under these contracts, the producer retains ownership of the fractionated NGLs, and accordingly bears the risk and retains the benefits associated with processing the natural gas. We anticipate purchasing increasing percentages of gas under fixed fee arrangements as opposed to contracts under which the processing economics are for our account.

We generate producer services revenues through the purchase and resale of natural gas. We currently purchase for resale volumes of natural gas that do not move through our gathering, processing or transmission assets from over 50 independent producers. We engage in such activities on more than 30 interstate and intrastate pipelines with a major emphasis on Gulf Coast pipelines. 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 66% of the operating income in our Treating division for the year ended December 31, 2002;

- a fixed fee for operating the plant for a certain period, which accounted for approximately 22% of the operating income in our Treating division for the year ended December 31, 2002; or

- a fee arrangement in which the producer operates the plant, which accounted for approximately 12% of the operating income in our Treating division for the year ended December 31, 2002.

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 will be dictated by the terms of our partnership agreement and our omnibus agreement with Crosstex Energy Holdings Inc. Our general partner and its affiliates will be reimbursed for expenses incurred on our behalf. These expenses include the costs of employee, officer

and director compensation and benefits properly allocable to Crosstex Energy, L.P., and all other expenses necessary or appropriate to the conduct of the business of, and allocable to, Crosstex Energy, L.P. Our partnership agreement provides that our general partner will determine the expenses that are allocable to Crosstex Energy, L.P. in any reasonable manner determined by our general partner in its sole discretion. For the first 12 months following this offering, the amount which we will reimburse our general partner and its affiliates for costs incurred with respect to the general and administrative services performed on our behalf will not exceed $6.0 million. This reimbursement cap will 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.

Crosstex Energy Holdings Inc. modified certain terms of certain outstanding options in the first quarter of 2003. These modifications will result in variable award accounting for the modified options. Based on an assumed unit value of $23 per unit, total compensation expense would be approximately $2.2 million, which will be recorded by Crosstex Energy, L.P. as non−cash stock based compensation expense in the first quarter of 2003. Compensation expense in future periods will be adjusted for changes in the unit market price.

As described in the historical financial statements, the investment in our predecessor by Yorktown Energy Partners IV, L.P. in May 2000 resulted in the dissolution of the predecessor partnership, and the creation of a new partnership with the same organization, purpose, assets, and liabilities. The transaction value of $21.9 million from the Yorktown investment was allocated to the assets and liabilities of our predecessor, which created increases in depreciation and amortization charges in periods subsequent to the Yorktown investment. The historical financial statements present separate reports for the entities before and after the transaction. For purposes of the analysis below, the year 2000 is considered one period, and the distinction in legal entities created by the transaction with Yorktown is ignored.

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. The most significant asset purchases are the acquisitions of the Arkoma gathering system, the Gulf Coast system, the CCNG system, and the Vanderbilt system.

We acquired the Arkoma gathering system in September 2000 for a purchase price of approximately $10.5 million. The Arkoma system consisted of approximately 84 miles of gathering lines located in eastern Oklahoma. When acquired, the system was connected to approximately 115 wells, and purchased and resold approximately 12,000 MMBtu of gas per day.

We acquired the Gulf Coast system in September 2000 for a purchase price of approximately $10.6 million. The Gulf Coast system consisted of approximately 484 miles of gathering and transmission lines extending from south Texas to markets near the Houston area. At the time of the acquisition, it was transporting approximately 117,000 MMBtu of gas per day.

We acquired the CCNG system in May 2001 for a purchase price of approximately $30 million. The CCNG system included four principal assets: the Corpus Christi system, the Gregory gathering system, the Gregory processing plant and the Rosita treating plant.

- The Corpus Christi system consists of approximately 295 miles of gathering and transmission lines extending from supply points in south Texas to markets in Corpus Christi Texas, with average throughput of approximately 152,000 MMBtu of gas per day at the time of the acquisition.

- The Gregory gathering system consists of approximately 297 miles of gathering lines located primarily in the Corpus Christi Bay area, with average throughput of approximately 76,500 MMBtu of gas per day at the time of the acquisition.

- The Gregory processing plant processes most of the gas gathered by the Gregory gathering system, extracting the liquids, fractionating them into NGL's, and selling the remaining residue gas. At the time of the acquisition, the plant was processing approximately 43,400 MMBtu of gas per day.

- The Rosita treating plant was treating approximately 25,000 MMBtu of gas per day at the time of its acquisition. The Rosita treating plant is operated in the Treating Division, whereas all of the other assets in the CCNG acquisition are included in the Midstream Division.

We acquired the Vanderbilt System in December 2002 for a purchase price of $12 million. The Vanderbilt System consists of approximately 200 miles of gathering lines in the same approximate geographic area as the Gulf Coast System. At the time of its acquisition it was transporting approximately 32,000 MMBtu of gas per day.

Certain assets and liabilities of our predecessor were not contributed to our new partnership. These included receivables associated with the Enron Corp. bankruptcy discussed below under "—Results of Operations—Year Ended December 31, 2001 Compared to Year Ended December 31, 2000—(Profit) Loss on Energy Trading Contracts," and any cost or benefit associated with the various puts and calls entered into to protect the value of our predecessor's position relative to the Enron matter. The Jonesville processing plant, which has been largely inactive since the beginning of 2001, and the recently acquired Clarkson plant were also not contributed.

Commodity Price Risks

Our profitability has been and will continue to be affected by volatility in prevailing NGL product and natural gas prices. Changes in the prices of NGL products correlate closely with changes in the price of crude oil. NGL product and natural gas prices have been subject to significant volatility in recent years in response to changes in the supply and demand for NGL products and natural gas market uncertainty.

Profitability under our gas processing contracts is impacted by the margin between NGL sales prices and the cost of natural gas and may be negatively affected by decreases in NGL prices or increases in natural gas prices.

Changes in natural gas prices impact our profitability since the purchase price of a portion of the gas we buy (approximately 6.2% in 2002) is based on a percentage of a particular natural gas price index for a period, while the gas is resold at a fixed dollar relationship to the same index. Therefore, during periods of low gas prices, these contracts can be less profitable than during periods of higher

gas prices. However, on most of the gas we buy and sell, margins are not affected by such changes because the gas is bought and sold at a fixed relationship to the relevant index. Therefore, while changes in the price of gas can have very large impacts on revenues and cost of revenues, on this portion of the gas, the changes are equal and offsetting. For the twelve month period ending December 31, 2003, we currently have hedges in place for approximately 66% of the gas we anticipate we will purchase on a percentage of index price, at an average price of $3.528 per MMBtu (excluding price−sensitive gas associated with the recently acquired Vanderbilt system).

Gas prices can also affect our profitability indirectly by influencing drilling activity and related opportunities for gas gathering, treating, and processing.

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.

	Year Ended December 31,		
	2002	2001	2000
	(in millions)		
Midstream revenues	$ 437.7	$ 362.7	$ 91.6
Midstream purchased gas	414.0	344.8	86.4
Midstream gross margin	23.7	17.9	5.2
Treating revenues	14.8	24.4	23.3
Treating purchased gas	5.8	18.1	19.6
Treating gross margin	9.0	6.3	3.7
Total gross margin	$ 32.7	$ 24.2	$ 8.9
Midstream Volumes (MMBtu/d):			
Gathering and transportation	392,608	313,103	77,527
Processing	85,581	60,629	20,605
Producer services	230,327	283,098	215,121
Treating Volumes (MMBtu/d)	97,033	62,782	32,938

Year Ended December 31, 2002 Compared to Year Ended December 31, 2002

Revenues. Midstream revenues were $437.7 million for the year ended December 31, 2002 compared to $362.7 million for the year ended December 31, 2001, an increase of $75.0 million, or 21%. Revenues were higher in 2002 than in 2001 due to the contribution of the Corpus Christi system, the Gregory gathering system and the Gregory processing plant, which generated $120.5 million in additional revenues in 2002, as these assets were not acquired until May 2001. This increase was partially offset by a decline in natural gas prices from an average NYMEX settlement price of $4.273 per MMBtu in 2001 to $3.221 in 2002, which reduced revenues by $44.0 million.

Treating revenues were $14.8 million for the year ended December 31, 2002 compared to $24.4 million in the same period in 2001, a decrease of $9.6 million, or 39%. The decline was due to the decrease in the price of natural gas, which accounted for $11.8 million of the decrease in treating revenues, a change in the contracts at certain plants to discontinue purchasing and reselling the treated gas and instead to receive only a treatment fee, which accounted for $4.8 million of the decrease, and a decrease in volume at one plant which accounted for $0.7 million of the decrease. This decline was partially offset by volume increases at two plants which generated an additional $5.6 million of revenue, 14 new plants placed in service in 2002 which collectively added $1.9 million, and the acquisition of the Rosita plant in May 2001, which generated an additional $0.3 million.

Purchased Gas Costs. Midstream purchased gas costs were $414.0 million for the year ended December 31, 2002 compared to $344.8 million for the year ended December 31, 2001, an increase of $69.2 million, or 20%. Costs increased by $113.7 million due to the Corpus Christi system, the Gregory gathering system and the Gregory processing plant. These facilities were purchased in May 2001 and only five months of their operating results are included in the 2001 period. This increase was partially offset by the decline in natural gas prices discussed above, which reduced costs by $44.0 million.

Treating purchased gas costs were $5.8 million in 2002 compared to $18.1 million in 2001, a decrease of $12.3 million or 68%. The decrease in natural gas prices caused $7.2 million of the decline, certain contracts were restructured from a purchase and resale of the associated gas to a pure treatment fee, causing a decline of $4.8 million, and a decrease in treating volumes at one plant caused $0.7 million of the decline. This decrease was partially offset by costs at a new facility which created additional purchased gas costs of $.3 million.

Operating Expenses. Operating expenses were $10.5 million for the year ended December 31, 2002, compared to $7.4 million for the year ended December 31, 2001, an increase of $3.0 million, or 41%. The increase was primarily associated with the CCNG assets purchased in May 2001.

General and Administrative Expenses. General and administrative expenses were $8.5 million for the year ended December 31, 2002 compared to $5.9 million for the year ended December 31, 2001, an increase of $2.5 million, or 43%. The increases were associated with increases in staffing associated with the requirements of the CCNG assets and in preparation for our initial public offering.

Impairments. Impairment expense was $4.2 million in 2002 compared to $2.9 million in 2001. Intangible assets were booked associated with the contract values of certain treating plants and other assets in conjunction with the Yorktown investment in May, 2000. Impairment charges in 2002 and 2001 are associated with writing off certain of these intangible contract values. The charges in 2001 relate to intangible contract values associated with the Jonesville processing plant, which was transferred out of the partnership in conjunction with the initial public offering. Impairment charges in 2002 are primarily associated with intangible contract values at 4 specific treating plants. Two of the plants are still working at the location where they were sited at the time of the Yorktown investment, but had experienced recent declines in cash flows. As the operator of the wells behind these plants had recently told the company that it was canceling its drilling plans in the area, the declines are expected to continue until the plants are relocated. The other two treating plants were removed from service during 2002 at the locations where they were sited at the time of the Yorktown investment, and therefore the intangible contract values associated with that particular location were deemed impaired. (One of the plants was immediately contracted at another location at a higher rental rate than previously in effect. The other plant is currently in inventory.)

(Profit) Loss on Energy Trading Contracts. The profit on energy trading contracts was $2.7 million for the year ended December 31, 2002 compared to a loss of $3.7 million for the year ended December 31, 2001, an increase of $6.4 million. Included in these amounts are realized margins on delivered volumes in the producer services "off−system" gas marketing operations of $1.8 million in 2002 and $1.9 million in 2001. In addition, gains of $0.9 million relating primarily to options bought and/or sold in the management of the company's Enron position were booked in 2002. Offsetting the gains from the producer services off−system gas marketing operations in 2001 was the $5.7 million reserve booked against the company's Enron receivable. See "Year Ended December 31, 2001 Compared to Year Ended December 31, 2000—(Profit) Loss on Energy Trading Contracts."

Depreciation and Amortization. Depreciation and amortization expenses were $7.7 million for the year ended December 31, 2002 compared to $6.1 million for the year ended December 31, 2001, an increase of $1.6 million, or 27%. The increase is primarily related to additional depreciation expense

associated with the CCNG assets purchased in May 2001, partially offset by a decrease in amortization expense due to goodwill no longer being amortized in 2002 in accordance with SFAS 142.

Interest Expense. Interest expense was $2.7 million for the year ended December 31, 2002 compared to $2.3 million for the year ended December31, 2001, an increase of $.4 million, or 21%. The increase relates primarily to bank debt incurred in the acquisitions of the CCNG assets in May, 2001, offset by lower interest rates.

Net Income (Loss). Net income (loss) for the year ended December 31, 2002 was $2.0 million compared to ($3.9) million for the year ended December 31, 2001, an increase of $5.9 million. Gross margin increased by $8.6 million from 2001 to 2002, offset by increases in ongoing cash costs for operating expenses, general and administrative expenses, and interest expense as discussed above. Non−cash charges for depreciation and amortization expenses and for impairment expense also increased, offset by the gain on energy trading activities.

Year Ended December 31, 2001 Compared to Year Ended December 31, 2000

Revenues. Midstream revenues were $362.7 million for the year ended December 31, 2001 compared to $91.6 million for the year ended December 31, 2000, an increase of $271.1 million, or 296%. Revenues were higher in 2001 primarily due to:

- ownership of the Arkoma system for the full year in 2001 as compared to only five months in 2000 contributed to an increase in revenues by $10.3 million;
- ownership of the Gulf Coast system for the full year in 2001 as compared to only four months in 2000 contributed to an increase in revenues by $68.4 million;
- the acquisition of the Corpus Christi system in May 2001 increased revenues by $117.0 million;
- the acquisition of the Gregory gathering system in May 2001 increased revenues by $52.5 million; and
- the acquisition of the Gregory processing plant in May 2001 increased revenues by $13.1 million. This was partially offset by the closure of the Jonesville plant, which contributed $4.0 million of revenues in 2000.

The remaining increase in Midstream revenue is primarily attributable to the average price of natural gas in 2001 being approximately $0.39 per MMBtu higher than the average price in 2000.

Revenues for natural gas treating were $24.4 million in 2001 compared to $23.3 million in 2000, an increase of $1.0 million, or 4%, due to new plants placed in service.

Purchased Gas Costs. Midstream division purchased gas costs for the year ended December 31, 2001 were $344.8 million compared to $86.4 million for the prior year, an increase of $258.3 million, or 299%. Costs were higher in 2001 primarily due to:

- ownership of the Arkoma system for the full year in 2001 as compared to only five months in 2000 contributed to an increase in costs by $9.0 million;
- ownership of the Gulf Coast system for the full year in 2001 as compared to only four months in 2000 increased costs by $65.3 million;
- the acquisition of the Corpus Christi system in May 2001 increased costs by $114.0 million;
- the acquisition of the Gregory gathering system in May 2001 increased costs by $49.9 million; and

- the acquisition of the Gregory processing plant in May 2001 increased costs by $9.9 million. This was partially offset by the shutdown of the Jonesville processing plant, which had $3.1 million of costs during 2000.

Treating division purchased gas costs were $18.1 million in 2001 compared to $19.6 million in 2000, a decrease of $1.5 million, or 8%. In combination with the improvement in revenues in natural gas treating, the decrease in costs resulted in an improvement in gross margin of $2.5 million, or 68%. This improvement is primarily attributable to new plants placed in service for a fee, as opposed to purchase and resale of the gas.

Operating Expenses. Operating expenses were $7.4 million for the year ended December 31, 2001, compared to $2.3 million for the year ended December 31, 2000, an increase of $5.1 million, or 218%. Expenses were higher in 2001 than in 2000 primarily due to:

- ownership of the Arkoma system for the full year in 2001 as compared to only five months in 2000 increased expenses by $0.6 million;
- ownership of the Gulf Coast system for the full year in 2001 as compared to four months in 2000 increased expenses by $1.0 million;

- the acquisition of the Corpus Christi system in May 2001 increased expenses by $0.9 million;
- the acquisition of the Gregory gathering system increased expenses by $0.5 million;
- the acquisition of the Gregory processing plant increased expenses by $1.3 million, and the shut down of the Jonesville plant in 2001 resulted in a decrease of $0.3 million; and
- operating expenses for the Treating division increased by $0.8 million due to 10 new operated plants being placed in service.

General and Administrative Expenses. General and administrative expenses were $5.9 million for the year ended December 31, 2001 compared to $2.8 million for the year ended December 31, 2000, an increase of $3.1 million, or 110%. The increase in general and administrative expense is associated with the increase in employees caused by our rapid growth and preparation for our initial public offering. Total personnel employed increased from 44 to 107 between the end of 2000 and the end of 2001.

Stock Based Compensation. Stock based compensation expense was zero in 2001 compared to $8.8 million for the year ended December 31, 2000. The stock based compensation in 2000 is a charge associated with the valuation of management's interest in our predecessor as a result of the Yorktown investment in May 2000.

Impairments. Impairment expense was $2.9 million for the year ended December 31, 2001 compared to zero for the prior year. The impairment charge was recorded to reduce the carrying value of the Jonesville plant and related intangible assets to fair value in accordance with SFAS 121. See "—Critical Accounting Policies—Impairment of Long−Lived Assets" below.

(Profit) Loss on Energy Trading Contracts. The loss on energy trading contracts for the year ended December 31, 2001 was $3.7 million compared to a profit of $1.9 million for the prior year. The loss on energy trading contracts in 2001 includes $5.7 million associated with the write−down of the estimated realizable value of our receivable from Enron North America Corp., a subsidiary of Enron Corp., at December 31, 2001. On December 2, 2001, Enron Corp. and certain subsidiaries, including Enron North America Corp., each filed voluntary petitions for relief under Chapter 11 of Title 11 of the United States Bankruptcy Code. Enron North America failed to make timely payment of approximately $3.9 million for physical delivery of gas in 2001. This amount remained outstanding as of December 31, 2001. Additionally, we had entered into natural gas hedging and physical delivery contracts with Enron North America. According to the terms of the contracts, Enron North America is liable to us for the

mark−to−market value of all contracts outstanding on the date we exercised our termination right under the contracts, which totaled approximately $4.6 million and which has been recorded as a receivable from Enron North America. We have accounted for these contracts as energy trading contracts whereby changes in fair value of the fixed price purchase commitments are recognized in earnings.

We had offsets to the above amounts totaling approximately $0.3 million, resulting in a net $8.2 million receivable from Enron North America at December 31, 2001. Due to the uncertainty of future collections, a charge and related allowance for 70% of the net receivable, or $5.7 million, was recorded at December 31, 2001. Further adjustments to the Enron receivable will be recognized in earnings when management believes recovery of the asset is assured or additional reserves are warranted.

The receivable from Enron was not contributed to our new partnership.

Partially offsetting the Enron−related loss in the 2001 period are the realized margins on delivered volumes in the producer services "off−system" gas marketing operations. In 2001, the realized margins from the producer services operations were approximately $1.9 million, compared to approximately $1.8 million in 2000.

Depreciation and Amortization. Depreciation and amortization expense was $6.1 million for the year ended December 31, 2001 compared to $2.8 million for the year ended December 31, 2000, an increase of $3.3 million, or 119%. The increase in depreciation and amortization is primarily related to acquisitions of new assets, which resulted in additional depreciation and amortization expense as follows:

- ownership of the Arkoma system for the full year in 2001 as compared to only five months in 2000 increased depreciation and amortization expense by $0.5 million;
- ownership of the Gulf Coast system for the full year in 2001 as compared to four months in 2000 increased depreciation and amortization expense by $0.6 million; and
- the acquisition of the CCNG assets in May 2001 increased depreciation and amortization expense by $1.3 million.

In addition, the accounting associated with the Yorktown investment in May 2000 resulted in an increase in depreciation and amortization for subsequent periods. Therefore, depreciation and amortization expense for the first four months of 2000 is approximately $0.4 million lower than if the investment had occurred at the beginning of 2000.

Interest Expense. Interest expense was $2.3 million for the year ended December 31, 2001 compared to $0.6 million for the year ended December 31, 2000, an increase of $1.6 million, or 270%. The increase was principally caused by increases in average outstanding borrowings as a result of the CCNG acquisition and the acquisition and refurbishment of treating plants. In addition, borrowings relative to the Arkoma and Gulf Coast assets were outstanding for the full year in 2001 as compared to only a part of 2000.

Net Income (Loss). Net loss for the year ended December 31, 2001 was ($3.9) million compared to ($6.1) million for the year ended December 31, 2000. Gross margin improved from $8.9 million in 2000 to $24.2 million in 2001, an improvement of $15.3 million, or 171%, largely as a result of acquisition−related growth as discussed above. This improvement was partially offset by increases in recurring cash charges for operating expenses, general and administrative expenses, and interest expense totaling $9.8 million, non−cash charges for depreciation and amortization of $3.3 million, and the loss on energy trading contracts and impairments totaling $8.5 million.

Critical Accounting Policies

The selection and application of accounting policies is an important process that has developed as our business activities have evolved and as the accounting rules have developed. Accounting rules generally do not involve a selection among alternatives, but involve an implementation and interpretation of existing rules, and the use of judgment to the specific set of circumstances existing in our business. Compliance with the rules necessarily involves reducing a number of very subjective judgments to a quantifiable accounting entry or valuation. We make every effort to properly comply with all applicable rules on or before their adoption, and we believe the proper implementation and consistent application of the accounting rules is critical. Our critical accounting policies are discussed below. For further details on our accounting policies and a discussion of new accounting pronouncements. See Note 2 of the Notes to Combined Financial Statements.

Revenue Recognition and Commodity Risk Management. We recognize revenue for sales or services at the time the natural gas or natural gas liquids are delivered or at the time the service is performed.

We engage in price risk management activities in order to minimize the risk from market fluctuations in the price of natural gas and natural gas liquids. We also manage our price risk related to future physical purchase or sale commitments 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.

Prior to January 1, 2001, financial instruments which qualified for hedge accounting were accounted for using the deferral method of accounting, whereby unrealized gains and losses were generally not recognized until the physical delivery required by the contracts was made.

Effective January 1, 2001, we adopted Statement of Financial Accounting Standards No. 133 ("SFAS No. 133"), *Accounting for Derivative Instruments and Hedging Activities*. In accordance with SFAS No. 133, all derivatives and hedging instruments are recognized as assets or liabilities at fair value. If a derivative qualifies for hedge accounting, changes in the fair value can be offset against the change in the fair value of the hedged item through earnings or recognized in other comprehensive income until such time as the hedged item is recognized in earnings.

We conduct "off−system" gas marketing operations as a service to producers on systems that we do not own. We refer to these activities as part of producer services. In some cases, we earn an agency fee from the producer for arranging the marketing of the producer's natural gas. In other cases, we purchase the natural gas from the producer and enter into a sales contract with another party to sell the natural gas. Where we take title to the natural gas, the purchase contract is recorded as cost of gas purchased and the sales contract is recorded as revenue upon delivery.

We manage our price risk related to future physical purchase or sale commitments for 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. Prior to October 26, 2002, we accounted for our producer services natural gas marketing activities as energy trading contracts in accordance with EITF 98−10, *Accounting for Contracts Involved in Energy Trading and Risk Management Activities*. EITF 98−10 required energy−trading contracts to be recorded at fair value with changes in fair value reported in earnings. In October 2002, the EITF reached a consensus to rescind EITF No. 98−10. Accordingly, energy trading contracts entered into subsequent to October 25, 2002, should be accounted for under accrual−basis accounting rather than mark−to−market accounting unless the contracts meet the requirements of a derivative under SFAS No. 133. Our energy trading contracts qualify as derivatives, and accordingly, we continue to use mark−to−market accounting for both physical and financial contracts of our producer services business. 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 in addition to the realized gains or losses on settled contracts are reported as profit or loss on energy trading contracts in the statements of operations.

Impairment of Long−Lived Assets. In accordance with Statement of Financial Accounting Standards No. 144, *Accounting for the Impairment or Disposal of Long−Lived Assets*, we evaluate the long−lived assets, including related intangibles, of identifiable business activities for impairment when events or changes in circumstances indicate, in management's judgment, that the carrying value of such assets may not be recoverable. The determination of whether impairment has occurred is based on management's estimate of undiscounted future cash flows attributable to the assets as compared to the carrying value of the assets. If impairment has occurred, the amount of the impairment recognized is determined by estimating the fair value for the assets and recording a provision for loss if the carrying value is greater than fair value.

When determining whether impairment of one of our long−lived assets has occurred, we must estimate the undiscounted cash flows attributable to the asset. Our estimate of cash flows is based on assumptions regarding the purchase and resale margins on natural gas, volume of gas available to the asset, markets available to the asset, operating expenses, and future natural gas prices and NGL product prices. The amount of availability of gas to an asset is sometimes based on assumptions regarding future drilling activity, which may be dependent in part on natural gas prices. Projections of gas volumes and future commodity prices are inherently subjective and contingent upon a number of variable factors, including but not limited to:

- changes in general economic conditions in regions in which our markets are located;
- the availability and prices of natural gas supply;
- our ability to negotiate favorable sales agreements;
- the risks that natural gas exploration and production activities will not occur or be successful;
- our dependence on certain significant customers, producers, and transporters of natural gas; and
- competition from other midstream companies, including major energy producers.

Any significant variance in any of the above assumptions or factors could materially affect our cash flows, which could require us to record an impairment of an asset.

Liquidity and Capital Resources

Cash Flows. Net cash provided (used) in operating activities was $20.0 million, ($8.3) million, and $15.1 million for the years ended December 31, 2002, 2001 and 2000, respectively. Net cash provided by operating activities in 2002 improved principally due to higher margins ($8.6 million) offset by higher cash expenses ($5.6 million), the loss on energy contracts related to Enron in 2001 ($5.7 million), and fund flows for working capital accounts. Net cash used in operating activities during the year ended December 31, 2001 was $23.4 million lower than the prior year principally attributable to higher margins ($15.3 million), offset by higher cash expenses ($9.8 million), the loss on energy trading contracts related to Enron ($5.7 million), and fund flows for working capital accounts.

Net cash used in investing activities was $33.2 million, $52.5 million and $28.5 million for the years ended December 31, 2002, 2001 and 2000, respectively. Net cash used in investing activities during all periods was primarily related to acquisition and internal growth projects. Net cash used in investing activities during each of the years ended December 31, 2002, 2001 and 2000 was primarily to fund

acquisitions of the Vanderbilt system, the CCNG assets, buying and refurbishing and installing treating plants, the Arkoma and Gulf Coast systems, the Millennium acquisition, and internal growth capital projects.

Net cash provided by financing activities was $14.2 million, $42.6 million and $36.6 million for the years ended December 31, 2002, 2001 and 2000, respectively. Financing activities primarily represent equity investments and borrowings from banks to fund our acquisitions and other investments discussed above, and funding or refunding of the company's working capital needs.

Capital Requirements. The natural gas gathering, transmission, treating and processing businesses are capital−intensive, requiring significant investment to maintain and upgrade existing operations. Our capital requirements have consisted primarily of, and we anticipate will continue to be:

- maintenance capital expenditures, which are capital expenditures made to replace partially or fully depreciated assets in order to maintain existing operating capacity of our assets and to extend their useful lives, or other capital expenditures which do not increase the partnership's cash flows; and

- growth capital expenditures such as those to acquire additional assets to grow our business, to expand and upgrade gathering systems, transmission capacity, processing plants or treating plants, and to construct or acquire new pipelines, processing plants or treating plants.

Given our objective of growth through acquisitions, we anticipate that we will continue to invest significant amounts of capital to grow and acquire assets. We actively consider a variety of assets for potential acquisitions. In addition, we are currently studying the possibility of expanding the capacity of our Gregory processing plant by 60,000 Mcf/d at an estimated cost ranging from $7.1 million to $9.2 million.

We believe that cash generated from operations will be sufficient to meet our minimum quarterly distributions and anticipated maintenance capital expenditures through December 31, 2003. We expect to fund our growth capital expenditures from cash provided by operations and, to the extent necessary, from the proceeds of borrowings under the revolving credit facility discussed below and the issuance of additional common units. We may not be able to issue additional units or may not be able to issue such units on favorable terms primarily as a result of market conditions for our securities. Our ability to pay distributions to our unitholders and to fund planned capital expenditures and to make acquisitions will depend upon our future operating performance, which will be affected by prevailing economic conditions in our industry and financial, business and other factors, some of which are beyond our control.

Total Contractual Cash Obligations. A summary of our total contractual cash obligations as of December 31, 2002, is as follows:

	Payments due by period				
Contractual Obligations	**Total**	**Less than 1 year**	**1−3 years**	**3−5 years**	**More than 5 years**
			(in millions)		
Long−Term Debt	$ 22.5	—	$ 11.0	$ 11.5	—
Capital Lease Obligations					
Operating Leases	$ 2.2	$ 0.8	$ 1.4	—	—
Unconditional Purchase Obligations					
Other Long−Term Obligations					
Total Contractual Obligations	$ 24.7	$ 0.8	$ 12.4	$ 11.5	—

The above table does not include any physical or financial contract purchase commitments for natural gas.

Description of Credit Facility

In connection with the closing of our initial public offering, we entered into a new $67.5 million credit facility, consisting of the following two facilities:

- a senior secured revolving acquisition facility in the aggregate principal amount of $47.5 million; and
- a senior secured revolving working capital facility in the aggregate principal amount of $20.0 million.

The acquisition facility is used to finance the acquisition and development of gas gathering, treating and processing facilities, as well as general partnership purposes. At December 31, 2002, we had $21.8 million outstanding under the acquisition facility, leaving approximately $25.7 million available for future borrowings. The acquisition facility will convert into a term loan on April 30, 2004, and we will be required to make eleven quarterly payments equal to five percent of the outstanding borrowings. The first such payment will be due in July 2004. The term loan will mature in April 2007, at which time it will terminate and all outstanding amounts shall be due and payable. Prior to April 30, 2004, amounts borrowed and repaid under the acquisition credit facility may be reborrowed.

The working capital facility is used for ongoing working capital needs, letters of credit, distributions and general partnership purposes, including future acquisitions and expansions. At December 31, 2002, we had $13.1 million of letters of credit issued under the working capital facility, leaving approximately $6.9 million available for future issuances of letters of credit, or up to $5.0 million of cash borrowings. The aggregate amount of borrowings under the working capital facility is subject to a borrowing base requirement relating to the amount of our cash and eligible receivables (as defined in the credit agreement), and there is a $5.0 million sublimit for cash borrowings. This facility will mature in April 2004, at which time it will terminate and all outstanding amounts shall be due and payable. Amounts borrowed and repaid under the working capital facility may be reborrowed. We are required to reduce all working capital borrowings to zero for a period of at least 15 consecutive days once each year.

Our obligations under the credit facility are secured by first priority liens on all of our material pipeline, gas gathering and processing assets, all material working capital assets and a pledge of all of our equity interests in certain of our subsidiaries. The credit facility is guaranteed by certain of our subsidiaries. We may prepay all loans under the credit facility at any time without premium or penalty (other than customary LIBOR breakage costs).

Indebtedness under the acquisition facility and the working capital facility bear interest at our option at the administrative agent's reference rate plus 0.125% to 1.375% or LIBOR plus 1.625% to 2.875%. The applicable margin will vary quarterly based on our leverage ratio. The fees charged for letters of credit range from 1.50% to 2.00% per annum, plus a fronting fee of 0.125% per annum. At December 31, 2002, our weighted average interest rate was 4.02%. We will incur quarterly commitment fees based on the unused amount of the credit facilities.

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. 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 credit agreement prohibits us from declaring distributions to unitholders if any event of default, as defined in the credit agreement, exists or would result from the declaration of distributions. In addition, the credit facility contains various covenants limiting our operating partnership's ability to:

- incur indebtedness;
- grant or assume liens;
- make certain investments;
- sell, transfer, assign or convey assets, or engage in certain mergers or acquisitions;
- make distributions; or
- engage in transactions with affiliates.

The credit facility also contains covenants requiring us to maintain:

- a maximum ratio of total funded debt to consolidated EBITDA (each as defined in the credit facility), measured quarterly on a rolling four quarter basis, of 4.00 to 1 through June 30, 2003, declining to 3.75 to 1 beginning September 30, 2003, pro forma for any asset acquisitions;
- a minimum interest coverage ratio (as defined in the credit agreement), measured quarterly on a rolling four quarter basis, equal to 3.50 to 1;
- minimum current ratio (as defined in the credit agreement), measured quarterly, of 1 to 1; and
- a minimum tangible net worth (as defined in the credit agreement) of $55 million.

Each of the following is an event of default under the credit facility:

- failure to pay any principal, interest, fees, expenses or other amounts when due;
- failure to observe any agreement, obligation, or covenant in the credit agreement, subject to cure periods for certain failures;
- judgments against us or any of our subsidiaries, in excess of certain allowances;
- certain ERISA events involving us or our subsidiaries;
- certain bankruptcy or insolvency events involving us or our subsidiaries;
- a change in control (as defined in the credit agreement); and
- the failure of any representation or warranty to be materially true and correct when made.

Inflation

Inflation in the United States has been relatively low in recent years and did not have a material impact on our results of operations for the years ended December 31, 2000, 2001, or 2002. Although the impact of inflation has been insignificant in recent years, it is still a factor in the United States economy and may increase the cost to acquire or replace property, plant and equipment and may increase the costs of labor and supplies. To the extent permitted by competition, regulation and our existing agreements, we have and will continue to pass along increased costs to our customers in the form of higher fees.

Environmental

Our operations are subject to environmental laws and regulations adopted by various governmental authorities in the jurisdictions in which these operations are conducted. We believe we are in material compliance with all applicable laws and regulations. For a more complete discussion of the environmental laws and regulations that impact us. See Item 1. "Business—Environmental Matters."

Recent Accounting Pronouncements

In June 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 141, *Business Combinations*, requiring business combinations entered into after June 30, 2001, to be accounted for using the purchase method of accounting. Specifically identifiable intangible assets acquired, other than goodwill, will be amortized over their estimated useful economic life. This pronouncement had no effect on our predecessor's financial position or results of operations.

In June 2001, the FASB issued SFAS No. 142, *Goodwill and Other Intangible Assets*. SFAS No. 142 requires, among other things, that companies no longer amortize goodwill, but instead test goodwill for impairment at least annually. In addition, SFAS No. 142 requires that we identify reporting units for purposes of assessing potential future impairments of goodwill, reassess the useful lives of other existing recognized intangible assets, and cease amortization of intangible assets with an indefinite useful life. An intangible asset with an indefinite useful life should be tested for impairment in accordance with the guidance in SFAS No. 142. This statement is required to be applied in fiscal years beginning after December 15, 2001 to all goodwill and other intangible assets recognized at that date, regardless of when those assets were initially recognized. SFAS No. 142 required us to complete a transitional goodwill impairment test within six months from the date of adoption and reassess the useful lives of other intangible assets within the first interim quarter after adoption. Our predecessor had $4,873,000 recorded for goodwill, net of accumulated amortization at December 31, 2001 and recorded goodwill amortization expense of $292,000 for the year ended December 31, 2001. The only impact of adopting SFAS No. 142 on our financial statements was the discontinuance of the amortization of goodwill.

In June 2001, the FASB issued SFAS No. 143, *Accounting for Asset Retirement Obligations*. This statement establishes standards for accounting for obligations associated with the retirement of tangible long−lived assets. This standard is required to be adopted by us beginning on January 1, 2003. We do not presently have any significant asset retirement obligations, and accordingly, the adoption of SFAS No. 143 is not expected to have a significant impact on our results of operations or financial condition.

In August 2001, the FASB issued SFAS No. 144, *Accounting for the Impairment or Disposal of Long−Lived Assets*. SFAS No. 144 addresses financial accounting and reporting for impairment or disposal of long−lived assets. This statement supersedes SFAS No. 121, *Accounting for the Impairment of Long−Lived Assets to be Disposed Of*, and the accounting and reporting provisions of APB Opinion No. 30, *Reporting the Results of Operations−Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions*, for the disposal of a segment of a business. This statement also amends ARB No. 51, *Consolidated Financial Statements*, to eliminate the exception to consolidation for a subsidiary for which control is likely to be temporary. SFAS No. 144 is effective for fiscal years beginning after December 15, 2001. See the impact of the adoption of SFAS No. 144 at Note 2 (c) of the Notes to Consolidated Financial Statements of our predecessor.

In June 2002, the FASB issued SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities*. SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred rather than when the entity commits to an exit plan. This standard is effective for all exit or disposal activities which are initiated after December 31, 2002. We

do not anticipate that the adoption of SFAS No. 146 will have any impact on our financial position or results of operations.

SFAS No 148, *Accounting for Stock−Based Compensation—Transition and Disclosure, an amendment of FASB Statement No. 123*, SFAS No. 148 amends SFAS No. 123 and provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock−based employee compensation. SFAS No. 148 also requires prominent disclosures in both annual and interim financial statements about the method of accounting for stock−based compensation and the effect of the method used on reported results. SFAS No. 148 permits two additional transition methods for entities that adopt the fair value based method, these methods allow Companies to avoid the ramp−up effect arising from prospective application of the fair value based method. This Statement is effective for financial statements for fiscal years ending after December 15, 2002. We have complied with the disclosure provisions of the Statement in our financial statements.

In June 2002, the Emerging Issues Task Force (EITF) reached consensus on certain issues in EITF Issue No. 02−03, *Recognition and Reporting of Gains and Losses on Energy Trading Contracts*. Consensus was reached on two issues: 1) that gains and losses on energy trading contracts (whether realized or unrealized) should be shown net in the statement of operations, and 2) that entities should disclose the types of contracts that are accounted for as energy trading contracts along with a variety of other data regarding values, sensitivity to changes in estimates, maturity dates, and other factors. We early adopted this consensus in the second quarter of 2002 and all comparative financial statements were reclassified to report gains or losses on energy trading contracts net in the statements of operations. In October 2002, the EITF reached a consensus to rescind EITF 98−10. Accordingly, energy related contracts that are not accounted for pursuant to SFAS No. 133 should be accounted for as executory contracts and carried on an accrual basis, not fair value. The consensus should be applied prospectively to all new energy trading contracts entered into after October 25, 2002 and to all contracts that existed on October 25, 2002, in periods beginning after December 15, 2002. Changes to the accounting for existing contracts as a result of the rescission of EITF 98−10 will be reported as a cumulative effect of a change in accounting principles. The rescission of EITF 98−10 did not have any significant effect on our financial position or results of operations.

In January 2003, the FASB issued Interpretation (FIN) No. 45, *Guarantor's Accounting and Disclosure Requirement for Guarantees, including Indirect Guarantees of Indebtedness of Others.* FIN No. 45 requires an entity to recognize a liability for the obligations it has undertaken in issuing a guarantee. This liability would be recorded at the inception of a guarantee and would be measured at fair value. Certain guarantees are excluded from the measurement and disclosure provisions while certain other guarantees are excluded from the measurement provisions of the interpretation. The measurement provisions of this statement apply prospectively to guarantees issued or modified after December 31, 2002. The disclosure provisions of the statement apply to financial statements for periods ending after December 15, 2002. The adoption of the statement is not expected to have a material effect on the Partnership's financial statements when adopted.

In January 2003, the FASB issued FASB Interpretation No. 46, *Consolidation of Variable Interest Entities*. FIN No. 46 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 beginning after June 15, 2003. The Partnership is not the primary beneficiary of any variable interest entities, and accordingly, the adoption of FIN No. 46 will not have an impact on our financial statements.

Risk Factors

Cash distributions are not guaranteed and may fluctuate with our performance and the establishment of financial reserves.

Because distributions on the common units are dependent on the amount of cash we generate, distributions may fluctuate based on our performance. We cannot guarantee that we will be able to pay the minimum quarterly distributions of $0.50 per common unit in each quarter. The actual amount of cash that is available to be distributed each quarter will depend upon numerous factors, some of which are beyond our control and the control of our general partner. Cash distributions are dependent primarily on cash flow, including cash flow from financial reserves and working capital borrowings, and not solely on profitability, which is affected by non−cash items. Therefore, cash distributions might be made during periods when we record losses and might not be made during periods when we record profits.

Potential future acquisitions and expansions, if any, may affect our business by substantially increasing the level of our indebtedness and contingent liabilities and increasing our risks of being unable to effectively integrate these new operations.

From time to time, we evaluate and acquire assets and businesses that we believe complement our existing assets and businesses. Acquisitions may require substantial capital or the incurrence of substantial indebtedness. If we consummate any future acquisitions, our capitalization and results of operations may change significantly and you will not have the opportunity to evaluate the economic, financial and other relevant information that we will consider in determining the application of these funds and other resources.

The success of our business strategy to increase and optimize throughput on our pipeline and gathering assets is dependent upon our securing additional supplies of natural gas.

Our operating results are dependent upon securing additional supplies of natural gas from increased production by natural gas production companies in the Texas Gulf Coast. The ability of producers to increase production is dependent on natural gas prices, the exploration and production budgets of the production companies, the depletion rate of existing reservoirs, the success of new wells drilled, environmental concerns, regulatory initiatives and other matters beyond our control. There can be no assurance that production of natural gas will rise to sufficient levels to maintain or increase the throughput on our pipeline and gathering assets.

Our operations are dependent upon demand for natural gas by industry and utilities in the Texas Gulf Coast. Any decrease in this demand could adversely affect our business.

We face intense competition in our gathering and marketing activities. Our competitors include other natural gas pipelines and their marketing affiliates, and independent gatherers, brokers and marketers of widely varying sizes, financial resources and experience. Some of these competitors have capital resources many times greater than ours and control substantially greater supplies of natural gas. See Item 1. "Business—Competition."

We are exposed to the credit risk of our customers in the ordinary course of our gathering and marketing activities. In our gathering and marketing operations, we take title to the natural gas and resell the gas to our various market outlets, which include a variety of utility, refining, petrochemical, metals production and other industrial consumers, as well as to the pipeline companies. A significant failure to pay by one of our major customers would adversely affect our ability to maintain distributions.

In conjunction with the Yorktown investment in July, 2000, we allocated $14.2 million in value to intangible assets and $4.6 million to goodwill. At December 31, 2002, $5.3 million and $4.9 million of intangible assets and goodwill, respectively, remain as assets in the consolidated balance sheets. We

evaluate these assets for impairment at least annually. Changes in the Company's business could result in impairments of these assets.

Disclosure Regarding Forward−Looking Statements

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), are forward−looking statements. These statements can be identified by the use of forward−looking terminology including "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.

These forward−looking statements are made based upon management's current plans, expectations, estimates, assumptions and beliefs concerning future events impacting us and therefore involve a number or risks and uncertainties. We caution that forward−looking statements are not guarantees and that actual results could differ materially from those expressed or implied in the forward−looking statements.

Because these forward−looking statements involve risks and uncertainties, actual results could differ materially from those expressed or implied by these forward−looking statements for a number of important reasons, including those discussed under "Risk Factors," and elsewhere in this report.

You should read these statements carefully because they discuss our expectations about our future performance, contain projections of our future operating results or our future financial condition, or state other "forward−looking" information. You should be aware that the occurrence of any of the events described in "Risk Factors" and elsewhere in this prospectus could substantially harm our business, results of operations and financial condition and that, upon the occurrence of any of these events, the trading price of our common units could decline.

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

Item 7A. *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 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 6.2% 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 44% of the gas we purchased during the year ended December 31, 2002. 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 year ended December 31, 2002, 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 $446,738. 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, as happened in the case of the Enron loss discussed above. 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 decreases 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.

Credit Risk. We are diligent in attempting to ensure that we issue credit to only credit−worthy customers. However, our purchase and resale of gas exposes us to significant credit risk, as the margin on any sale is generally a very small percentage of the total sale price. Therefore, a credit loss can be very large relative to our overall profitability.

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 December 31, 2002, we had $21.8 million of indebtedness outstanding. 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 for a period of two years. 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 $218,000 per year. This amount has been determined by considering the impact of such hypothetical interest rate increase on our debt outstanding at December 31, 2002.

Item 8. *Financial Statements and Supplementary Data*

The Report of Independent Public Accountants, Consolidated Financial Statements and supplementary financial data required by this Item are set forth on pages F−1 through F−35 and S−1 of this Report and are incorporated herein by reference.

Item 9. *Changes in and Disagreements With Accountants on Accounting and Financial Disclosure*

None.

PART III

Item 10. *Directors and Executive Officers of the Registrant*

As is the case with many publicly traded partnerships, we do not have officers, directors or employees. Our operations and activities are managed by the general partner of our general partner, Crosstex Energy GP, LLC. Our operational personnel are employees of the Operating Partnership. References to our general partner, unless the context otherwise requires, includes Crosstex Energy GP, LLC. References to our officers, directors and employees are references to the officers, directors and employees of Crosstex Energy GP, LLC.

Unitholders do not directly or indirectly participate in our management or operation. Our general partner owes a fiduciary duty to the unitholders, as limited by our partnership agreement. As a general partner, our general partner is liable for all of our debts (to the extent not paid from our assets), except for indebtedness or other obligations that are made specifically non−recourse to it. Whenever possible, our general partner intends to incur indebtedness or other obligations on a non−recourse basis.

Three members of the board of directors of our general partner, namely Messrs. Haden, Murchison and Wells, serve on a conflicts committee, which reviews specific matters that the board believes may involve conflicts of interest between our general partner and Crosstex Energy, L.P. The conflicts committee determines if the resolution of a conflict of interest is fair and reasonable to us. The members of the conflicts committee are not officers or employees of our general partner or directors, officers or employees of its affiliates. Any matters approved by the conflicts committee will be conclusively deemed to be fair and reasonable to us, approved by all of our partners, and not a breach by our general partner of any duties owed to us or our unitholders.

The Audit Committee of our general partner, comprised of Messrs. Wells and Haden, provides oversight for the external financial reporting of the Partnership. The Compensation Committee of our general partner, comprised of Messrs. Lubar and Murchison, oversees compensation decisions for the officers of the General Partner as well as the compensation plans described below.

The following table shows information for the directors and executive officers of Crosstex Energy GP, LLC. Executive officers and directors are elected annually and have held the following positions since the date of the closing of our initial public offering, except for Messrs. Davis and Lawrence who have held the following positions with the Crosstex Energy GP, LLC since its formation in July 2002.

Name	Age	Position with Crosstex Energy GP, LLC
Barry E. Davis	41	President, Chief Executive Officer and Director
James R. Wales	49	Executive Vice President—Midstream Division
A. Chris Aulds	41	Executive Vice President—Treating Division
Jack M. Lafield	52	Senior Vice President—Business Development
William W. Davis	49	Senior Vice President and Chief Financial Officer
Michael P. Scott	48	Senior Vice President—Engineering and Operations
C. Roland Haden	62	Director and Member of the Audit and Conflicts Committees
Bryan H. Lawrence	60	Chairman of the Board and Director
Sheldon B. Lubar	73	Director and Member of the Compensation Committee*
Robert F. Murchison	48	Director and Member of the Compensation and Conflicts Committees
Stephen A. Wells	59	Director and Member of the Audit* and Conflicts Committees

* Indicates chairman of committee.

Barry E. Davis, President, Chief Executive Officer and Director, led the management buyout of the midstream assets of Comstock Natural Gas, Inc. in December 1996, which transaction resulted in the formation of our predecessor. Mr. Davis was President and Chief Operating Officer of Comstock

Natural Gas and founder of Ventana Natural Gas, a gas marketing and pipeline company that was purchased by Comstock Natural Gas. Mr. Davis started Ventana Natural Gas in June 1992. Prior to starting Ventana, he was Vice President of Marketing and Project Development for Endevco, Inc. Before joining Endevco, Mr. Davis was employed by Enserch Exploration in the marketing group. Mr. Davis holds a B.B.A. in Finance from Texas Christian University.

James R. Wales, Executive Vice President—Midstream Division, joined our predecessor in December 1996. As one of the founders of Sunrise Energy Services, Inc., he helped build Sunrise into a major national independent natural gas marketing company, with sales and service volumes in excess of 600,000 MMBtu/d. Mr. Wales started his career as an engineer with Union Carbide. In 1981, he joined Producers Gas Company, a subsidiary of Lear Petroleum Corp., and served as manager of its Mid−Continent office. In 1986, he joined Sunrise as Executive Vice President of Supply, Marketing and Transportation. From 1993 to 1994, Mr. Wales was the Chief Operating Officer of Triumph Natural Gas, Inc., a private midstream business. Prior to joining Crosstex, Mr. Wales was Vice President for Teco Gas Marketing Company. Mr. Wales holds a B.S. degree in Civil Engineering from the University of Michigan, and a Law degree from South Texas College of Law.

A. Chris Aulds, Executive Vice President—Treating Division, together with Barry E. Davis, participated in the management buyout of Comstock Natural Gas in December 1996. Mr. Aulds joined Comstock Natural Gas, Inc. in October 1994 as a result of the acquisition by Comstock of the assets and operations of Victoria Gas Corporation. Mr. Aulds joined Victoria in 1990 as Vice President responsible for gas supply, marketing and new business development and was directly involved in the providing of risk management services to gas producers. Prior to joining Victoria, Mr. Aulds was employed by Mobil Oil Corporation as a production engineer before being transferred to Mobil's gas marketing division in 1989. There he assisted in the creation and implementation of Mobil's third−party gas supply business segment. Mr. Aulds holds a B.S. degree in Petroleum Engineering from Texas Tech University.

Jack M. Lafield, Senior Vice President—Business Development, joined our predecessor in August 2000. For five years prior to joining Crosstex, Mr. Lafield was Managing Director of Avia Energy, an energy consulting group, and was involved in all phases of acquiring, building, owning and operating midstream assets and natural gas reserves. He also provided project development and consulting in domestic and international energy projects to major industry and financing organizations, including development, engineering, financing, implementation and operations. Prior to consulting, Mr. Lafield held positions of President and Chief Executive Officer of Triumph Natural Gas, a private midstream business he founded, President and Chief Operating Officer of Nagasco, Inc. (a joint venture with Apache Corporation), President of Producers' Gas Company, and Senior Vice President of Lear Petroleum Corp. Mr. Lafield holds a B.S. degree in Chemical Engineering from Texas A&M University, and is a graduate of the Executive Program at Stanford University.

William W. Davis, Senior Vice President and Chief Financial Officer, joined our predecessor in September 2001, and has 25 years of finance and accounting experience. Prior to joining our predecessor, Mr. Davis held various positions with Sunshine Mining and Refining Company from 1983 to September 2001, including Vice President—Financial Analysis from 1983 to 1986, Senior Vice President and Chief Accounting Officer from 1986 to 1991 and Executive Vice President and Chief Financial Officer from 1991 to 2001. In addition, Mr. Davis served as Chief Operating Officer in 2000 and 2001. Mr. Davis graduated magna cum laude from Texas A&M University with a B.B.A. in Accounting and is a Certified Public Accountant. Mr. Davis is not related to Barry E. Davis.

Michael P. Scott, Senior Vice President—Engineering and Operations, joined our predecessor in July 2001. Before joining our predecessor, Mr. Scott held various positions at Aquila Gas Pipeline Corporation, including Director of Engineering from 1992 to 2001, Director of Operations from 1990 to 1992, and Director of Project Development from 1989 to 1990. Prior to Aquila, Mr. Scott held various project development and engineering positions at Cabot Corporation/Cabot Transmission, Perry

Gas Processors and General Electric. Mr. Scott holds a B.S. degree in Mechanical Engineering from Oklahoma State University.

C. Roland Haden joined us as a director upon the completion of our initial public offering. Mr. Haden held the positions of Vice Chancellor of the Texas A&M System, Director of the Texas Engineering Experiment Station and Dean of Look College of Engineering at Texas A&M University from 1993 to 2002. Prior to joining Texas A&M University, Mr. Haden served as Vice Chancellor for Academic Affairs and Provost of Louisiana State University from 1991 to 1993 and held various positions with Arizona State University, including Dean and Professor of Engineering & Applied Sciences from 1989 to 1991, Provost, ASU West Campus from 1988 to 1989, Vice President for Academic Affairs from 1987 to 1988 and Dean and Professor of Engineering and Applied Sciences from 1978 to 1987. Mr. Haden formerly served as a director of Square D Company, a Fortune 500 electrical manufacturing company, as a director of E−Systems, a Fortune 500 defense contractor, and as a member of the Telecommunications Advisory Board of A.T. Kearney, a nationally ranked consulting firm. He has been a director of Inter−tel, Inc., a leading telecommunications company, since 1983. Mr. Haden holds a bachelor's degree from the University of Texas, Arlington, a Masters degree from the California Institute of Technology, and a Ph.D. from the University of Texas, Austin, all in electrical engineering.

Bryan H. Lawrence, Chairman of the Board, joined our predecessor as a director in May 2000. Mr. Lawrence is a founder and senior manager of Yorktown Partners LLC, the manager of the Yorktown group of investment partnerships, which make investments in companies engaged in the energy industry. The Yorktown partnerships were formerly affiliated with the investment firm of Dillon, Read & Co. Inc., where Mr. Lawrence had been employed since 1966, serving as a Managing Director until the merger of Dillon Read with SBC Warburg in September 1997. Mr. Lawrence also serves as a director of Carbon Energy Corporation, D&K Healthcare Resources, Inc., Hallador Petroleum Company, TransMontaigne Inc., and Vintage Petroleum, Inc. (each a United States publicly traded company) and Cavell Energy Corp. (a Canadian publicly traded company) and certain non−public companies in the energy industry in which Yorktown partnerships hold equity interests including PetroSantander Inc., Savoy Energy, L.P., Athanor Resources Inc., Camden Resources, Inc., ESI Energy Services Inc., Ellora Energy Inc., and Dernick Resources Inc. Mr. Lawrence is a graduate of Hamilton College and also has an M.B.A. from Columbia University.

Sheldon B. Lubar joined us as a director upon the completion of our initial public offering. Mr. Lubar has been Chairman of the Board of Lubar & Co. Incorporated, a private investment and venture capital firm he founded, since 1977. He was Chairman of the Board of Christiana Companies, Inc., a logistics and manufacturing company, from 1987 until its merger with Weatherford International in 1995. Mr. Lubar has also been a Director of C2, Inc., a logistics and manufacturing company, since 1995, MGIC Investment Corporation, a mortgage insurance company, since 1991, Grant Prideco, Inc., an energy services company, since 2000, and Weatherford International, Inc., an energy services company, since 1995. Mr. Lubar holds a bachelor's degree in Business Administration and a Law degree from the University of Wisconsin—Madison. He was awarded an honorary Doctor of Commercial Science degree from the University of Wisconsin—Milwaukee.

Robert F. Murchison joined us as a director upon the completion of our initial public offering. Mr. Murchison has been the President of the general partner of Murchison Capital Partners, L.P., a private equity investment partnership since 1992. Prior to founding Murchison Capital Partners, L.P., Mr. Murchison held various positions with Romacorp, Inc., the franchisor and operator of Tony Roma's restaurants, including Chief Executive Officer from 1984 to 1986 and Chairman of the board of directors from 1984 to 1993. He served as a director of Cenergy Corporation, an oil and gas exploration and production company, from 1984 to 1987, Conquest Exploration Company from 1987 to 1991 and has served as a director of TNW Corporation, a short line railroad holding company, since 1981 and Tecon Corporation, a holding company with holdings in real estate development, investor

owned water utilities, rail car repair and the fund of funds management business, since 1978. Mr. Murchison holds a bachelor's degree in history from Yale University.

Stephen A. Wells joined us as a director upon the completion of our initial public offering. Mr. Wells has been the President of Wells Resources, Inc., a private oil, gas and ranching company since 1983. Mr. Wells has served in executive management positions with various energy companies, with an emphasis in oil field services. He served as Chief Executive Officer and director of Grasso Corporation, a contract production management company, from 1992 to 1994, Chief Executive Officer and director of Coastwide Energy Services, Inc. from 1993 to 1996, and President, Chief Executive Officer and director of Wells Strathclyde Company, an oil field services company he co−founded from 1978 to 1982. Mr. Wells also serves as a director and audit committee chair of Oil States International and as a director and audit committee chair of Pogo Producing Company. Mr. Wells holds a bachelor's degree in accounting from Abilene Christian University.

Section 16(a)—Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires the directors and certain officers of the General Partner and any 10% beneficial owners of the Partnership to send reports of their beneficial ownership of Common Units and changes in beneficial ownership to the Securities and Exchange Commission. Based on our records, we believe that during Fiscal 2002 all of such reporting persons complied with all Section 16(a) filing requirements applicable to them.

Reimbursement of Expenses of our General Partner and its Affiliates

Our general partner does not receive any management fee or other compensation in connection with its management of Crosstex Energy, L.P. However, our general partner performs services for us and is reimbursed by us for all expenses incurred on our behalf, including the costs of employee, officer and director compensation and benefits, as well as all other expenses necessary or appropriate to the conduct of our business. The partnership agreement provides that our general partner will determine the expenses that are allocable to us in any reasonable manner determined by our general partner in its sole discretion. For the first 12 months following our initial public offering, the amount which we will reimburse the general partner and its affiliates for costs incurred with respect to the general and administrative services performed on our behalf will not exceed $6.0 million. This reimbursement cap will 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 behalf of the partnership. See Item 13. "Certain Relationships and Related Transactions."

Item 11. *Executive Compensation*

The following table sets forth certain compensation information for our Chief Executive Officer and the five other most highly compensated executive officers in 2002. We reimburse our general partner and its affiliates for expenses incurred on our behalf, including the costs of officer compensation allocable to us. The named executive officers have also received certain equity−based awards from our general partner's general partner. The Partnership was formed in July 2002 but conducted no business until mid−December 2002. As such, the compensation set forth below includes salary and bonus information paid to each of the named executive officers by the Partnership and its predecessor.

Summary Compensation Table

Name and Principal Position	Year	Annual Compensation (1)			Long Term Compensation Awards	
		Salary (1) ($)	Bonus (2) ($)	Other Annual Compensation ($)	Units Underlying Options (#)(3)	All Other Compensation ($)
Barry E. Davis *President and Chief Executive Officer*	2002	201,500	100,750	—	30,000	—
James R. Wales *Executive Vice President—Midstream Division*	2002	171,064	59,872	—	20,000	—
A. Chris Aulds *Executive Vice President—Treating Division*	2002	171,064	59,872	—	20,000	—
Jack M. Lafield *Senior Vice President—Business Development*	2002	160,875	56,306	—	17,500	—
William W. Davis *Senior Vice President and Chief Financial Officer*	2002	160,875	96,306	—	17,500	—
Michael P. Scott *Senior Vice President—Engineering and Operations*	2002	134,304	47,007	—	12,500	—

(1) Reflects the aggregate salary paid by the registrant and its predecessor for fiscal 2002. The portion of the amount shown paid by the registrant subsequent to the closing of its initial public offering on December 17, 2002 for each of Messrs. Davis, Wales, Aulds, Lafield, W. Davis, and Scott was $8,396, $7,128, $7,128, $6,703, $6,703 and $5,596, respectively.

(2) Performance bonuses were earned by the executive officers for service to the registrant's predecessor prior to the closing of its initial public offering.

(3) Executive officers have received equity−based awards from our general partner. No awards have vested to date under our Long−Term Incentive Plan. For a description of awards granted to date under the Long−Term Incentive Plan. See "—Long−Term Incentive Plan."

Employment Agreements

The executive officers of the general partner of our general partner, including Barry E. Davis, James R. Wales, A. Chris Aulds, Jack M. Lafield, William W. Davis and Michael P. Scott, have entered into employment agreements with Crosstex Energy, L.P. The following is a summary of the material provisions of those employment agreements. All of these employment agreements are substantially similar, with certain exceptions as set forth below.

Each of the employment agreements has an initial term that expires two years from the effective date, but will automatically be extended such that the remaining term of the agreements will not be less than one year. The employment agreements provide for a base annual salary of $201,500, $171,064, $171,064, $160,875, $160,875 and $134,304 for Barry E. Davis, James R. Wales, A. Chris Aulds, Jack M. Lafield, William W. Davis and Michael P. Scott, respectively.

Except in the event of our becoming bankrupt or ceasing operations, termination for cause or termination by the employee other than for good reason, the employment agreements provide for continued salary payments, bonus and benefits following termination of employment for the remainder of the employment term under the agreement. If a change in control occurs during the term of an employee's employment and either party to the agreement terminates the employee's employment as a result thereof, the employee will be entitled to receive salary payments, bonus and benefits following termination of employment for the remainder of the employment term under the agreement.

The employment agreements also provide for a noncompetition period that will continue until the later of one year after the termination of the employee's employment or the date on which the employee is no longer entitled to receive severance payments under the employment agreement. During the noncompetition period, the employees are generally prohibited from engaging in any business that competes with us or our affiliates in areas in which we conduct business as of the date of termination and from soliciting or inducing any of our employees to terminate their employment with us or accept employment with anyone else or interfere in a similar manner with our business.

Long−Term Incentive Plan

Crosstex Energy GP, LLC adopted a long−term incentive plan for employees and directors of Crosstex Energy GP, LLC and its affiliates who perform services for us.

The long−term incentive plan consists of two components: restricted units and unit options. The long−term incentive plan currently permits the grant of awards covering an aggregate of 700,000 common units, 233,000 of which may be awarded in the form of restricted units and 467,000 of which may be awarded in the form of unit options. The plan is administered by the compensation committee of Crosstex Energy GP, LLC's board of directors.

Crosstex Energy GP, LLC's board of directors in its discretion may terminate or amend the long−term incentive plan at any time with respect to any units for which a grant has not yet been made. Crosstex Energy GP, LLC's board of directors also has the right to alter or amend the long−term incentive plan or any part of the plan from time to time, including increasing the number of units that may be granted subject to unitholder approval as required by the exchange upon which the common units are listed at that time. However, no change in any outstanding grant may be made that would materially impair the rights of the participant without the consent of the participant.

Restricted Units. A restricted unit is a "phantom" unit that entitles the grantee to receive a common unit upon the vesting of the phantom unit or, in the discretion of the compensation committee, cash equivalent to the value of a common unit. In the future, the compensation committee may make grants under the plan to employees and directors containing such terms as the compensation committee shall determine under the plan. The committee may base its determination upon the achievement of specified financial objectives. In addition, the restricted units will vest upon a change of control of us, our general partner or Crosstex Energy GP, LLC.

If a grantee's employment or membership on the board of directors terminates for any reason, the grantee's restricted units will be automatically forfeited unless, and to the extent, the compensation committee provides otherwise. Common units to be delivered upon the vesting of restricted units may be common units acquired by Crosstex Energy GP, LLC in the open market, common units already owned by Crosstex Energy GP, LLC, common units acquired by Crosstex Energy GP, LLC directly from us or any other person or any combination of the foregoing. Crosstex Energy GP, LLC will be entitled to reimbursement by us for the cost incurred in acquiring common units. If we issue new common units upon vesting of the restricted units, the total number of common units outstanding will increase. The compensation committee, in its discretion, may grant tandem distribution equivalent rights with respect to restricted units.

We intend the issuance of the common units upon vesting of the restricted units under the plan to serve as a means of incentive compensation for performance and not primarily as an opportunity to participate in the equity appreciation of the common units. Therefore, plan participants will not pay any consideration for the common units they receive, and we will receive no remuneration for the units.

Unit Options. The long−term incentive plan currently permits the grant of options covering common units. Unit options will have an exercise price that, in the discretion of the compensation committee, may be less than, equal to or more than the fair market value of the units on the date of grant. In general, unit options granted will become exercisable over a period determined by the

compensation committee. In addition, the unit options will become exercisable upon a change in control of us, our general partner or Crosstex Energy GP, LLC or upon the achievement of specified financial objectives.

Upon exercise of a unit option, Crosstex Energy GP, LLC will acquire common units in the open market or directly from us or any other person or use common units already owned by Crosstex Energy GP, LLC, or any combination of the foregoing. Crosstex Energy GP, LLC will be entitled to reimbursement by us for the difference between the cost incurred by it in acquiring these common units and the proceeds received by it from an optionee at the time of exercise. Thus, the cost of the unit options will be borne by us. If we issue new common units upon exercise of the unit options, the total number of common units outstanding will increase, and Crosstex Energy GP, LLC will pay us the proceeds it received from the optionee upon exercise of the unit option. The unit option plan has been designed to furnish additional compensation to employees and directors and to align their economic interests with those of common unitholders.

Option Grants

The following table contains information about unit option grants to the named executive officers in 2002 (except as indicated):

Option Grants in Last Fiscal Year

	Individual Grants						
						Potential realizable value at assumed annual rates of unit price appreciation for option term	
Name	Number of securities underlying Options granted (#)	Percent of total options granted to employees in fiscal year (1)	Exercise or base price ($/Unit)	Market Price on Date of Grant ($/Unit)	Expiration date	5% ($)	10% ($)
Barry E. Davis	30,000	15.4%	20.00	20.00	12/17/12	377,337	956,245
James R. Wales	20,000	10.3%	20.00	20.00	12/17/12	251,558	637,497
A. Chris Aulds	20,000	10.3%	20.00	20.00	12/17/12	251,558	637,497
Jack M. Lafield	17,500	9.0%	20.00	20.00	12/17/12	220,113	557,810
William W. Davis	17,500	9.0%	20.00	20.00	12/17/12	220,113	557,810
Michael P. Scott	12,500	6.4%	20.00	20.00	12/17/12	157,224	398,436

(1) The total number of options granted to employees in 2002 used to calculate these percentages includes 195,000 common units underlying options granted upon the closing of the Company's initial public offering. The options vest at a rate of 1/3 per year beginning December 17, 2003.

(2) All options granted were under the Crosstex Energy, LLC Long−Term Incentive Plan

Option Exercises and Year−End Option Values

The following table provides information about the number of units issued upon option exercises by the named executive officers during 2002, and the value realized by the named executive officers. The table also provides information about the number and value of options that were held by the named executive officers at December 31, 2002.

Aggregated Option Exercise in Last Fiscal Year and Fiscal Year End Option Values

Name	Shares Acquired on Exercise (#)	Value Realized ($)	Number of Securities Underlying Unexercised Options at 12/31/02 (#)		Value of Unexercised In−the−Money Options at 12/31/02 ($)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Barry E. Davis	0	0	0	30,000	0	$ 42,000
James R. Wales	0	0	0	20,000	0	28,000
A. Chris Aulds	0	0	0	20,000	0	28,000
Jack M. Lafield	0	0	0	17,500	0	24,500
William W. Davis	0	0	0	17,500	0	24,500
Michael P. Scott	0	0	0	12,500	0	17,500

Compensation of Directors

Each director of Crosstex Energy GP, LLC who is not an employee of Crosstex Energy GP, LLC (except Mr. Lawrence) is paid an annual retainer fee of $25,000. Directors do not receive an attendance fee for each board meeting, but an attendance fee of $1,000 is paid to each director for each committee meeting he attends. Directors are also reimbursed for related out−of−pocket expenses. Each committee chairman receives $2,500 annually. Barry E. Davis, as an officer of Crosstex Energy GP, LLC, is otherwise compensated for his services and therefore receives no separate compensation for his service as a director. Directors are also entitled to a one−time grant of 10,000 options at an exercise price of $20.

Compensation Committee Interlocks And Insider Participation

The Compensation Committee of the board of directors of Crosstex Energy GP, LLC determines compensation of the executive officers. Sheldon B. Lubar and Robert F. Murchison served as members of the Compensation Committee of the board of directors of Crosstex Energy GP, LLC upon the completion of our initial public offering.

Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters*

The following table shows the beneficial ownership of units of Crosstex Energy, L.P. as of March 4, 2003 held by:

- each person who then will beneficially own 5% or more of the units then outstanding;
- all the directors of Crosstex Energy GP, LLC;
- each named executive officer of Crosstex Energy GP, LLC; and
- all the directors and executive officers of Crosstex Energy GP, LLC as a group.

Name of Beneficial Owner (1)	Common Units Beneficially Owned	Percentage of Common Units Beneficially Owned	Subordinated Units Beneficially Owned	Percentage of Subordinated Units Beneficially Owned	Percentage of Total Units Beneficially Owned
Crosstex Energy Holdings Inc.	333,000	12.7%	4,667,000	100.0%	68.5%
Barry E. Davis(2)(3)	—	—	—	—	—
James R. Wales(2)(3)	—	—	—	—	—
A. Chris Aulds(2)(3)	—	—	—	—	—
Jack M. Lafield(2)(3)	—	—	—	—	—
William W. Davis(2)(3)	—	—	—	—	—
Michael P. Scott(2)(3)	—	—	—	—	—
C. Roland Haden(4)	2,500	—	—	—	—
Bryan H. Lawrence(5)	—	—	—	—	—
Sheldon B. Lubar(6)	—	—	—	—	—
Stephen A. Wells	5,000	—	—	—	—
Robert F. Murchison(7)	25,000	—	—	—	—
All directors and executive officers as a group (11 persons)	32,500	1.2%	—	—	*

* Less than 1%.

(1) The address of each person listed above is 2501 Cedar Springs, Suite 600, Dallas, Texas 75201, except for Crosstex Energy Holdings Inc. and Bryan H. Lawrence which is 410 Park Avenue, New York, New York 10022.

(2) Barry E. Davis, James R. Wales, A. Chris Aulds, Jack M. Lafield, William W. Davis and Michael P. Scott each hold an ownership interest in Crosstex Energy Holdings Inc. as indicated in the following table.

(3) Grants of options to purchase a total of 195,000 common units were made upon the closing of the initial public offering to employees of Crosstex Energy GP, LLC, including the named executive officers. See "—Long−Term Incentive Plan."

(4) These units are held in a trust for the benefit of the Mr. Haden's children. Mr. Haden and his spouse are trustees of the trust.

(5) Bryan H. Lawrence is a member and a manager of the general partner of both Yorktown Energy Partners IV, L.P. and Yorktown Energy Partners V, L.P. Both of these limited partnerships own an interest in Crosstex Energy Holdings Inc. as indicated in the following table.

(6) Sheldon B. Lubar is a general partner of Lubar Nominees, and Lubar Nominees holds an ownership interest in Crosstex Energy Holdings Inc. as indicated in the following table.

(7) These units are held by Murchison Capital Partners, L.P. Mr. Murchison is the President of the Murchison Management Corp., which serves as the general partner of Murchison Capital Partners, L.P.

The following table shows the beneficial ownership of Crosstex Energy Holdings Inc. as of March 4, 2003. Crosstex Energy Holdings Inc. owns Crosstex Energy GP, LLC and, together with Crosstex Energy GP, LLC, our general partner and, as reflected above, common units and subordinated units.

Name of Beneficial Owner(1)	Percent of Equity	
Yorktown Energy Partners IV, L.P.(2)	61.6	%
Yorktown Energy Partners V, L.P.(2)	15.4	%
Lubar Nominees(3)	6.0	%
Barry E. Davis(4)	7.14	%
James R. Wales(4)	3.36	%
A. Chris Aulds(4)	4.57	%
Jack M. Lafield(4)	*	
William W. Davis(4)	*	
Michael P. Scott(4)	*	
C. Roland Haden	—	
Bryan H. Lawrence(5)	—	
Sheldon B. Lubar(3)	6.0	%
Stephen A. Wells	—	
Robert F. Murchison	—	
All directors and executive officers as a group (11 persons)(4)	22.89	%

* Less than 1%.

(1) Unless otherwise indicated, the address of each person listed above is 2501 Cedar Springs, Suite 600, Dallas, Texas 75201.

(2) The address for Yorktown Energy Partners IV, L.P. and Yorktown Energy Partners V, L.P. is 410 Park Avenue, New York, New York 10022.

(3) Sheldon B. Lubar is a general partner of Lubar Nominees, and may be deemed to beneficially own the shares held by Lubar Nominees.

(4) Ownership percentage for such individual or group includes shares issuable pursuant to stock options which are presently exercisable or exercisable within 60 days.

(5) Bryan H. Lawrence is a member and a manager of the general partner of both Yorktown Energy Partners IV, L.P. and Yorktown Energy Partners V, L.P.

Beneficial Ownership of General Partner Interest

Crosstex Energy GP, L.P. owns all of our 2% general partner interest and all of our incentive distribution rights. Crosstex Energy GP, L.P. is owned 0.001% by its general partner, Crosstex Energy GP, LLC and 99.999%; by its sole limited partner, Crosstex Energy Holdings Inc.

Equity Compensation Plan Information

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants, And Rights (a)	Weighted−Average Price Of Outstanding Options, Warrants And Rights (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected In Column (a)) (c)
Equity Compensation Plans Approved By Security Holders	N/A	N/A	N/A
Equity Compensation Plans Not Approved By Security Holders	700,000(1)	$ 20.00(2)	505,000(3)

(1) Our general partner has adopted and maintains a Long Term Incentive Plan for our officers, employees and directors. See Item 11. "Executive Compensation—Long−Term Incentive Plan." The LTIP contemplates awards of up to 233,000 restricted units and 467,000 unit options.

(2) The current strike price for all outstanding options under the plan is $20.00 per unit.

(3) Consisting of 233,000 restricted units and 272,000 unit options.

Item 13. *Certain Relationships and Related Transactions*

Our General Partner

Our operations and activities are managed by, and our officers are employed by, the operating partnership. Our general partner does not receive any management fee or other compensation in connection with its management of our business, but it is reimbursed for all direct and indirect expenses incurred on our behalf. For the first 12 months following our initial public offering, the amount which we will reimburse the general partner and its affiliates for costs incurred with respect to the general and administrative services performed on our behalf will not exceed $6.0 million. This reimbursement cap will 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 behalf of the partnership.

Our general partner owns the 2% general partner interest and all of the incentive distribution rights. Our general partner is entitled to receive incentive distributions if the amount we distribute with respect to any quarter exceeds levels specified in our partnership agreement. Under the quarterly incentive distribution provisions, generally our general partner is entitled to 13% of amounts we distribute in excess of $0.450 per unit, 23% of the amounts we distribute in excess of $0.50 per unit and 48% of amounts we distribute in excess of $0.675 per unit.

Relationship with Crosstex Energy Holdings Inc.

General. Crosstex Energy Holdings Inc. owns 333,000 common units and 4,667,000 subordinated units representing an aggregate 68.5% limited partnership interest in us. Our general partner owns a 2% general partner interest in us and the incentive distribution rights. Our general partner's ability, as general partner, to manage and operate Crosstex Energy, L.P. and Crosstex Energy Holdings' ownership of an aggregate 68.5% limited partner interest in us effectively gives our general partner the ability to veto some of our actions and to control our management.

Omnibus Agreement. Concurrent with the closing of our initial public offering, we entered into an agreement with Crosstex Energy Holdings Inc., Crosstex Energy GP, LLC and our general partner which will govern potential competition among us and the other parties to the agreement. Crosstex Energy Holdings Inc. agreed, and caused its controlled affiliates to agree, for so long as management, Yorktown Energy Partners IV, L.P. and Yorktown Energy Partners V, L.P. and its affiliates, or any

combination thereof, control our general partner, not to engage in the business of gathering, transmitting, treating, processing, storing and marketing of natural gas and the transportation, fractionation, storing and marketing of NGLs unless it first offers us the opportunity to engage in this activity or acquire this business, and the board of directors of Crosstex Energy GP, LLC, with the concurrence of its conflicts committee, elects to cause us not to pursue such opportunity or acquisition. In addition, Crosstex Energy Holdings Inc. has the ability to purchase a business that has a competing natural gas gathering, transmitting, treating, processing and producer services business if the competing business does not represent the majority in value of the business to be acquired and Crosstex Energy Holdings Inc. offers us the opportunity to purchase the competing operations following their acquisition. The noncompetition restrictions in the omnibus agreement do not apply to the assets retained and business conducted by Crosstex Energy Holdings Inc. at the closing of our initial public offering. Except as provided above, Crosstex Energy Holdings Inc. and its controlled affiliates are not prohibited from engaging in activities in which they compete directly with us. In addition, Yorktown Energy Partners IV, L.P., Yorktown Energy Partners V, L.P. and any affiliated Yorktown funds are not prohibited from owning or engaging in businesses which compete with us.

Initial Public Offering and Concurrent Transactions

On December 17, 2002, the Partnership completed an initial public offering of 2,300,000 common units representing limited partner interests and received therefrom net proceeds of approximately $40.2 million. Concurrently with the closing of the initial public offering, certain transactions were consummated in connection with the formation of the Partnership. These transactions involved the transfer to us by Crosstex Energy Holdings Inc. of substantially all the assets and liabilities of Crosstex Energy Services, Ltd. (the predecessor of our operating partnership Crosstex Energy Services, L.P.) in exchange for and the right to receive $2.5 million from the proceeds of the initial public offering and the issuance of 333,000 common units and 4,667,000 subordinated units (which are held by Crosstex Energy Holdings Inc.) and the incentive distribution rights and a 2% general partner interest in the Partnership (which are held by Crosstex Energy GP, L.P.). In addition, certain assets and liabilities of Crosstex Energy Services, Ltd. were not contributed to the Partnership, but, instead, were transferred to a subsidiary of Crosstex Energy Holdings Inc. These include receivables associated with the Enron Corp. bankruptcy discussed above under "Item 7. Management's Discussion and Analysis of Financial Position and Results of Operations—Results of Operations—Year Ended December 31, 2001 Compared to Year Ended December 31, 2000—(Profit) Loss on Energy Trading Contracts." Also, the Jonesville processing plant, which was largely inactive since the beginning of 2001, and the recently acquired Clarkson plant were not contributed to the Partnership, but, instead were transferred to a subsidiary of Crosstex Energy Holdings Inc.

Related Party Transactions

Camden Resources, Inc. We treat gas for, and purchase gas from, Camden Resources, Inc. Yorktown Energy Partners IV, L.P. has made equity investments in both Camden and Crosstex Energy Holdings Inc. The gas treating and gas purchase agreements we have entered into with Camden are standard industry agreements containing terms substantially similar to those contained in our agreements with other third parties. During the year ended December 31, 2002, we purchased natural gas from Camden Resources, Inc. in the amount of approximately $10.1 million and received approximately $399,000 in treating fees from Camden Resources, Inc.

Crosstex Pipeline Company. We indirectly own general and limited partner interests in Crosstex Pipeline Partners, L.P. that represent a 28% economic interest. We have entered into various transactions with Crosstex Pipeline Partners, and we believe that the terms of these transactions are comparable to those that we could have negotiated with unrelated third parties. During the year ended December 31, 2002, our predecessor: (1) purchased natural gas from Crosstex Pipeline Partners in the amount of approximately $3.4 million and paid Crosstex Pipeline Partners approximately $27,000 for transportation of natural gas, (2) received a management fee from Crosstex Pipeline Partners in the

amount of approximately $125,000 and (3) received approximately $90,000 in distributions from Crosstex Pipeline Partners;

Item 14. *Controls And Procedures*

An evaluation of the effectiveness of the design and operation of the Partnership's disclosure controls and procedures as of March 21, 2003 was carried out by the General Partner under the supervision and with the participation of the General Partner's management, including the Chief Executive Officer and Chief Financial Officer. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Partnership's disclosure controls and procedures have been designed and are being operated in a manner that provides reasonable assurance that the information required to be disclosed by the Partnership in reports filed under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. A controls system, no matter how well designed and operated, cannot provide absolute assurance that the objectives of the controls system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within an entity have been detected. Subsequent to the date of the most recent evaluation of the Partnership's internal controls, there were no significant changes in the Partnership's internal controls or in other factors that could significantly affect the internal controls, including any corrective actions with regard to significant deficiencies and material weaknesses.

PART IV

Item 15. *Exhibits, Financial Statement Schedules and Reports on Form 8−K*

(a)

Financial Statements and Schedules

(1)

See the Index to Financial Statements on page F−1.

(2)

No schedules are required.

(3)

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
3.1	—	Certificate of Limited Partnership of Crosstex Energy, L.P. (incorporated by reference to Exhibit 3.1 to Registration Statement, file No. 333−97779).
3.2*	—	Amended and Restated Agreement of Limited Partnership of Crosstex Energy, L.P., dated as of December 17, 2002
3.3	—	Certificate of Limited Partnership of Crosstex Energy Services, Ltd. (incorporated by reference to Exhibit 3.3 to Registration Statement, file No. 333−97779).
3.4*	—	Amended and Restated Agreement of Limited Partnership of Crosstex Energy Services, Ltd., dated as of December 17, 2002
3.5	—	Certificate of Limited Partnership of Crosstex Energy GP, L.P. (incorporated by reference to Exhibit 3.5 to Registration Statement, file No. 333−97779).
3.6	—	Agreement of Limited Partnership of Crosstex Energy GP, L.P., dated as of July 12, 2002 (incorporated by reference to Exhibit 3.6 to Registration Statement, file No. 333−97779).
3.7	—	Certificate of Formation of Crosstex Energy GP, LLC (incorporated by reference to Exhibit 3.7 to Registration Statement, file No. 333−97779).
3.8*	—	Limited Liability Company Agreement of Crosstex Energy GP, LLC, dated as of July 10, 2002
4.1	—	Specimen Unit Certificate for Common Units (incorporated by reference to Exhibit 4.1 to Registration Statement, file No. 333−97779).
10.1*	—	Second Amended and Restated Credit Agreement, dated November 26, 2002, among Crosstex Energy Services, L.P., Union Bank of California, N.A. and Fleet National Bank
10.2*	—	First Contribution, Conveyance and Assumption Agreement, dated November 27, 2002, among Crosstex Energy, L.P. and certain other parties
10.3*	—	Closing Contribution, Conveyance and Assumption Agreement, dated December 11, 2002, among Crosstex Energy, L.P. and certain other parties
10.4*+	—	Crosstex Energy GP, LLC Long−Term Incentive Plan, dated July 12, 2002
10.5*	—	Omnibus Agreement, dated December 17, 2002, among Crosstex Energy, L.P. and certain other parties
10.6*	—	Form of Employment Agreement
10.7	—	Gas Sales Agreement, dated March 1, 2001 among Tejas Gas Marketing, LLC, Corpus Christi Gas Marketing, L.P. and Corpus Christi Gas Processing, L.P., as amended by the Amendment to Gas Sales Agreement, dated October 1, 2001, among Tejas Gas Marketing, LLC and Crosstex CCNG Marketing, L.P. (incorporated by reference to Exhibit 10.6 to Registration Statement, file No. 333−97779).
10.8	—	Gas Sales Agreement, dated December 17, 1998, among Reliant Energy Entex and GC Marketing Company, as amended by the Amendment to Gas Sales Agreement, dated June 18, 2002, among Crosstex Gulf Coast Marketing, Ltd. and Reliant Energy Entex (incorporated by reference to Exhibit 10.7 to Registration Statement, file No. 333−97779).
21.1*	—	List of Subsidiaries
99.1*	—	CEO Certification Pursuant to Section 906 of the Sarbanes−Oxley Act
99.2*	—	CFO Certification Pursuant to Section 906 of the Sarbanes−Oxley Act

*
Filed herewith.

+
As required by Item 14(a)(3), this exhibit is identified as a compensatory benefit plan or arrangement

(b)
Reports on Form 8−K.

None.

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 21st day of March 2003.

CROSSTEX ENERGY, L.P.

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

By: Crosstex Energy GP, LLC,
its general partner

By: /s/ BARRY E. DAVIS

Barry E. Davis,
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on the dates indicated by the following persons on behalf of the Registrant and in the capacities with Crosstex Energy GP, LLC, general partner of Crosstex Energy GP, L.P., general partner of the Registrant, indicated.

Signature	Title	Date
/s/ BARRY E. DAVIS Barry E. Davis	President, Chief Executive Officer and Director (Principal Executive Officer)	March 21, 2003
/s/ C. ROLAND HADEN C. Roland Haden	Director	March 24, 2003
/s/ BRYAN H. LAWRENCE Bryan H. Lawrence	Chairman of the Board and Director	March 24, 2003
/s/ SHELDON B. LUBAR Sheldon B. Lubar	Director	March 24, 2003
/s/ ROBERT F. MURCHISON Robert F. Murchison	Director	March 24, 2003
/s/ STEPHEN A. WELLS Stephen A. Wells	Director	March 22, 2003
/s/ WILLIAM W. DAVIS William W. Davis	Senior Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	March 21, 2003

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 annual report on Form 10−K of Crosstex Energy, L.P.;

2. Based on my knowledge, this annual 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 annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a−14 and 15d−14) for the registrant and:

(a) designated such disclosure controls and procedures 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 annual report is being prepared;

(b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

(c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, 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 in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; 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; and

6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 21, 2003

/s/ BARRY E. DAVIS

Barry E. Davis,
President and Chief Executive Officer
(principal executive officer)

I, William W. Davis, Senior 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 annual report on Form 10−K of Crosstex Energy, L.P.;

2.

Based on my knowledge, this annual 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 annual report;

3.

Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual report;

4.

The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a−14 and 15d−14) for the registrant and:

(a)

designated such disclosure controls and procedures 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 annual report is being prepared;

(b)

evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

(c)

presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5.

The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, 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 in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; 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; and

6.

The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 21, 2003

/s/ WILLIAM W. DAVIS

William W. Davis,
Senior Vice President and Chief Financial Officer
(principal financial and accounting officer)

INDEX TO FINANCIAL STATEMENTS

Independent Auditors' Report

The Partners
Crosstex Energy, L.P.:

We have audited the accompanying consolidated balance sheets of Crosstex Energy, L.P. (a Delaware limited partnership and successor to Crosstex Energy Services, Ltd.) and subsidiaries as of December 31, 2002 and 2001 and the related consolidated statements of operations, changes in partners' equity, comprehensive income, and cash flows for the years ended December 31, 2002 and 2001, the eight months ended December 31, 2000, and the four months ended April 30, 2000 (Predecessor). In connection with the audits of the consolidated financial statements, we also have audited the accompanying financial statement schedule. These financial statements and financial statement schedule are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Crosstex Energy, L.P. and subsidiaries as of December 31, 2002 and 2001, and the consolidated results of their operations, comprehensive income, and their cash flows for the years ended December 31, 2002 and 2001, the eight months ended December 31, 2000, and the four months ended April 30, 2000 (Predecessor) in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects the information set forth therein.

As explained in note 2 to the consolidated financial statements, effective January 1, 2001, the Partnership changed its method of accounting for derivatives. Also, as explained in note 2, effective January 1, 2002, the Partnership changed its method of amortizing goodwill.

/s/ KPMG LLP

Dallas, Texas
February 7, 2003

CROSSTEX ENERGY, L.P.

(Successor to Crosstex Energy Services, Ltd.)

Consolidated Balance Sheets

December 31, 2002 and 2001
(In thousands)

	2002	2001
Assets		
Current assets:		
Cash and cash equivalents	$ 1,308	352
Accounts receivable:		
Trade	104,802	58,222
Imbalances	79	117
Related party	—	418
Other	637	192
Assets from risk management activities	2,947	3,361
Prepaid expenses and other	1,225	1,865
Total current assets	110,998	64,527
Property and equipment:		
Transmission assets	50,391	33,559
Gathering systems	22,624	12,541
Gas plants	39,475	37,373
Other property and equipment	2,754	2,692
Construction in process	6,935	5,092
Total property and equipment	122,179	91,257
Accumulated depreciation	(12,231)	(6,306)
Total property and equipment, net	109,948	84,951
Account receivable from Enron (net of allowance of $5,776 in 2001)	—	2,467
Assets from risk management activities	155	117
Intangible assets, net	5,340	9,678
Goodwill, net	4,873	4,873
Investment in limited partnerships	346	534
Other assets, net	778	1,229
Total assets	$ 232,438	168,376
Liabilities and Partners' Equity		
Current liabilities:		
Accounts payable and accrued gas purchases	$ 110,793	56,092
Accrued imbalances payable	149	422
Liabilities from risk management activities	4,006	7,565
Current portion of long−term debt	50	—
Other current liabilities	4,672	2,702
Total current liabilities	119,670	66,781
Long−term debt	22,500	60,000
Liabilities from risk management activities	271	440
Liability from interest rate swap	181	—
Partners' equity:		
Predecessor partners' equity	—	41,013
Common unitholders (2,633,000 units issued and outstanding at December 31, 2002)	58,147	—
Subordinated unitholders (4,667,000 units issued and outstanding at December 31, 2002)	31,829	—
General partner interest (2% interest with 149,000 equivalent units outstanding at December 31, 2002)	1,016	—
Other comprehensive income (loss)	(1,176)	142
Total partners' equity	89,816	41,155
Total liabilities and partners' equity	$ 232,438	168,376

See accompanying notes to consolidated financial statements.

CROSSTEX ENERGY, L.P.

(Successor to Crosstex Energy Services, Ltd.)

Consolidated Statements of Operations

(In thousands)

	Years ended December 31,			(Predecessor)
	2002	2001	Eight months ended December 31, 2000	Four months ended April 30, 2000
Revenues:				
Midstream	$ 437,676	362,673	88,008	3,591
Treating	14,817	24,353	17,392	5,947
Total revenues	452,493	387,026	105,400	9,538
Operating costs and expenses:				
Midstream purchased gas	413,982	344,755	83,672	2,746
Treating purchased gas	5,767	18,078	14,876	4,731
Operating expenses	10,468	7,430	1,796	544
General and administrative	8,454	5,914	2,010	810
Stock based compensation	41	—	—	8,802
Impairments	4,175	2,873	—	—
(Profit) loss on energy trading contracts	(2,703)	3,714	(1,253)	(638)
Depreciation and amortization	7,745	6,101	2,261	522
Total operating costs and expenses	447,929	388,865	103,362	17,517
Operating income (loss)	4,564	(1,839)	2,038	(7,979)
Other income (expense):				
Interest expense, net	(2,717)	(2,253)	(530)	(79)
Other income	155	174	115	381
Total other income (expense)	(2,562)	(2,079)	(415)	302
Net income (loss)	$ 2,002	(3,918)	1,623	(7,677)
Allocation of 2002 net income:				
Net income for the period from January 1, 2002 to December 16, 2002	$ 1,682	—	—	—
Net income for the period from December 17, 2002 to December 31, 2002	320	—	—	—
Net income	$ 2,002	—	—	—
General partner interest in net income for the period from December 17, 2002 to December 31, 2002	$ 6	—	—	—
Limited partners' interest in net income for the period from December 17, 2002 to December 31, 2002	$ 314	—	—	—
Net income per limited partners' unit:				
Basic and diluted	$ .04	—	—	—
Weighted average limited partners' units outstanding	7,300	—	—	—

See accompanying notes to consolidated financial statements.

CROSSTEX ENERGY, L.P.
(Successor to Crosstex Energy Services, Ltd.)

Consolidated Statements of Changes in Partners' Equity

Years ended December 31, 2002 and 2001, eight months ended December 31, 2000, and four months ended April 30, 2000

(In thousands)

	Total
Balance, December 31, 1999	$ 3,242
Capital contributions	45
Equity based compensation	7,999
Net loss	(7,677)
Balance April 30, 2000 (Predecessor)	$ 3,609

		Crosstex Energy L.P.				
	Crosstex Energy Services, Ltd. Partners' equity	Common units	Subordinated units	General partner interest	Other comprehensive income	Total
Balance May 5, 2000	$ —	—	—	—	—	—
Contributions of assets and liabilities of predecessor	21,903	—	—	—	—	21,903
Capital contributions	16,828	—	—	—	—	16,828
Net income	1,623	—	—	—	—	1,623
Balance, December 31, 2000	40,354	—	—	—	—	40,354
Capital contributions	5,019	—	—	—	—	5,019
Distributions	(442)	—	—	—	—	(442)
Net loss	(3,918)	—	—	—	—	(3,918)
Cumulative adjustment from adoption of accounting standard	—	—	—	—	(1,006)	(1,006)
Hedging gains or losses reclassified to earnings	—	—	—	—	1,006	1,006
Adjustment in fair value of derivatives	—	—	—	—	142	142
Balance, December 31, 2001	41,013	—	—	—	142	41,155
Assets not contributed to Crosstex Energy, L.P.	(3,754)	—	—	—	—	(3,754)
Capital contributions	14,000	—	—	—	—	14,000
Stock based compensation	41	—	—	—	—	41
Neet income from January 1, 200 through December 16, 2002	1,682	—	—	—	—	1,682
Distributions	(2,500)	—	—	—	—	(2,500)
Transfer of equity in accordance with initial public offering	(50,482)	17,844	31,628	1,010	—	—
Net proceeds from initial public offering	—	40,190	—	—	—	40,190
Net income from December 17, 2002 through December 31, 2002	—	113	201	6	—	320
Hedging gains or losses reclassified to earnings	—	—	—	—	(178)	(178)
Adjustment in fair value of derivatives	—	—	—	—	(1,140)	(1,140)
Balance, December 31, 2002	$ —	58,147	31,829	1,016	(1,176)	89,816

See accompanying notes to consolidated financial statements.

CROSSTEX ENERGY, L.P.
(Successor to Crosstex Energy Services, Ltd.)

Consolidated Statements of Comprehensive Income

December 31, 2002 and 2001

(In thousands)

	2002	2001
Net (loss) income	$ 2,002	(3,918)
Cumulative adjustment from adoption of accounting standard	—	(1,006)
Hedging gains or losses reclassified to earnings	(178)	1,006
Adjustment in fair value of derivatives	(1,140)	142
Comprehensive income (loss)	$ 684	(3,776)

See accompanying notes to consolidated financial statements.

CROSSTEX ENERGY, L.P.
(Successor to Crosstex Energy Services, Ltd.)

Consolidated Statements of Cash Flows

(In thousands)

	Years ended December 31,		Eight months ended December 31, 2000	(Predecessor) Four months ended April 30, 2000
	2002	2001		
Cash flows from operating activities:				
Net income (loss)	$ 2,002	(3,918)	1,623	(7,677)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:				
Depreciation, depletion, and amortization	7,745	6,101	2,261	522
Impairments	4,175	2,873	—	—
Income (loss) on investment in affiliated partnerships	41	(35)	(48)	(15)
Noncash stock based compensation	41	—	—	7,999
Loss on sale of assets	—	—	—	—
Changes in assets and liabilities:				
Accounts receivable	(46,544)	47,565	(83,668)	(994)
Prepaid expenses	178	(1,566)	108	(328)
Accounts payable, accrued gas purchases, and other accrued liabilities	54,427	(63,115)	87,442	8,129
Risk management activities	(4,669)	4,573	(47)	—
Other	2,560	(804)	70	(256)
Net cash provided by (used in) operating activities	19,956	(8,326)	7,741	7,380
Cash flows from investing activities:				
Additions to property and equipment	(14,545)	(22,685)	(4,667)	(3,026)
Proceeds from disposition of assets	—	—	—	100
Asset purchases	(18,785)	(30,003)	(21,133)	—
Distributions from affiliated partnerships	90	153	157	77
Net cash used in investing activities	(33,240)	(52,535)	(25,643)	(2,849)
Cash flows from financing activities:				
Proceeds from bank borrowings	384,050	267,131	51,950	7,000
Payments on bank borrowings	(421,500)	(229,150)	(36,950)	(6,847)
Predecessor cash	—	—	4,729	—
Distribution to partners	(2,500)	(442)	—	—
Net proceeds from initial pulic offering	40,190	—	—	—
Contribution from partners	14,000	5,019	16,828	45
Net cash provided by financing activities	14,240	42,558	36,557	198
Net increase (decrease) in cash and cash equivalents	956	(18,303)	18,655	4,729
Cash and cash equivalents, beginning of period	352	18,655	—	—
Cash and cash equivalents, end of period	$ 1,308	352	18,655	4,729
Cash paid for interest	$ 2,558	2,720	507	144
Noncash transactions—stock based compensation	41	—	—	7,999
Contributions of assets and liabilities of predecessor	—	—	21,903	—
Assets not contributed to Crosstex Energy, L.P.	3,754	—	—	—

See accompanying notes to consolidated financial statements.

(1) Organization and Summary of Significant Agreements

(a) Description of Business

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 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.

(b) Initial Public Offering

On December 17, 2002, the Partnership completed an initial public offering of common units representing limited partner interests in the Partnership. Prior to its initial public offering, the Partnership was an indirect wholly owned subsidiary of Crosstex Energy Holdings Inc. (Crosstex Holdings). Crosstex Holdings conveyed to the Partnership its indirect wholly owned ownership interest in Crosstex Energy Services, Ltd. (CES) in exchange for (i) a 2% general partner interest (including certain Incentive Distribution Rights) in the Partnership, (ii) 333,000 common units and (iii) 4,667,000 subordinated units of the Partnership. Prior to the conveyance of CES to the Partnership, CES distributed certain assets to Crosstex Holdings including (i) the Jonesville and Clarkson gas plants, (ii) the Enron receivable and related derivative positions, and (iii) the right to receive a cash distribution of $2.5 million.

CES constitutes the Partnership's predecessor. The transfer of ownership interests in CES to the Partnership represented a reorganization of entities under common control and was recorded at historical cost. Accordingly, the accompanying financial statements include the historical results of operations of CES prior to transfer to the Partnership.

(c) Organization of Crosstex Energy Services, Ltd.

Crosstex Energy Services, Ltd. (the Predecessor), a Texas limited partnership was formed on December 19, 1996, to engage in the gathering, transmission, treating, processing, and marketing of natural gas.

Effective May 5, 2000, Crosstex Holdings acquired a 100% interest in Crosstex Energy, Inc. (CEI), the general partner of the Predecessor, and a 100% limited partnership interest in the Predecessor. Also, effective May 5, 2000, the Predecessor was dissolved and Crosstex Holdings formed a new partnership, Crosstex Energy Services, Ltd. (CES), with the same management organization and purpose as the Predecessor. CEI was the managing and sole general partner and held a 1% interest in CES.

Crosstex Holdings is majority owned by Yorktown Energy Partners IV, L.P. and Yorktown Energy Partners V, L.P. (collectively, Yorktown). Yorktown paid $21.6 million cash to capitalize Crosstex Holdings in exchange for 100% of the common stock of Crosstex Holdings. Subsequently, Crosstex

Holdings issued 722,771 shares of common stock to the management group of the Predecessor and CES in return for their 36.5% effective interest, resulting in CES management owning 25% of Crosstex Holdings and Yorktown owning the remaining 75%.

The accompanying consolidated financial statements include the results of operations of CES subsequent to the Yorktown transactions as of May 5, 2000.

Periods presented prior to May 5, 2000, relate to the Predecessor, and are not comparable in all respects to CES' financial statements due to a new basis of accounting established in connection with the Yorktown transaction.

The purchase price of $21.9 million was comprised of $13.9 million paid by Yorktown for an approximate 63.5% interest in the Predecessor and $800,000 cash and 722,711 shares of common stock of Crosstex Holdings valued at approximately $7.2 million issued to management in exchange for an approximate 36.5% economic interest held by management in the Predecessor. The purchase price of Crosstex Holdings which was pushed down to CES was allocated based on an estimated fair values as follows (in thousands):

Working capital	$	(9,604)
Property, plant, and equipment		11,804
Intangible assets		14,167
Goodwill		4,754
Investments		782
	$	21,903

Concurrent with the purchase of the Predecessor and the formation of CES, Crosstex Holdings contributed an additional $6.8 million as partner capital to CES for use as working capital and later during 2000 contributed another $10.0 million as partner capital.

(d) Basis of Presentation

The accompanying consolidated financial statements include the assets, liabilities, and results of operations of the Predecessor prior to May 5, 2000 and the Partnership (or CES as its predecessor) and its wholly owned subsidiaries thereafter. The consolidated operations are hereafter referred to herein collectively as the "Partnership." All material intercompany balances and transactions have been eliminated. Certain reclassifications have been made to the consolidated financial statements for the prior year to conform to the current presentation.

(2) Significant Accounting Policies

(a) Management's Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management of the Partnership to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent

assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from these estimates.

(b) Cash and Cash Equivalents

The Partnership considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

(c) Property, Plant, and Equipment

Property, plant, and equipment consist of intrastate gas transmission systems, gas gathering systems, industrial supply pipelines, natural gas processing plants, and gas treating plants.

Other property and equipment is primarily comprised of furniture, fixtures, and office equipment. Such items are depreciated over their estimated useful life of five years. Property, plant, and equipment are recorded at cost, including capitalized interest. Repairs and maintenance are charged against income when incurred. Renewals and betterments, which extend the useful life of the properties, are capitalized. Interest incurred during the construction period of new projects is capitalized and amortized over the life of the associated assets. Depreciation is provided using the straight−line method based on the estimated useful life of each asset, as follows:

	Useful lives
Transmission assets	15 years
Gathering systems	7−15 years
Gas plants	10−15 years
Other property and equipment	5 years

Statement of Financial Accounting Standards (SFAS) No. 144, *Accounting for the Impairment or Disposal of Long−Lived Assets*, requires long−lived assets to be reviewed whenever events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. In order to determine whether an impairment has occurred, the Partnership compares the net book value of the asset to the undiscounted expected future net cash flows. If impairment has occurred, the amount of such impairment is determined based on the expected future net cash flows discounted using a rate commensurate with the risk associated with the asset. Impairments of approximately $4,175,000 and $2,873,000 associated with certain assets and the related intangible assets were recorded in the years ended December 31, 2002 and 2001, respectively. The impairments recorded in 2002 and 2001 relate primarily to customer relationships recorded as intangible assets as part of the Yorktown transaction. Due to changes impacting the expected future cash flows of the related assets, the Partnership determined the intangible assets were impaired under SFAS No. 121 or SFAS No. 144.

When determining whether impairment of one of our long−lived assets has occurred, we must estimate the undiscounted cash flows attributable to the asset. Our estimate of cash flows is based on assumptions regarding the purchase and resale margins on natural gas, volume of gas available to the asset, markets available to the asset, operating expenses, and future natural gas prices and NGL product prices. The amount of availability of gas to an asset is sometimes based on assumptions

regarding future drilling activity, which may be dependent in part on natural gas prices. Projections of gas volumes and future commodity prices are inherently subjective and contingent upon a number of variable factors. Any significant variance in any of the above assumptions or factors could materially affect our cash flows, which would require us to record an impairment of an asset.

(d) Amortization of Intangibles

Until January 1, 2002, goodwill was amortized over the period of expected benefit. Goodwill related to the Yorktown transaction was being amortized on a straight−line basis over 15 years (see note 1). Such amortization was $296,000 for the year ended December 31, 2001. As discussed in note 2(n), the Partnership discontinued the amortization of goodwill effective January 1, 2002, with the adoption of SFAS No. 142.

Intangible assets are amortized on a straight−line basis over the expected period of benefits of the customer relationships, which average 15 years. Such amortization was approximately $454,000 and $772,000 for the years ended December 31, 2002 and 2001, respectively. See impairment of intangibles discussed in note 2(c).

(e) Gas Imbalance Accounting

Quantities of natural gas over−delivered or under−delivered related to imbalance agreements are recorded monthly as receivables or payables using weighted average prices at the time the imbalance was created. These imbalances are typically settled with deliveries of natural gas. The Partnership had an imbalance payable of $149,000 and $422,000, and an imbalance receivable of $79,000 and $117,000 at December 31, 2002 and 2001, respectively. Imbalances are carried at the lower of cost or market value.

(f) Revenue Recognition

The Partnership recognizes revenue for sales or services at the time the natural gas or NGLs are delivered or at the time the service is performed. See discussion of accounting for energy trading activities in note 2(h).

(g) Commodity Risk Management

The Partnership engages in price risk management activities in order to minimize the risk from market fluctuation in the price of natural gas and NGLs. To qualify as a hedge, the price movements in the commodity derivatives must be highly correlated with the underlying hedged commodity. Gains and losses related to commodity derivatives which qualify as hedges are recognized in income when the underlying hedged physical transaction closes and are included in the consolidated statements of operations as a cost of gas purchased.

Prior to January 1, 2001, these agreements were accounted for as hedges using the deferral method of accounting. Unrealized gains and losses were generally not recognized until the physical production required by the contracts was delivered. At the time of delivery, the resulting gains and

losses were recognized as an adjustment to natural gas revenues. The cash flows related to any recognized gains or losses associated with these hedges were reported as cash flows from operations. If the hedge was terminated prior to maturity, gains or losses were deferred and included in income in the same period as the physical production required by the contracts was delivered.

Effective January 1, 2001, the Partnership adopted Statement of Financial Accounting Standards No. 133 (SFAS 133), *Accounting for Derivative Instruments and Hedging Activities*. This standard requires recognition of all derivative and hedging instruments in the statements of financial position as either assets or liabilities and measures them at fair value. If a derivative does not qualify for hedge accounting, it must be adjusted to fair value through earnings. However, if a derivative does qualify for hedge accounting, depending on the nature of the hedge, changes in fair value can be offset against the change in fair value of the hedged item through earnings or recognized in other comprehensive income until such time as the hedged item is recognized in earnings.

To qualify for cash flow hedge accounting, the cash flows from the hedging instrument must be highly effective in offsetting changes in cash flows due to changes in the underlying item being hedged. In addition, all hedging relationships must be designated, documented, and reassessed periodically. The impact of adopting SFAS No. 133 on January 1, 2001, was to record the fair value of derivatives as a liability in the amount of $1,006,000.

Currently, all derivative financial instruments that qualify for hedge accounting are designated as cash flow hedges. These instruments hedge the exposure of variability in expected future cash flows that is attributable to a particular risk. The effective portion of the gain or loss on these derivative instruments is recorded in other comprehensive income in partners' equity and reclassified into earnings in the same period in which the hedged transaction affects earnings. The asset or liability related to the derivative instruments is recorded on the balance sheet in assets or liabilities from risk management activities. Any ineffective portion of the gain or loss is recognized in earnings immediately.

(h) Producer Services

The Partnership conducts "off−system" gas marketing operations as a service to producers on systems that the Partnership does not own. The Partnership refers to these activities as part of Producer Services. In some cases, the Partnership earns an agency fee from the producer for arranging the marketing of the producer's natural gas. In other cases, the Partnership purchases the natural gas from the producer and enters into a sales contract with another party to sell the natural gas.

The Partnership manages its price risk related to future physical purchase or sale commitments for its Producer Services activities by entering into either corresponding physical delivery contracts or financial instruments with an objective to balance the Partnership's future commitments and significantly reduce its risk to the movement in natural gas prices. However, the Partnership is subject to counterparty risk for both the physical and financial contracts. Prior to October 26, 2002, the Partnership accounted for its Producer Services natural gas marketing activities as energy trading contracts in accordance with EITF 98−10, *Accounting for Contracts Involved in Energy Trading and Risk Management Activities*. EITF 98−10 required energy−trading contracts to be recorded at fair value with changes in fair value reported in earnings. In October 2002, the EITF reached a consensus to rescind

EITF No. 98−10. Accordingly, energy trading contracts entered into subsequent to October 25, 2002, should be accounted for under accrual accounting rather than mark−to−market accounting unless the contracts meet the requirements of a derivative under SFAS No. 133. The Partnership's energy trading contracts qualify as derivatives, and accordingly, the Partnership continues to use mark−to−market accounting for both physical and financial contracts of its Producer Services business. Accordingly, any gain or loss associated with changes in the fair value of derivatives and physical delivery contracts relating to the Partnership's Producer Services natural gas marketing activities are recognized in earnings as profit or loss on energy trading contracts immediately.

For each reporting period, the Partnership records 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 in addition to the realized gains or losses on settled contracts are reported as profit or loss on energy trading contracts in the statements of operations.

Margins earned on settled contracts from its producer services activities included in (profit) loss on energy trading contracts in the consolidated statement of operations was ($1,791), ($1,946), ($1,206), and ($638) for the years ended December 31, 2002 and 2001, the eight months ended December 31, 2000 and the four months ended April 30, 2000, respectively.

Energy trading contract volumes that were physically settled were as follows (in MMBtus):

	Years ended December 31,		Eight months ended December 31, 2000	Four months ended April 30, 2000
	2002	2001		
Volumes purchased and sold	84,069,368	103,330,628	51,993,614	26,525,486

(i) Comprehensive Income (Loss)

During 1998, the Partnership adopted SFAS 130, *Reporting Comprehensive Income,* which establishes standards for reporting and display of comprehensive income and its components in a full set of general−purpose financial statements. Comprehensive income includes net income and other comprehensive income, which includes, but is not limited to, unrealized gains and losses on marketable securities, foreign currency translation adjustments, minimum pension liability adjustments, and effective January 1, 2001, unrealized gains and losses on derivative financial instruments. For the periods prior to January 1, 2001, comprehensive income and net income were equal and thus, SFAS No. 130 had no effect on the financial statements.

With the adoption of SFAS No. 133 on January 1, 2001, the Partnership began recording deferred hedge gains and losses on its derivative financial instruments that qualify as hedges as other comprehensive income.

(j) Income Taxes

No provision is made in the accounts of the Partnership for federal or state income taxes because such taxes are liabilities of the individual partners, and the amounts thereof depend upon their

respective tax situations. The tax returns and amounts of allocable Partnership revenues and expenses are subject to examination by federal and state taxing authorities. If such examinations result in changes to allocable Partnership revenues and expenses, the tax liability of the Partners could be changed accordingly.

(k) Concentrations of Credit Risk

Financial instruments, which potentially subject the Partnership to concentrations of credit risk, consist primarily of trade accounts receivable and derivative financial instruments. Management believes the risk is limited, as the Partnership's customers represent a broad and diverse group of energy marketers and end users. In addition, the Partnership continually monitors and reviews credit exposure to its marketing counterparties and letters of credit or other appropriate security are obtained as considered necessary to limit the risk of loss. As of December 31, 2002 and 2001, the reserve for doubtful accounts was approximately $0 and $5.8 million, respectively. See note 10 for further discussion.

During the years ended December 31, 2002 and 2001, eight months ended December 31, 2000 and four months ended April 30, 2000, the Partnership had 1, 3, 3, and 2 customers, respectively, which individually accounted for more than 10% of consolidated revenues. The relevant percentages for these customers were: (i) for the year ended December 31, 2002—27.5%; (ii) for the year ended December 31, 2001—23.9%, 13.4%, and 11.5%; (iii) for the eight months ended December 31, 2000—28.8%, 20.7%, and 14.1%; and (iv) for the four months ended April 30, 2000—50.4% and 21.1%. While these customers represent a significant percentage of revenues, the loss of any of these would not have a material adverse impact on the Partnership's results of operations.

(l) Environmental Costs

Environmental expenditures are expensed or capitalized as appropriate, depending on the nature of the expenditures and their future economic benefit. Expenditures that related to an existing condition caused by past operations that do not contribute to current or future revenue generation are expensed. Liabilities for these expenditures are recorded on an undiscounted basis when environmental assessments or clean−ups are probable and the costs can be reasonably estimated. For years ended December 31, 2002 and 2001, eight months ended December 31, 2000, and four months ended April 30, 2000 such expenditures were not significant.

(m) Crosstex Holdings' Option Plan

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 plan. In accordance with APB No. 25, compensation is recorded to the extent the fair value of the stock exceeds the exercise price of the option at the measurement date. Compensation expense of $41,000, $0, and $0 was recognized in 2002, 2001, and 2000, 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 (loss) would have been as follows:

	Year ended December 31,		Eight months ended December 31, 2000
	2002	2001	
Net income, as reported	$ 2,002	(3,918)	1,623
Add: Stock−based employee compensation expense included in reported net income	41	—	—
Deduct: Total stock−based employee compensation expense determined under fair value based method for all awards	328	226	103
Pro forma net income	$ 1,715	(4,144)	1,520

Actual and pro forma earnings per unit for the period December 17, 2002 through December 31, 2002 would have been $0.04 per unit.

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 grants in 2002, 2001, and 2000:

	Crosstex Holdings			
	2002	2001	2000	Crosstex Energy, L.P.
Dividend yield	0%	0%	0%	10%
Expected volatility	0%	0%	0%	24%
Risk free interest rate	4.1%	5.8%	6.9%	2.2%
Expected life	3 years	3 years	3 years	3 years
Contractual life	3	3.6	4.6	10
Weighted average of fair value of unit options granted	$ —	—	—	1.15
Fair value of $10 stock options granted	3.17	3.27	2.04	—
Fair value of $12 stock options granted	1.40	1.52	—	—
Fair value of $14 stock options granted	.91	—	—	—

(n) New Accounting Pronouncements

In June 2001, the Financial Accounting Standards Board (FASB) issued SFAS No. 141, *Business Combinations*, requiring business combinations entered into after June 30, 2001, to be accounted for using the purchase method of accounting. Specifically identifiable intangible assets acquired, other than goodwill, will be amortized over their estimated useful economic life. This pronouncement had no effect on the Partnership's financial position or results of operations.

In June 2001, the FASB issued SFAS No. 142, *Goodwill and Other Intangible Assets.* SFAS No. 142 requires, among other things, that companies no longer amortize goodwill, but instead test goodwill for

impairment at least annually. In addition, SFAS No. 142 requires that the Partnership identity reporting units for purposes of assessing potential future impairments of goodwill, reassess the useful lives of other existing recognized intangible assets, and cease amortization of intangible assets with an indefinite useful life. An intangible asset with an indefinite useful life should be tested for impairment in accordance with the guidance in SFAS No. 142. This statement is required to be applied in the fiscal years beginning after December 15, 2001 to all goodwill and other intangible assets recognized at that date, regardless of when those assets were initially recognized. SFAS No. 142 required the Partnership to complete a transitional goodwill impairment test within six months from the date of adoption and reassess the useful lives of other intangible assets within the first interim quarter after adoption. The Partnership had $4,873,000 recorded for goodwill, net of accumulated amortization at December 31, 2001 and recorded goodwill amortization expense of $296,000 for the year ended December 31, 2001.

The following table shows the Partnership's net earnings excluding goodwill amortization for the years ended December 31, 2002 and 2001, eight months ended December 31, 2000, and four months ended April 30, 2000.

	Years ended December 31,		Eight months ended December 31, 2000	Four months ended April 30, 2000
	2002	2001		
	(In thousands)			
Reported net income (loss)	$ 2,002	(3,918)	1,623	(7,677)
Goodwill amortization	—	296	178	22
Adjusted net income (loss)	$ 2,002	(3,622)	1,801	(7,655)

In June 2001, the FASB issued SFAS No. 143, *Accounting for Asset Retirement Obligations.* This statement establishes standards for accounting for obligations associated with the retirement of tangible long−lived assets. This standard is required to be adopted by the Partnership beginning on January 1, 2003. The Partnership does not presently have any significant asset retirement obligations, and accordingly, the adoption of SFAS No. 143 is not expected to have a significant impact on our results of operations or financial condition.

In August 2001, the FASB issued SFAS No. 144, *Accounting for the Impairment or Disposal of Long−Lived Assets.* SFAS No. 144 addresses financial accounting and reporting for impairment or disposal of long−lived assets. This statement supersedes SFAS No. 121, *Accounting for the Impairment of Long−Lived Assets to Be Disposed Of,* and the accounting and reporting provisions of APB Opinion No. 30, *Reporting the Results of Operations—Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions*, for the disposal of a segment of a business. This statement also amends APB No. 51, *Consolidated Financial Statements,* to eliminate the exception to consolidation for a subsidiary for which control is likely to be temporary. SFAS No. 144 is effective for fiscal years beginning after December 15, 2001. See the impact of the adoption of SFAS No. 144 at note 2(c).

In June 2002, the FASB issued SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities.* SFAS 146 requires that a liability for a cost associated with an exit or disposal activity be

recognized when the liability is incurred rather than when the entity commits to an exit plan. This standard is effective for all exit or disposal activities which are initiated after December 31, 2002. The Partnership does not anticipate the adoption of SFAS 146 will have any impact its financial position or results of operations.

SFAS No. 148, *Accounting for Stock−Based Compensation—Transition and Disclosure, an amendment of FASB Statement No. 123*. SFAS No. 148 amends SFAS No. 123 and provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock−based employee compensation. SFAS No. 148 also requires prominent disclosures in both annual and interim financial statements about the method of accounting for stock−based compensation and the effect of the method used on reported results. SFAS No. 148 permits two additional transition methods for entities that adopt the fair value based method, these methods allow Companies to avoid the ramp−up effect arising from prospective application of the fair value based method. This Statement is effective for financial statements for fiscal years ending after December 15, 2002. The Partnership has complied with the disclosure provisions of the Statement in its financial statements.

In June 2002, the Emerging Issues Task Force (EITF) reached consensus on certain issues in EITF Issue No. 02−03, *Recognition and Reporting of Gains and Losses on Energy Trading Contracts.* Consensus was reached on two issues: 1) that gains and losses on energy trading contracts (whether realized or unrealized) should be shown net in the statement of operations, and 2) that entities should disclose the types of contracts that are accounted for as energy trading contracts along with a variety of other data regarding values, sensitivity to changes in estimates, maturity dates, and other factors. The Partnership early adopted this consensus in the second quarter of 2002 and all comparative financial statements were reclassified to report gains or losses on energy trading contracts net in the statements of operations. In October 2002, the EITF reached a consensus to rescind EITF 98−10. Accordingly, energy related contracts that are not accounted for pursuant to SFAS No. 133 should be accounted for as executory contracts and carried on an accrual basis, not fair value. The consensus should be applied prospectively to all new energy trading contracts entered into after October 25, 2002 and to all contracts that existed on October 25, 2002, in periods beginning after December 15, 2002. Changes to the accounting for existing contracts as a result of the rescission of EITF 98−10 will be reported as a cumulative effect of a change in accounting principles. The rescission of EITF 98−10 did not have any significant effect on the Partnership's financial position or results of operations.

In January 2003, the FASB issued FASB Interpretation (FIN) No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others*. FIN No. 45 requires an entity to recognize a liability for the obligations it has undertaken in issuing a guarantee. This liability would be recorded at the inception of a guarantee and would be measured at fair value. Certain guarantees are excluded from the measurement provisions of the Interpretation. The measurement provisions of this statement apply prospectively to guarantees issued or modified after December 31, 2002. The disclosure provisions of the statement apply to financial statements for periods ending after December 15, 2002. The adoption of the statement is not expected to have a material effect on the Partnership's financial statements when adopted.

In January 2003, the FASB issued FASB Interpretation No. 46, *Consolidation of Variable Interest Entities, an interpretation of ARB No. 51*. FIN No. 46 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 beginning after June 15, 2003. The Partnership is not the primary beneficiary of any variable interest entities, and accordingly, the adoption of Fin No. 46 will not have an impact on its financial statements.

(3) Significant Asset Purchases

On August 16, 2000, CES entered into a purchase and sale agreement with Western Gas Resources, Inc. to acquire certain natural gas gathering and related facilities known as the Arkoma System for a total purchase price of $10,500,000, which was allocated entirely to transmission assets. CES recorded the net assets acquired based on relative fair values, and CES's results of operations include the results of the Arkoma System as of September 1, 2000.

On September 14, 2000, CES entered into a purchase and sale agreement with Tejas Hydrocarbons LLC to acquire all of the assets of GC Marketing Company (a Texas general partnership), for a total purchase price of $10,632,209, after closing adjustments. CES recorded the net assets acquired based on relative fair values and the CES's results of operations include the results of GC Marketing Company as of October 1, 2000.

The purchase price consisted of the following (in thousands):

Transmission assets	$	10,716
Other property, plant, and equipment		131
Miscellaneous liabilities		(215)
	$	10,632

On April 3, 2001, CES entered into a purchase and sale agreement with Tejas Energy NS, LLC to acquire all of the assets of Tejas Texas Pipeline GP, LLC, a Delaware limited liability company, and Tejas C Pipeline LP, LLC, a Delaware limited liability company, for a total purchase price of $30,003,120, after closing adjustments. CES recorded the net assets acquired based on relative fair values, and CES's results of operations include the results of operations of the acquired assets as of May 1, 2001.

The purchase price consisted of the following (in thousands):

Gas plant	$	11,837
Gathering systems		10,192
Transmission assets		7,158
Other property, plant, and equipment		816
	$	30,003

On October 11, 2001, CES entered into a purchase and sale agreement with various individuals to acquire the common stock of Millennium Gas Services, Inc. (Millennium) for a total of $2,124,217 after closing adjustments, which was allocated entirely to treating plants. CES's results of operations include the results of Millennium as of October 1, 2001.

On June 6, 2002, CES acquired 70 miles of then−inactive pipeline from Florida Gas Transmission Company for $1,474,000 in cash and a $800,000 note payable. On June 7, 2002, CES acquired the Pandale gathering system which is connected to two treating plants, one of which (the "Will−O−Mills" Plant) was half−owned by the Partnership, from Star Field Services for $2,156,000 in cash. The Partnership purchased the other one−half interest in the Will−O−Mills Plant on December 30, 2002 for $2,200,000 in cash.

On December 19, 2002, CES acquired the Vanderbilt system, consisting of approximately 200 miles of gathering pipeline located near our Gulf Coast System from an indirect subsidiary of Devon Energy Corporation, for $12,000,000 cash.

(4) Investment in Limited Partnerships

The Partnership owns a 7.86% weighted average interest as the general partner in the five gathering systems of Crosstex Pipeline Company (CPC), a 20.31% interest as a limited partner in CPC, and a 50% interest in the J.O.B. J.V. The Partnership accounts for its investments under the equity method, as it exercises significant influence in operating decisions as a general partner. Under this method, the Partnership 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.

(5) Long−Term Debt

In February 2000, the Predecessor and Union Bank of California, N.A. (UBOC) entered into a $22 million secured credit facility, which was amended in May 2000 for the creation of CES. In August 2000, the Partnership and UBOC amended the credit facilities to create a Revolver A of $22 million and a Revolver B of $12 million. Revolver A was available for general corporate purposes, including the acquisition and installation of property and equipment. Revolver B was available to finance letters of credit and certain working capital requirements. In December 2001, the credit facilities were amended to increase the availability under Revolver A to $60 million and Revolver B to $15 million, thereby increasing the credit facilities to $75 million.

In connection with the Partnership's initial public offering, the Partnership amended the secured credit facility to provide a $67.5 million credit facility consisting of:

- A senior secured revolving acquisition facility in the aggregate principal amount of $47.5 million; and
- A senior secured revolving working capital facility in the aggregate principal amount of $20 million.

The acquisition facility will be used to finance the acquisition and development of gas gathering, treating, and processing facilities, as well as general partnership purposes. At December 31, 2002, $21.8 million was outstanding under the acquisition facility, leaving approximately $25.7 available for future borrowings. The acquisition facility will convert into a term loan on April 30, 2004, and we will be required to make eleven quarterly payments equal to 5% of outstanding borrowings. The first such payment will be due in July 2004. The term loan will mature in April 2007, at which time it will terminate and all outstanding amounts shall be due and payable. Prior to April 30, 2004, amounts borrowed and repaid under the acquisition credit facility may be reborrowed.

The working capital facility will be used for ongoing working capital needs, letters of credit, distributions and general partnership purposes, including future acquisitions and expansions. At December 31, 2002, $13.1 million of letters of credit were issued under the working capital facility, leaving approximately $6.9 million available for future issuances of letters of credit, or up to $5 million of cash borrowings. The aggregate amount of borrowings under the working capital facility is subject to a borrowing base requirement relating to the amount of our cash and eligible receivables (as defined in the credit agreement), and there is a $5.0 million sublimit for cash borrowings. This facility will mature in April 2004, at which time it will terminate and all outstanding amounts shall be due and payable. Amounts borrowed and repaid under the working capital facility may be reborrowed. We will be required to reduce all working capital borrowings to zero for a period of at least 15 consecutive days once a year.

Our obligations under the credit facility are secured by first priority liens on all of our material pipeline, gas gathering and processing assets, all material working capital assets and a pledge of all of our equity interests in certain of our subsidiaries. The credit agreement is guaranteed by certain of our subsidiaries. We may prepay all loans under the credit facility at any time without premium or penalty (other than customary LIBOR breakage costs.)

Indebtedness under the acquisition facility and the working capital facility bear interest at our option at the administrative agent's reference rate plus 0.125% to 1.375% or LIBOR plus 1.625% to 2.875%. The applicable margin varies quarterly based on our leverage ratio. The fees charged for letters of credit range from 1.50% to 2.00% per annum, plus a fronting fee of 0.125% per annum. We incur quarterly commitment fees based on the unused amount of the credit facilities.

The credit agreement prohibits us from declaring distributions to unitholders if any event of default, as defined in the credit agreement, exists or would result from the declaration of distributions. In addition, the credit agreement limits our operating partnership's ability to:

- Incur indebtedness;
- Grant or assume liens;
- Make certain investments;
- Sell, transfer, assign or convey assets, or engage in certain mergers or acquisitions;
- Make distributions; or
- Engage in transactions with affiliates.

The credit facility contains the following covenants requiring us to maintain:

- A maximum ratio of funded debt to consolidated EBITDA (each as defined in the credit facility), measured quarterly on a rolling four quarter basis, of 4.00 to 1 through June 30, 2003, declining to 3.75 to 1 beginning September 30, 2003, pro forma for any asset acquisitions;
- A minimum interest coverage ratio (as defined in the credit agreement), measured quarterly on a rolling four quarter basis equal to 3.50 to 1;
- Minimum current ratio (as defined in the credit agreement), measured quarterly of 1 to l; and
- A minimum tangible net worth (as defined in the credit agreement) of $55 million.

The Partnership was in compliance with all debt covenants at December 31, 2002.

In June 2002, as part of the purchase price of Florida Gas Transmission Company (FGTC), the Partnership issued a note payable for $800,000 to FGTC that is payable in $50,000 increments starting June 2003 through June 2006 with a final payment of $600,000 due in June 2007. The note bears interest payable annually at LIBOR plus 1%.

As of December 31, 2002 and 2001, long−term debt consisted of the following (in thousands):

	2002	2001
Revolver A Facility, interest based on prime, interest rate at December 31, 2001 was 5.75%	$ —	17,500
Revolver A Facility, based on LIBOR interest rate at December 31, 2001 was 4.67%	—	10,500
Revolver A Facility, based on LIBOR, interest rate at December 31, 2001 was 4.40%	—	32,000
Acquisition credit facility, interest based at prime plus 0.625%, interest rate at December 31, 2002 was 4.88%	1,750	—
Acquisition credit facility, interest based on LIBOR plus 2.125%. Interest rate at December 31, 2002 was 3.95%	20,000	—
Note payable to Florida Gas Transmission Company	800	—
	22,550	60,000
Less current portion	50	—
Debt classified as long−term	$ 22,500	60,000

Maturities for the long−term debt as of December 31, 2002 are as follows (in thousands):

2003	$ 50
2004	2,225
2005	4,400
2006	4,400
2007	11,475
Thereafter	—

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. 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.

(6) Partners' Capital

(a) Initial Public Offering

On December 17, 2002, the Partnership completed its initial public offering of 2,300,000 common units representing limited partner interests at a price of $20.00 per common unit. Total proceeds from the sale of the 2,300,000 units were $46.0 million, before offering costs and underwriting commissions.

Concurrent with the closing of the initial public offering, the Partnership entered into a $67.5 million credit facility with a syndicate of banks led by Union Bank of California, that provides for a $47.5 million acquisition credit facility and a $20 million working capital facility (see note 5). On December 17, 2002, the Partnership had borrowings of $20 million under the acquisition credit facility.

A summary of the proceeds received from the offering and the use of those proceeds is as follows (in thousands):

Proceeds received:		
Sale of common units	$	46,000
Use of proceeds:		
Underwriters' fees	$	3,220
Professional fees and other offering costs		2,590
Repayment of debt		33,000
Distribution to Crosstex Holdings		2,500
Working capital		4,690
Total use of proceeds	$	46,000

The Crosstex Energy, L.P. partnership agreement contains specific provisions for the allocation of net earnings and losses to the partners for purposes of maintaining the partner capital accounts.

(b) Limitation of Issuance of Additional Common Units

During the subordination period, the Partnership may issue up to 1,316,500 additional common units or an equivalent number of securities ranking on a parity with the common units without obtaining unitholder approval. The Partnership may also issue an unlimited number of common units during the subordination period for acquisitions, capital improvements or debt repayments that increase cash flow from operations per unit on a pro forma basis.

(c) Subordination Period

The subordination period will end once the Partnership meets the financial tests in the partnership agreement, but it generally cannot end before December 31, 2007. When the subordination period ends, each remaining subordinated unit will convert into one common unit and the common units will no longer be entitled to arrearages.

(d) Early Conversion of Subordinated Units

If the Partnership meets the applicable financial tests in the partnership agreement for any three consecutive four−quarter periods ending on or after December 31, 2005, 25% of the subordinated units will convert to common units. If the Partnership meets these tests for any three consecutive four−quarter periods ending on or after December 31, 2006, an additional 25% of the subordinated units will convert to common units. The early conversion of the second 25% of the subordinated units

may not occur until at least one year after the early conversion of the first 25% of the subordinated units.

(e) 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 commencing with the quarter ending on March 31, 2003. 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. If cash distributions exceed $0.50 per unit in a quarter, the general partner will receive incentive distributions up to 50% of the cash distributed in excess of $0.50 per unit. To the extent there is sufficient available cash, the holders of common units are entitled to receive the minimum quarterly distribution of $0.50 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.

(7) Retirement Plans

The Partnership sponsors a single employer 401(k) plan for employees who become eligible upon the date of hire. The Partnership, as stated within the plan document, will make discretionary contributions at the end of the year. There were no contributions during the eight months ended December 31, 2000 and the four months ended April 30, 2000. Contributions for the years ended December 31, 2002 and 2001 totaled $198,000 and $116,000, respectively.

(8) Employee Incentive Plans

(a) Long−Term Incentive Plan

In December 2002, the Partnership's managing general partner adopted a long−term incentive plan for its employees, directors, and affiliates who perform services for the Partnership. The plan currently permits the grant of awards covering an aggregate of 700,000 common units, 233,000 of which may be awarded in the form of restricted units and 467,000 of which may be awarded in the form of unit options. The plan is administered by the compensation committee of the managing general partner's board of directors.

(b) Restricted Units

A restricted unit is a "phantom" unit that entitles the grantee to receive a common unit upon the vesting of the phantom unit, or in the discretion of the compensation committee, cash equivalent to the value of a common unit. In addition, the restricted units will become exercisable upon a change of control of the Partnership, its general partner, or managing general partner.

The restricted units are intended to serve as a means of incentive compensation for performance and not primarily as an opportunity to participate in the equity appreciation of the common units.

Therefore, plan participants will not pay any consideration for the common units they receive and the Partnership will receive no remuneration for the units.

As of December 31, 2002, there were no restricted units issued under the long−term incentive plan.

(c) Unit Options

Unit options will have an exercise price that, in the discretion of the compensation committee, may be less than, equal to or more than the fair market value of the units on the date of grant. In general, unit options granted will become exercisable over a period determined by the compensation committee. In addition, unit options will become exercisable upon a change in control of the Partnership, or its general partner, or managing general partner.

A summary of the unit option activity for the period December 17, 2002 through December 31, 2002 is provided below:

	December 31, 2002	
	Number of units	Weighted average exercise price
Outstanding, beginning of period	—	—
Granted	175,000	$ 20.00
Exercised	—	—
Forfeited	—	—
Outstanding, end of period	175,000	$ 20.00
Options, exercisable at end of period	—	
Weighted average fair value of options granted		$ 1.15

All options outstanding have an exercise price of $20.00 per unit and remaining contractual life of 10 years at December 31, 2002.

The Partnership accounts for option grants in accordance with APB No. 25, *Accounting for Stock Issued to Employees* and follows the disclosure only provision of SFAS No. 123, *Accounting for Stock−based Compensation*.

(d) Crosstex Holdings' Option Plan

Crosstex Holdings has one stock−based compensation plan, the 2000 Stock Option Plan. Crosstex Holdings 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 plan. In accordance with APB No. 25, compensation is recorded to the extent the fair value of the stock exceeds the exercise price of the option at the measurement date. Compensation expense of $41,000, $0, and $0 was recognized in 2002, 2001, and 2000, respectively.

A summary of the status of the 2000 Stock Option Plan as of December 31, 2002 and 2001, is presented in the table below:

	December 31, 2002		December 31, 2001	
	Shares	Weighted average exercise price	Shares	Weighted average exercise price
Outstanding, beginning of period	340,500	$ 10.32	228,000	$ 10.00
Granted	166,250	11.89	130,500	10.93
Exercised	—	—	—	—
Forfeited	6,500	12.00	18,000	12.00
Outstanding, end of period	500,250	10.77	340,500	10.32
Options, exercisable at period end	288,503	10.38	76,000	10.00
Weighted average fair value of options granted		N/a		2.85
Fair value of $10 options granted		3.17		N/a
Fair value of $12 options granted		1.40		N/a
Fair value of $14 options granted		.91		N/a

All options outstanding have an exercise price ranging from $10 to $14 at December 31, 2002.

Crosstex Holdings modified certain terms of certain outstanding options in the first quarter of 2003. These modifications will result in variable award accounting for the modified options. Based on an assumed unit value of $23 per unit, total compensation expense would be approximately $2.2 million which will be recorded by Crosstex Energy, L.P. as non−cash stock based compensation expense in the first quarter of 2003. Compensation expense in future periods will be adjusted for changes in the unit market price and the remaining unvested portion.

(e) 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 period December 17, 2002 through December 31, 2002. The computation of diluted earnings per unit further assumes the dilutive effect of unit options.

The following are the unit amounts used to compute the basic and diluted earnings per limited partner unit for the period December 17, 2002 through December 31, 2002 (in thousands, except per−unit amounts):

	December 17, 2002− December 31, 2002
Basic earnings per unit:	
Weighted average limited partner units outstanding	7,300
Dilutive earnings per unit:	
Weighted average limited partner units outstanding	7,300
Dilutive effect of exercise of options outstanding	10
Dilutive units	7,310

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

(9) Fair Value of Financial Instruments

The estimated fair value of the Partnership's financial instruments has been determined by the Partnership using available market information and valuation methodologies. Considerable judgment is required to develop the estimates of fair value; thus, the estimates provided below are not necessarily indicative of the amount the Partnership could realize upon the sale or refinancing of such financial instruments.

	2002		2001	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Cash and cash equivalents	$ 1,308	1,308	352	352
Trade accounts receivable	104,802	104,802	58,222	58,222
Assets from energy risk management activities	3,102	3,102	3,478	3,478
Account receivable from Enron	—	—	2,467	2,467
Accounts payable and accrued gas purchases	110,793	110,793	56,092	56,092
Long−term debt	22,550	22,550	60,000	60,000
Liabilities from energy risk management activities	4,277	4,277	8,005	8,005

The carrying amounts of the Partnership's cash and cash equivalents, accounts receivable, and accounts payable approximate fair value due to the short−term maturities of these assets and liabilities.

The Partnership's long−term debt was comprised of borrowings under a revolving credit facility, which accrues interest under a floating interest rate structure. Accordingly, the carrying value approximates fair value for the amounts outstanding under the credit facility.

The fair value of derivative contracts included in assets or liabilities for risk management activities represents the amount at which the instruments could be exchanged in a current arms−length transaction.

(10) Risk Management and Financial Instruments

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.

Set forth below is the summarized notional amount and terms of all instruments held for price risk management purposes at December 31, 2002 and 2001 (all quantities are expressed in British Thermal Units, and all prices are expressed in the Houston Ship Channel Inside FERC (HSC IF), Reliant East Inside FERC (Reliant IF), Panhandle Eastern Pipeline (PEPL) or Texas Eastern East Texas Inside FERC (TET Etx IF) for natural gas). The remaining term of the contracts extend no later than April 2004, with no single contract longer than 16 months. The Company's counterparties to hedging contracts include Williams and Sempra. As discussed in note 2, 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.

December 31, 2002

Transaction type	Total volume	Pricing terms	Remaining term of contracts	Fair value
Natural gas swaps Cash flow hedge	(500,000)	3.285 vs. Reliant IF to 4.01 vs. Reliant IF	January 2003−April 2004	$ (421,800)
Natural gas swaps Cash flow hedge	(440,000)	3.415 vs. HSC IF to 4.99 vs HSC IF	January−September 2003	(573,320)
Marketing trading transaction swaps	(1,149,000)	3.10 vs. TET Etx IF to 3.14 vs. TET Etx IF	January 2003−April 2004	(1,593,421)
Marketing trading transaction swaps	(1,096,000)	3.21 vs. HSC IF to 5.16 vs. HSC IF	January−October 2003	(441,277)
Marketing trading transaction swaps	(180,000)	3.185 vs Reliant IF to 3.635 vs. Reliant IF	January−May 2003	(219,330)

December 31, 2001

Type transaction	Total volume	Pricing terms	Remaining term of contracts	Fair Value
Cash flow hedge swaps	(360,000)	$2.905 vs. Reliant E IF to $3.1525 vs. Reliant E IF	January−December 2002	$ 122,880
Cash flow hedge swaps	720,000	$2.60 vs. HSC IF to $5.96 vs HSC IF	January 2002	19,200
Marketing trading transaction swap	(43,383)	$2.625 vs. HSC IF to $5.715 vs. HSC IF	January 2002−December 2002	(1,649,247)
Marketing trading transaction swaps	(1,147,500)	$3.10 vs TET Etx to $3.14 TET Etx	January 2003−April 2004	(113,607)

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 energy trading contracts are included in assets and liabilities from risk management activities. Assets and liabilities related to Producer Services were as follows:

	December 31,	
	2002	2001
	(In thousands)	
Assets from risk management activities:		
Current	$ 2,947	3,196
Long−term	155	117
Liabilities from risk management activities:		
Current	$ 3,046	7,541
Long−term	236	440

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
December 31, 2002	$ (99)	(81)	—	(180)
December 31, 2001	(4,345)	(242)	(81)	(4,668)

The following reconciles the changes in fair value of energy trading contracts related to producer services activities from the beginning of each period to the end of the period.

	December 31,		
	2002	2001	2000
	(In thousands)		
Fair value of contracts at beginning of period	$ (4,668)	47	—
Unrealized gains (losses)	4,488	(5,660)	47
Unrealized gains (losses) attributable to changes in valuation techniques and assumptions	—	—	—
Realized gains (losses) related to offsetting Enron contracts	(3,541)	—	
Realized gains (losses) on settled contracts	1,756	1,946	1,206
Profit (loss) on Energy Trading Contracts	2,703	(3,714)	1,253
Cash (received) paid on settled contracts	1,785	(1,946)	(1,206)
Purchase of financial contracts	—	945	—
Fair value of contracts at end of period	$ (180)	(4,668)	47

Termination of Enron Positions

On December 2, 2001, Enron Corp. and certain subsidiaries, including Enron North America Corp. (Enron), each filed voluntary petitions for relief under Chapter 11 of Title 11 of the United States Bankruptcy Code. Enron failed to make timely payment of approximately $3.9 million for physical deliveries of gas in 2001. This amount remained outstanding as of December 31, 2002. Additionally, the Partnership had entered into natural gas hedging and physical delivery contracts with Enron. According to the terms of the contracts, Enron is liable to the Partnership for the mark−to−market value of all contracts outstanding on the date the Partnership exercised its termination right under the contracts, which totaled approximately $4.6 million and which was recorded as a receivable from Enron. The Partnership has accounted for these contracts as energy trading contracts whereby changes in fair value of the fixed price purchase and sales commitments are recognized in earnings.

The Partnership had offsets to the above amounts totaling approximately $0.3 million, resulting in a net amount of $8.2 million receivable from Enron at December 31, 2001. Due to the uncertainty of future collections, a charge and related allowance for 70% of the net receivable, or $5.7 million, was recorded at December 31, 2001. The 30% recovery rate was management's best estimate based on current market transactions. Due to the uncertainty of the timing of recovery of this receivable due to Enron's bankruptcy the Partnership classified this receivable as long−term at December 31, 2001. No balance is reflected at December 31, 2002 as the receivable was transferred to Crosstex Holdings in conjunction with the initial public offering.

For the year ended December 31, 2001, the Partnership recorded a loss on energy trading contracts related to natural gas marketing of $5.7 million, substantially all of which related to estimated

losses on claims from Enron. This loss was partially offset by gains of $1.9 million on energy trading contracts which physically settled during 2001.

The Partnership had fixed price sales commitments to Enron which offset fixed price purchase commitments from producers. Due to Enron's bankruptcy, the Partnership was exposed to future natural gas price movements related to the fixed price purchase commitments. The Partnership entered into new fixed price sales commitments with a new counterparty for a portion of the volume, and purchased or sold exchange−traded natural gas option contracts to mitigate the effects of future price declines. The change in fair value of these sales contracts and options is recorded in earnings as profit or loss on energy trading contracts.

Option contracts outstanding related to the fixed price purchase commitments at December 31, 2001 were as follows:

December 31, 2001				
Transaction type	**Total volume**	**Pricing terms**	**Remaining term of contracts**	**Fair value**
Purchased Puts	3,840,000	$2.50 vs. NYMEX Natural Gas to $2.70 vs. NYMEX Natural Gas	February−October 2002	$ 1,184,600

The Enron receivable was distributed to Crosstex Holdings prior to the initial public offering of Crosstex Energy, L.P.

(11) Transactions with Related Parties

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 in Camden. During the years ended December 31, 2002 and 2001 and the eight months ended December 31, 2000, the Partnership purchased natural gas from Camden in the amount of approximately $10,076,000, $17,300,000, and $2,645,000, respectively, and received approximately $399,000, $737,000, and $53,000 in treating fees from Camden.

Subsequent to April 30, 2000, the Partnership had related−party transactions with Crosstex Pipeline Company (CPC), and prior to that date, the Partnership had related−party transactions with Crosstex Energy, Inc. (CEI), CPC, Vantex Energy Services (VES), Texas Energy Transfer Company (TETC), and Energy Transfer Company (ETC), all of which are summarized below:

- During the years ended December 31, 2002 and 2001, the Partnership bought natural gas from CPC in the amount of approximately $3.4 million and $6.5 million and paid for transportation of approximately $27,500 and $31,000, respectively, to CPC.

- During the eight months ended December 31, 2000, the Partnership bought natural gas from CPC in the amount of approximately $4.6 million and paid for transportation of approximately $22,000 to CPC.
- During the years ended December 31, 2002 and 2001, the Partnership received a management fee from CPC in the amount of approximately $125,000 and $125,000, respectively.
- During the eight months ended December 31, 2000, the Partnership received a management fee from CPC in the amount of approximately $81,000.
- During the years ended December 31, 2002 and 2001, the Partnership received distributions from CPC in the amount of approximately $89,982 and $152,000, respectively.
- During the eight months ended December 31, 2000, the Partnership received distributions from CPC in the amount of approximately $232,000.
- During the four months ended April 30, 2000 the Partnership paid management fees of $13,000, to CEI for their services in managing and supervising the operation of the Partnership.
- During the four months ended April 30, 2000, the Partnership bought natural gas from CPC in the amount of $1,426,000, and paid for transportation of $7,000 to CPC.
- The Partnership sold natural gas to TETC during the four months ended April 30, 2000, in the amount of $234,000, and bought natural gas from TETC in the amount of $54,000.
- The Partnership also reimbursed ETC for costs incurred on behalf of the Partnership of $13,000 in the four months ended April 30, 2000.

(12) Commitments and Contingencies

(a) Leases

Leased office space and equipment have remaining noncancelable lease terms in excess of one year. The following table summarizes our remaining noncancelable future payments under operating leases as of December 31, 2002:

2003	$ 841,942
2004	751,288
2005	567,558
2006	71,971
2007	—
Thereafter	—

Operating lease rental expense in the years ended December 31, 2002 and 2001, the eight months ended December 31, 2000, and the four months ended April 30, 2000, was approximately $951,000, $1,200,000, $608,000, and $200,000, respectively.

Each member of senior management of the Partnership is a party to an employment contact 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.

The Partnership is involved in various other 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 has an agreement with a consulting firm which helped facilitate certain acquisitions for the Partnership. In addition to the regular fee received for their services, the consulting firm also entered into an agreement with the Partnership by which they would receive a 10% net profit interest from the acquired assets after the acquisitions have reached payout, which includes a 10% rate of return. The assets subject to the net profits interest generated approximately $3,224,000 in cash flow during 2001. In December 2002, the Partnership acquired the interest for $684,000. The acquisition of the net profits interest has been accounted for as a cost of the related acquired assets.

(13) 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 Gulf Coast System, the Corpus Christi System, the Gregory gathering system located around the Corpus Christi area, the Arkoma system in Okalahoma and various other small systems. Also included in the Midstream division are the Partnership's Producer Services operations (note 2(h)). 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.

The accounting polices of the operating segments are the same as those described in note 2 of the Notes to Consolidated Financial Statements. 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. Intersegment sales are at cost.

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

		Midstream	Treating	Totals
			(in thousands)	
Year ended December 31, 2002:				
Sales to external customers	$	437,676	14,817	452,493
Intersegment sales		4,073	(4,073)	—
Interest expense		(2,327)	(390)	(2,717)
Depreciation and amortization		5,738	2,007	7,745
Segment profit (loss)		3,271	(1,269)	2,002
Segment assets		199,056	33,382	232,438
Capital expenditures		11,154	3,391	14,545
Year ended December 31, 2001:				
Sales to external customers	$	362,673	24,353	387,026
Intersegment sales		10,633	(10,633)	—
Interest expense		1,840	413	2,253
Depreciation and amortization		4,534	1,567	6,101
Segment profit (loss)		(4,607)	689	(3,918)
Segment assets		137,303	31,073	168,376
Capital expenditures		6,484	16,201	22,685
Eight months ended December 31, 2000:				
Sales to external customers	$	88,008	17,392	105,400
Intersegment sales		13,127	(13,127)	—
Interest expense		477	53	530
Depreciation and amortization		1,433	828	2,261
Segment profit		1,302	321	1,623
Segment assets		181,297	19,971	201,268
Capital expenditures		2,519	2,148	4,667
Four months ended April 30, 2000:				
Sales to external customers	$	3,591	5,947	9,538
Intersegment sales		4,883	(4,883)	—
Interest expense		57	22	79
Depreciation and amortization		243	279	522
Segment profit (loss)		(8,132)	455	(7,677)
Segment assets		26,298	10,104	36,402
Capital expenditures		—	3,026	3,026

(14) Quarterly Financial Data (Unaudited)

Summarized unaudited quarterly financial data is presented below.

	First	Second	Third	Fourth	Total
2001:(3)					
Revenues	$ 81,725	123,942	83,913	97,446	387,026
Operating income	2,901	3,254	4,906	5,702	16,763
Net income (loss)	1,719	144	784	(6,565)(1)	(3,918)
2002:(3)					
Revenues	$ 80,993	126,480	114,611	130,409	452,493
Operating income	4,681	5,468	6,182	5,945	22,276
Net income (loss)	(252)(2)	224	1,485	545(2)	2,002

(1) Included in the 2001 fourth quarter results is a charge of $5.8 million related to Enron write−offs as discussed in footnote (10), and an impairment of $2.9 million related to the impairment of certain intangible assets associated with an asset no longer owned by the Partnership.

(2) Included in the 2002 first and fourth quarter results are impairment charges of $3.2 million and $1.0 million, respectively, principally related to the impairment of certain intangibles related to gas plants.

(3) The Company stopped amortizing goodwill effective January 1, 2002 with the adoption of SFAS No. 142. See Note 2(n).

Schedule II

CROSSTEX ENERGY, L.P.
(Successor to Crosstex Energy Services, Ltd.)

(In thousands)

	Balance at beginning of period	Charged to costs and expenses	Deductions	Balance at end of period
Year ended December 31, 2002				
Allowance for doubtful accounts	$ 5,776	—	(5,776)(a)	—
Year ended December 31, 2001				
Allowance for doubtful accounts	$ —	5,776	—	5,776
Eight months ended December 31, 2000				
Allowance for doubtful accounts	$ —	—	—	—
Four months ended April 30, 2000 (Predecessor)				
Allowance for doubtful accounts	$ —	—	—	—

(a) The Enron receivable was contributed to Crosstex Holdings at the time of the initial public offering and therefore the related allowance is no longer recorded on the books of the Partnership.

Use these links to rapidly review the document
TABLE OF CONTENTS

Exhibit 3.2

AMENDED AND RESTATED

AGREEMENT OF LIMITED PARTNERSHIP

OF

CROSSTEX ENERGY, L.P.

TABLE OF CONTENTS

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

THIS AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP OF CROSSTEX ENERGY, L.P. dated as of December 17, 2002, is entered into by and among Crosstex Energy GP, L.P., a Delaware limited partnership, as the General Partner, and Crosstex Energy Holdings 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 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 Holdings 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 Texas corporation and a wholly−owned subsidiary 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.

"*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 , 2002, among the General Partner, the Partnership, the Operating Partnership, Crosstex Energy Holdings 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 $0.625 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 $0.625 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 Holdings 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 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 $0.50 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 $0.50 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 Holdings 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 Holdings 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 $0.75 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 $0.75 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 , 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.

"*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 and hereby amend and restate the original Agreement of Limited Partnership of Crosstex Energy, L.P. in its entirety. 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 November 27, 2002 and pursuant to the First Contribution Agreement, among other things, (i) Crosstex Holdings Inc. and Crosstex Energy, 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 Energy, 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 Holdings Inc.'s

limited partner interest shall be converted into (A) 333,000 Common Units, (B) 4,667,000 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 shall contribute 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 shall contribute 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 will be 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 2,000,000, (ii) the "Additional Units" as such term is used in the Underwriting Agreement in an aggregate number up to 300,000 issuable upon exercise of the Over−Allotment Option pursuant to subparagraph (b) hereof, (iii) the 333,000 Common Units issuable to Crosstex Energy Holdings Inc. pursuant to Section 5.2 hereof, (iv) the 4,667,000 Subordinated Units issuable to Crosstex Energy Holdings 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.*

(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 Issue Price of an Initial Common Unit 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 Issue Price of an Initial Common Unit 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.

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 1,166,500 (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. 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 1,166,500 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 1,166,500 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 2/98ths 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 2/98ths 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.

(e) *Certain Special Allocations for 2002*. The provisions of this Section 6.1(e) shall apply notwithstanding anything in this Agreement to the contrary. Any Net Loss of the Partnership for a taxable period that ends in 2002 shall be allocated to the General Partner and any Net Income of the Partnership for a taxable period that begins after 2002 that would otherwise be allocated pursuant to Section 6.1(a) or (c) shall instead be allocated to the General Partner until the amount of Net Income that is so allocated to the General Partner is equal to the amount of Net Loss that is allocated to the General Partner pursuant to this sentence. In addition, any Net Income of the Partnership for a taxable period that ends in 2002 shall be allocated to the General Partner and reasonably promptly after the amount of such Net Income is determined, the Partnership shall distribute to the General Partner cash in an amount that is equal to the amount of Net Income that was allocated to the General Partner pursuant to this sentence.

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 Holdings Inc. and certain of its Affiliates have entered into the Omnibus Agreement, which agreement sets forth certain restrictions on the ability of Crosstex Energy Holdings 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 Holdings 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 2/98ths 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/ BARRY E. DAVIS

Name: Barry E. Davis

Title: President

ORGANIZATIONAL LIMITED PARTNER:

CROSSTEX ENERGY HOLDINGS INC.

By: /s/ BRYAN H. LAWRENCE

Name: Bryan H. Lawrence

Title: Chairman

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.

CROSSTEX ENERGY HOLDINGS INC.

By: /s/ BRYAN H. LAWRENCE

Name: Bryan H. Lawrence

Title: Chairman

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.

Exhibit 3.4

Execution Copy

AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP

OF

CROSSTEX ENERGY SERVICES, L.P.

TABLE OF CONTENTS

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

This AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP of CROSSTEX ENERGY SERVICES, L.P., dated as of December 17, 2002, is entered into by and between Crosstex Energy Services GP, LLC, a Delaware limited liability company, as the General Partner, and Crosstex Energy, L.P., a Delaware limited partnership, as the Limited Partner, together with any other Persons who hereafter become Partners in the Partnership or parties hereto as provided herein.

R E C I T A L S:

WHEREAS, Crosstex Energy Services GP, LLC and Crosstex Energy, L.P. formed the Partnership pursuant to the Agreement of Limited Partnership of Crosstex Energy Services, L.P. dated as of November 1, 2002 (the "*Prior Agreement*") and a Certificate of Limited Partnership, which was filed with the Secretary of State of the State of Delaware on such date; and

WHEREAS, the Partners of the Partnership now desire to amend the Prior Agreement to reflect additional contributions by the Partners and certain other matters.

NOW, THEREFORE, in consideration of the covenants, conditions and agreements contained herein, the parties hereto hereby amend the Prior Agreement and, as so amended, restate it in its entirety 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.

"*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.

"*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 mergers set forth in the Contribution Agreements, to the Partnership Group prior to or on the Closing Date pursuant to the Contribution Agreements.

"*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.

"*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 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.

"*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.

"*Closing Contribution Agreement*" means that certain Contribution, Conveyance and Assumption Agreement, dated as of the Closing Date, among the General Partner, the Partnership, the MLP General Partner, the MLP, Crosstex Energy Holdings 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 MLP to the Underwriters pursuant to the provisions of the Underwriting Agreement.

"*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.

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

"*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.

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

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

"*General Partner*" means Crosstex Energy Services GP, LLC 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) 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.

"*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.

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

"*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, supplemented or restated from time to time.

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

"*OLP Subsidiary*" means a Subsidiary of the Partnership.

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

"*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 ownership interest of a Partner in the Partnership, which shall include the General Partner Interest and the Limited Partner Interest(s).

"*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).

"*Percentage Interest*" means the percentage interest in the Partnership owned by each Partner upon completion of the transactions in Section 5.2 and shall mean, (a) as to the General Partner, 0.001% and (b) as to the MLP, 99.999%.

"*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.

"*Prior Agreement*" is defined in the Recitals.

"*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.

"*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 MLP with the Commission under the Securities Act to register the offering and sale of the Common Units in the Initial Offering.

"*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).

"*Transfer*" has the meaning assigned to such term in Section 4.1(a).

"*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 MLP, the Partnership and certain other parties, providing for the purchase of Common Units by such Underwriters.

"*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; 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, and hereby amend and restate the Prior Agreement in its entirety. 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 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 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 the 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). 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.

ARTICLE V
CAPITAL CONTRIBUTIONS AND ISSUANCE OF PARTNERSHIP INTERESTS

Section 5.1 *Initial 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 $1.00 in exchange for an interest in the Partnership and was admitted as General Partner, and the MLP made an initial Capital Contribution to the Partnership in the amount of $999.00 in exchange for an interest in the Partnership and was admitted as a Limited Partner.

Section 5.2 *Contributions Pursuant to the First Contribution Agreement.*

(a) Pursuant to the First Contribution Agreement, Crosstex Energy, Inc., a Texas corporation, transferred a 0.001% interest in Crosstex Energy Services, Ltd., a Texas limited partnership, to the General Partner, and the General Partner became the only general partner of Crosstex Energy Services, Ltd.

(b) Pursuant to the First Contribution Agreement, Crosstex Energy, Inc. transferred the equity interest in the General Partner and its limited partner interest in Crosstex Energy Services, Ltd. to MLP in exchange for an interest in MLP, and Crosstex Energy Holdings, Inc. transferred its interest in Crosstex Energy Services, Ltd. to MLP in exchange for an interest in MLP.

(c) Pursuant to the First Contribution Agreement, Crosstex Energy Services, Ltd., merged with and into the Partnership.

(d) Following the foregoing transactions, the General Partner owns a 0.001% Partnership Interest as General Partner and the MLP owns a 99.999% Partnership Interest as a Limited Partner.

Section 5.3 *Additional Capital Contributions.* With the consent of the General Partner, any Limited Partner may, but shall not be obligated to, make additional Capital Contributions to the Partnership. Contemporaneously with the making of any Capital Contributions by a Limited Partner, in addition to those provided in Sections 5.1 and 5.2, the General Partner shall be obligated to make an additional Capital Contribution to the Partnership in an amount equal to 0.001 divided by 99.999 times the amount of the additional Capital Contribution then made by such Limited Partner. Except as set forth in the immediately preceding sentence and in Article XII, the General Partner shall not be obligated to make any additional Capital Contributions to the Partnership.

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 *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 5.6 *Issuances of Additional Partnership Securities.*

(a) 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 5.7 *Limited Preemptive Rights.* Except as provided in Section 5.3, 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 5.8 *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.* The items of income, gain, loss and deduction that are recognized by the Partnership for federal, state, or local income tax purposes shall be allocated among the Partners in proportion to their Percentage Interests or as required by applicable law as determined by the General Partner.

Section 6.2 *Distributions.*

(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 in accordance with their respective Percentage Interests. The immediately preceding sentence shall not require any distribution of cash if and to the extent such distribution would be prohibited by applicable law or by any loan agreement, security agreement, mortgage, debt instrument or other agreement or obligation to which the Partnership is a party or by which it is bound or its assets are subject. 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 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.

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 Limited Partners; 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 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 Units or other MLP 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 relating to such Units or MLP securities.

(e) The term "Affiliates" when used in Section 7.5(a) and 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 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 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 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 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.

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.

(b) 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.

(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.* 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 *Admission of Partners.* Upon the consummation of the transfers and conveyances described in Section 5.2, the General Partner shall be the sole general partner of the Partnership and the MLP shall be the sole limited partner 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.

Section 10.3 *Admission of Additional Limited Partners.*

(a) A Person (other than the General Partner, the MLP 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 10.3, 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. 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 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 10.1, 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 to the Partners in accordance with their Percentage Interests.

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, 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 Limited Partners.

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 Limited Partners.

(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 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;

(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
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 ENERGY SERVICES GP, LLC

By: /s/ BARRY E. DAVIS

Barry E. Davis
President and Chief Executive Officer

LIMITED PARTNER:

CROSSTEX ENERGY, L.P.

By: Crosstex Energy GP, L.P.
Its General Partner

By: /s/ WILLIAM W. DAVIS

William W. Davis
Senior Vice President and
Chief Financial Officer

QuickLinks

Exhibit 3.8

LIMITED LIABILITY COMPANY AGREEMENT

OF

CROSSTEX ENERGY GP, LLC

A Delaware Limited Liability Company

This LIMITED LIABILITY COMPANY AGREEMENT OF CROSSTEX ENERGY GP, LLC (this "Agreement"), dated as of July 12, 2002, is adopted, executed, and agreed to by the sole Member (as defined below).

1. Formation. Crosstex Energy GP, LLC (the "Company") has been formed as a Delaware limited liability company under and pursuant to the Delaware Limited Liability Company Act (the "Act").

2. Term. The Company shall have a perpetual existence.

3. Purposes. The purposes of the Company are to carry on any lawful business, purpose, or activity for which limited liability companies may be formed under the Act.

4. Sole Member. Crosstex Energy Holdings Inc. shall be the sole member of the Company (the "Member").

5. Contributions. The Member has made an initial contribution to the capital of the Company in the amount of $1,000.00. Without creating any rights in favor of any third party, the Member may, from time to time, make additional contributions of cash or property to the capital of the Company, but shall have no obligation to do so.

6. Distributions. The Member shall be entitled (a) to receive all distributions (including, without limitation, liquidating distributions) made by the Company and (b) to enjoy all other rights, benefits, and interests in the Company.

7. Management. The powers of the Company shall be exercised by or under the authority of, and the business and affairs of the Company shall be managed under, its Managers. The Managers may exercise all such powers of the Company and do all such lawful acts and things as are not directed or required to be exercised or done by the Member by the Act, the Certificate of Formation of the Company or this Agreement. The number of Managers of the Company shall initially be three; but the number of Managers may be changed by the Member. Managers need not be residents of the State of Delaware or Members of the Company. The Managers, in their discretion, may (i) elect a chairman of the Managers who shall preside at any meetings of the Managers and (ii) appoint one or more officers with such power and authority as the Managers may designate.

8. Dissolution. The Company shall dissolve and its affairs shall be wound up at such time, if any, as the Member may elect. No other event (including, without limitation, an event described in Section 18−801(4) of the Act) will cause the Company to dissolve.

9. Governing Law. THIS AGREEMENT IS GOVERNED BY AND SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF DELAWARE (EXCLUDING ITS CONFLICT−OF−LAWS RULES).

[Signature Page to Follow]

IN WITNESS WHEREOF, the undersigned, being the sole member of the Company, has caused this Agreement to be duly executed as of the 12th day of July 2002.

CROSSTEX ENERGY HOLDINGS INC.

By: /s/ BRYAN H. LAWRENCE

Bryan H. Lawrence
Chairman

QuickLinks

EXHIBIT 10.1

SECOND AMENDED AND RESTATED CREDIT AGREEMENT

Dated as of November 26, 2002

among

CROSSTEX ENERGY SERVICES, L.P.,

as Borrower,

**THE FINANCIAL INSTITUTIONS
PARTY TO THIS CREDIT AGREEMENT**

as Banks,

UNION BANK OF CALIFORNIA, N. A.

as Administrative Agent,

and

FLEET NATIONAL BANK,

as Syndication Agent

TABLE OF CONTENTS

EXHIBITS:

SCHEDULES:

SECOND AMENDED AND RESTATED CREDIT AGREEMENT

This Second Amended and Restated Credit Agreement dated as of November 26, 2002 is among Crosstex Energy Services, L.P., a Delaware limited partnership (the "*Borrower*"), the Banks (as defined below), Union Bank of California, N.A. ("*UBOC*"), as Administrative Agent for the Banks, and Fleet National Bank ("*Fleet*"), as Syndication Agent.

INTRODUCTION

A. Crosstex Energy Services, Ltd., a Texas limited partnership (the "*Predecessor Borrower*"), UBOC, as administrative agent and lender, and Fleet, as syndication agent and lender, are parties to the Amended and Restated Credit Agreement dated as of May 3, 2001, as amended by a First Amendment to Amended and Restated Credit Agreement dated as of May 18, 2001, a Second Amendment to Amended and Restated Credit Agreement dated as of October 12, 2001, a Third Amendment to Amended and Restated Credit Agreement dated as of December 19, 2001, a Fourth Amendment to Amended and Restated Credit Agreement dated as of March 15, 2002, and a Fifth Amendment to Amended and Restated Credit Agreement dated as of August 15, 2002 (the "*Existing Credit Agreement*").

B. Prior to (or contemporaneously with) the Effective Date of this Agreement, the Predecessor Borrower will have been merged with and into the Borrower and the other transactions contemplated by the Reorganization Documents shall have been consummated. The transactions described in this paragraph B are hereinafter collectively referred to as the "*Reorganization*".

C. The Banks have consented to the Reorganization on the condition that the Borrower ratifies all of the obligations of the Predecessor Borrower under the Existing Credit Agreement and the other Credit Documents (as defined in the Existing Credit Agreement) and that the parties hereto enter into an amendment to effect certain amendments to the Existing Credit Agreement.

D. To evidence the credit facility requested hereunder, the Borrower, the Administrative Agent and the Banks have agreed that this Agreement is an amendment and restatement of the Existing Credit Agreement, not a new or substitute credit agreement or novation of the Existing Credit Agreement, and each reference to an "Advance" or a "Letter of Credit" shall include each Advance made and each Letter of Credit issued heretofore under the Existing Credit Agreement as well as each Advance made and each Letter of Credit issued hereafter under this Agreement.

The Borrower, the Banks, the Administrative Agent and the Syndication Agent agree as follows:

ARTICLE I
DEFINITIONS AND ACCOUNTING TERMS

Section 1.01. *Certain Defined Terms.* As used in this Agreement, the following terms shall have the following meanings (unless otherwise indicated, such meanings to be equally applicable to both the singular and plural forms of the terms defined):

"*Acceptable Security Interest*" in any Property means a Lien which (a) exists in favor of the Administrative Agent for its benefit and the ratable benefit of the Administrative Agent and the Banks, (b) is superior to all other Liens, except Permitted Liens, (c) secures the Obligations, and (d) is perfected and enforceable.

"*Accounts*" means the unpaid portion of the obligations to the Borrower and its Subsidiaries of customers of the Borrower and its Subsidiaries to pay for goods sold and shipped or services rendered (net of commissions to agents).

"*Acquisition*" means the direct or indirect purchase or acquisition, whether in one or more related transactions, by the Borrower or any of its Subsidiaries of any Person or group of Persons (or any interest in any Person or group of Persons) or any related group of assets, liabilities, or securities of any Person or group of Persons, other than acquisitions of Property in the ordinary course of business.

"*Adjusted Reference Rate*" means, for any day, the fluctuating rate per annum of interest equal to the greater of (a) the Reference Rate in effect on such day and (b) the Federal Funds Rate in effect on such day plus $^{1}/_{2}$%.

"*Advance*" means any Revolver A Advance or Revolver B Advance.

"*Affiliate*" means, as 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, such Person or any Subsidiary of such Person. The term "control" (including the terms "controlled by" or "under common control with") means the possession, directly or indirectly, 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.

"*Administrative Agent*" means Union Bank of California, N.A., in its capacity as an agent pursuant to Article VIII and any successor agent pursuant to Section 8.06.

"*Agents*" means the Administrative Agent and the Syndication Agent.

"*Agreement*" means this Second Amended and Restated Credit Agreement dated as of November 26, 2002 among the Borrower, the Banks and the Administrative Agent, as it may be amended, modified, restated, renewed, extended, increased or supplemented from time−to−time.

"*Applicable Lending Office*" means, with respect to each Bank, such Bank's Domestic Lending Office in the case of a Reference Rate Advance and such Bank's Eurodollar Lending Office in the case of a Eurodollar Rate Advance.

"*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
> 3.50	2.875%	1.375%	0.50%	2.00%
> 3.00 and ≤ 3.50	2.375%	0.875%	0.50%	1.75%
> 2.50 and ≤ 3.00	2.125%	0.625%	0.50%	1.75%
> 2.00 and ≤ 2.50	1.875%	0.375%	0.375%	1.50%
≤ 2.00	1.625%	0.125%	0.375%	1.50%

The foregoing ratio (a) shall be determined as if the Leverage Ratio is less than or equal to 3.00 but greater than 2.50 for the period from the Effective Date through the date financial statements are delivered pursuant to Section 5.01(c) for the fiscal quarter ending September 30, 2002, 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 3.50 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.

"*Approved Consultant's Report*" means a report by Barnes & Click, Inc., Purvin & Gertz, Oil & Gas Advisors, Inc. or another consultant selected by the Borrower and reasonably acceptable to the Majority Banks confirming that the assumptions used by the Borrower in the adjustment of EBITDA in connection with any Acquisition are reasonable.

"*Asset−Based Audit*" means an audit of the books, records and accounting procedures of the Borrower and its Subsidiaries, conducted by the Administrative Agent or by a third−party auditor selected by the Administrative Agent and, so long as no Default has occurred and is continuing, approved by the Borrower, which approval shall not be unreasonably withheld.

"*Assigned Agreements*" means (a) the "Assigned Agreements" as defined in the Borrower Security Agreement and (b) the aggregate of all of the "Assigned Agreements" as defined in the all of the Guarantor Security Agreements.

"*Assignment and Acceptance*" means an assignment and acceptance entered into by a Bank and an Eligible Assignee, and accepted by the Administrative Agent and the Borrower (if applicable), in substantially the form of the attached *Exhibit E*.

"*Available Cash*" for any fiscal quarter has the meaning set forth in the Borrower Partnership Agreement.

"*Banks*" means the lenders listed on the signature pages of this Agreement and each Eligible Assignee that shall become a party to this Agreement pursuant to Section 9.06.

"*Borrower*" means Crosstex Energy Services, L.P., a Delaware limited partnership.

"*Borrower Partnership Agreement*" means the Amended and Restated Agreement of Limited Partnership of the Borrower dated on or about the Effective Date between the General Partner and the Limited Partner, as the same may be amended, modified or supplemented from time−to−time as permitted by this Agreement.

"*Borrower Security Agreement*" means the Amended and Restated Security Agreement between the Borrower and the Administrative Agent in form and substance reasonably satisfactory to the Administrative Agent and the Lenders, as it may be amended, modified or supplemented from time−to−time.

"*Borrowing*" means any Revolver A Borrowing or Revolver B Borrowing.

"*Borrowing Base*" means, at any time of determination, the sum of the following: (a) 100% of the aggregate amount of cash and Permitted Investments of the Borrower and its Subsidiaries (excluding the Pipeline Entities) maintained in accounts in which the Administrative Agent has a perfected first priority security interest; (b) 95% of the aggregate amount of Eligible Accounts backed by Eligible LCs; (c) 80% of the aggregate amount of Eligible Accounts that do not fall within clause (b) above and which are not more than 90 days past due; and (d) 90% of the aggregate amount of Eligible Accounts that do not fall within clauses (b) or (c) above and the account debtor of which has a long−term debt rating of at least BBB− from S&P or Baa3 from Moody's or whose parent company has a long−term debt rating of at least BBB− from S&P or Baa3 from Moody's and has guaranteed the Accounts of such account debtor to the Borrower and its Subsidiaries.

"*Borrowing Base Certificate*" means a certificate of the Borrower, together with attached schedules, substantially in the form of *Exhibit D*.

"*Business Day*" means a day of the year on which banks are not required or authorized to close in Dallas, Texas, and Los Angeles, California; *provided*, that when used in connection with a Eurodollar

Rate Advance, the term "Business Day" shall also exclude any day on which banks are not open for dealings in Dollar deposits in the London interbank market.

"*Capital Leases*" means, as applied to any Person, any lease of any Property by such Person as lessee which would, in accordance with GAAP, be required to be classified and accounted for as a capital lease on the balance sheet of such Person.

"*Cash Collateral Account*" means a special interest bearing cash collateral account pledged by the Borrower to the Administrative Agent for its benefit and the ratable benefit of the Banks containing cash deposited pursuant to Sections 2.04(b), 7.02(b), or 7.03(b) to be maintained at the Administrative Agent's office in accordance with Section 2.13(g) and bear interest or be invested in the Administrative Agent's reasonable discretion.

"*CERCLA*" means the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, state and local analogs, and all rules and regulations and requirements thereunder in each case as now or hereafter in effect.

"*CERCLIS*" means the Comprehensive Environmental Response, Compensation and Liability Information System maintained by the U.S. Environmental Protection Agency.

"*Change of Control*" means (a) the General Partner is no longer the sole general partner of the Borrower, (b) the Limited Partner is no longer the sole limited partner of the Borrower, or (c) 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.

"*Class*" has the meaning set forth in Section 1.04.

"*Code*" means the Internal Revenue Code of 1986, as amended, and any successor statute.

"*Collateral*" means all Collateral as defined in each of the Security Agreements, the Pledge Agreement and in each of the Mortgages.

"*Commitments*" means, as to any Bank, its Revolver A Commitment and its Revolver B Commitment.

"*Consolidated*" refers to the consolidation of the accounts of the Borrower and its Subsidiaries in accordance with GAAP, including, when used in reference to the Borrower, principles of consolidation consistent with those applied in the preparation of the Financial Statements.

"*Convert*," "*Conversion*," and "*Converted*" each refers to a conversion of Advances of one Type into Advances of another Type pursuant to Section 2.02(b).

"*Credit Documents*" means, collectively, this Agreement, the Notes, the Security Documents, the Guaranties, the Letter of Credit Documents, any Interest Rate Contract with a Bank, any Hydrocarbon Hedge Agreement with a Bank, the Fee Letters and each other agreement, instrument or document executed at any time in connection with the foregoing documents, as each such Credit Document may be amended, modified or supplemented from time−to−time.

"*Debt*," for any Person, means, without duplication,

(a) indebtedness of such Person for borrowed money;

(b) obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(c) obligations of such Person to pay the deferred purchase price of Property or services (other than trade payables which are not more than 90 days past due, except for any such trade payables which are being contested in good faith and by appropriate proceedings);

(d) all indebtedness created or arising under any conditional−sale or other title−retention agreement with respect to property acquired by such Person (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property);

(e) obligations of such Person as lessee under Capital Leases;

(f) obligations of such Person under any Hydrocarbon Hedge Agreement or Interest Rate Contract;

(g) reimbursement obligations of such Person in respect of letters of credit, acceptance facilities, drafts or similar instruments issued or accepted by banks and other financial institutions for the account of such Person;

(h) obligations of such Person under direct or indirect guaranties in respect of, and obligations (contingent or otherwise) of such Person to purchase or otherwise acquire, or otherwise to assure a creditor against loss in respect of, another's indebtedness or obligations of the kinds referred to in clauses (a) through (g) above; and

(i) another's indebtedness or obligations of the kinds referred to in clauses (a) through (h) secured by any Lien on or in respect of any Property of such Person; provided that the amount of such Debt, if such Person has not assumed the same or become liable therefore, shall in no event be deemed to be greater than the fair market value from time to time of the Property subject to such Lien.

"*Default*" means (a) an Event of Default or (b) any event or condition which with notice or lapse of time or both would, unless cured or waived, become an Event of Default.

"*Dollars*" and "*$*" means lawful money of the United States of America.

"*Domestic Lending Office*" means, with respect to any Bank, the office of such Bank specified as its "Domestic Lending Office" opposite its name on *Schedule 2* or such other office of such Bank as such Bank may from time to time specify to the Borrower and the Administrative Agent.

"*EBITDA*" means, for the Borrower and its Subsidiaries on a Consolidated basis for any period, (a) Net Income for such period *plus* (b) to the extent deducted in determining Net Income, Interest Expense, taxes, depreciation, amortization and other noncash items for such period, losses directly related to Enron Corp. and its Affiliates, and up to $500,000 in expenses incurred during the fiscal quarters ending March 31, 2002 and June 30, 2002. EBITDA shall be calculated, on a pro forma basis, after giving effect to, without duplication, (a) any Acquisition or (b) any construction of Property, in each case, occurring during the period commencing on the first day of such period to and including the date of such transaction (the "*Reference Period*") and whether or not such acquired or constructed Property were operated during such Reference Period, as if such Acquisition or construction or acquisition of Property occurred on the first day of the Reference Period. In making the calculation contemplated by the preceding sentence, EBITDA generated by such acquired Person or by such acquired or constructed Property shall be determined in good faith by the Borrower based on reasonable assumptions and may take into account pro forma expenses that would have been incurred by the Borrower and its Subsidiaries in the operation of such acquired Person or acquired or constructed Property during such period computed on the basis of personnel expenses for employees retained or to be retained by the Borrower and its Subsidiaries in the operation of such acquired Person or acquired or constructed Property and non−personnel costs and expenses incurred by the Borrower and its Subsidiaries in the operation of the Borrower's business at similarly situated facilities of the Borrower or any of its Subsidiaries; provided however, that if the amount of EBITDA attributable thereto exceeds 10% of the EBITDA for the Borrower and its Subsidiaries on a

Consolidated basis prior to such adjustment, then the pro forma EBITDA attributable thereto shall be supported by an Approved Consultant's Report.

"*Effective Date*" means the date on which the conditions set forth in Section 3.01 are satisfied.

"*Eligible Accounts*" means those Accounts of the Borrower and its Subsidiaries that (a) are within 90 days of the related invoice, (b) are less than 30 days past due, (c) are (together with the relevant "Related Contracts," as defined in the Borrower Security Agreement or in the relevant Guarantor Security Agreement, as applicable) covered by a perfected first priority security interest in favor of the Administrative Agent and (d) comply with all of the representatives, warranties and covenants of the Borrower and its Subsidiaries in the Credit Documents; *provided, however,* that Eligible Accounts shall not include the following:

(i) Accounts with respect to which the account debtor is an officer, employee or agent of the Borrower or any Subsidiary;

(ii) Accounts with respect to which goods have been placed on consignment, guaranteed sale or other terms by reason of which the payment by the account debtor may be conditional;

(iii) Accounts with respect to which the account debtor is not a Person resident in the United States of America, except to the extent that any such Account is backed by an Eligible LC;

(iv) Accounts with respect to which the account debtor is the United States of America or any department, agency or instrumentality of the United States of America; *provided, however,* that an Account shall not be deemed ineligible by reason of this clause (iv) if the Borrower or the relevant Subsidiary (as applicable) has taken the necessary steps, to the satisfaction of the Administrative Agent evidenced in writing, to perfect a first−priority security interest in such Account in favor of the Administrative Agent in compliance with the Assignment of Claims Act of 1940 (21 U.S.C. § 3727);

(v) Accounts with respect to which the account is a state of the United States of America or a county, city, town, municipality or other division of any such state; *provided, however,* that an Account shall not be deemed ineligible by reason of this clause (v) if the Borrower or the relevant Subsidiary (as applicable) has taken the necessary steps, to the satisfaction of the Administrative Agent evidenced in writing, to perfect a first−priority security interest in such Account in favor of the Administrative Agent in compliance with all applicable Governmental Rules;

(vi) Accounts with respect to which the account debtor is an Affiliate of the Borrower or any Subsidiary;

(vii) Accounts to whose account debtor the Borrower or any Subsidiary is or is to become liable, but only if such liability does not relate to any such Account and only to the extent of such liability;

(viii) that portion of the aggregate Eligible Accounts receivable from any single account debtor that exceeds the relevant percentage specified below of the aggregate Eligible Accounts receivable from all account debtors at any time, except as approved by the Administrative Agent (or, in the case of an upward variance in any of the percentages specified below by more than five percentage points, by the Majority Banks through the Administrative Agent) in writing from time to time: (A) 20% in the case of Accounts receivable from any company listed from time to time on *Schedule 1.01(b)* or as to which the Majority Banks through the Administrative Agent have otherwise given their prior written approval, which listing or approval may be withdrawn at any time by the Majority Banks through the Administrative Agent by written notification to the Borrower or the relevant Subsidiary (as applicable); (B) 20%, in the case of Accounts receivable from an account debtor that (1) has a long−term debt rating of at least BBB− from S&P or Baa3 from Moody's or whose parent company has a long−term debt rating of at least BBB− from S&P or Baa3 from Moody's and has guaranteed the Accounts of such account debtor to the Borrower and its Subsidiaries and (2) is not referred to in (A) above; and (C) 10%, in the case of Accounts receivable from any account debtor not referred to in (A) or

(B) above; *provided, however*, that, for purposes of applying the limitations set forth above, Accounts backed by Eligible LCs shall not be included in the determination of aggregate Eligible Accounts receivable from any single account debtor but shall be included in the determination of aggregate Eligible Accounts receivable from all account debtors;

(ix) Accounts not denominated in United States dollars;

(x) Accounts with respect to which an invoice has not been sent within 30 Business Days after the effective date of any Borrowing Base Certificate in which such Accounts would otherwise be included for purposes of calculation of the Borrowing Base;

(xi) Accounts due from a particular account debtor if (A) any Account due from such account debtor does not comply with the representations and warranties of the Borrower of the relevant Subsidiary (as applicable) in Section 6 of the Borrower Security Agreement or of the relevant Guarantor Security Agreement (as applicable) and if the Administrative Agent notifies the Borrower or the relevant Subsidiary (as applicable) that such Accounts are ineligible or (B) 10% or more of the Accounts due from such account debtor are more than 30 days past due;

(xii) Accounts with respect to which the account debtor disputes liability or makes any claim, in whole or in part, but limited, however, to the amount in dispute or as to which claim is made if such amount can be quantified reasonably accurately and does not exceed 30% of such Account;

(xiii) Accounts due from a particular account debtor if such account debtor disputes liability or makes any claim with respect to 10% or more of its Accounts owed to the Borrower or any Subsidiary;

(xiv) Accounts due from a particular account debtor if any event of the types described in Section 7.01(e) occurs with respect to such account debtor;

(xv) Accounts due from a particular account debtor if such account debtor suspends normal business operations; and

(xvi) Accounts that are not satisfactory to the Administrative Agent, in its sole discretion, using reasonable business judgment.

"*Eligible Assignee*" means any commercial bank or other financial institution approved by the Administrative Agent, and, so long as no Default has occurred and is continuing, by the Borrower, which approval(s) will not be unreasonably withheld.

"*Eligible LCs*" means letters of credit issued by banks listed on *Schedule 1.01(a)*, but only to the extent, with respect to any such bank, that the aggregate face amount of all letters of credit backing Eligible Accounts issued by such bank that are outstanding at any time does not exceed the applicable amount set forth for such bank on *Schedule 1.01(a)* (*provided, however*, that the Administrative Agent may in its sole discretion accept other letters of credit as Eligible LCs from time to time).

"*Environmental Law*" means any Governmental Rule relating to pollution or protection of the environment or any natural resource, to any Hazardous Material or to health or safety, including any Governmental Rule relating to the use, handling, transportation, treatment, storage, disposal, release or discharge of any Hazardous Material.

"*Environmental Permit*" means any Governmental Action required under any Environmental Law.

"*Environmental Proceeding*" means any action, suit, written demand, demand letter, claim, notice of noncompliance or violation, notice of liability or potential liability, investigation, proceeding, consent order or consent agreement relating in any way to any Environmental Law, any Environmental Permit or any Hazardous Material or arising from alleged injury or threat to health, safety or the environment, including (a) by any Governmental Person for enforcement, cleanup, removal, response, remedial or

other action or damages and (b) by any Person for damages, contribution, indemnification, cost recovery, compensation or injunctive relief.

"*Equity Contribution Proceeds*" means all cash and Permitted Investments received by the Borrower or any of its Subsidiaries from any equity contribution by the Partners.

"*ERISA*" means the Employee Retirement Income Security Act of 1974, as amended from time−to−time, and the regulations promulgated thereunder and rulings issued thereunder.

"*ERISA Affiliate*" means any Person that for purposes of Title IV of ERISA is a member of the Borrower's controlled group, or is under common control with the Borrower, within the meaning of Section 414 of the Code and the regulations promulgated and rulings issued thereunder.

"*Eurocurrency Liabilities*" has the meaning assigned to that term in Regulation D of the Federal Reserve Board (or any successor), as in effect from time−to−time.

"*Eurodollar Lending Office*" means, with respect to any Bank, the office of such Bank specified as its "Eurodollar Lending Office" opposite its name on *Schedule 2* (or, if no such office is specified, its Domestic Lending Office) or such other office of such Bank as such Bank may from time to time specify to the Borrower and the Administrative Agent.

"*Eurodollar Rate*" means, for the Interest Period for each Eurodollar Rate Advance comprising the same Borrowing, the interest rate per annum (rounded to the nearest whole multiple of $^{1}/_{100}$ of 1% per annum) set forth on Telerate Page 3750 (or any replacement page) as the London Interbank Offered Rate, for deposits in Dollars at 11:00 a.m. (London, England time) two Business Days before the first day of such Interest Period, in an amount substantially equal to the Administrative Agent's Eurodollar Rate Advance and for a period equal to such Interest Period; *provided* that, if no such quotation appears on Telerate Page 3750 (or any replacement page), the Eurodollar Rate shall be an interest rate per annum equal to the rate per annum at which deposits in Dollars are offered by the principal office of Union Bank of California, N.A. in London, England to prime banks in the London interbank market at 11:00 a.m. (London, England time) two Business Days before the first day of such Interest Period in an amount substantially equal to the Eurodollar Rate Advance to be maintained by the Bank that is the Administrative Agent in respect of such Borrowing and for a period equal to such Interest Period.

"*Eurodollar Rate Advance*" means an Advance which bears interest as provided in Section 2.07(b).

"*Eurodollar Rate Reserve Percentage*" of any Bank for the Interest Period for any Eurodollar Rate Advance means the reserve percentage applicable during such Interest Period (or if more than one such percentage shall be so applicable, the daily average of such percentages for those days in such Interest Period during which any such percentage shall be so applicable) under regulations issued from time−to−time by the Federal Reserve Board for determining the maximum reserve requirement (including, without limitation, any emergency, supplemental or other marginal reserve requirement) for such Bank with respect to liabilities or assets consisting of or including Eurocurrency Liabilities having a term equal to such Interest Period.

"*Event of Default*" has the meaning specified in Section 7.01.

"*Existing Letters of Credit*" means, collectively, the letters of credit issued under the Existing Credit Agreement and outstanding on the Effective Date, including, without limitation, those listed on *Schedule 2.13*.

"*Expiration Date*" means, with respect to any Letter of Credit, the date on which such Letter of Credit will expire or terminate in accordance with its terms.

"*Federal Funds Rate*" means, for any period, a fluctuating interest rate per annum equal for each day during such period to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published for such

day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations for any such day on such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by it, with the consent of the Borrower, which consent shall not be unreasonably withheld.

"*Federal Reserve Board*" means the Board of Governors of the Federal Reserve System or any of its successors.

"*Fee Letters*" has the meaning specified in Section 2.06(b).

"*Final Maturity Date*" means April 30, 2007.

"*Financial Letter of Credit*" means a Letter of Credit qualifying as a "financial guarantee−type letter of credit" under 12 CFR Part 3, Appendix A, Section 3(b)(1)(i) or any successor U.S. Comptroller of the Currency regulation and issued by an Issuing Bank under the terms of this Agreement.

"*Financial Statements*" means the financial statements referred to in Section 5.01.

"*Funded Debt*" of any Person means Debt of such Person as described in clauses (a), (b), (d) and (e) of the definition of "Debt" in this Section 1.01.

"*GAAP*" means United States generally accepted accounting principles as in effect from time to time, applied on a basis consistent with the requirements of Section 1.03.

"*General Partner*" means Crosstex Energy Services GP, LLC, a Delaware limited liability company.

"*Governmental Action*" means any authorization, approval, consent, waiver, exception, license, filing, registration, permit, notarization or other requirement of any Governmental Person.

"*Governmental Person*" means, whether domestic or foreign, any national, federal, state or local government, any political subdivision thereof, or any governmental, quasi−governmental, judicial, public or statutory instrumentality, authority, body or entity, including any central bank and any comparable authority.

"*Governmental Rule*" means any treaty, law, rule, regulation, ordinance, order, code, interpretation, judgment, writ, injunction, decree, determination, award, directive, guideline, request, policy or similar form of decision of any Governmental Person, referee or arbitrator.

"*Guarantor*" means as of the Effective Date, the Limited Partner and each of the Persons listed on *Schedule 1.01(c)*, and thereafter, each of the present and future direct and indirect Material Subsidiaries of the Borrower, and "Guarantors" means all such Guarantors collectively.

"*Guarantor Security Agreement*" means each of the Amended and Restated Subsidiary Security Agreements between each of the Guarantors and the Administrative Agent, in form and substance reasonably satisfactory to the Administrative Agent and the Lenders, as each may be amended, modified or supplemented from time−to−time in accordance with its terms, and "Guarantor Security Agreements" shall mean all such Guarantor Security Agreements collectively.

"*Guaranty*" means (a) the Guaranty executed by the Limited Partner and (b) each of the Guaranties executed by each Guarantor, in form and substance reasonably satisfactory to the Administrative Agent and the Lenders, as each may be amended from time to time in accordance with its terms, and "Guaranties" shall mean all such Guaranties collectively.

"*Hazardous Material*" means any substance or material described as a toxic or hazardous substance, waste or material or as a pollutant, contaminant or infectious waste, or words of similar import, in any Environmental Law, including asbestos, petroleum (including crude oil and any fraction thereof, natural gas, natural−gas liquid, liquefied natural gas and synthetic gas usable for fuel, and any mixture of any of

the foregoing), polychlorinated biphenyls, urea formaldehyde, radon gas, radioactive matter, and chemicals that may cause cancer or reproductive toxicity.

"*Hydrocarbon Hedge Agreement*" means a swap, collar, floor, cap, option or other derivative contract which is intended to reduce or eliminate the risk of fluctuations in the price of Hydrocarbons.

"*Hydrocarbons*" means oil, gas, coal seam gas, casinghead gas, drip gasoline, natural gasoline, condensate, distillate, and all other liquid and gaseous hydrocarbons produced or to be produced in conjunction therewith from a well bore and all products, by−products, and other substances derived therefrom or the processing thereof, and all other minerals and substances produced in conjunction with such substances, including, but not limited to, sulfur, geothermal steam, water, carbon dioxide, helium, and any and all minerals, ores, or substances of value and the products and proceeds therefrom.

"*Interest Charge Coverage Ratio*" means, for the Borrower and its Subsidiaries on a Consolidated basis, as of the end of any fiscal quarter, the ratio of (a) EBITDA for the four−fiscal quarter period then ended to (b) Interest Expense for the four−fiscal quarter period then ended.

"*Interest Expense*" means, for the Borrower and its Subsidiaries determined on a Consolidated basis, for any period, the total interest, letter of credit fees, and other fees incurred in connection with any Debt for such period, whether paid or accrued, including, without limitation, all commissions, discounts and other fees and charges owed with respect to letters of credit and bankers' acceptance financing, all as determined in conformity with GAAP.

"*Interest Period*" means for each Eurodollar Rate Advance comprising part of the same Borrowing, the period commencing on the date of such Advance or the date of the Conversion of any Reference Rate Advance into such an Advance and ending on the last day of the period selected by the Borrower pursuant to the provisions below or by Section 2.02 and thereafter, each subsequent period commencing on the last day of the immediately preceding Interest Period and ending on the last day of the period selected by the Borrower pursuant to the provisions below or by Section 2.02. The duration of each such Interest Period shall be one, two, three, or six months, in each case as the Borrower may select, upon notice received by the Administrative Agent not later than 9:00 a.m. (Los Angeles, California time) on the third Business Day prior to the first day of such Interest Period; *provided, however*, that:

(a) the Borrower may not select any Interest Period for any Advance which ends after any principal repayment date unless, after giving effect to such selection, the aggregate unpaid principal amount of Advances that are Reference Rate Advances and Advances having Interest Periods which end on or before such principal repayment date shall be at least equal to the amount of Advances due and payable on or before such date;

(b) whenever the last day of any Interest Period would otherwise occur on a day other than a Business Day, the last day of such Interest Period shall be extended to occur on the next succeeding Business Day; *provided* that if such extension would cause the last day of such Interest Period to occur in the next following calendar month, the last day of such Interest Period shall occur on the next preceding Business Day; and

(c) any Interest Period which begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of the calendar month in which it would have ended if there were a numerically corresponding day in such calendar month.

"*Interest Rate Contract*" means an interest rate protection agreement, interest rate future, interest rate option, interest rate swap, interest rate cap, collar or other interest rate hedge arrangement, to or under which the Borrower or any Subsidiary is or becomes a party.

"*Issuing Bank*" means UBOC and any successor issuing bank pursuant to Section 8.06.

"*Letter of Credit*" means, individually, any letter of credit issued by the Issuing Bank which is subject to this Agreement and "*Letters of Credit*" means all such letters of credit collectively.

"*Letter of Credit Application*" means the Issuing Bank's standard form letter of credit application for either a Performance Letter of Credit or Financial Letter of Credit, as the case may be, which has been executed by the Borrower and accepted by the Issuing Bank in connection with the issuance of a Letter of Credit.

"*Letter of Credit Documents*" means all Letters of Credit, Letter of Credit Applications, and agreements, documents, and instruments entered into in connection with or relating thereto.

"*Letter of Credit Exposure*" means, at any time, the sum of (a) the stated maximum amount available to be drawn under each Letter of Credit at such time, plus (b) the aggregate unpaid amount of all Reimbursement Obligations at such time.

"*Letter of Credit Obligations*" means any obligations of the Borrower under this Agreement in connection with the Letters of Credit, including the Reimbursement Obligations.

"*Leverage Ratio*" means, for the Borrower and its Subsidiaries on a Consolidated basis, as of the end of any fiscal quarter, the ratio of (a) Funded Debt for the Borrower and its Subsidiaries on a Consolidated basis as of the end of such fiscal quarter to (b) EBITDA for the four fiscal quarters then ended.

"*Lien*" means, with respect to any Property, (a) any lien, charge, option, claim, deed of trust, mortgage, security interest, pledge or other encumbrance, or any other type of preferential arrangement of any kind, in respect of such Property, including any easement, right of way or other encumbrance on title to real property, or (b) the interest of a vendor or lessor under any conditional−sale agreement, capital lease or other title−retention agreement relating to such Property.

"*Limited Partner*" means Crosstex Energy, L.P., a Delaware limited partnership.

"*Majority Banks*" means, at any time, Banks holding at least $66^{2}/_{3}\%$ of the then aggregate unpaid principal amount of the Notes held by the Banks and the Letter of Credit Exposure of the Banks at such time; provided that if no such principal amount or Letter of Credit Exposure is then outstanding, "Majority Banks" shall mean Banks having at least $66^{2}/_{3}\%$ of the aggregate amount of the Commitments at such time.

"*Material Adverse Effect*" shall mean a material adverse effect on (a) the business, assets, condition (financial or otherwise), operations, performance, properties or prospects of the Borrower and its Subsidiaries taken as a whole, or (b) the validity or enforceability of the Credit Documents or the rights or remedies of the Banks or the Administrative Agent under any of the Credit Documents.

"*Material Subsidiaries*" means shall mean a Subsidiary of the Borrower having: (a) assets of $1,000,000 or more or (b) EBITDA (calculated on a separate basis) of $250,000 or more.

"*Maximum Rate*" means the maximum nonusurious interest rate under applicable law.

"*Moody's*" means Moody's Investors Service, Inc.

"*Mortgaged Property*" means the aggregate of all of the "Mortgaged Property" and "Trust Property" as defined in all of the Mortgages.

"*Mortgages*" means, collectively, each of the Deed of Trust, Security Agreement, Financing Statement and Assignments executed by the Borrower or any Subsidiary in favor of the Administrative Agent for its benefit and the ratable benefit of the Banks in form and substance reasonably satisfactory

to the Administrative Agent and the Lenders, as the same may be amended, modified or supplemented from time−to−time.

"*Multiemployer Plan*" means a "multiemployer plan," as defined in Section 4001(a)(3) of ERISA and subject to Title IV thereof, to which the Borrower or any ERISA Affiliate is making or accruing an obligation to make contributions, or has within any of the preceding five plan years made or accrued an obligation to make contributions, such plan being maintained pursuant to one or more collective−bargaining agreements.

"*Multiple Employer Plan*" means a "single employer plan," as defined in Section 4001(a)(15) of ERISA and subject to Title IV thereof, that (a) is maintained by the Borrower or an ERISA Affiliate and at least one Person other than the Borrower and its ERISA Affiliates or (b) was so maintained previously, but is not currently maintained by the Borrower or its ERISA Affiliates, and in respect of which the Borrower or an ERISA Affiliate would still have liability under Section 4063, 4064 or 4069 of ERISA in the event such plan has been or were to be terminated.

"*Net Income*" means, for any period for which such amount is being determined, the Consolidated net income of the Borrower and its Subsidiaries, as determined in accordance with GAAP consistently applied, excluding, however, any net gain or loss from extraordinary items, including but not limited to any net gain or loss during such period arising from the sale, exchange, or other disposition of capital assets other than in the ordinary course of business.

"*Note*" means a Revolver A Note or a Revolver B Note.

"*Notice of Borrowing*" means a notice of borrowing in the form of the attached *Exhibit B* signed by a Responsible Officer.

"*Notice of Conversion or Continuation*" means a notice of conversion or continuation in the form of the attached *Exhibit C* signed by a Responsible Officer.

"*Obligations*" means (a) the principal, interest, fees, Letter of Credit commissions, charges, expenses, attorneys' fees and disbursements, indemnities and any other amounts payable by the Borrower and the Guarantors to the Administrative Agent and the Banks under the Credit Documents, including without limitation, the Letter of Credit Obligations and (b) any amount in respect to any of the foregoing that the Administrative Agent or any Bank, in its sole discretion, elects to pay or advance on behalf of the Borrower or any Guarantor after the occurrence and during the continuance of an Event of Default.

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

"*Performance Letter of Credit*" means a Letter of Credit qualifying as a "performance−based standby letter of credit" under 12 CFR Part 3, Appendix A, Section 3(b)(2)(i) or any successor U.S. Comptroller of the Currency regulation and issued by an Issuing Bank under the terms of this Agreement.

"*Permitted Investments*" means investments having a maturity of not greater than 3 months from the date of acquisition thereof in (a) obligations issued or unconditionally guaranteed by the United States of America or issued by any agency thereof and backed by the full faith and credit of the United States of America, (b) demand deposits and certificates of deposit (located in the United States of America) of any Bank or any other commercial bank organized under the laws of the United States of America or any state thereof and having combined capital and surplus of at least $500,000,000, (c) commercial paper with a rating of at least "Prime−l" by Moody's Investors Service, Inc. or "A−l" by Standard & Poor's Ratings Group or (d) other investments agreed to from time to time between the Borrower and the Administrative Agent.

"*Permitted Liens*" means such of the following as to which no enforcement, collection, execution, levy or foreclosure proceeding has been commenced: (a) Liens for taxes, assessments and governmental charges or levies, to the extent the same are being contested in good faith by proper proceedings and appropriate reserves are being maintained for the same; (b) Liens imposed by law, such as materialmen's, mechanics', carriers', workmen's, repairmen's and bankers' Liens and other similar Liens arising in the ordinary course of business securing obligations that are not overdue for a period of more than 60 days or that are being contested in good faith and by proper proceedings and as to which appropriate reserves are being maintained; (c) pledges or deposits to secure obligations under workers' compensation laws or similar legislation or to secure public or statutory obligations; (d) easements, rights of way, landlord's liens and other encumbrances on title to real property that do not render title to the property encumbered thereby unmarketable or materially and adversely affect the value of such property or the use of such property by the Borrower or any Subsidiary for its current purposes; (e) deposits to secure the performance of bids, trade contracts (other than for borrowed money), leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of like nature incurred in the ordinary course of business; and (f) Liens arising by reason of any judgment or order of any Governmental Person, referee or arbitrator if appropriate legal proceedings for the review of such judgment or order are being diligently prosecuted and execution or enforcement thereof is stayed pending appeal.

"*Person*" means an individual, partnership, corporation (including a business trust), limited liability partnership, limited liability company, joint stock company, trust, unincorporated association, joint venture or other entity, or a government or any political subdivision or agency thereof or any trustee, receiver, custodian or similar official.

"*Pipeline Entities*" means Crosstex Pipeline, LLC, a Texas limited liability company, and Crosstex Pipeline Partners, Ltd., a Texas limited partnership.

"*Plan*" means a Single Employer Plan or a Multiple Employer Plan.

"*Pledge Agreement*" means the Pledge Agreement among the Partners and the Administrative Agent in form and substance reasonably satisfactory to the Administrative Agent and the Lenders, as the same may be amended, modified or supplemented from time−to−time.

"*Property*" of any Person means any property or assets (whether real, personal, or mixed, tangible or intangible) of such Person.

"*Pro Rata Share*" means, with respect to any Bank, either (a) the ratio (expressed as a percentage) of such Bank's Commitments at such time to the aggregate Commitments at such time or (b) if the Commitments have been terminated, the ratio (expressed as a percentage) of such Bank's aggregate outstanding Advances and Letter of Credit Exposure at such time to the aggregate outstanding Advances and Letter of Credit Exposure of all the Banks at such time.

"*Reference Rate*" means a fluctuating interest rate per annum as shall be in effect from time to time equal to the rate of interest publicly announced by Union Bank of California, N.A., as its reference rate, whether or not the Borrower has notice thereof.

"*Reference Rate Advances*" means an Advance which bears interest as provided in Section 2.07(a).

"*Register*" has the meaning set forth in paragraph (c) of Section 9.06.

"*Regulations D, T, U and X*" means Regulations D, T, U and X of the Federal Reserve Board, as the same are from time−to−time in effect, and all official rulings and interpretations thereunder or thereof.

"*Reimbursement Obligations*" means all of the obligations of the Borrower and the Guarantors to reimburse the Issuing Bank for amounts paid by the Issuing Bank under Letters of Credit as established by the Letter of Credit Applications and Section 2.13(d).

"*Reorganization*" has the meaning set forth in the recitals to this Agreement.

"*Reorganization Documents*" means (a) the First Contribution, Conveyance and Assumption Agreement by and among Crosstex Energy Holdings Inc., a Delaware corporation ("Holdings"), the Predecessor Borrower, Crosstex Energy, Inc., a Texas corporation ("CEI"), the Limited Partner, Crosstex Energy GP, LLC, a Delaware limited liability company ("GP LLC"), Crosstex Energy GP, L.P., a Delaware limited partnership ("GP LP"), the General Partner, the Borrower, Crosstex Gas Services, Inc., a Delaware corporation, Crosstex Gulf Coast, LLC, a Texas limited liability company, Crosstex Asset Management GP, LLC, a Delaware limited liability company, and Crosstex Asset Management, L.P., a Delaware limited partnership, (b) the Closing Contribution, Conveyance and Assumption Agreement by and among Holdings, CEI, the Limited Partner, GP LLC, GP LP, the Borrower and Crosstex Pipeline, Inc., and (c) each of the documents, agreements or instruments attached thereto as exhibits, each executed on or before the Effective Date with respect to the Reorganization.

"*Responsible Officer*" means the Chief Executive Officer, President, Chief Financial Officer, any Senior Vice President, any Vice President, Treasurer or Assistant Treasurer of the General Partner.

"*Revolver A Advance*" means any advance by a Bank to the Borrower as part of a Revolver A Borrowing and refers to a Reference Rate Advance or a Eurodollar Rate Advance.

"*Revolver A Borrowing*" means a borrowing consisting of simultaneous Revolver A Advances of the same Type made by each Bank pursuant to Section 2.01(a), continued by each Bank pursuant to Section 2.02(b), or Converted by each Bank to Revolver A Advances of a different Type pursuant to Section 2.02(b).

"*Revolver A Commitment*" means, for any Bank, the amount set opposite such Bank's name on *Schedule 1* as its Revolver A Commitment, or if such Bank has entered into any Assignment and Acceptance, as set forth for such Bank as its Revolver A Commitment in the Register maintained by the Administrative Agent pursuant to Section 9.06(c), as such amount may be reduced or terminated pursuant to Section 2.03 or Article VII.

"*Revolver A Note*" means a promissory note of the Borrower payable to the order of any Bank, in substantially the form of the attached *Exhibit A−1*, evidencing indebtedness of the Borrower to such Bank resulting from Revolver A Advances owing to such Bank.

"*Revolver A Share*" means, at any time with respect to any Bank with a Revolver A Commitment, either (a) the ratio (expressed as a percentage) of such Bank's Revolver A Commitment at such time to the aggregate Revolver A Commitments at such time or (b) if such Bank's Revolver A Commitment has been terminated, the ratio (expressed as a percentage) of such Bank's aggregate outstanding Revolver A Advances at such time to the aggregate's outstanding Revolver A Advances of all the Banks at such time.

"*Revolver A Termination Date*" means the earlier of (a) April 30, 2004, and (b) the acceleration of the maturity of the Advances and the termination of the Banks' obligations to provide Revolver A Advances pursuant to Article VII.

"*Revolver B Advance*" means any advance by a Bank to the Borrower as part of a Revolver B Borrowing.

"*Revolver B Borrowing*" means a borrowing consisting of simultaneous Revolver B Advances of the same Type made by each Bank pursuant to Section 2.01(b), continued by each Bank pursuant to

Section 2.02(b), or Converted by each Bank to Revolver B Advances of a different Type pursuant to Section 2.02(b).

"*Revolver B Commitment*" means, for each Bank, the amount set opposite such Bank's name on Schedule 1 as its Revolver B Commitment, or if such Bank has entered into any Assignment and Acceptance, as set forth for such Bank as its Revolver B Commitment in the Register maintained by the Administrative Agent pursuant to Section 9.06(c), as such amount may be reduced or terminated pursuant to Section 2.03 or Article VII.

"*Revolver B Note*" means a promissory note of the Borrower payable to the order of any Bank in substantially the form of the attached *Exhibit A−2*, evidencing indebtedness of the Borrower to such Bank resulting from any Revolver B Advance to such Bank.

"*Revolver B Share*" means, at any time with respect to any Bank with a Revolver B Commitment, either (a) the ratio (expressed as a percentage) of such Bank's Revolver B Commitment at such time to the aggregate Revolver B Commitments at such time or (b) if such Bank's Revolver B Commitment has been terminated, the ratio (expressed as a percentage) of such Bank's aggregate outstanding Revolver B Advances and Letter of Credit Exposure at such time to the aggregate's outstanding Revolver B Advances and Letter of Credit Exposure of all the Banks at such time.

"*Revolver B Termination Date*" means the earlier of (a) April 30, 2004, and (b) the acceleration of the maturity of the Advances and the termination of the Banks' obligations to provide Revolver B Advances pursuant to Article VII.

"*S&P*" means Standard & Poor's Ratings Services, a division of The McGraw−Hill Companies, Inc.

"*Security Agreements*" means, collectively, the Borrower Security Agreement and the Guarantor Security Agreements.

"*Security Documents*" means, collectively, (a) the Pledge Agreement, (b) the Security Agreements, (c) the Mortgages, (d) each other agreement, instrument or document executed at any time in connection with the Pledge Agreement, Security Agreements or the Mortgages, and (e) each other agreement, instrument or document executed at any time in connection with securing the Obligations.

"*Single Employer Plan*" means a single employer plan, as defined in Section 4001(a)(15) of ERISA and subject to Title IV thereof, that (a) is maintained by the Borrower or an ERISA Affiliate and no Person other than the Borrower and its ERISA Affiliates or (b) was so maintained previously, but is not currently maintained by the Borrower or its ERISA Affiliates, and in respect of which the Borrower or an ERISA Affiliate would still have liability under Section 4069 of ERISA in the event such plan has been or were to be terminated.

"*Subsidiary*" of a Person means any corporation or other entity of which more than 50% of the outstanding capital stock or other equity ownership interests having ordinary voting power to elect a majority of the board of directors of such corporation (irrespective of whether at such time capital stock of any other class or classes or other equity ownership interests of such corporation shall or might have voting power upon the occurrence of any contingency) is at the time directly or indirectly owned by such Person, by such Person and one or more Subsidiaries of such Person or by one or more Subsidiaries of such Person.

"*Syndication Agent*" means Fleet National Bank.

"*Tangible Net Worth*" means the excess of total assets over total liabilities, total assets and total liabilities each to be determined in accordance with GAAP, *excluding, however*, from the determination of total assets (a) goodwill, organizational expenses, research and development expenses, trademarks, trade names, copyrights, patents, patent applications, licenses and rights in any thereof, and other similar intangibles, including the value of contracts for the marketing of natural gas, (b) all

unamortized debt discount and expense, (c) all reserves carried and not deducted from assets, (d) treasury stock and capital stock, obligations or other securities of, or capital contributions to, or investments in, any Subsidiary, (e) securities that are not readily marketable (other than securities of the Pipeline Entities and other Person engaged in lines of business in which the Borrower is engaged), (f) cash held in a sinking or other analogous fund established for the purpose of redemption, retirement or prepayment of capital stock or Debt, (g) any write−up in the book value of any asset resulting from a revaluation thereof, (h) notes receivable from current or former officers, employees or equity−holders of the Borrower or any Subsidiary, (i) cash pledged or deposited for the purposes described in clauses (c) and (e) of "Permitted Liens" in this Section 1.01 and (j) any items not included in clauses (a) through (i) above that are treated as intangibles in conformity with GAAP.

"*Type*" has the meaning set forth in Section 1.04.

Section 1.02. *Computation of Time Periods.* In the Credit Documents in the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including" and the words "to" and "until" each mean "to but excluding".

Section 1.03. *Accounting Terms; Changes in GAAP*.

(a) All accounting terms not specifically defined in this Agreement shall be construed in accordance with GAAP applied on a consistent basis with those applied in the preparation of the Financial Statements.

(b) Unless otherwise indicated, all financial statements of the Borrower and its Subsidiaries, all calculations for compliance with covenants in this Agreement and all calculations of any amounts to be calculated under the definitions in Section 1.01 shall be based upon the consolidated accounts of the Borrower and its Subsidiaries in accordance with GAAP and consistent with the principles applied in preparing the Financial Statements. If at any time any change in GAAP would affect the computation of any financial ratio or requirement set forth in any Credit Document, and either the Borrower or Majority Banks shall so request, Majority Banks and the Borrower shall negotiate in good faith to amend such ratio or requirement to preserve the original intent thereof in light of such change in GAAP, provided that, until so amended, (i) such ratio or requirement shall continue to be computed in accordance with GAAP prior to such change therein and (ii) the Borrower shall provide to the Administrative Agent financial statements and other documents required under this Agreement or as reasonably requested hereunder setting forth a reconciliation between calculations of such ratio or requirement made before and after giving effect to such change in GAAP.

Section 1.04. *Types and Classes of Advances and Borrowings.* Advances are distinguished by "Type." The "Type" of an Advance refers to the determination whether such Advance is a Eurodollar Rate Advance or Reference Rate Advance. Borrowings and Advances are also distinguished by "Class." The "Class" of a Borrowing or an Advance refers to the determination whether such Borrowing or Advance is a Revolver A Borrowing or a Revolver B Borrowing or a Revolver A Advance or a Revolver B Advance, as applicable.

Section 1.05. *Miscellaneous.* Article, Section, Schedule and Exhibit references are to Articles and Sections of and Schedules and Exhibits to this Agreement, unless otherwise specified.

ARTICLE II
CREDIT FACILITIES

Section 2.01. *Making the Advances.*

(a) *Revolver A Advances.* Each Bank severally agrees, on the terms and conditions set forth in this Agreement, to make Revolver A Advances to the Borrower from time to time on any Business Day during the period from the Effective Date until the Revolver A Termination Date in an aggregate

outstanding amount up to but not to exceed at any time outstanding its Revolver A Commitment, as such amount may be reduced pursuant to Section 2.03, 7.02, and 7.03; *provided, however* that the aggregate outstanding principal amount of all Revolver A Advances shall not at any time exceed the aggregate Revolver A Commitments.

(b) *Revolver B Advances.* Each Bank severally agrees, on the terms and conditions set forth in this Agreement, to make Revolver B Advances to the Borrower from time to time on any Business Day during the period from the Effective Date until the Revolver B Termination Date in an aggregate outstanding amount up to but not to exceed at any time outstanding (i) the lesser of (A) its Revolver B Commitment, as such amount may be reduced pursuant to Section 2.03, 7.02, and 7.03 or (B) its Revolver B Share of the Borrowing Base less (ii) such Bank's Revolver B Share of the Letter of Credit Exposure at such time; *provided, however* that the aggregate outstanding principal amount of all Revolver B Advances plus the Letter of Credit Exposure shall not at any time exceed the lesser of (A) the aggregate Revolver B Commitments and (B) the Borrowing Base; and *provided further, however* that the aggregate outstanding principal amount of all Revolver B Advances shall not at any time exceed $5,000,000.

(c) *Generally.* Each Borrowing shall, in the case of Borrowings consisting of Reference Rate Advances, be in an aggregate amount not less than $500,000 and in integral multiples of $100,000 in excess thereof, and in the case of Borrowings consisting of Eurodollar Rate Advances, be in an aggregate amount not less than $1,000,000 or in integral multiples of $500,000 in excess thereof, and in each case shall consist of Advances of the same Type made on the same day by the Banks ratably according to their respective Commitments. Within the limits of each Bank's Commitment, and subject to the terms of this Agreement, the Borrower may from time to time borrow, prepay, and reborrow Advances.

(d) *Notes.* The indebtedness of the Borrower to each Bank resulting from the Revolver A Advances owing to such Bank shall be evidenced by a Revolver A Note of the Borrower payable to the order of such Bank. The indebtedness of the Borrower to each Bank resulting from the Revolver B Advances owing to such Bank shall be evidenced by a Revolver B Note of the Borrower payable to the order of such Bank.

(e) *Increase in Commitments.* The Borrower may, at its option and subject to the conditions described in this Section, without the consent of the Banks increase the aggregate Commitments by adding to this Agreement one or more commercial banks or other financial institutions (who shall, upon completion of the requirements stated in this Section 2.01(e), constitute Banks hereunder), or by allowing one or more Banks to increase their Commitments hereunder, so that such added and increased Commitments shall equal the increase in aggregate Commitments effectuated pursuant to this Section 2.01(e); provided that (i) without the consent of all the Bank, no increase in aggregate Commitments pursuant to this Section 2.01(e) shall result in the aggregate Commitments exceeding $85,000,000, (ii) no Bank's Commitment amount shall be increased without the consent of such Bank, (iii) if the increase is being provided by one or more commercial banks or other financial institutions that are not then Banks hereunder, the Administrative Agent shall have approved such commercial bank or other financial institution, such approval not to be unreasonably withheld and (iv) each such commercial bank, financial institution or Bank shall have a proportionate part of the Revolver A Commitments and Revolver B Commitments. The Borrower may exercise its option to so increase the aggregate Commitments only if the following conditions are satisfied:

(i) no Default or Event of Default has occurred and is continuing, and the Borrower shall have delivered a certificate to Administrative Agent from a Responsible Officer of the Borrower stating that no Default or Event of Default exists;

(ii) the representations and warranties of the Borrower contained in Article IV shall be true and correct 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;

(iii) the Guarantors shall have consented to such increase in writing; and

(iv) the Borrower shall execute new Notes evidencing the increased Commitments of the Banks, at any Bank's request.

The Borrower shall give the Administrative Agent three Business Days' notice of the Borrower's intention to increase the aggregate Commitments pursuant to this Section 2.01(e). Such notice shall specify each new commercial bank or other financial institution, if any, the changes in amounts of Commitments that will result, and such other information as reasonably requested by the Administrative Agent. Each new commercial bank or other financial institution, and each Bank agreeing to increase its Commitments, shall execute and deliver to the Administrative Agent a document in form and substance satisfactory to the Administrative Agent pursuant to which it becomes a party hereto or increases its Commitments, as the case may be, which document, in the case of a new commercial bank or other financial institution, shall (among other matters) specify the Applicable Lending Office of such new commercial bank or other financial institution. Upon execution and delivery of such documents, such new commercial bank or other financial institution shall constitute a "Bank" hereunder with the Commitments as specified therein, or such Bank's Commitments shall increase as specified therein, as the case may be. Notwithstanding the foregoing, after giving effect to this Section, the terms and conditions hereof shall remain substantially the same as on the Effective Date. Further, none of the Banks are obligated to increase their Commitments to comply with this Section.

Section 2.02. *Method of Borrowing.*

(a) *Notice.* Each Borrowing shall be made pursuant to a Notice of Borrowing (or by telephone notice promptly confirmed in writing by a Notice of Borrowing), given not later than 9:00 a.m. (Los Angeles, California time) (i) on the third Business Day before the date of the proposed Borrowing, in the case of a Eurodollar Rate Borrowing or (ii) on the Business Day of the proposed Borrowing, in the case of a Reference Rate Borrowing, by the Borrower to the Administrative Agent, which shall in turn give to each Bank prompt notice of such proposed Borrowing by telecopier or telex. Each Notice of Borrowing shall be given by telecopier or telex, confirmed immediately in writing, or other written notice specifying the information required therein. In the case of a proposed Borrowing comprised of Eurodollar Rate Advances, the Administrative Agent shall promptly notify each Bank of the applicable interest rate under Section 2.07(b). Each Bank shall, before 11:00 a.m. (Los Angeles, California time) on the date of such Borrowing, make available for the account of its Applicable Lending Office to the Administrative Agent at its address referred to in Section 9.02, or such other location as the Administrative Agent may specify by notice to the Banks, in same day funds, (A) in the case of a Revolver A Borrowing, such Bank's Revolver A Share of such Borrowing and (B) in the case of a Revolver B Borrowing, such Bank's Revolver B Share of such Borrowing. After the Administrative Agent's receipt of such funds and upon fulfillment of the applicable conditions set forth in Article III, the Administrative Agent shall make such funds available to the Borrower at its account with the Administrative Agent.

(b) *Conversions and Continuations.* The Borrower may elect to Convert or continue any Borrowing under this Section 2.02 by delivering an irrevocable Notice of Conversion or Continuation to the Administrative Agent at the Administrative Agent's office no later than 9:00 a.m. (Los Angeles, California time) (i) on the date which is at least three Business Days in advance of the proposed Conversion or continuation date in the case of a Conversion to or a continuation of a Borrowing comprised of Eurodollar Rate Advances and (ii) on the Business Day of the proposed conversion date in the case of a Conversion to Borrowing comprised of Reference Rate Advance. Each such Notice of Conversion or Continuation shall be in writing or by telex or telecopier, confirmed immediately in

writing, or other written notice specifying the information required therein. Promptly after receipt of a Notice of Conversion or Continuation under this Section, the Administrative Agent shall provide each Bank with a copy thereof and, in the case of a Conversion to or a Continuation of a Borrowing comprised of Eurodollar Rate Advances, notify each Bank of the applicable interest rate under Section 2.07(b). No such Conversion or continuation shall be deemed the making of a new Advance for purposes of this Agreement, including without limitation Article III.

(c) *Certain Limitations.* Notwithstanding anything in paragraphs (a) and (b) above:

(i) at no time shall there be more than four Interest Periods applicable to outstanding Eurodollar Rate Advances and the Borrower may not select Eurodollar Rate Advances for any Borrowing at any time that a Default has occurred and is continuing;

(ii) if any Bank shall at least one Business Day before the date of any requested Borrowing, Conversion or continuation, notify the Administrative Agent that the introduction of or any change in or in the interpretation of any law or regulation makes it unlawful, or that any central bank or other Governmental Person asserts that it is unlawful, for such Bank or its Eurodollar Lending Office to perform its obligations under this Agreement to make Eurodollar Rate Advances or to fund or maintain Eurodollar Rate Advances, the right of the Borrower to select Eurodollar Rate Advances from such Bank shall be suspended until such Bank shall notify the Administrative Agent that the circumstances causing such suspension no longer exist, and the Advance made by such Bank in respect of such Borrowing, Conversion or continuation shall be a Reference Rate Advance;

(iii) if the Administrative Agent is unable to determine in good faith the Eurodollar Rate for Eurodollar Rate Advances comprising any requested Borrowing, the right of the Borrower to select Eurodollar Rate Advances for such Borrowing or for any subsequent Borrowing shall be suspended until the Administrative Agent shall notify the Borrower and the Banks that the circumstances causing such suspension no longer exist, and each Advance comprising such Borrowing shall be a Reference Rate Advance;

(iv) if the Majority Banks shall, at least one Business Day before the date of any requested Borrowing, notify the Administrative Agent that the Eurodollar Rate for Eurodollar Rate Advances comprising such Borrowing will not adequately reflect the cost to such Banks of making or funding their respective Eurodollar Rate Advances, as the case may be, for such Borrowing, the right of the Borrower to select Eurodollar Rate Advances for such Borrowing or for any subsequent Borrowing shall be suspended until the Administrative Agent shall notify the Borrower and the Banks that the circumstances causing such suspension no longer exist, and each Advance comprising such Borrowing shall be a Reference Rate Advance; and

(v) if the Borrower shall fail to select the duration or continuation of any Interest Period for any Eurodollar Rate Advances in accordance with the provisions contained in the definition of "Interest Period" in Section 1.01 and paragraph (b) above, the Administrative Agent shall so notify the Borrower and the Banks and such Advances shall be made available to the Borrower on the date of such Borrowing as Reference Rate Advances or, if an existing Advance, Converted into Reference Rate Advances.

(d) *Notices Irrevocable.* Each Notice of Borrowing and Notice of Conversion or Continuation, once delivered, shall be irrevocable and binding on the Borrower. In the case of any Borrowing which the related Notice of Borrowing specifies is to be comprised of Eurodollar Rate Advances, the Borrower shall indemnify each Bank against any loss, out−of−pocket cost or expense incurred by such Bank as a result of any failure by the Borrower to fulfill on or before the date specified in such Notice of Borrowing, the applicable conditions set forth in Article III, including, without limitation, any loss (including any loss of anticipated profits), cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Bank to fund the Advance to be made by

such Bank as part of such Borrowing when such Advance, as a result of such failure, is not made on such date.

(e) *Administrative Agent Reliance.* Unless the Administrative Agent shall have received notice from a Bank before the date of any Borrowing that such Bank shall not make available to the Administrative Agent such Bank's Revolver A Share of the Revolver A Borrowing or such Bank's Revolver B Share of a Revolver B Borrowing, the Administrative Agent may assume that such Bank has made its Revolver A Share or Revolver B Share, as the case may be, of such Borrowing available to the Administrative Agent on the date of such Borrowing in accordance with paragraph (a) of this Section 2.02 and the Administrative Agent may, in reliance upon such assumption, make available to the Borrower on such date a corresponding amount. If and to the extent that such Bank shall not have so made its Revolver A Share or Revolver B Share, as the case may be, of such Borrowing available to the Administrative Agent, such Bank and the Borrower severally agree to immediately repay to the Administrative Agent on demand such corresponding amount, together with interest on such amount, for each day from the date such amount is made available to the Borrower until the date such amount is repaid to the Administrative Agent, at (i) in the case of the Borrower, the interest rate applicable on such day to Advances comprising such Borrowing and (ii) in the case of such Bank, the Federal Funds Rate for such day. If such Bank shall repay to the Administrative Agent such corresponding amount and interest as provided above, such corresponding amount so repaid shall constitute such Bank's Advance as part of such Borrowing for purposes of this Agreement even though not made on the same day as the other Advances comprising such Borrowing.

(f) *Bank Obligations Several.* The failure of any Bank to make the Advance to be made by it as part of any Borrowing shall not relieve any other Bank of its obligation, if any, to make its Advance on the date of such Borrowing. No Bank shall be responsible for the failure of any other Bank to make the Advance to be made by such other Bank on the date of any Borrowing.

Section 2.03. *Reduction of the Revolver A Commitments.*

(a) The Borrower shall have the right, upon at least three Business Days' irrevocable notice to the Administrative Agent, to terminate in whole or reduce ratably in part the unused portion of the Revolver A Commitments or the Revolver B Commitments; provided that each partial reduction shall be in the aggregate amount of $1,000,000 or an integral multiple of $500,000.

(b) Any reduction and termination of the Commitments pursuant to this Section 2.03 shall be applied ratably to each Bank's Commitment and shall be permanent, with no obligation of the Banks to reinstate such Commitments and the commitment fees provided for in Section 2.06(a) shall thereafter be computed on the basis of the Commitments, as so reduced.

Section 2.04. *Prepayment of Advances.*

(a) *Optional.* The Borrower may prepay all Advances at any time, without premium or penalty, after giving by 11:00 a.m. (Los Angeles, California time) (i) in the case of Eurodollar Rate Advances, at least three Business Days' or (ii) in case of Reference Rate Advances, at least one Business Day's, irrevocable prior written notice to the Administrative Agent stating the proposed date and aggregate principal amount of such prepayment. If any such notice is given, the Borrower shall prepay Advances comprising part of the same Borrowing in whole or ratably in part in an aggregate principal amount equal to the amount specified in such notice, together with accrued interest to the date of such prepayment on the principal amount prepaid and amounts, if any, required to be paid pursuant to Section 2.10 as a result of such prepayment being made on such date; *provided*, *however*, that each partial prepayment with respect to: (A) any Borrowing comprised of Reference Rate Advances shall be made in an initial minimum aggregate principal amount of $500,000 and thereafter in $100,000 multiples and in an aggregate principal amount such that after giving effect thereto such Borrowing shall have a principal amount outstanding of at least $500,000 and (B) any Borrowing comprised of

Eurodollar Rate Advances shall be made in an initial minimum aggregate principal amount of $1,000,000 and thereafter in $500,000 multiples and in an aggregate principal amount such that after giving effect thereto such Borrowing shall have a principal amount outstanding of at least $1,000,000. Full prepayments of any Borrowing are permitted without restriction of amounts. Each prepayment under this Section 2.04(a) shall be allocated between the Advances as determined by the Borrower.

(b) *Mandatory.*

(i) *Borrowing Base Deficiency.* If the aggregate outstanding amount of Revolver B Advances *plus* the Letter of Credit Exposure ever exceeds the Borrowing Base, the Borrower shall, after receipt of written notice from the Administrative Agent, prepay Revolver B Advances or, if the Revolver B Advances have been repaid in full, make deposits into the Cash Collateral Account to provide cash collateral for the Letter of Credit Exposure, such that the Borrowing Base deficiency is cured within 10 days after the date such notice is received.

(ii) *Reduction of Commitments.* On the date of each reduction of the aggregate Revolver A Commitments pursuant to Section 2.03, the Borrower agrees to make a prepayment in respect of the outstanding amount of the Revolver A Advances to the extent, if any, that the aggregate unpaid principal amount of all Revolver A Advances exceeds the Revolver A Commitments. On the date of each reduction of the aggregate Revolver B Commitments pursuant to Section 2.03, the Borrower agrees to make a prepayment in respect of the outstanding amount of the Revolver B Advances to the extent, if any, that the aggregate unpaid principal amount of all Revolver B Advances *plus* the Letter of Credit Exposure exceeds the lesser of (i) the Revolver B Commitments and (ii) the Borrowing Base.

(iii) *Clean−Up of Revolver B Advances.* During each calendar year there shall be a period of at least fifteen consecutive days during which no Revolver B Advances shall be made or shall be outstanding.

(iv) *Accrued Interest.* Each prepayment under this Section 2.04(b) shall be accompanied by accrued interest on the amount prepaid to the date of such prepayment and amounts, if any, required to be paid pursuant to Section 2.10 as a result of such prepayment.

(c) *Illegality.* If any Bank shall notify the Administrative Agent and the Borrower that the introduction of or any change in or in the interpretation of any law or regulation makes it unlawful, or that any central bank or other Governmental Person asserts that it is unlawful for such Bank or its Eurodollar Lending Office to perform its obligations under this Agreement to maintain any Eurodollar Rate Advances of such Bank then outstanding hereunder, (i) the Borrower shall, no later than 11:00 a.m. (Los Angeles, California, time) (A) if not prohibited by law, on the last day of the Interest Period for each outstanding Eurodollar Rate Advance made by such Bank or (B) if required by such notice, on the second Business Day following its receipt of such notice prepay all of the Eurodollar Rate Advances made by such Bank then outstanding, together with accrued interest on the principal amount prepaid to the date of such prepayment and amounts, if any, required to be paid pursuant to Section 2.10 as a result of such prepayment being made on such date, (ii) such Bank shall simultaneously make a Reference Rate Advance to the Borrower on such date in an amount equal to the aggregate principal amount of the Eurodollar Rate Advances prepaid to such Bank, and (iii) the right of the Borrower to select Eurodollar Rate Advances from such Bank for any subsequent Borrowing shall be suspended until such Bank shall notify the Administrative Agent that the circumstances causing such suspension no longer exist; provided, that such Bank agrees to use reasonable efforts to designate a different Applicable Lending Office if the making of such designation would avoid such payment, and would not, in its reasonable judgment, be otherwise disadvantageous to such Bank.

(d) *No Additional Right; Ratable Prepayment.* The Borrower shall have no right to prepay any principal amount of any Advance except as provided in this Section 2.04, and all notices given pursuant

to this Section 2.04 shall be irrevocable and binding upon the Borrower. Each payment of any Advance pursuant to this Section 2.04 shall be made in a manner such that all Advances comprising part of the same Borrowing are paid in whole or ratably in part.

Section 2.05. *Repayment of Advances.*

(a) *Revolver A Advances.* The Borrower shall repay the outstanding principal amount of the Revolver A Advances outstanding on the Revolver A Termination Date in (i) equal quarterly installments each in an amount equal to $^{1}/_{20}{}^{th}$ of the outstanding principal amount of the Revolver A Advances outstanding on the Revolver A Termination Date on the last day of each April, July, October and January beginning on the first such day occurring after the Revolver A Termination Date and continuing thereafter until the last day of April, July, October and January preceding the Final Maturity Date and (ii) one final payment of the remaining outstanding principal balance on the Final Maturity Date.

(b) *Revolver B Advances.* The Borrower shall repay the outstanding principal amount of the Revolver B Advances on the Revolver B Termination Date.

Section 2.06. *Fees.*

(a) *Commitment Fees.*

(i) The Borrower agrees to pay to the Administrative Agent for the account of each Bank a commitment fee on the daily amount by which such Bank's Revolver A Commitment exceeds such Bank's outstanding Revolver A Advances, at the Applicable Margin for commitment fees from the date of this Agreement until the Revolver A Termination Date. The commitment fees shall be due and payable quarterly in arrears on the last day of each March, June, September and December prior to the Revolver A Termination Date and on the Revolver A Termination Date.

(ii) The Borrower agrees to pay to the Administrative Agent for the account of each Bank a commitment fee on the daily amount by which such Bank's Revolver B Commitment exceeds the sum of (A) such Bank's outstanding Revolver B Advances and (B) such Bank's Revolver B Share of the Letter of Credit Exposure, at the Applicable Margin for commitment fees from the date of this Agreement until the Revolver B Termination Date. The commitment fees shall be due and payable quarterly in arrears on the last day of each March, June, September and December prior to the Revolver B Termination Date and on the Revolver B Termination Date.

(b) *Agent Fees.* The Borrower agrees to pay to (i) the Administrative Agent for the benefit of the Administrative Agent the fees described in the letter dated November 21, 2002 from the Administrative Agent to the Borrower and (ii) the Administrative Agent for the benefit of the Administrative Agent and the Syndication Agent the fees described in the letter dated November 21, 2002 from the Administrative Agent to the Borrower (the "Fee Letters").

(c) *Letter of Credit Fees.*

(i) With respect to each Financial Letter of Credit issued hereunder, the Borrower agrees to pay to (A) the Administrative Agent for the pro rata benefit of the Banks a fee per annum equal to the Applicable Margin for letter of credit fees on the aggregate amount available for drawing from time to time under such Financial Letter of Credit and (B) to the Issuing Bank a facing fee for each Letter of Credit of .125% per annum of the face amount of such Letter of Credit. Each such fee shall be payable quarterly in arrears on the last day of each March, June, September and December prior to the Revolving B Termination Date and on the Revolver B Termination Date (or, if later, the date on which all outstanding Letters of Credit have expired).

(ii) With respect to each Performance Letter of Credit issued hereunder, the Borrower agrees to pay to (A) the Administrative Agent for the pro rata benefit of the Banks a one−time letter of credit

fee in an amount equal to the Applicable Margin for letter of credit fees on the initial stated amount of such Performance Letter of Credit (or, with respect to any subsequent increase to the stated amount of any such Performance Letter of Credit, such increase in the stated amount) thereof, such fee to be payable on the date of such issuance, increase or extension and (B) to the Issuing Bank a facing fee for each Letter of Credit of .125% per annum of the face amount of such Letter of Credit, payable in advance, commencing on the date of issuance, increase or extension of such Letter of Credit and quarterly thereafter.

(iii) The Borrower agrees to pay concurrently with each issuance, negotiation, drawing, or amendment of each Letter of Credit, to the Issuing Bank for the sole account of the Issuing Bank, issuance, negotiation, drawing and amendment fees in the amounts set forth from time to time as the Issuing Bank's published scheduled fees for such services.

(d) *Commitment Increase Fees.* The Borrower agrees to pay to the Administrative Agent for the benefit of each Bank increasing its Commitment(s) after the Effective Date a fee equal to .50% of the amount of such increase on the date such increase is effective.

Section 2.07. *Interest.* The Borrower shall pay interest on the unpaid principal amount of each Advance made by each Bank from the date of such Advance until such principal amount shall be paid in full, at the following rates per annum:

(a) *Reference Rate Advances.* If such Advance is a Reference Rate Advance, a rate per annum equal at all times to the Adjusted Reference Rate in effect from time to time *plus* the Applicable Margin in effect from time to time, payable in arrears on the last day of each March, June, September and December and on the date such Reference Rate Advance shall be paid in full, *provided* that upon the occurrence and during the continuance of any Event of Default, such Advance shall bear interest at a rate per annum equal at all times to the Adjusted Reference Rate in effect from time to time *plus* the Applicable Margin *plus* 3.00% per annum, payable on demand.

(b) *Eurodollar Rate Advances.* If such Advance is a Eurodollar Rate Advance, a rate per annum equal at all times during the Interest Period for such Advance to the Eurodollar Rate for such Interest Period *plus* the Applicable Margin in effect from time to time, payable on the last day of such Interest Period, and, in the case of six−month Interest Periods, on the day which occurs during such Interest Period three months from the first day of such Interest Period, *provided* that upon the occurrence and during the continuance of any Event of Default, such Advance shall bear interest at a rate per annum equal at all times to the Adjusted Reference Rate in effect from time to time *plus* the Applicable Margin *plus* 3.00% per annum, payable on demand.

(c) *Additional Interest on Eurodollar Rate Advances.* The Borrower shall pay to each Bank, so long as any such Bank shall be required under regulations of the Federal Reserve Board to maintain reserves with respect to liabilities or assets consisting of or including Eurocurrency Liabilities, additional interest on the unpaid principal amount of each Eurodollar Rate Advance of such Bank, from the effective date of such Advance until such principal amount is paid in full, at an interest rate per annum equal at all times to the remainder obtained by subtracting (i) the Eurodollar Rate for the Interest Period for such Advance from (ii) the rate obtained by dividing such Eurodollar Rate by a percentage equal to 100% minus the Eurodollar Rate Reserve Percentage of such Bank for such Interest Period, payable on each date on which interest is payable on such Advance. Such additional interest payable to any Bank shall be determined by such Bank and notified to the Borrower through the Administrative Agent (such notice to include the calculation of such additional interest, which calculation shall be conclusive in the absence of manifest error).

(d) *Usury Recapture.*

(i) If, with respect to any Bank, the effective rate of interest contracted for under the Credit Documents, including the stated rates of interest and fees contracted for hereunder and any other

amounts contracted for under the Credit Documents which are deemed to be interest, at any time exceeds the Maximum Rate, then the outstanding principal amount of the loans made by such Bank hereunder shall bear interest at a rate which would make the effective rate of interest for such Bank under the Credit Documents equal the Maximum Rate until the difference between the amounts which would have been due at the stated rates and the amounts which were due at the Maximum Rate (the "Lost Interest") has been recaptured by such Bank.

(ii) If, when the loans made hereunder are repaid in full, the Lost Interest has not been fully recaptured by such Bank pursuant to the preceding paragraph, then, to the extent permitted by law, for the loans made hereunder by such Bank the interest rates charged under Section 2.07 hereunder shall be retroactively increased such that the effective rate of interest under the Credit Documents was at the Maximum Rate since the effectiveness of this Agreement to the extent necessary to recapture the Lost Interest not recaptured pursuant to the preceding sentence and, to the extent allowed by law, the Borrower shall pay to such Bank the amount of the Lost Interest remaining to be recaptured by such Bank.

(iii) Notwithstanding the foregoing or any other term in this Agreement and the Credit Documents to the contrary, it is the intention of each Bank and the Borrower to conform strictly to any applicable usury laws. Accordingly, if any Bank contracts for, charges, or receives any consideration which constitutes interest in excess of the Maximum Rate, then any such excess shall be canceled automatically and, if previously paid, shall at such Bank's option be applied to the outstanding amount of the loans made hereunder by such Bank or be refunded to the Borrower.

Section 2.08. *Payments and Computations.*

(a) *Payment Procedures.* The Borrower shall make each payment under this Agreement and under the Notes not later than 11:00 a.m. (Los Angeles, California, time) on the day when due in Dollars to the Administrative Agent at 445 S. Figueroa Street, Los Angeles, California 90071 (or such other location as the Administrative Agent shall designate in writing to the Borrower), in same day funds and shall send notice of such payments to the Administrative Agent at 1980 Saturn Street, Mail Code 4−957−161, Monterey Park, California 91755 (facsimile no. (323) 720−2780). The Administrative Agent shall promptly thereafter cause to be distributed like funds relating to the payment of principal, interest or fees ratably (other than amounts payable solely to the Administrative Agent, the Issuing Bank or a specific Bank pursuant to Section 2.06(b), 2.06(c), 2.10, 2.11, 2.12, 2.13 8.05, 9.04 or 9.07) (i) before the occurrence of a Default or Event of Default, (A) in the case of payments in respect of Revolver A Advances, in accordance with each Bank's Revolver A Share and (B) in the case of payments in respect of Revolver B Advances and Letters of Credit, in accordance with each Bank's Revolver B Share and (ii) after the occurrence of a Default or an Event of Default, in accordance with each Bank's Pro Rata Share to the Banks for the account of their respective Applicable Lending Offices, and like funds relating to the payment of any other amount payable to any Bank or the Issuing Bank to such Bank for the account of its Applicable Lending Office, in each case to be allocated between the Types of Advances and applied in the manner determined by the Administrative Agent in its sole discretion.

(b) *Computations.* All computations of interest based on the Reference Rate and of fees shall be made by the Administrative Agent on the basis of a year of 365 or 366 days, as the case may be, and all computations of interest based on the Eurodollar Rate and the Federal Funds Rate shall be made by the Administrative Agent, on the basis of a year of 360 days, in each case for the actual number of days (including the first day, but excluding the last day) occurring in the period for which such interest or fees are payable. Each determination by the Administrative Agent of an interest rate or fee shall be conclusive and binding for all purposes, absent manifest error.

(c) *Non−Business Day Payments.* Whenever any payment shall be stated to be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such

extension of time shall in such case be included in the computation of payment of interest or fees, as the case may be.

(d) *Administrative Agent Reliance.* Unless the Administrative Agent shall have received written notice from the Borrower prior to the date on which any payment is due to the Banks that the Borrower shall not make such payment in full, the Administrative Agent may assume that the Borrower has made such payment in full to the Administrative Agent on such date and the Administrative Agent may, in reliance upon such assumption, cause to be distributed to each Bank on such date an amount equal to the amount then due such Bank. If and to the extent the Borrower shall not have so made such payment in full to the Administrative Agent, each Bank shall repay to the Administrative Agent forthwith on demand such amount distributed to such bank, together with interest, for each day from the date such amount is distributed to such bank until the date such Bank repays such amount to the Administrative Agent, at the Federal Funds Rate for such day.

Section 2.09. *Sharing of Payments, Etc.* If any Bank shall obtain any payment (whether voluntary, involuntary, through the exercise of any right of set−off, or otherwise) on account of the Advances or Letter of Credit Obligations made by it in excess of its Pro Rata Share, Revolver A Share, or Revolver B Share, as applicable, of payments on account of the Advances or Letter of Credit Obligations obtained by all the Banks, such Bank shall notify the Administrative Agent and forthwith purchase from the other Banks such participations in the Advances made by them or Letter of Credit Obligations held by them as shall be necessary to cause such purchasing Bank to share the excess payment ratably with each of them; *provided, however*, that if all or any portion of such excess payment is thereafter recovered from such purchasing Bank, such purchase from each Bank shall be rescinded and such Bank shall repay to the purchasing Bank the purchase price to the extent of such Bank's ratable share (according to the proportion of (a) the amount of the participation sold by such Bank to the purchasing Bank as a result of such excess payment to (b) the total amount of such excess payment) of such recovery, together with an amount equal to such Bank's ratable share (according to the proportion of (i) the amount of such Bank's required repayment to the purchasing Bank to (ii) the total amount of all such required repayments to the purchasing Bank) of any interest or other amount paid or payable by the purchasing Bank in respect of the total amount so recovered. The Borrower agrees that any Bank so purchasing a participation from another Bank pursuant to this Section 2.09 may, to the fullest extent permitted by law, exercise all its rights of payment (including the right of set−off) with respect to such participation as fully as if such Bank were the direct creditor of the Borrower in the amount of such participation.

Section 2.10. *Breakage Costs.* If (a) any payment of principal of any Eurodollar Rate Advance is made other than on the last day of the Interest Period for such Advance, whether as a result of any payment pursuant to Section 2.04, the acceleration of the maturity of the Notes pursuant to Article VII, or for any other reason or (b) the Borrower fails to make a principal or interest payment with respect to any Eurodollar Rate Advance on the date such payment is due and payable, the Borrower shall, within 10 days of any written demand sent by any Bank to the Borrower through the Administrative Agent (which demand shall provide a statement explaining the amount and setting forth the computation of any such loss or expense), pay to the Administrative Agent for the account of such Bank any amounts required to compensate such Bank for any additional losses, out−of−pocket costs or expenses which it may reasonably incur as a result of such payment or nonpayment, including, without limitation, any loss (including loss of anticipated profits), cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by any Bank to fund or maintain such Advance.

Section 2.11. *Increased Costs.*

(a) *Eurodollar Rate Advances.* If, due to either (i) the introduction of or any change (other than any change by way of imposition or increase of reserve requirements included in the Eurodollar Rate

Reserve Percentage) in or in the interpretation of any law or regulation occurring on or after the date of this Agreement or (ii) the compliance with any guideline or request from any central bank or other Governmental Person (whether or not having the force of law), there shall be any increase occurring on or after the date of this Agreement in the cost to any Bank of agreeing to make or making, funding or maintaining Eurodollar Rate Advances, then the Borrower shall from time−to−time, upon demand by such Bank (with a copy of such demand to the Administrative Agent), immediately pay to the Administrative Agent for the account of such Bank additional amounts sufficient to compensate such Bank for such increased cost; *provided*, that, before making any such demand, such Bank agrees to promptly notify the Borrower and to use reasonable efforts (consistent with its internal policy and legal and regulatory restrictions) to designate a different Applicable Lending Office if the making of such a designation would avoid the need for, or reduce the amount of, such increased cost and would not, in its reasonable judgment, be otherwise disadvantageous. A certificate as to the amount of such increased cost and detailing the calculation of such cost submitted to the Borrower and the Administrative Agent by such Bank shall be conclusive and binding for all purposes, absent manifest error.

(b) *Capital Adequacy*. If any Bank or the Issuing Bank reasonably determines that its required compliance with any law or regulation or any guideline or request from any central bank or other Governmental Person (whether or not having the force of law) affects or would affect the amount of capital required or expected to be maintained by such Bank or the Issuing Bank or any corporation controlling such Bank or the Issuing Bank and that the amount of the capital is increased by or based upon the existence of such Bank's commitment to lend or the Issuing Bank's commitment to issue the Letters of Credit and other commitments of this type, then, upon 30 days' prior written notice by such Bank or the Issuing Bank (with a copy of any such demand to the Administrative Agent), the Borrower shall immediately pay to the Administrative Agent for the account of such Bank or the Issuing Bank, as the case may be, from time−to−time as specified by such Bank or the Issuing Bank, additional amounts sufficient to compensate such Bank or the Issuing Bank, in light of the circumstances, to the extent that such Bank or the Issuing Bank, as the case may be, reasonably determines the increase in capital to be allocable to the existence of such Bank's commitment to lend or the Issuing Bank's commitment to issue the Letters of Credit under this Agreement. A certificate as to the amounts showing in reasonable detail the calculation of the amounts submitted to the Borrower by such Bank or the Issuing Bank shall be presumptively correct, absent manifest error.

(c) *Letters of Credit.* If any change in any law or regulation or in the interpretation thereof by any court or administrative or Governmental Person charged with the administration thereof shall either (i) impose, modify, or deem applicable any reserve, special deposit, or similar requirement against letters of credit issued by, or assets held by, or deposits in or for the account of, the Issuing Bank or (ii) impose on the Issuing Bank any other condition regarding the provisions of this Agreement relating to the Letters of Credit or any Letter of Credit Obligations, and the result of any event referred to in the preceding clause (i) or (ii) shall be to increase the cost to the Issuing Bank of issuing or maintaining any Letter of Credit (which increase in cost shall be determined by the Issuing Bank's reasonable allocation of the aggregate of such cost increases resulting from such event), then, upon demand by the Issuing Bank, the Borrower shall pay to the Administrative Agent for the account of the Issuing Bank, from time to time as specified by the Issuing Bank, additional amounts which shall be sufficient to compensate the Issuing Bank for such increased cost. A certificate as to such increased cost incurred by the Issuing Bank, as a result of any event mentioned in clause (i) or (ii) above, and detailing the calculation of such increased costs submitted by the Issuing Bank to the Borrower, shall be conclusive and binding for all purposes, absent manifest error.

Section 2.12. *Taxes.*

(a) *No Deduction for Certain Taxes.* Any and all payments by the Borrower shall be made, in accordance with Section 2.08, free and clear of and without deduction for any and all present or future taxes, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto,

excluding, in the case of each Bank, the Issuing Bank and the Administrative Agent, taxes imposed on its income, and franchise taxes imposed on it, by the jurisdiction under the laws of which such Bank, the Issuing Bank or the Administrative Agent (as the case may be) is organized or any political subdivision of the jurisdiction (all such income and franchise taxes collectively referred to as "*Excluded Taxes*", and all such taxes, levies, imposts, deductions, charges, withholdings and liabilities, other than the Excluded Taxes being hereinafter referred to as "*Taxes*"). If the Borrower shall be required by law to deduct any Taxes from or in respect of any sum payable to any Bank, the Issuing Bank or the Administrative Agent, (i) the sum payable shall be increased as may be necessary so that, after making all required deductions (including deductions applicable to additional sums payable under this Section 2.12), such Bank, the Issuing Bank or the Administrative Agent (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made; (ii) the Borrower shall make such deductions; and (iii) the Borrower shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law. In addition, the Borrower agrees to pay any present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies which arise from any payment made or from the execution, delivery or registration of, or otherwise with respect to, this Agreement, the Notes, or the other Credit Documents (hereinafter referred to as "*Other Taxes*").

(b) *Indemnification.* **THE BORROWER HEREBY INDEMNIFIES EACH BANK, THE ISSUING BANK AND THE ADMINISTRATIVE AGENT FOR THE FULL AMOUNT OF TAXES OR OTHER TAXES (INCLUDING, WITHOUT LIMITATION, ANY TAXES OR OTHER TAXES IMPOSED BY ANY JURISDICTION ON AMOUNTS PAYABLE UNDER THIS SECTION 2.12) PAID BY SUCH BANK, THE ISSUING BANK OR THE ADMINISTRATIVE AGENT, AS THE CASE MAY BE, AND ANY LIABILITY ARISING THEREFROM OR WITH RESPECT THERETO. EACH PAYMENT REQUIRED TO BE MADE BY THE BORROWER IN RESPECT OF THIS INDEMNIFICATION SHALL BE MADE TO THE ADMINISTRATIVE AGENT FOR THE BENEFIT OF ANY PARTY CLAIMING SUCH INDEMNIFICATION WITHIN 30 DAYS FROM THE DATE THE BORROWER RECEIVES WRITTEN DEMAND THEREFOR FROM THE ADMINISTRATIVE AGENT ON BEHALF OF ITSELF AS ADMINISTRATIVE AGENT, THE ISSUING BANK OR ANY SUCH BANK.**

(c) *Evidence of Tax Payments.* Within 30 days after the date of any payment of Taxes or Other Taxes, the Borrower will furnish to the Administrative Agent upon request thereby, at its address referred to in Section 9.02, the original or a certified copy of a receipt evidencing payment thereof. If no Taxes or Other Taxes are payable in respect of any payment hereunder, the Borrower will furnish to the Administrative Agent, at such address, a certificate from each appropriate taxing authority, or an opinion of counsel acceptable to the Administrative Agent, in either case stating that such payment is exempt from or not subject to Taxes; *provided, however*, that such certificate or opinion need only be given if (i) the Borrower makes any payment from an account located outside the United States or (ii) the payment is made by a payor that is not a United States Person. For purposes of this Section 2.12 the terms "United States" and "United States Person" shall have the respective meanings set forth in Section 7701 of the Code.

(d) *Survival.* Without prejudice to the survival of any other agreement of the Borrower hereunder, the agreements and obligations of the Borrower contained in this Section 2.12 shall survive the payment in full of principal and interest hereunder.

(e) *Foreign Bank Withholding Exemption.* Each Bank and Issuing Bank that is not incorporated under the laws of the United States of America or a state thereof agrees that it shall deliver to the Borrower and the Administrative Agent on the date of this Agreement or upon, and as a condition to, the effectiveness of any Assignment and Acceptance (i) two duly completed copies of United States Internal Revenue Service Form W−8BEN or W−8ECI or successor applicable form, as the case may be, certifying in each case that such Bank is entitled to receive payments under this Agreement and the Notes payable to it, without deduction or withholding of any United States federal income taxes, (ii) if applicable, an Internal Revenue Service Form W−8 or W−9 or successor applicable form, as the case

may be, to establish an exemption from United States backup withholding tax, and (iii) any other governmental forms which are necessary or required under an applicable tax treaty or otherwise by law to reduce or eliminate any withholding tax, which have been reasonably requested by the Borrower. Each Bank which delivers to the Borrower and the Administrative Agent a Form W−8BEN or W−8ECI and Form W−8 or W−9 pursuant to the next preceding sentence further undertakes to deliver to the Borrower and the Administrative Agent two further copies of the said letter and Form W−8BEN or W−8ECI and Form W−8 or W−9, or successor applicable forms, or other manner of certification, as the case may be, on or before the date that any such letter or form expires or becomes obsolete or after the occurrence of any event requiring a change in the most recent letter and form previously delivered by it to the Borrower and the Administrative Agent, and such extensions or renewals thereof as may reasonably be requested by the Borrower and the Administrative Agent certifying in the case of a Form W−8BEN or W−8ECI that such Bank is entitled to receive payments under this Agreement without deduction or withholding of any United States federal income taxes. If an event (including without limitation any change in treaty, law or regulation) has occurred prior to the date on which any delivery required by the preceding sentence would otherwise be required which renders all such forms inapplicable or which would prevent any Bank from duly completing and delivering any such letter or form with respect to it and such Bank advises the Borrower and the Administrative Agent that it is not capable of receiving payments without any deduction or withholding of United States federal income tax, and in the case of a Form W−8 or W−9, establishing an exemption from United States backup withholding tax, such Bank shall not be required to deliver such letter or forms. The Borrower shall withhold tax at the rate and in the manner required by the laws of the United States with respect to payments made to a Bank failing to timely provide the requisite Internal Revenue Service forms.

(f) *Change of Applicable Lending Office.* Any Bank claiming any additional amount payable pursuant to this Section 2.12 shall use its reasonable best efforts (consistent with its internal policy and applicable Governmental Rules) to change the jurisdiction of its lending office if such a change would avoid the need for, or reduce the amount of, any such additional amount that may thereafter accrue and would not, in the reasonable judgment of such Bank, be materially disadvantageous to such Bank.

(g) *Repayment under Certain Circumstances.* Each Bank (and the Administrative Agent with respect to payments to the Administrative Agent for its own account) will (i) take all reasonable actions by all usual means to maintain an exemption, if any, available to it from United States tax withholding (whether available by treaty, by existing administrative waiver or by virtue of the location of such Bank's lending office) and (ii) otherwise cooperate with the Borrower to minimize amounts payable by the Borrower under this Section 2.12; *provided, however*, that neither any Bank nor the Administrative Agent shall be obligated by reason of this Section 2.12(g) to contest the payment of any Taxes or Other Taxes, to disclose any information regarding its tax affairs or tax computations or to reorder its tax or other affairs. Subject to the foregoing, to the extent that the Borrower pays any amount pursuant to this Section 2.12 and such Bank or the Administrative Agent receives a refund of any or all of such amount, such refund shall be applied to reduce any amounts then due and owing under this Agreement or, to the extent that no amounts are then due and owing under this Agreement, paid over to the Borrower.

(h) *Exclusions.* Notwithstanding anything contained herein to the contrary, the Borrower shall not be required to make any payment to any Bank under this Section 2.12 with respect to any Taxes or Other Taxes that (i) are attributable to such Bank's failure to comply with the requirements of this Section 2.12, (ii) are United States taxes imposed on amounts payable to such Bank at the time the Bank became a party to this Agreement or (iii) are United States taxes imposed as a result of an event occurring after the date on which such Bank became a Bank, other than a change in any applicable Governmental Rule.

Section 2.13. *Letters of Credit.*

(a) *Commitment.* The parties hereto acknowledge that on and after the Effective Date the Existing Letters of Credit shall be Letters of Credit issued by the Issuing Bank pursuant to this Agreement. From time to time from the Effective Date until the Revolver B Termination Date, at the request of the Borrower, the Issuing Bank shall, on the terms and conditions hereinafter set forth, issue, increase, or extend the expiration date of Letters of Credit for the account of the Borrower or any Guarantor on any Business Day; *provided however*, that for any Letter of Credit issued for the account of any Guarantor, the Borrower will be joint and severally liable for the reimbursement obligations of such Guarantor under such Letter of Credit as provided in subsection (h) below. No Letter of Credit shall be issued, increased, or extended:

(i) unless such issuance, increase, or extension would not cause the Letter of Credit Exposure to exceed the lesser of (A) $25,000,000.00 or (B) the lesser of (1) the Revolver B Commitment less the aggregate outstanding principal amount of all Revolver B Advances and (2) the Borrowing Base less the aggregate outstanding principal amount of all Revolver B Advances;

(ii) unless such Letter of Credit has an Expiration Date not later than the earlier of (A) 24 months after the date of issuance thereof (or, if extendable beyond such period, unless such Letter of Credit is cancelable upon at least 30 days' notice given by the Issuing Bank to the beneficiary of such Letter of Credit) and (B) 5 days prior to the Revolver B Termination Date;

(iii) unless such Letter of Credit Documents are in form and substance acceptable to the Issuing Bank in its sole discretion;

(iv) unless such Letter of Credit is either a Performance Letter of Credit or a Financial Letter of Credit not supporting the repayment of indebtedness for borrowed money of any Person; and

(v) unless the Borrower or such applicable Guarantor has delivered to the Issuing Bank a completed and executed Letter of Credit Application.

(b) *Participations.* On the Effective Date with respect to the Existing Letters of Credit and upon the date of the issuance or increase of a Letter of Credit, the Issuing Bank shall be deemed to have sold to each other Bank and each other Bank shall have been deemed to have purchased from the Issuing Bank a participation in the related Letter of Credit Obligations equal to such Bank's Revolver B Share at such date and such sale and purchase shall otherwise be in accordance with the terms of this Agreement. The Issuing Bank shall promptly notify each such participant Bank by telex, telephone, or telecopy of each Letter of Credit issued, increased, or extended or converted and the actual dollar amount of such Bank's participation in such Letter of Credit.

(c) *Issuing.* Each Letter of Credit shall be issued, increased, or extended pursuant to a Letter of Credit Application (or by telephone notice promptly confirmed in writing by a Letter of Credit Application), given not later than 11:00 a.m. (Los Angeles, California, time) on the fifth Business Day before the date of the proposed issuance, increase, or extension of the Letter of Credit, and the Administrative Agent shall give to each Bank prompt notice of thereof by telex, telephone or telecopy. Each Letter of Credit Application shall be given by telecopier or telex, confirmed immediately in writing, specifying the information required therein. After the Issuing Bank's receipt of such Letter of Credit Application and upon fulfillment of the applicable conditions set forth in Article III, the Issuing Bank shall issue, increase, or extend such Letter of Credit for the account of the Borrower or a Guarantor. Each Letter of Credit Application shall be irrevocable and binding on the Borrower or such applicable Guarantor.

(d) *Reimbursement.* The Borrower or such applicable Guarantor hereby agrees to pay on demand to the Issuing Bank an amount equal to any amount paid by the Issuing Bank under any Letter of Credit. In the event the Issuing Bank makes a payment pursuant to a request for draw presented under

a Letter of Credit and such payment is not promptly reimbursed by the Borrower or such Guarantor upon demand, the Issuing Bank shall give the Administrative Agent notice of the Borrower's failure to make such reimbursement and the Administrative Agent shall promptly notify each Bank of the amount necessary to reimburse the Issuing Bank. Upon such notice from the Administrative Agent, each Bank shall promptly reimburse the Issuing Bank for such Bank's Revolver B Share of such amount and such reimbursement shall be deemed for all purposes of this Agreement to be a Revolver B Advance to the Borrower transferred at the Borrower's request to the Issuing Bank. If such reimbursement is not made by any Bank to the Issuing Bank on the same day on which the Administrative Agent notifies such Bank to make reimbursement to the Issuing Bank hereunder, such Bank shall pay interest on its Revolver B Share thereof to the Issuing Bank at a rate per annum equal to the Federal Funds Rate. The Borrower hereby unconditionally and irrevocably authorizes, empowers, and directs the Administrative Agent and the Banks to record and otherwise treat such reimbursements to the Issuing Bank as Reference Rate Advances under a Revolver B Borrowing requested by the Borrower to reimburse the Issuing Bank which have been transferred to the Issuing Bank at the Borrower's request.

(e) *Obligations Unconditional.* The obligations of the Borrower and the Guarantors under this Agreement in respect of each Letter of Credit shall be unconditional and irrevocable, and shall be paid strictly in accordance with the terms of this Agreement under all circumstances, including, without limitation, the following circumstances:

(i) any lack of validity or enforceability of any Letter of Credit Documents;

(ii) any amendment or waiver of, or any consent to, departure from any Letter of Credit Documents;

(iii) the existence of any claim, set−off, defense, or other right which the Borrower may have at any time against any beneficiary or transferee of such Letter of Credit (or any Persons for whom any such beneficiary or any such transferee may be acting), the Issuing Bank, or any other person or entity, whether in connection with this Agreement, the transactions contemplated in this Agreement or in any Letter of Credit Documents, or any unrelated transaction;

(iv) any statement or any other document presented under such Letter of Credit proving to be forged, fraudulent, invalid, or insufficient in any respect or any statement therein being untrue or inaccurate in any respect to the extent the Issuing Bank would not be liable therefor pursuant to the following paragraph (f); or

(v) payment by the Issuing Bank under such Letter of Credit against presentation of a draft or certificate which does not comply with the terms of such Letter of Credit;

provided, however, that nothing contained in this paragraph (e) shall be deemed to constitute a waiver of any remedies of the Borrower in connection with the Letters of Credit or the Borrower's rights under Section 2.13(f) below.

(f) *Liability of Issuing Bank.* The Borrower and the Guarantors assume all risks of the acts or omissions of any beneficiary or transferee of any Letter of Credit with respect to its use of such Letter of Credit. Neither the Issuing Bank nor any of its officers or directors shall be liable or responsible for:

(i) the use which may be made of any Letter of Credit or any acts or omissions of any beneficiary or transferee in connection therewith;

(ii) the validity, sufficiency, or genuineness of documents, or of any endorsement thereon, even if such documents should prove to be in any or all respects invalid, insufficient, fraudulent, or forged;

(iii) payment by the Issuing Bank against presentation of documents which do not comply with the terms of a Letter of Credit, including failure of any documents to bear any reference or adequate reference to the relevant Letter of Credit; or

(iv) any other circumstances whatsoever in making or failing to make payment under any Letter of Credit **(INCLUDING THE ISSUING BANK'S OWN NEGLIGENCE)**,

except that the Borrower and the Guarantors shall have a claim against the Issuing Bank, and the Issuing Bank shall be liable to the Borrower and the Guarantors, to the extent of any direct, as opposed to consequential, damages suffered by the Borrower or any Guarantor which the Borrower or such Guarantor proves were caused by (A) the Issuing Bank's willful misconduct or gross negligence in determining whether documents presented under a Letter of Credit comply with the terms of such Letter of Credit or (B) the Issuing Bank's willful failure to make lawful payment under any Letter of Credit after the presentation to it of a draft and certificate strictly complying with the terms and conditions of such Letter of Credit. In furtherance and not in limitation of the foregoing, the Issuing Bank may accept documents that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary.

(g) *Cash Collateral Account.*

(i) If the Borrower is required to deposit funds in the Cash Collateral Account pursuant to Sections 2.04(b), 7.02(b), or 7.03(b), then the Borrower and the Administrative Agent shall establish the Cash Collateral Account and the Borrower shall execute any documents and agreements, including the Administrative Agent's standard form assignment of deposit accounts, that the Administrative Agent reasonably requests in connection therewith to establish the Cash Collateral Account and grant the Administrative Agent a first priority security interest in such account and the funds therein. The Borrower hereby pledges to the Administrative Agent and grants the Administrative Agent a security interest in the Cash Collateral Account, whenever established, all funds held in the Cash Collateral Account from time to time, and all proceeds thereof as security for the payment of the Obligations.

(ii) So long as no Event of Default Exists, (A) the Administrative Agent may apply the funds held in the Cash Collateral Account only to the reimbursement of any Letter of Credit Obligations, and (B) the Administrative Agent shall release to the Borrower at the Borrower's written request any funds held in the Cash Collateral Account in an amount up to but not exceeding the excess, if any (immediately prior to the release of any such funds), of the total amount of funds held in the Cash Collateral Account over the Letter of Credit Exposure. During the existence of any Event of Default, the Administrative Agent may apply any funds held in the Cash Collateral Account to the Obligations in any order determined by the Administrative Agent, regardless of any Letter of Credit Exposure which may remain outstanding. The Administrative Agent may in its sole discretion at any time release to the Borrower any funds held in the Cash Collateral Account.

(iii) The Administrative Agent shall exercise reasonable care in the custody and preservation of any funds held in the Cash Collateral Account and shall be deemed to have exercised such care if such funds are accorded treatment substantially equivalent to that which the Administrative Agent accords its own property, it being understood that the Administrative Agent shall not have any responsibility for taking any necessary steps to preserve rights against any parties with respect to any such funds.

(h) *Joint and Severally Liability of the Borrower*. The Borrower hereby jointly and severally irrevocably and unconditionally accepts, not merely as a surety but also as a co−debtor, joint and several liability with each other Guarantor, with respect to the payment and performance of all of the obligations arising under this Section 2.13 and the Letters of Credit, it being the intention of the parties hereto that all of the obligations of each Guarantor shall be the joint and several obligations of such Guarantor and the Borrower without preference or distinction between them. If and to the extent that any of the Guarantors shall fail to make any payment with respect to any of the obligations

hereunder as and when due or to perform any of such obligations in accordance with the terms thereof, then in each such event the Borrower will make such payment with respect to, or perform, such obligation. The obligations of the Borrower under the provisions of this Section 2.13(h) constitute full recourse obligations of the Borrower enforceable against it to the full extent of its Property, irrespective of the validity, regularity or enforceability of this Agreement or any other circumstance whatsoever. The Borrower hereby waives notice of acceptance of its joint and several liability, notice of any and all Letters of Credit issued under this Agreement, notice of any demand for any payment under this Agreement, notice of any action at any time taken or omitted by the Administrative Agent or the Issuing Bank under or in respect of any of the obligations hereunder, and generally, all demands, notices and other formalities of every kind in connection with this Agreement; *provided however*, that the Issuing Bank agrees to promptly notify the Borrower of any demands for payment under any Letter of Credit issued pursuant to this Agreement received by the Issuing Bank, provided that the failure to give such notice shall not affect the validity or enforceability of the Borrower's obligations under this Section 2.13(h). It is the intention of the Borrower that, so long as any of the obligations hereunder remain unsatisfied, the obligations of the Borrower under this Section 2.13(h) shall not be discharged except by performance and then only to the extent of such performance. If at any time, any payment, or any part thereof, made in respect of any of the obligations, is rescinded or must otherwise be restored or returned by the Administrative Agent or the Issuing Bank upon the insolvency, bankruptcy or reorganization of any of the Guarantors, or otherwise, the provisions of this Section 2.13(h) will forthwith be reinstated in effect, as though such payment had not been made.

(i) *LC Application.* Notwithstanding the foregoing, in the event that any of the terms or provisions of any Letter of Credit Application conflict with any terms or provisions of this Agreement, the terms or provisions of this Agreement shall govern and control for all purposes.

Section 2.14. *Replacement of Banks under Certain Circumstances.* If at any time (a) the Borrower becomes obligated to pay any additional amount to a Bank as described in Section 2.11 or 2.12 or any Bank ceases to make Eurodollar Rate Advances pursuant to Section 2.02(c), (b) any Bank becomes insolvent and its assets become subject to a receiver, liquidator, trustee, custodian or other Person having similar powers, (c) any Bank becomes a "*Non−Consenting Lender*" (as defined below in this Section 2.14) or (d) any Bank becomes a "*Non−Funding Lender*" (as defined below in this Section 2.14), then the Borrower may replace such Bank by causing such Bank to (and such Bank shall be obligated to) assign pursuant to Section 9.06 all of its rights and obligations under this Agreement to a Bank or other Person selected by the Borrower and reasonably acceptable to the Administrative Agent, for a purchase price equal to the outstanding principal amount of such Bank's Advances and all accrued interest and fees and other amounts payable hereunder. In the event that (i) the Borrower or the Administrative Agent requests that the Banks consent to a waiver of any provision of the Credit Documents or agree to any amendment thereto, (ii) such consent or amendment requires the agreement of all of the Banks in accordance with the terms of Section 9.01 and (iii) at least the Majority Banks have agreed to such consent or amendment, then any Bank that does not agree to such consent or amendment shall be a "*Non−Consenting Lender*". In the event that any Bank fails to make an Advance required to be made by it hereunder or gives notice to the Administrative Agent that it will not make, or that it has disaffirmed or repudiated any obligation to make, an Advance required to be made by it hereunder, such Bank shall be a "*Non−Funding Lender*". The Borrower's right to replace a Non−Funding Lender pursuant to this Section 2.14 is in addition to, and not in lieu of, all other rights and remedies available to the Borrower against such Non−Funding Lender under this Agreement or otherwise.

ARTICLE III
CONDITIONS OF LENDING

Section 3.01. *Conditions Precedent to Initial Advances.* The obligation of each Bank to make its initial Advance and of the Issuing Bank to issue the initial Letter of Credit is subject to the conditions precedent that:

(a) *Documentation.* On or before the day on which the initial Borrowing is made or the initial Letters of Credit are issued, the Administrative Agent shall have received the following duly executed by all the parties thereto, in form and substance satisfactory to the Administrative Agent and the Banks, and where applicable, in sufficient copies for each Bank:

(i) this Agreement and all its attached Exhibits and Schedules;

(ii) a Revolver A Note and a Revolver B Note payable to the order of each Bank in the amount of its Revolver A Commitment and its Revolver B Commitment, respectively;

(iii) the Security Agreements, the Pledge Agreement and all their attached Exhibits and Schedules;

(iv) amendments to each of the existing Mortgages in form and substance satisfactory to the Administrative Agent;

(v) the Guaranties;

(vi) appropriate UCC−1 or UCC−3 Financing Statements covering the Collateral for filing with the appropriate authorities;

(vii) a Notice of Borrowing with respect to the initial Borrowing, if any;

(viii) a certificate dated as of the Effective Date from a Responsible Officer stating that (A) all representations and warranties of the Borrower set forth in this Agreement and each of the other Credit Documents to which it is a party are true and correct in all material respects; (B) no Default has occurred and is continuing; and (C) the conditions in this Section 3.01 have been met;

(ix) certificate(s) of insurance naming the Administrative 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 Administrative Agent;

(x) a certificate of the secretary or assistant secretary of the General Partner certifying as of the Effective Date (A) the existence of the Borrower and the General Partner, (B) the Borrower Partnership Agreement, (C) the General Partner's organizational documents, (D) the resolutions of the General Partner approving this Agreement, the Notes, and the other Credit Documents and the related transactions, and (E) all documents evidencing other necessary corporate, partnership or limited liability company action and governmental approvals, if any, with respect to this Agreement, the Notes, and the other Credit Documents executed and delivered on or before the Effective Date;

(xi) a certificate of a Secretary or an Assistant Secretary of the General Partner of the Borrower certifying the names and true signatures of the officers of the General Partner authorized to sign this Agreement, the Notes, the Notice of Borrowing and the other Credit Documents on behalf of the Borrower;

(xii) certificates of the secretary or assistant secretary of each of the Guarantors certifying as of the Effective Date (A) the organizational documents of such Guarantor, (B) the resolutions of the governing body of such Guarantor approving this Agreement, the Guaranty, and the other Credit Documents to which such Guarantor is a party and the related transactions, and (C) all other documents evidencing other necessary corporate, partnership or limited liability company action and governmental approvals, if any, with respect to this Agreement, the Guaranty, and the other Credit Documents to which such Guarantor is a party executed and delivered on or before the Effective Date;

(xiii) certificates of a Secretary or an Assistant Secretary of each Guarantor certifying the names and true signatures of the officers of such Guarantor authorized to sign this Agreement, the Guaranty and the other Credit Documents to which such Guarantors is a party on behalf of such Guarantor;

(xiv) certificates of good standing, existence and authority for the Borrower, the General Partner and each of the Guarantors from each of the states in which the Borrower, the General Partner and each of the Guarantors is either organized or does business;

(xv) results of lien, tax and judgment searches of the UCC Records of the Secretary of State and applicable counties of the States of Texas, New Mexico and Oklahoma from a source acceptable to the Administrative Agent and reflecting no Liens against any of the Collateral as to which perfection of a Lien is accomplished by the filing of a financing statement other than in favor of the Administrative Agent and Permitted Liens;

(xvi) a favorable opinion of Thompson & Knight L.L.P., outside Texas counsel to the Borrower and the Guarantors;

(xvii) certified copies of each of the Reorganization Documents, each certified as of the Effective Date by a Responsible Officer (A) as being true and correct copies of such documents as of the Effective Date, (B) that to the knowledge of such Responsible Officer as having been duly authorized by the partners of the general Predecessor Borrower, and (C) as having been duly executed and delivered by the partners of the Predecessor Borrower; and

(xviii) such other documents, governmental certificates, agreements and lien searches as the Administrative Agent may reasonably request.

(b) *No Material Adverse Effect.* 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.

(c) *No Default.* No Default shall have occurred and be continuing or would result from the making of the initial Borrowing or application of the proceeds therefrom.

(d) *Representations and Warranties.* The representations and warranties of the Borrower and the Guarantors contained in Article IV hereof and in each of the other Credit Documents executed and delivered on or before the Effective Date shall be true and correct in all material respects on and as of the Effective Date both before and after giving effect to the initial Borrowing and to the application of the proceeds from the initial Borrowing, as though made on and as of such date.

(e) *No Material Litigation.* 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.

(f) *Payment of Fees and Expenses.* The Borrower shall have paid the fees required by Section 2.06 and all costs and expenses which have been invoiced and are payable pursuant to Section 9.04.

(g) *Title.* 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 Borrower's and its Subsidiaries' Properties.

(h) *Bank's Liens.* The Administrative Agent shall have received satisfactory evidence that the Liens granted to it under the Security Documents are Acceptable Security Interests and that all actions or filings necessary to protect, preserve and validly perfect such Liens have been made, taken or obtained, as the case may be, and are in full force and effect.

(i) *Security Interests.* The Administrative Agent shall be satisfied that the Security Documents encumber substantially all of such real property interests held by the Borrower and its Subsidiaries as the Administrative Agent may require.

(j) *Due Diligence.* The Administrative Agent shall be satisfied in its sole discretion with its due diligence analysis and review of the assets, liabilities, Assigned Agreements, business, operations, condition (financial or otherwise) and prospects of the Borrower, the Guarantors, the Partners and their owners.

(k) *Reorganization.* The Reorganization shall have been consummated and all conditions to the Reorganization shall have been satisfied in form and substance satisfactory to the Administrative Agent.

(l) *Initial Public Offering.* Simultaneously with the making of the initial Advances hereunder, the initial public offering of Common Units shall have been completed and the Borrower shall have received (or obtained the right to receive) net proceeds therefrom in an amount not less than $30,000,000.

Section 3.02. *Conditions Precedent to All Borrowings.* The obligation of each Bank to make an Advance on the occasion of each subsequent Borrowing and of the Issuing Bank to issue, increase, or extend any Letter of Credit shall be subject to the further conditions precedent that on the date of such Borrowing or the issuance, increase, or extension of such Letter of Credit the following statements shall be true (and the giving of the applicable Notice of Borrowing or Letter of Credit Application and the acceptance by the Borrower of the proceeds of such Borrowing or the issuance, increase, or extension of such Letter of Credit shall constitute a representation and warranty by the Borrower that on the date of such Borrowing or the issuance, increase, or extension of such Letter of Credit, such statements are true):

(a) the representations and warranties made by the Borrower and the Guarantors contained in Article IV hereof and in each of the other Credit Documents are true and correct in all material respects on and as of the date of such Borrowing, or the date of the issuance, increase, or extension of such Letter of Credit, before and after giving effect to such Borrowing or to the issuance, increase, or extension of such Letter of Credit and to the application of the proceeds from such Borrowing, as though made on and as of such date, other than any such representations or warranties that, by the their terms, refer to a specific date, in which case as of such specific date; and

(b) no Default has occurred and is continuing or would result from such Borrowing, from the application of the proceeds therefrom or from the issuance, increase, or extension of such Letter of Credit.

ARTICLE IV
REPRESENTATIONS AND WARRANTIES

On the Effective Date, the Borrower represents and warrants as follows:

Section 4.01. *Existence and Power.* The Borrower (a) is a limited partnership duly formed, validly existing and in good standing under the laws of Delaware, (b) is duly qualified or licensed as a foreign limited partnership and is in good standing in New Mexico, Oklahoma and each other jurisdiction in which it owns or leases property or in which the conduct of its business requires it to so qualify or be licensed, except to the extent that the failure to so qualify or be licensed could not reasonably be expected to have a Material Adverse Effect, and (c) has all requisite limited partnership power and authority to own or lease and operate its properties and to carry on its business as now conducted and as proposed to be conducted.

Section 4.02. *Authorization.* The execution, delivery and performance by the Borrower of this Agreement, each other Credit Document to which the Borrower is or is to be a party, and the consummation of the transactions contemplated hereby and thereby, are within the Borrower's legal powers, have been duly authorized by all necessary partnership action and do not (a) contravene the Borrower Partnership Agreement, (b) violate any applicable Governmental Rule, the violation of which could reasonably be expected to have a Material Adverse Effect, (c) conflict with or result in the

breach of, or constitute a default under, any loan agreement, indenture, mortgage, deed of trust or lease, or any other contract or instrument binding on or affecting the Borrower or any Subsidiary or any of their respective properties, the conflict, breach or default of which could reasonably be expected to have a Material Adverse Effect, or (d) result in or require the creation or imposition of any Lien upon or with respect to any of the properties of the Borrower or any Subsidiary, other than Liens permitted under this Agreement. Neither the Borrower nor any Subsidiary is in violation of any such Governmental Rule or in breach of any such contract, loan agreement, indenture, mortgage, deed of trust, lease or other instrument, the violation or breach of which could reasonably be expected to have a Material Adverse Effect.

Section 4.03. *Governmental Action, Etc.* No Governmental Action, and no authorization, approval or other action by, or notice to, any third party, is required for (a) the ownership, operation and maintenance of the Borrower's or its Subsidiaries' Properties, except for such Governmental Action, authorizations, approvals, other actions and notices as have been duly obtained, taken, given or made and are in full force and effect and with which the Borrower and its Subsidiaries are in compliance in all material respects, (b) the due execution, delivery or performance by the Borrower of this Agreement or any other Credit Document to which the Borrower is or is to be a party or (c) the consummation of the transactions contemplated hereby or thereby.

Section 4.04. *Binding Effect.* This Agreement has been, and each other Credit Document to which the Borrower is or is to be a party when delivered hereunder will be, duly executed and delivered by the Borrower. Assuming due execution and delivery by the Banks, the Administrative Agent and the Syndication Agent, as applicable, this Agreement is and the other Credit Documents to which the Borrower is or is to be a party when delivered hereunder will be, 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.

Section 4.05. *Financial Statements.* The Consolidated balance sheet of the Borrower and its Subsidiaries as of December 31, 2001 and the related Consolidated statements of operations, changes in partners' capital and cash flow for the fiscal year then ended, certified by KPMG LLP and copies of which have been delivered to the Banks, fairly present the Consolidated financial condition of the Borrower as of such date and the results of the operations of the Borrower for such period, all in accordance with GAAP consistently applied. Since September 30, 2002, no Material Adverse Effect has occurred. Neither the Borrower nor any Subsidiary has any material contingent liability except as disclosed in such balance sheet or the notes thereto. Any projections contained in the aforementioned financial statements (a) are not to be viewed as facts, (b) were prepared in good faith on the basis of the assumptions stated therein, which assumptions are reasonable in the light of conditions existing as of the date of this Agreement, and (c) represent, as of the date of this Agreement, the Borrower's best estimate of the future financial performance of the Borrower and its Subsidiaries, based on facts and circumstances known to the Borrower as of the Effective Date.

Section 4.06. *Other Information.* No information, exhibit or report furnished by the Borrower or any Subsidiary to the Administrative Agent or any Bank in connection with the negotiation of the Credit Documents or pursuant to the terms of any of the Credit Documents contains any material misstatement of fact or omits to state a material fact or any fact necessary to make the statements contained therein, in light of the circumstances in which made, not misleading.

Section 4.07. *Legal Proceedings.* There is no action, suit, investigation, litigation or proceeding affecting the Borrower or any Subsidiary pending or, to the best knowledge of the Borrower, threatened before any Governmental Person, referee or arbitrator that could reasonably be expected to have a Material Adverse Effect.

Section 4.08. *Subsidiaries.* As of the Effective Date, the Borrower has no Subsidiaries other than those described in *Schedule 4.08*.

Section 4.09. *Trademarks, Etc.* Each of the Borrower and its Subsidiaries possesses all necessary trademarks, trade names, copyrights and licenses to conduct its business as now operated, other than those the failure to possess which could not reasonably be expected to have a Material Adverse Effect, without any known conflict with the valid trademarks, trade names, copyrights or licenses of others.

Section 4.10. *Fire, Etc.* Neither the business nor the properties of the Borrower or any Subsidiary are affected by any fire, explosion, accident, strike, lockout or other labor dispute, or other casualty (whether or not covered by insurance) that could reasonably be expected to have a Material Adverse Effect.

Section 4.11. *Burdensome Agreements.* Neither the Borrower nor any Subsidiary is a party to any indenture, loan agreement, credit agreement, lease or other agreement or instrument, or subject to any restriction of its constituent documents, that could reasonably be expected to have a Material Adverse Effect.

Section 4.12. *Taxes.* Each of the Borrower and its Subsidiaries has filed, or there has been filed on its behalf, or an extension has been obtained for the filing of, all federal, state and other material tax returns required to be filed before the date of the making of this representation and warranty, and the Borrower and each Subsidiary have paid all taxes shown thereon to be due, including interest, additions to taxes and penalties, or have provided adequate reserves in accordance with GAAP for the payment thereof.

Section 4.13. *Public Utility Holding Company Act; Natural Gas Act; Investment Company Act.* Neither the Borrower nor any Subsidiary is (a) a "holding company" or a "subsidiary company" of a "holding company" within the meaning of the Public Utility Holding Company Act of 1935, (b) subject to the jurisdiction of the Federal Energy Regulatory Commission under the Natural Gas Act of 1938 or (c) an "investment company," or an "affiliated person" of, or a "promoter" or "principal underwriter" for, an "investment company," as such terms are defined in the Investment Company Act of 1940.

Section 4.14. *Regulations D, T, U and X.* No Advance or Letter of Credit will be used to purchase or carry, or to extend credit to others for the purpose of purchasing or carrying, any "margin stock" in violation of Regulations D, T, U or X of the Board of Governors of the Federal Reserve System.

Section 4.15. *Title to Properties, Etc.* Each of the Borrower and its Subsidiaries has good and defensible title to all property, real or personal, purported to be owned by it. Each of the Borrower and its Subsidiaries enjoys peaceful and undisturbed possession of all leaseholds, easements and rights of way necessary in any material respect for the operation of its Properties. None of the Assigned Agreements, and none of the other documents creating or affecting any such leasehold, easement or right of way, contains any provision that could reasonably be expected to have a Material Adverse Effect or to materially impair the operation of any of such Properties.

Section 4.16. *Employee−Benefit Plans.* Neither the Borrower nor any Subsidiary has any, or has any liability under any previously existing, employee−benefit plan of its own or maintained in common with one or more other Persons, other than a 401(k) plan.

Section 4.17. *Environmental Compliance.*

(a) The operations and properties of the Borrower and of each Subsidiary comply in all material respects with all applicable Environmental Laws and Environmental Permits. All past noncompliance by the Borrower or any Subsidiary with such Environmental Laws and Environmental Permits has been resolved without ongoing obligations or costs. To the best of the Borrower's knowledge, no circumstances exist that could reasonably be expected to (i) form the basis of an Environmental

Proceeding against the Borrower or any Subsidiary, or any property thereof, that could reasonably be expected to have a Material Adverse Effect or (ii) cause any such property to be subject to any material restriction on ownership, occupancy, use or transferability under any Environmental Law.

(b) None of the properties currently or formerly owned or operated by the Borrower or any Subsidiary is listed or, to the best of the Borrower's knowledge, proposed for listing on the National Priorities List under CERCLA, on CERCLIS or on any analogous foreign, state or local list or, to the best of the Borrower's knowledge, is adjacent to any such property. There are not now, and to the best of the Borrower's knowledge never have been, any underground or aboveground storage tanks, or any surface impoundments, septic tanks, pits, sumps or lagoons, in which any Hazardous Material is being or has been treated, stored or disposed of on any property owned or operated by the Borrower or any Subsidiary, in each case in any manner not in compliance in all material respects with all applicable Environmental Laws. There is no asbestos or asbestos−containing material on any property owned or operated by the Borrower or any Subsidiary, except in compliance in all material respects with all applicable Environmental Laws. No Hazardous Material has been released, discharged or disposed of on any property owned or operated by the Borrower or any Subsidiary, except in compliance in all material respects with all applicable Environmental Laws.

(c) Neither the Borrower nor any Subsidiary is engaged in or has completed, either individually or together with any other potentially responsible party, any investigation, assessment or remedial or response action relating to any actual or threatened release, discharge or disposal of any Hazardous Material at any site, location or operation, either voluntarily or pursuant to the order of any Governmental Person or the requirements of any Environmental Law. All Hazardous Materials generated, used, treated, handled or stored at, or transported to or from, any property owned or operated by the Borrower or any Subsidiary have been disposed of in a manner reasonably expected not to result in liability to the Borrower or any Subsidiary.

Section 4.18. *Material Contracts.* Neither the Borrower nor any Subsidiary is a party to (a) any contract for the purchase or sale of goods or services (i) that, if cancelled or terminated, would not be replaceable promptly by commercially reasonable substitutes and (ii) the loss of which, if not so replaced, could reasonably be expected to have a Material Adverse Effect or (b) any other contract the loss of which could reasonably be expected to have a Material Adverse Effect.

Section 4.19. *Ownership.*

(a) The General Partner is the sole general partner of the Borrower, and the Limited Partner is the sole limited partner of the Borrower. As of the date hereof, (i) the General Partner is the legal and beneficial owner of 0.001% of the partnership interests in the Borrower, and (ii) the Limited Partner is the legal and beneficial owner of 99.999% of the partnership interests 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.

(b) As of the date hereof, the equity interests in the Subsidiaries are legally and beneficially owned by the Persons, and by such Persons in the percentages, specified in *Schedule 4.08*. No part of such equity interests is subject to any Lien, other than in favor of the Administrative Agent.

ARTICLE V
AFFIRMATIVE COVENANTS

So long as any Note or any amount under any Credit Document shall remain unpaid, any Letter of Credit shall remain outstanding, or any Bank shall have any Commitment hereunder, the Borrower agrees to comply with the following covenants.

Section 5.01. *Reporting Requirements.* The Borrower will furnish to the Administrative Agent and the Banks:

(a) *Monthly Reports.* Not later than the 10th Business Day of each calendar month, an Accounts aging schedule in form satisfactory to the Administrative Agent and a Borrowing Base Certificate, each containing information as of the last day of the immediately preceding calendar month (with a copy of the same to the Administrative Agent's Dallas office);

(b) [Intentionally omitted];

(c) *Quarterly Financials.* As soon as available and in any event within 45 days after the end of each fiscal quarter of each fiscal year of the Borrower, an unaudited Consolidated balance sheet of the Borrower and its Subsidiaries as of the end of such quarter and unaudited Consolidated statements of operations, changes in partners' capital and cash flows of the Borrower and its Subsidiaries for the period commencing at the end of the preceding fiscal year and ending with the end of such quarter, setting forth in each case in comparative form the corresponding figures for the corresponding period of the preceding fiscal year, all in reasonable detail and duly certified (subject to normal year−end audit adjustments and the absence of footnotes) by the chief financial officer or chief accounting officer of the General Partner as having been prepared in accordance with GAAP, together with (i) a certificate of said officer stating that no Default has occurred and is continuing or, if a Default has occurred and is continuing, a statement as to the nature thereof and the action that the Borrower proposes to take with respect thereto and (ii) a schedule in reasonable detail showing the computations used by such officer in determining, as of the end of such fiscal quarter, compliance with the covenants contained in Sections 6.12, 6.13, 6.14 and 6.15;

(d) *Audited Annual Financials.* As soon as available and in any event within 120 days after the end of each fiscal year of the Borrower, audited Consolidated and consolidating balance sheets of the Borrower and its Subsidiaries as of the end of such fiscal year and audited Consolidated and consolidating statements of operations, changes in partners' capital and cash flows of the Borrower and its Subsidiaries for such fiscal year, in each case certified without qualification by KPMG LLP or other independent public accountants acceptable to the Administrative Agent, together with (i) a certificate of such accounting firm stating that, in the course of the regular audit of the business of the Borrower and its Subsidiaries, which audit was conducted by such accounting firm in accordance with generally accepted auditing standards, such accounting firm has obtained no knowledge that a Default has occurred and is continuing with respect to Sections 6.12, 6.13, 6.14 or 6.15 if in the opinion of such accounting firm such a Default has occurred and is continuing, a statement as to the nature thereof, (ii) a schedule in form and substance reasonably satisfactory to the Administrative Agent of the computations used by such accounting firm in determining, as of the end of such fiscal year, compliance with the covenants contained in Sections 6.12, 6.13, 6.14 and 6.15 and (C) copies of any material accountant's letters received by management in connection with such accounting firm's findings during its audit of the financial records of the Borrower during, or in respect of, such fiscal year;

(e) *Defaults.* Forthwith upon the occurrence of any Default, a certificate of an Authorized Officer setting forth the details thereof and the action that the Borrower is taking or proposes to take with respect thereto;

(f) *Litigation.* Promptly after the assertion or occurrence thereof or any Responsible Officer becoming aware of the reasonable likelihood thereof, notice of any litigation, judicial reference proceeding, arbitration proceeding or regulatory proceeding affecting the Borrower or any Subsidiary or the property of the Borrower or any Subsidiary, other than any such litigation or proceeding that, if adversely determined, could not reasonably be expected to have a Material Adverse Effect.

(g) *Environmental Proceedings.* Promptly after the assertion or occurrence thereof or any Responsible Officer becoming aware of the reasonable likelihood thereof, notice of any Environmental

Proceeding against the Borrower or any Subsidiary, or of any noncompliance by the Borrower or any Subsidiary with any Environmental Law or Environmental Permit, that could reasonably be expected (A) to have a Material Adverse Effect or (B) to cause any property owned or operated by the Borrower or any Subsidiary to be subject to any material restriction on ownership, occupancy, use or transferability under any Environmental Law;

(h) *Disputes.* Forthwith upon any dispute or claim concerning Accounts and exceeding $500,000 in any instance, a certificate of an Authorized Officer setting forth the details thereof; and

(i) *Other Information.* Promptly upon request, such additional information regarding the financial position or business (including with respect to environmental matters) of the Borrower or any Subsidiary as any Bank may reasonably request from time to time.

Section 5.02. *Preservation of Legal Existence, Etc.* The Borrower will preserve and maintain, and cause each Subsidiary to preserve and maintain, its legal existence, rights (charter and statutory) and franchises, except as otherwise permitted by Section 6.03; *provided, however*, that neither the Borrower nor any Subsidiary shall be required to preserve any such right or franchise if the general partner, board of directors or equivalent body of the Borrower or such Subsidiary determines that the preservation thereof is no longer desirable in the conduct of the business of the Borrower or such Subsidiary, as applicable, and if the loss thereof is not disadvantageous in any material respect to the Banks.

Section 5.03. *Maintenance of Properties, Etc.* Except as otherwise permitted by Section 6.04, the Borrower will maintain and preserve, and cause each Subsidiary to maintain and preserve, all of its properties that are necessary for the conduct of its business in good working order and condition, ordinary wear and tear excepted.

Section 5.04. [Intentionally omitted].

Section 5.05. *Compliance with Laws, Etc.* The Borrower will comply, and cause each Subsidiary to comply, with all Governmental Rules the noncompliance with which could reasonably be expected to have a Material Adverse Effect.

Section 5.06. *Payment of Taxes, Etc.* The Borrower will pay and discharge, and cause each Subsidiary to pay and discharge, before the same become delinquent, (a) all federal, state and other taxes, assessments and governmental charges or levies imposed upon or against it or its property and (b) all lawful claims that, if unpaid, might by law become a Lien upon its property; *provided, however*, that neither the Borrower nor any Subsidiary shall be required to pay or discharge any such tax, assessment, charge, levy or claim that is being contested in good faith and, in the case of any such tax, assessment, charge or levy, by proper proceedings and as to which, in all such cases, it is maintaining appropriate reserves in accordance with GAAP.

Section 5.07. *Maintenance of Insurance.* The Borrower will maintain, and cause each Subsidiary to maintain, insurance with responsible and reputable insurance companies or associations in such amounts and covering such risks (a) as is usually carried by companies engaged in similar businesses and owning similar properties in the same general areas in which the Borrower or such Subsidiary, as applicable, operates and (b) as is reasonably acceptable to the Administrative Agent.

Section 5.08. *Visitation Rights.* At any reasonable time and from time to time, upon reasonable notice by the Bank concerned, the Borrower will permit, and cause each Subsidiary to permit, any Bank, and any agents or representatives thereof, to examine and make copies of and abstracts from the records and books of account of, and visit the properties of, the Borrower and its Subsidiaries and to discuss the affairs, finances and accounts of the Borrower and its Subsidiaries with any of their respective officers or directors (or equivalent persons) or, provided the Borrower has been given reasonable opportunity to be present, with their independent certified public accountants; *provided,*

however, that, unless a Default has occurred and is continuing, the Banks' visitation rights shall be limited to not more than four occasions in any calendar year, two of which shall be for the purpose of conducting Asset−Based Audits.

Section 5.09. *Keeping of Books.* The Borrower will keep, and cause each Subsidiary to keep, proper books of record and account in which full and correct entries shall be made of all financial transactions and the Properties and business of the Borrower and each Subsidiary, in accordance with GAAP consistently applied.

Section 5.10. *Transactions with Affiliates.* The Borrower will conduct, and cause each Subsidiary to conduct, all transactions otherwise permitted under the Credit Documents with any of its Affiliates on terms that are fair and reasonable and no less favorable to the Borrower or such Subsidiary than it would obtain in a comparable arms'−length transaction with a Person not an Affiliate.

Section 5.11. *Compliance with Environmental Laws.* The Borrower will (a) comply, and cause each Subsidiary and each lessee or other Person operating or occupying any of its properties to comply, in all material respects with all applicable Environmental Laws and Environmental Permits, (b) obtain and renew, and cause each Subsidiary to obtain and renew, when needed all Environmental Permits necessary for its operations and properties, (c) conduct, and cause each Subsidiary to conduct, any investigation, study, sampling and testing in accordance with the requirements of all applicable Environmental Laws and (d) undertake, and cause each Subsidiary to undertake, any cleanup, removal, remedial and other action necessary to remove and clean up all Hazardous Materials from any of its properties, in accordance with the requirements of all applicable Environmental Laws.

Section 5.12. *Environmental Remediation and Indemnification.* If at any time any Hazardous Material is discovered on, under or about any Mortgaged Property or any other property owned or operated by the Borrower or any Subsidiary ("*Other Property*") in violation of any Environmental Law, the Borrower will inform the Administrative Agent of the same and of the Borrower's proposed remediation program, and the Borrower will, at its sole cost and expense, remediate or remove such Hazardous Materials from such Mortgaged Property or Other Property or the groundwater underlying such Mortgaged Property or Other Property in accordance with (a) such remediation program as a prudent operator would undertake, (b) the approval of the appropriate Governmental Persons, if any such approval is required under the applicable Environmental Laws, and (c) all applicable Environmental Laws. In addition to all other rights and remedies of the Administrative Agent and the Banks under the Credit Documents, if such Hazardous Materials are not remediated or removed from the affected Mortgaged Property or Other Property or the groundwater underlying such Mortgaged Property or Other Property by the Borrower within the time periods contemplated by the applicable remediation program, the Administrative Agent, at its sole discretion, may pay to have the same remediated or removed in accordance with the applicable remediation program, and the Borrower will reimburse the Administrative Agent therefor within 5 days of the Administrative Agent's demand for payment. The Borrower shall have the right to contest any notice or directive to remediate or remove Hazardous Materials from any Mortgaged Property or Other Property so long as the Borrower diligently prosecutes such contest to completion, complies with any final order or determination and, before such contest, either furnishes the Administrative Agent security in an amount equal to the cost of remediation or removal of the Hazardous Materials or posts a bond with a surety satisfactory to the Administrative Agent in such amount. The Borrower shall be solely responsible for, and will indemnify and hold harmless the Administrative Agent and the Banks and their respective directors, officers, employees, agents, successors and assigns from and against, any and all losses, damages, demands, claims, causes of action, judgments, actions, assessments, penalties, costs, expenses and liabilities directly or indirectly arising out of or attributable to any Hazardous Materials at any Mortgaged Property or Other Property, including the following: (i) all foreseeable and unforeseeable consequential damages; (ii) the costs of any required or necessary repair, cleanup or detoxification of any Mortgaged Property or Other Property, and the preparation and implementation of any closure, remedial or other

required plans; and (iii) all reasonable costs and expenses incurred by the Administrative Agent in connection with clauses (i) and (ii) above, including reasonable attorneys' fees; *provided, however*, that the Borrower shall not be liable for any of the foregoing that is found in a final, nonappealable judgment by a court of competent jurisdiction to have resulted from the gross negligence or willful misconduct of the Administrative Agent or a Bank after taking possession of a Mortgaged Property. The indemnities provided in this section shall survive the repayment or any other satisfaction of the Obligations of the Borrower under the Credit Documents.

Section 5.13. *Use of Proceeds.* The proceeds of the Revolver A Borrowings will be used by the Borrower (a) for Acquisitions and the development of new projects and (b) for general partnership purposes. The proceeds of the Revolver B Borrowings will be used by the Borrower to support working capital needs and for general partnership purposes, including the issuance of Letters of Credit. The Borrower is not engaged in the business of extending credit for the purpose of purchasing or carrying margin stock (within the meaning of Regulation U). No proceeds of the Borrowings will be used to purchase or carry any margin stock in violation of Regulations D, T, U or X.

ARTICLE VI
NEGATIVE COVENANTS

So long as any Note or any amount under any Credit Document shall remain unpaid, any Letter of Credit shall remain outstanding, or any Bank shall have any Commitment, the Borrower agrees to comply with the following covenants.

Section 6.01. *Liens, Etc.* The Borrower will not create, incur, assume or suffer to exist, or permit any Subsidiary to create, incur, assume or suffer to exist, any Lien, or enter into any agreement with any other Person not to create any Lien, on or with respect to any of its properties of any character (including accounts receivable) whether now owned or hereafter acquired, or sign or file, or permit any Subsidiary to sign or file, under the Uniform Commercial Code of any jurisdiction, a financing statement that names the Borrower or any Subsidiary as debtor (except in connection with true leases), or sign, or permit any Subsidiary to sign, any security agreement authorizing any secured party thereunder to file such a financing statement (except in connection with true leases), or assign, or permit any Subsidiary to assign, any accounts, excluding, however, from the operation of the foregoing restrictions the following:

(a) Liens created by the Security Documents;

(b) Permitted Liens;

(c) Liens securing obligations of such Person as lessee under Capital Leases permitted by Section 6.02(f); and

(d) purchase−money Liens on property acquired or held by the Borrower or any Subsidiary in the ordinary course of business, to secure the purchase price of such property or to secure Debt incurred solely for the purpose of financing the acquisition of such property to be subject to such Liens, or Liens existing on any such property at the time of acquisition thereof, or renewals or refinancings of any of the foregoing Liens for the same or a lesser amount; *provided, however*, that (i) no such Lien may extend to or cover any property other than the property being acquired, (ii) no such renewal or refinancing may extend to or cover any property not previously subject to the Lien being renewed or refinanced and (iii) the aggregate principal amount of Debt at any time outstanding secured by such Liens may not exceed the amount permitted by Section 6.02(g).

Section 6.02. *Debt.* The Borrower will not create, incur, assume or suffer to exist, or permit any Subsidiary to create, incur, assume or suffer to exist, any Debt other than the following:

(a) Debt under the Credit Documents;

(b) Debt existing on the date of this Agreement and described in *Schedule 6.02*, including renewals and refinancings of such Debt, so long as the principal amount thereof is not increased;

(c) Debt under one or more Interest Rate Contract or Hydrocarbon Hedge Agreement (provided that the parties to this Agreement hereby agree that the obligations of the Borrower to the Banks in respect of any Interest Rate Contract or Hydrocarbon Hedge Agreement are secured by the Security Documents, but only, with respect to each such Bank, if and so long as such Bank remains a Bank);

(d) Debt in respect of endorsement of negotiable instruments in the ordinary course of business;

(e) Debt between the Borrower and any Subsidiary or between Subsidiaries, provided that (i) such Debt is noted on the books and records of the Borrower and its Subsidiaries and (ii) in the case of any Debt owed by the Borrower, such Debt is subordinated to the Obligations of the Borrower under the Credit Documents on terms and conditions, and pursuant to documentation, in form and substance satisfactory to the Administrative Agent in its sole discretion;

(f) Debt in respect of Capital Leases not exceeding $3,000,000 in aggregate amount equivalent to principal at any time outstanding;

(g) Debt secured by Liens permitted by Section 6.01(d), not exceeding $2,000,000 in aggregate principal amount at any time outstanding;

(h) at any time following the termination of the Revolver B Commitments, termination of all Letters of Credit, repayment of all Revolver B Advances, reimbursement of all drawings under Letters of Credit and payment of all interest, fees and other amounts payable in respect of the Revolver B Advances, Debt of the Borrower or its Subsidiaries in respect of letter−of−credit facilities not exceeding $10,000,000 in the aggregate at any time outstanding; and

(i) Debt in addition to that described above, not exceeding $3,000,000 in aggregate principal amount at any time outstanding.

Section 6.03. *Mergers, Acquisitions, Etc.* The Borrower will not merge or consolidate with or into, or sell, lease, transfer or otherwise dispose of (whether in one transaction or in a series of transactions) all or substantially all of its Property (whether now owned or hereafter acquired) to, or enter into any Acquisition, or permit any Subsidiary to do any of the foregoing, except for the following:

(a) so long as no Default has occurred and is continuing or would be caused thereby, the Borrower or any Subsidiary may make any Acquisition; *provided, however*, that any such Acquisition shall be permitted only if, (i) before the effectiveness of such Acquisition and to the extent required by the Administrative Agent, the Borrower delivers to the Administrative Agent (A) such guaranties, mortgages, deeds of trust, security agreements, releases, UCC financing statements, UCC terminations and environmental assessments as the Administrative Agent may request, duly executed by the parties thereto, in form and substance satisfactory to the Administrative Agent and accompanied by UCC searches and title investigations demonstrating that, upon the effectiveness of such Acquisition and the recording and filing of any necessary documentation, the Administrative Agent will have a perfected first−priority Lien on the Property to be acquired, and (B) such other agreements, instruments, certificates, approvals, opinions and other documents as any Bank through the Administrative Agent may reasonably request, (ii) the Borrower or such Guarantor is the acquiring or surviving entity; (iii) no Default or Event of Default exists and the Acquisition would not reasonably be expected to cause a Default or Event of Default; (iv) after giving effect to such Acquisition on a pro forma basis, the Borrower would have been in compliance with all of the covenants contained in this Agreement, including, without limitation, Sections 6.12 through 6.15 as of the end of the most recent fiscal quarter, (v) the acquisition target is in the same or similar line of business as Borrower and its Subsidiaries, (v) the terms of Section 6.10 are satisfied, and (vi) the aggregate amount of cash, Permitted Investments and the remaining unused portion of the Revolver A Commitment is sufficient to fund such Acquisition;

(b) the Borrower and its Subsidiaries may effect the transactions contemplated by the Reorganization;

(c) so long as no Default has occurred and is continuing or would be caused thereby, any Subsidiary may merge into or consolidate with any other Subsidiary; *provided, however*, that any such

merger or consolidation shall be permitted only if, before the effectiveness of such merger or consolidation and to the extent required by the Administrative Agent, the Borrower delivers to the Administrative Agent documents of the type described in the proviso to clause (a) above; and

(d) the Borrower and its Subsidiaries may acquire Property in the ordinary course of business as necessary for the operation of their respective businesses.

Section 6.04. *Sales, Etc. of Property.* The Borrower will not sell, lease, transfer or otherwise dispose of, or permit any Subsidiary to sell, lease, transfer or otherwise dispose of, any of its Property, except for the following:

(a) sales of inventory in the ordinary course of business;

(b) sales, leases, transfers and other dispositions in the ordinary course of business of worn−out or obsolete Property that are no longer useful in the conduct of the business of the Borrower or any Subsidiary;

(c) sales of Permitted Investments in the ordinary course of business;

(d) so long as no Default has occurred and is continuing or would be caused thereby, sales and other transfers of Property from any Subsidiary to the Borrower or to any other Subsidiary; *provided, however*, that any such sale or other transfer of real property or equity interests shall be permitted only if, before the effectiveness of such sale or other transfer and to the extent required by the Administrative Agent, the Borrower delivers to the Administrative Agent documents of the type described in the proviso to Section 6.03(a);

(e) sales of Property resulting from the condemnation thereof;

(f) sales or discounts of overdue Accounts in the ordinary course of business, in connection with the compromise or collection thereof;

(g) so long as no Default has occurred and is continuing or would be caused thereby, sales, leases, transfers and other dispositions of Property in the ordinary course of business for consideration not exceeding $2,000,000 in the aggregate in any fiscal year of the Borrower, provided that the net cash proceeds thereof are used within 180 days of such sale to purchase Property of similar value, quality and business utility to the Property sold, leased, transferred or otherwise disposed of; and

(h) so long as no Default has occurred and is continuing or would be caused thereby, sales of Property in the ordinary course of business for consideration not exceeding $1,000,000 in the aggregate in any fiscal year of the Borrower.

Section 6.05. *Investments in Other Persons.* The Borrower will not make, or permit any Subsidiary to make, any loan or advance to any Person, or purchase or otherwise acquire, or permit any Subsidiary to purchase or otherwise acquire, any equity interests, warrants, rights, options, obligations or other securities of, make any capital contribution to, or otherwise invest in, any Person (all of the foregoing collectively called "*Investments*"); *provided, however*, that nothing in this section shall prevent the Borrower or any Subsidiary from doing any of the following:

(a) [Intentionally omitted];

(b) effecting the transactions contemplated by the Reorganization;

(c) acquiring Permitted Investments;

(d) generating and holding accounts receivable in the ordinary course of business;

(e) so long as no Default has occurred and is continuing or would be caused thereby, making Investments in Persons that will not be Subsidiaries of the Borrower, for consideration not exceeding $5,000,000 in the aggregate during the term of this Agreement; *provided, however*, that any such

Investment shall be permitted only if, before the effectiveness of such Investment and to the extent required by the Administrative Agent, the Borrower delivers to the Administrative Agent (i) such guaranties, mortgages, deeds of trust, security agreements, releases, UCC financing statements, UCC terminations and environmental assessments as the Administrative Agent may request, duly executed by the parties thereto, in form and substance satisfactory to the Administrative Agent and accompanied by UCC searches and title investigations demonstrating that, upon the effectiveness of such Investment and the recording and filing of any necessary documentation, the Administrative Agent will have a perfected first−priority Lien on such Investment, and (ii) such other agreements, instruments, certificates, approvals, opinions and other documents as any Bank through the Administrative Agent may reasonably request;

(f) Investments permitted by Section 6.03(a);

(g) acquiring Investments in connection with (i) the bankruptcy or reorganization of suppliers and customers or (ii) the settlement of delinquent obligations of, and other disputes with, customers and suppliers arising in the ordinary course of business; and

(h) so long as no Default has occurred and is continuing or would be caused thereby, making loans and advances to officers or employees of the Borrower or any Subsidiary, provided that the aggregate principal amount of such loans and advances, other than loans for the purpose of financing the purchase of common units, subordinated units or other equity securities in the Limited Partner, shall not exceed $500,000 in aggregate principal amount at any time outstanding.

Section 6.06. *Distributions, Etc.* The Borrower will not pay any management fee or similar fee of any sort to any Affiliate thereof or to any other Person, declare or pay any dividends or distributions, purchase, redeem, retire, defease or otherwise acquire for value any of its equity interests or any warrants, rights or options to acquire such equity interests, now or hereafter outstanding, return any capital to its equity−holders as such, or make any distribution of Property, equity interests, warrants, rights, options, obligations or securities to its equity−holders as such, or permit any Subsidiary to purchase, redeem, retire, defease or otherwise acquire for value any equity interests in the Borrower or any warrants, rights or options to acquire such equity interests or to pay any such fee, except for the following:

(a) provided that no Default has occurred and is continuing or would be caused thereby, the Borrower may make cash distributions to the Partners during any fiscal quarter in amounts that do not exceed the Available Cash for the immediately preceding fiscal quarter;

(b) the Borrower and its Subsidiaries may declare and pay dividends and other distributions payable solely in equity interests; and

(c) any Subsidiary may pay cash dividends, or make other cash distributions, to the Borrower.

Section 6.07. *Change in Nature of Business.* The Borrower will not make, or permit any Subsidiary to make, any material change in the nature of its business as carried on as of the date hereof.

Section 6.08. *ERISA Plans.* The Borrower will not establish, maintain or contribute to, or permit any ERISA Affiliate to establish, maintain or contribute to, any Plan or Welfare Plan, and the Borrower will not become obligated to, or permit any Subsidiary to become obligated to, contribute to any Multiemployer Plan.

Section 6.09. *Accounting Changes.* The Borrower will not make or permit, or permit any Subsidiary to make or permit, any change in (a) any of its accounting policies affecting the presentation of financial statements or reporting practices, except as required or permitted by GAAP, or (b) its fiscal year.

Section 6.10. *Creation of Subsidiaries.* The Borrower will not create, or permit any Subsidiary to create, any Subsidiary unless (a) the creation of such Subsidiary is otherwise specifically permitted by the terms of this Agreement and (b) within 15 days after the formation of such Subsidiary and to the extent required by the Administrative Agent, such Subsidiary delivers to the Administrative Agent (i) such guaranties, mortgages, deeds of trust, security agreements, releases, UCC financing statements, UCC terminations and environmental assessments as the Administrative Agent may request, duly executed by the parties thereto, in form and substance satisfactory to the Administrative Agent and accompanied by UCC searches and title investigations demonstrating that, upon the recording and filing of any necessary documentation, the Administrative Agent will have a perfected first−priority Lien on the Property of such Subsidiary, and (ii) such other agreements, instruments, certificates, approvals, opinions and other documents as any Bank through the Administrative Agent may reasonably request.

Section 6.11. *Commodity Contracts.* The Borrower will not, and will not permit any Subsidiary to, enter into, assume or otherwise acquire an interest in (a) any contract or other obligation to purchase or sell any natural gas or other commodities or goods, or any hedged or unhedged commodity futures contract, option or other derivative contract, that in any case would result in the Borrower or such Subsidiary having an "open" or "uncovered" position in natural gas or other commodities or goods, or in any derivative of any thereof, exceeding $500,000 in the aggregate at the end of any day or (b) any other contract or obligation for speculative purposes.

Section 6.12. *Current Ratio.* The Borrower shall not permit, as of the end of any fiscal quarter, the ratio of (i) the consolidated current assets of the Borrower and its Subsidiaries to (ii) the consolidated current liabilities of the Borrower and its Subsidiaries (other than current maturities of long−term debt) to be less than 1.00 to 1.00; *provided, however*, that, current assets shall include the unused portions of the Commitments and current liabilities shall exclude the current portion of the Debt of the Borrower under this Agreement.

Section 6.13. *Interest Charge Coverage Ratio.* The Borrower shall not, as of the end of any fiscal quarter, permit the Interest Charge Coverage Ratio for the Borrower and its Subsidiaries on a Consolidated basis to be less than 3.50 to 1.00.

Section 6.14. *Leverage Ratio.* The Borrower shall not, as of the end of any fiscal quarter, permit the Leverage Ratio for the Borrower and its Subsidiaries on a Consolidated basis to be greater than the following ratios for the following fiscal quarters:

Fiscal Quarters Ending	**Maximum Ratio**
December 31, 2002, March 31, 2003 and June 30, 2003	4.00 to 1.00
September 30, 2003 and thereafter	3.75 to 1.00

Section 6.15. *Minimum Tangible Net Worth.* At all times the Borrower shall not permit its Tangible Net Worth to be less than the sum of (a) $55,000,000 plus (b) 50% of any Equity Contribution Proceeds received after the Effective Date.

Section 6.16. *Amendment of Borrower Partnership Agreement.* The Borrower shall not amend, modify or supplement (A) the definition of "Available Cash" without the prior written consent of the Majority Banks or (B) any other provision of the Borrower Partnership Agreement if such amendment, modification or supplement would be materially adverse to the interests of the Banks without the prior written consent of the Majority Banks.

ARTICLE VII
REMEDIES

Section 7.01. *Events of Default.* The occurrence of any of the following events shall constitute an "Event of Default" under any Credit Document:

(a) *Payment.* The Borrower shall fail to (i) pay any principal of any Advance or reimburse any drawing under any Letter of Credit when the same becomes due and payable, (ii) pay any interest on any Note or any fee owing in connection with the Obligations, this Agreement or any of the other Credit Documents within three Business Days after the same becomes due and payable or (iii) pay any other amount owing in connection with the Obligations, this Agreement or any of the other Credit Documents within five Business Days after the same becomes due and payable;

(b) *Representation and Warranties.* Any representation or warranty made or deemed to be made by the Borrower, the General Partner, any Guarantor or any Subsidiary, or by any officer of any thereof, under or in connection with any Credit Document shall prove to have been incorrect in any material respect when made or deemed to be made;

(c) *Covenant Breaches.* The Borrower fails to perform or observe any term, covenant or agreement contained in Sections 5.02, 5.07 or 5.13 or Article VI of this Agreement; or the Borrower, any Guarantor or any Subsidiary fails to perform or observe any other term, covenant or agreement contained in any Credit Document on its part to be performed or observed, and such failure remains unremedied for 30 days after written notice thereof has been given to the Borrower, such Guarantor or such Subsidiary, as applicable, by the Administrative Agent;

(d) *Cross−Defaults.* The Borrower, any Guarantor or any Material Subsidiary fails to pay any principal of any Debt thereof (excluding the Obligations of the Borrower hereunder) that is outstanding in a principal amount of at least $1,000,000 in the aggregate, or any interest or premium thereon, when the same becomes due and payable (whether by scheduled maturity, required prepayment, acceleration demand or otherwise), and such failure continues after the applicable grace period, if any, specified in the agreement or instrument relating to such Debt; any other event occurs or condition exists under any agreement or instrument relating to any such Debt and continues after the applicable grace period, if any, specified in such agreement or instrument, if the effect of such event or condition is to accelerate, or to permit the acceleration of, the maturity of such Debt; or any such Debt is declared to be due and payable or is required to be prepaid, redeemed, purchased or defeased (other than by a regularly scheduled required prepayment, redemption, purchase or defeasance), or an offer to prepay, redeem, purchase or defease such Debt is required to be made, in each case before the stated maturity thereof;

(e) *Insolvency.* The Borrower, any Guarantor or any Subsidiary generally does not pay its debts as such debts become due, admits in writing its inability to pay its debts generally or makes a general assignment for the benefit of creditors; any proceeding is instituted by the Borrower, any Guarantor or any Subsidiary seeking to adjudicate it a bankrupt or insolvent, seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee or other similar official for it or for any substantial part of its property; any proceeding is instituted against the Borrower, any Guarantor or any Subsidiary seeking to adjudicate it a bankrupt or insolvent, seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee or other similar official for it or for any substantial part of its property, and either such proceeding remains undismissed or unstayed for a period of 60 days or any of the actions sought in such proceeding (including the entry of an order for relief against the Borrower, such Guarantor or such Subsidiary, as applicable, or the appointment of a

receiver, trustee, custodian or other similar official for it or for any substantial part of its property) occurs; or the Borrower, any Guarantor or any Subsidiary takes any action to authorize any of the actions set forth above in this Section 7.01(e);

(f) *Judgments.*

(i) Any judgment or order for the payment of money in excess of $1,000,000 is rendered against the Borrower, any Guarantor or any Material Subsidiary by a court of competent jurisdiction, and either (A) enforcement proceedings are commenced by any creditor upon such judgment or order or (B) there is any period of 10 consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, is not in effect, unless such judgment or order has been vacated, satisfied, dismissed, or bonded pending appeal or, in the case of a judgment or order the entire amount of which is covered by insurance (subject to applicable deductibles), is the subject of a binding agreement with the plaintiff and the insurer covering payment therefor; or

(ii) any nonmonetary judgment or order is rendered against the Borrower, the Guarantor or any Material Subsidiary that could reasonably be expected to have a Material Adverse Effect, and there is any period of 10 consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, is not in effect;

(g) *Material Changes.* There occurs, in the reasonable judgment of the Majority Banks, any material and adverse change in the business, condition (financial or otherwise), operations, performance, properties or prospects of the Borrower and its Subsidiaries taken as a whole;

(h) *Credit Documents.* Any material provision of any Credit Document for any reason ceases to be valid and binding on, or enforceable against, the Borrower, any Guarantor or any Subsidiary, as applicable (except to the extent such provision is released in writing by the Administrative Agent), or the Borrower, such Guarantor or any Subsidiary, as applicable, so states in writing;

(i) *Security Documents.* Any Security Document for any reason (except pursuant to the terms thereof) ceases to create a valid and perfected first−priority Lien on any of the Collateral purported to be covered by such Security Document, and the same, if curable, is not cured within 15 days after the Administrative Agent notifies the Borrower or the affected Subsidiary, as applicable, of the same; or

(j) *Change of Control.* A Change of Control shall occur.

Section 7.02. *Optional Acceleration of Maturity.* If any Event of Default (other than an Event of Default pursuant to paragraph (e) of Section 7.01) shall have occurred and be continuing, then, and in any such event,

(a) the Administrative Agent (i) shall at the request, or may with the consent, of the Majority Banks, by notice to the Borrower, declare the obligation of each Bank and the Issuing Bank to make extensions of credit hereunder, including the making of Advances and issuing of Letters of Credit, to be terminated, whereupon the same shall forthwith terminate or (ii) shall, at the request, or may with the consent, of the Majority Banks, by notice to the Borrower, declare all principal, interest, fees, reimbursements, indemnifications and all other amounts payable under this Agreement to be forthwith due and payable, whereupon the Notes, all such interest, and all such amounts shall become and be forthwith due and payable in full, without presentment, demand, protest or further notice of any kind (including, without limitation, any notice of intent to accelerate or notice of acceleration), all of which are hereby expressly waived by the Borrower;

(b) the Borrower shall, on demand of the Administrative Agent at the request or with the consent of the Majority Banks, deposit with the Administrative Agent into the Cash Collateral Account an amount of cash equal to the Letter of Credit Exposure as security for the Obligations; and

(c) the Administrative Agent shall at the request or may with the consent of the Majority Banks proceed to enforce its rights and remedies under the Security Documents, the Guaranties, and any other Credit Documents for the ratable benefit of the Banks by appropriate proceedings.

Section 7.03. *Automatic Acceleration of Maturity.* If any Event of Default pursuant to paragraph (e) of Section 7.01 shall occur,

(a) (i) the obligation of each Bank and the Issuing Bank to make extensions of credit hereunder, including making Advances and issuing Letters of Credit, shall immediately and automatically be terminated and (ii) all principal, interest, fees, reimbursements, indemnifications, and all other amounts payable under this Agreement, the Notes, and the other Credit Documents shall immediately and automatically become and be due and payable in full, without presentment, demand, protest or any notice of any kind (including, without limitation, any notice of intent to accelerate or notice of acceleration), all of which are hereby expressly waived by the Borrower; and

(b) the Borrower shall deposit with the Administrative Agent into the Cash Collateral Account an amount of cash equal to the outstanding Letter of Credit Exposure as security for the Obligations; and

(c) the Administrative Agent shall at the request and may with the consent of the Majority Banks proceed to enforce its rights and remedies under the Security Documents, the Guaranties and any other Credit Document for the ratable benefit of the Banks by appropriate proceedings.

Section 7.04. *Non−exclusivity of Remedies.* No remedy conferred upon the Administrative Agent or any Bank is intended to be exclusive of any other remedy, and each remedy shall be cumulative of all other remedies existing by contract, at law, in equity, by statute or otherwise.

Section 7.05. *Right of Set−off.* Upon the occurrence and during the continuance of any Event of Default, the Administrative Agent and each Bank is hereby authorized at any time and from time−to−time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final and including, without limitation, deposits maintained in the Operating Account) at any time held and other indebtedness at any time owing by the Administrative Agent or any such Bank to or for the credit or the account of the Borrower against any and all of the obligations of the Borrower now or hereafter existing under this Agreement, the Notes held by such Bank, and the other Credit Documents, irrespective of whether or not the Administrative Agent or such Bank shall have made any demand under this Agreement, any Note, or such other Credit Documents, and although such obligations may be unmatured. The Administrative Agent and each Bank agrees to promptly notify the Borrower after any such set−off and application made by the Administrative Agent or such Bank, provided that the failure to give the notice shall not affect the validity of such set−off and application. The rights of the Administrative Agent and the Banks under this Section are in addition to any other rights and remedies (including, without limitation, other rights of set−off) which the Administrative Agent or the Banks may have.

Section 7.06. *Application of Collateral.* The proceeds of any sale, or other realization upon all or any part of the Collateral (as defined in each of the Security Documents) shall be applied by the Administrative Agent in the following order:

first, to payment of the reasonable expenses of sale or other realization of such Collateral, including reasonable compensation to the Administrative Agent and its agents and counsel;

second, to the payment of all reasonable expenses, liabilities, and advances incurred or made by the Administrative Agent in connection therewith, and to the ratable payment of any other unreimbursed reasonable expenses for which the Administrative Agent or any Bank is to be reimbursed pursuant to the terms hereof or any other Credit Document;

third, to the ratable payment of accrued but unpaid agent's fees, commitment fees, letter of credit fees, and fronting fees owing to the Administrative Agent, the Issuing Bank, and the Banks in respect of the Advances and Letters of Credit under this Agreement and the Notes;

fourth, to the ratable payment of accrued but unpaid interest on the Advances owing under this Agreement and the Notes; and

fifth, to the ratable payment of all other Obligations which relate to the Advances and Letters of Credit and which are owing to the Administrative Agent and the Banks.

Any surplus of such cash or cash proceeds held by the Administrative Agent and remaining after the payment in full of all the Obligations shall be promptly paid over to the Borrower or to whoever may be lawfully entitled to receive such surplus.

ARTICLE VIII
THE ADMINISTRATIVE AGENT AND THE ISSUING BANK

Section 8.01. *Authorization and Action.* Each Bank hereby appoints and authorizes the Administrative Agent to take such action as agent on its behalf and to exercise such powers under this Agreement as are delegated to the Administrative Agent by the terms hereof and of the other Credit Documents, together with such powers as are reasonably incidental thereto. As to any matters not expressly provided for by this Agreement or any other Credit Document (including, without limitation, enforcement or collection of the Notes), the Administrative Agent shall not be required to exercise any discretion or take any action, but shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the instructions of the Majority Banks, and such instructions shall be binding upon all Banks and all holders of Notes; *provided, however*, that the Administrative Agent shall not be required to take any action which exposes the Administrative Agent to personal liability or which is contrary to this Agreement, any other Credit Document, or applicable law.

Section 8.02. *Administrative Agent's Reliance, Etc.* Neither the Administrative Agent nor any of its directors, officers, agents, or employees shall be liable for any action taken or omitted to be taken **(INCLUDING THE ADMINISTRATIVE AGENT'S OWN NEGLIGENCE)** by it or them under or in connection with this Agreement or the other Credit Documents, except for its or their own gross negligence or willful misconduct. Without limitation of the generality of the foregoing, the Administrative Agent: (a) may treat the payee of any Note as the holder thereof until the Administrative Agent receives written notice of the assignment or transfer thereof signed by such payee and in form satisfactory to the Administrative Agent; (b) may consult with legal counsel (including counsel for the Borrower), independent public accountants, and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants, or experts; (c) makes no warranty or representation to any Bank and shall not be responsible to any Bank for any statements, warranties, or representations made in or in connection with this Agreement or the other Credit Documents; (d) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of this Agreement or any other Credit Document on the part of the Borrower or the Guarantors or to inspect the property (including the books and records) of the Borrower or the Guarantors; (e) shall not be responsible to any Bank for the due execution, legality, validity, enforceability, genuineness, sufficiency, or value of this Agreement or any other Credit Document; and (f) shall incur no liability under or in respect of this Agreement or any other Credit Document by acting upon any notice, consent, certificate, or other instrument or writing (which may be by telecopier or telex) believed by it to be genuine and signed or sent by the proper party or parties.

Section 8.03. *The Administrative Agent and Its Affiliates.* With respect to its Commitments, the Advances made by it and the Notes issued to it, the Administrative Agent shall have the same rights

and powers under this Agreement as any other Bank and may exercise the same as though it were not the Administrative Agent. The term "Bank" or "Banks" shall, unless otherwise expressly indicated, include the Administrative Agent in its individual capacity. The Administrative Agent and its Affiliates may accept deposits from, lend money to, act as trustee under indentures of, and generally engage in any kind of business with, the Borrower or any of the Guarantors, and any Person who may do business with or own securities of the Borrower or any such Guarantor, all as if the Administrative Agent were not an agent hereunder and without any duty to account therefor to the Banks.

Section 8.04. *Bank Credit Decision.* Each Bank acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Bank and based on the Financial Statements and such other documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Bank also acknowledges that it shall, 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 this Agreement.

Section 8.05. *Indemnification.* **THE BANKS SEVERALLY AGREE TO INDEMNIFY THE ADMINISTRATIVE AGENT AND THE ISSUING BANK AND EACH AFFILIATE THEREOF AND THEIR RESPECTIVE DIRECTORS, OFFICERS, EMPLOYEES, AND AGENTS (TO THE EXTENT NOT REIMBURSED BY THE BORROWER), ACCORDING TO THEIR RESPECTIVE PRO RATA SHARES FROM AND AGAINST ANY AND ALL LIABILITIES, OBLIGATIONS, LOSSES, DAMAGES, PENALTIES, ACTIONS, JUDGMENTS, SUITS, COSTS, EXPENSES, OR DISBURSEMENTS OF ANY KIND OR NATURE WHATSOEVER WHICH MAY BE IMPOSED ON, INCURRED BY, OR ASSERTED AGAINST THE ADMINISTRATIVE AGENT AND THE ISSUING BANK IN ANY WAY RELATING TO OR ARISING OUT OF THIS AGREEMENT OR ANY ACTION TAKEN OR OMITTED BY THE ADMINISTRATIVE AGENT OR THE ISSUING BANK UNDER THIS AGREEMENT OR ANY OTHER CREDIT DOCUMENT (INCLUDING THE ADMINISTRATIVE AGENT'S AND THE ISSUING BANK'S OWN NEGLIGENCE), PROVIDED THAT NO BANK SHALL BE LIABLE FOR ANY PORTION OF SUCH LIABILITIES, OBLIGATIONS, LOSSES, DAMAGES, PENALTIES, ACTIONS, JUDGMENTS, SUITS, COSTS, EXPENSES, OR DISBURSEMENTS RESULTING FROM THE ADMINISTRATIVE AGENT'S OR THE ISSUING BANK'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT. WITHOUT LIMITATION OF THE FOREGOING, EACH BANK AGREES TO REIMBURSE THE ADMINISTRATIVE AGENT PROMPTLY UPON DEMAND FOR ITS RATABLE SHARE OF ANY OUT−OF−POCKET EXPENSES (INCLUDING COUNSEL FEES) INCURRED BY THE ADMINISTRATIVE AGENT IN CONNECTION WITH THE PREPARATION, EXECUTION, DELIVERY, ADMINISTRATION, MODIFICATION, AMENDMENT, OR ENFORCEMENT (WHETHER THROUGH NEGOTIATIONS, LEGAL PROCEEDINGS, OR OTHERWISE) OF, OR LEGAL ADVICE IN RESPECT OF RIGHTS OR RESPONSIBILITIES UNDER, THIS AGREEMENT OR ANY OTHER CREDIT DOCUMENT, TO THE EXTENT THAT THE ADMINISTRATIVE AGENT IS NOT REIMBURSED FOR SUCH BY THE BORROWER.**

Section 8.06. *Successor Administrative Agent and Issuing Bank.* The Administrative Agent or the Issuing Bank may resign at any time by giving written notice thereof to the Banks and the Borrower and may be removed at any time with or without cause by the Majority Banks upon receipt of written notice from the Majority Banks to such effect. Upon receipt of notice of any such resignation or removal, the Majority Banks shall have the right to appoint a successor Administrative Agent or Issuing Bank only with the consent of the Borrower, which consent shall not be unreasonably withheld. If no successor Administrative Agent or Issuing Bank shall have been so appointed by the Majority Banks with the consent of the Borrower, and shall have accepted such appointment, within 30 days after the retiring Administrative Agent's or Issuing Bank's giving of notice of resignation or the Majority Banks' removal of the retiring Administrative Agent or Issuing Bank, then the retiring Administrative Agent or Issuing Bank may, on behalf of the Banks and the Borrower, appoint a successor Administrative Agent or Issuing Bank, which shall be, in the case of a successor Administrative Agent, a commercial bank organized under the laws of the United States of America or of any State thereof and having a combined capital and surplus of at least $500,000,000.00 and, in the case of the Issuing Bank, a Bank. Upon the acceptance of any appointment as Administrative Agent or Issuing Bank by a successor

Administrative Agent or Issuing Bank, such successor Administrative Agent or Issuing Bank shall thereupon succeed to and become vested with all the rights, powers, privileges, and duties of the retiring Administrative Agent or Issuing Bank, and the retiring Administrative Agent or Issuing Bank shall be discharged from its duties and obligations under this Agreement and the other Credit Documents, except that the retiring Issuing Bank shall remain the Issuing Bank with respect to any Letters of Credit outstanding on the effective date of its resignation or removal and the provisions affecting the Issuing Bank with respect to such Letters of Credit shall inure to the benefit of the retiring Issuing Bank until the termination of all such Letters of Credit. After any retiring Administrative Agent's or Issuing Bank's resignation or removal hereunder as Administrative Agent or Issuing Bank, the provisions of this Article VIII shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent or Issuing Bank under this Agreement and the other Credit Documents.

Section 8.07. *Syndication Agent.* The Syndication Agent shall have no duties, obligations, or liabilities in its capacity as Syndication Agent, the Banks shall have no right to replace the Syndication Agent if the Syndication Agent is no longer a Bank, and the Syndication Agent may not assign its status as Syndication Agent to any Person.

Section 8.08. *Borrower Reliance.* The Administrative Agent and the Banks acknowledge that the Borrower may rely on any consent, approval or instructions received by the Borrower from the Administrative Agent and/or the Banks.

Section 8.09. *Collateral Matters.*

(a) The Administrative Agent is authorized on behalf of the Banks, without the necessity of any notice to or further consent from the Banks, from time to time, to take any actions with respect to any Collateral or Security Documents which may be necessary to perfect and maintain Acceptable Security Interests in and Liens upon the Collateral granted pursuant to the Security Documents. The Administrative Agent is further authorized on behalf of the Banks, without the necessity of any notice to or further consent from the Banks, from time to time, to take any action in exigent circumstances as may be reasonably necessary to preserve any rights or privileges of the Banks under the Credit Documents or applicable law.

(b) The Banks irrevocably authorize the Administrative Agent and the Administrative Agent hereby agrees to release any Lien granted to or held by the Administrative Agent upon any Collateral (i) upon termination of the Commitments and payment in full of all outstanding Advances, Letter of Credit Obligations and all other Obligations payable under this Agreement and under any other Credit Document; (ii) constituting property sold or to be sold or disposed of as part of or in connection with any disposition permitted under this Agreement or the other Credit Documents; (iii) constituting property in which the Borrower or any Subsidiary of the Borrower owned no interest at the time the Lien was granted or at any time thereafter; (iv) constituting property leased to the Borrower or any Subsidiary of the Borrower under a lease which has expired or has been terminated in a transaction permitted under this Agreement or is about to expire and which has not been, and is not intended by the Borrower or such Subsidiary to be, renewed or extended; or (v) if approved, authorized or ratified in writing by the Majority Banks or all the Banks, as the case may be, as required by Section 9.01. Upon the request of the Administrative Agent at any time, the Banks will confirm in writing the Administrative Agent's authority to release particular types or items of Collateral pursuant to this Section 8.09.

ARTICLE IX
MISCELLANEOUS

Section 9.01. *Amendments, Etc.* No amendment or waiver of any provision of this Agreement, the Notes, or any other Credit Document nor consent to any departure by the Borrower therefrom,

shall in any event be effective unless the same shall be in writing and signed by the Majority Banks and the Borrower, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; *provided, however*, that no amendment, waiver, or consent shall, unless in writing and signed by all the Banks, do any of the following: (a) waive any of the conditions specified in Section 3.01 or 3.02, (b) increase the Revolver A Commitment or the Revolver B Commitment of the Banks, (c) reduce the principal of, or interest on, the Notes or any fees or other amounts payable hereunder or under any other Credit Document, (d) postpone any date fixed for any payment of principal of, or interest on, the Notes or any fees or other amounts payable hereunder or extend the Revolver A Termination Date, Revolver B Termination Date or the Final Maturity Date, (e) change the percentage of Banks which shall be required for the Banks or any of them to take any action hereunder or under any other Credit Document, (f) amend Section 2.09 or this Section 9.01, (g) amend the definition of "Majority Banks," (h) release any Guarantor from its obligations under any Guaranty, or (i) release any material portion of the collateral securing the Obligations, except for releases of Collateral sold as permitted by this Agreement; and *provided*, further, that no amendment, waiver or consent shall, unless in writing and signed by the Administrative Agent or the Issuing Bank in addition to the Banks required above to take such action, affect the rights or duties of the Administrative Agent or the Issuing Bank, as the case may be, under this Agreement or any other Credit Document.

Section 9.02. *Notices, Etc.* All notices and other communications shall be in writing (including telecopy communication) and mailed, telecopied, hand delivered or delivered by a nationally recognized overnight courier, at the address for the appropriate party specified in *Schedule 2* or at such other address as shall be designated by such party in a written notice to the other parties. All such notices and communications shall, when mailed, telecopied, or hand delivered or delivered by a nationally recognized overnight courier, be effective three days after being deposited in the mails, or when telecopy transmission is completed, respectively, except that notices and communications to the Administrative Agent pursuant to Article II or VIII shall not be effective until received by the Administrative Agent.

Section 9.03. *No Waiver; Remedies.* No failure on the part of the Administrative Agent, any Bank or the Issuing Bank to exercise, and no delay in exercising, any right hereunder or under any Note shall operate as a waiver thereof; nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

Section 9.04. *Costs and Expenses.* The Borrower agrees to pay on demand (a) all reasonable out−of−pocket costs and expenses of the Administrative Agent in connection with the preparation, execution, delivery, administration, modification and amendment of this Agreement, the Notes, and the other Credit Documents including, without limitation, the reasonable fees and out−of−pocket expenses of outside counsel for the Administrative Agent and with respect to advising the Administrative Agent as to its rights and responsibilities under this Agreement; *provided*, that the Borrower shall be entitled to receive invoices for such amounts and shall have a reasonable period of time to review and inquire about such invoices, and (b) all reasonable out−of−pocket costs and expenses, if any, of the Administrative Agent, the Issuing Bank and each Bank (including, without limitation, reasonable outside counsel fees and expenses of the Administrative Agent, the Issuing Bank and each Bank) in connection with the enforcement (whether through negotiations, legal proceedings or otherwise) of this Agreement, the Notes, and the other Credit Documents.

Section 9.05. *Binding Effect.* This Agreement shall become effective when it shall have been executed by the Borrower, the Administrative Agent and the Banks and thereafter shall be binding upon and inure to the benefit of the Borrower, the Administrative Agent, the Issuing Bank and each Bank and their respective successors and assigns, except that the Borrower shall not have the right to

assign its rights or delegate its duties under this Agreement or any interest in this Agreement without the prior written consent of each Bank.

Section 9.06. *Bank Assignments and Participations.*

(a) *Assignments.* Any Bank may assign to one or more banks or other entities all or any portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitments, the Advances owing to it, the Notes held by it, and the participation interest in the Letter of Credit Obligations held by it); *provided, however*, that (i) each such assignment shall be of a constant, and not a varying, percentage of all of such Bank's rights and obligations assigned under this Agreement (including, without limitation, its obligations to make both Revolver A Advances and Revolver B Advances), (ii) the amount of the Commitments and Advances of such Bank being assigned pursuant to each such assignment (determined as of the date of the Assignment and Acceptance with respect to such assignment) shall be, if to an entity other than a Bank, not less than $5,000,000.00 and shall be an integral multiple of $1,000,000.00, (iii) each such assignment shall be to an Affiliate or an Eligible Assignee, (iv) the parties to each such assignment shall execute and deliver to the Administrative Agent, for its acceptance and recording in the Register, an Assignment and Acceptance, together with the Notes subject to such assignment, and (v) each Eligible Assignee (other than the Eligible Assignee of the Administrative Agent) shall pay to the Administrative Agent a $3,500 administrative fee. Upon such execution, delivery, acceptance and recording, from and after the effective date specified in each Assignment and Acceptance, which effective date shall be at least three Business Days after the execution thereof (unless waived by the Administrative Agent), (A) the assignee thereunder shall be a party hereto for all purposes and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment and Acceptance, have the rights and obligations of a Bank hereunder and (B) such Bank thereunder shall, to the extent that rights and obligations hereunder have been assigned by it pursuant to such Assignment and Acceptance, relinquish its rights and be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all or the remaining portion of such Bank's rights and obligations under this Agreement, such Bank shall cease to be a party hereto).

(b) *Term of Assignments.* By executing and delivering an Assignment and Acceptance, the Bank thereunder and the assignee thereunder confirm to and agree with each other and the other parties hereto as follows: (i) other than as provided in such Assignment and Acceptance, such Bank makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency of value of this Agreement or any other instrument or document furnished pursuant hereto; (ii) such Bank makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Borrower or the Guarantors or the performance or observance by the Borrower or the Guarantors of any of their obligations under this Agreement or any other instrument or document furnished pursuant hereto; (iii) such assignee confirms that it has received a copy of this Agreement, together with copies of the financial statements referred to in Section 4.05 and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance; (iv) such assignee will, independently and without reliance upon the Administrative Agent, such Bank or any other Bank and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement; (v) such assignee appoints and authorizes the Administrative Agent to take such action as agent on its behalf and to exercise such powers under this Agreement as are delegated to the Administrative Agent by the terms hereof, together with such powers as are reasonably incidental thereto; and (vi) such assignee agrees that it will perform in accordance with their terms all of the obligations which by the terms of this Agreement are required to be performed by it as a Bank.

(c) *The Register.* The Administrative Agent shall maintain at its address referred to in Section 9.02 a copy of each Assignment and Acceptance delivered to and accepted by it and a register for the recordation of the names and addresses of the Banks and the Commitments of, and principal amount of the Advances owing to, each Bank from time to time (the "*Register*"). The entries in the Register shall be conclusive and binding for all purposes, absent manifest error, and the Borrower, the Administrative Agent, the Issuing Bank, and the Banks may treat each Person whose name is recorded in the Register as a Bank hereunder for all purposes of this Agreement. The Register shall be available for inspection by the Borrower or any Bank at any reasonable time and from time to time upon reasonable prior notice.

(d) *Procedures.* Upon its receipt of an Assignment and Acceptance executed by a Bank and an Eligible Assignee, together with the Notes subject to such assignment, the Administrative Agent shall, if such Assignment and Acceptance has been completed and is in substantially the form of the attached *Exhibit E*, (i) accept such Assignment and Acceptance, (ii) record the information contained therein in the Register, and (iii) give prompt notice thereof to the Borrower. Within five Business Days after its receipt of such notice, the Borrower shall execute and deliver to the Administrative Agent in exchange for the surrendered Notes (A) if such Eligible Assignee has acquired a Revolver A Commitment, a new Revolver A Note to the order of such Eligible Assignee in an amount equal to the Revolver A Commitment assumed by it pursuant to such Assignment and Acceptance and, if such Eligible Assignee has acquired a Revolver B Commitment, a new Revolver B Note to the order of such Eligible Assignee in an amount equal to the Revolver B Commitment assumed by it pursuant to such Assignment and Acceptance and (B) if such Bank has retained any Revolver A Commitment hereunder, a new Revolver A Note to the order of such Bank in an amount equal to the Revolver A Commitment retained by it hereunder and, if such Bank has retained any Revolver B Commitment, a new Revolver B Note to the order of such Bank in an amount equal to the Revolver B Commitment retained by its hereunder. Such new Notes shall be dated the effective date of such Assignment and Acceptance and shall otherwise be in substantially the form of the attached *Exhibit A−1 and A−2*, respectively.

(e) *Participations.* Each Bank may sell participations to one or more banks or other entities in or to all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitments, the Advances owing to it, its participation interest in the Letter of Credit Obligations, and the Notes held by it); *provided, however*, that (i) such Bank's obligations under this Agreement (including, without limitation, its Commitments to the Borrower hereunder) shall remain unchanged, (ii) such Bank shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) such Bank shall remain the holder of any such Notes for all purposes of this Agreement, (iv) the Borrower, the Administrative Agent, and the Issuing Bank and the other Banks shall continue to deal solely and directly with such Bank in connection with such Bank's rights and obligations under this Agreement, and (v) such Bank shall not require the participant's consent to any matter under this Agreement, except for change in the principal amount of the Notes, reductions in fees or interest (in each case to the extent subject to such participation), releasing all or substantially all of any Collateral, or extending the Revolver A Termination Date, Revolver B Termination Date or the Final Maturity Date (provided that, in any case in which a participant has the right to approve any amendment, waiver or consent as described above in this clause (v), such Bank shall retain (and hereby agrees to exercise) the right to repurchase the participation of such participant if such participant does not approve any such amendment, waiver or consent). The Borrower hereby agrees that participants shall have the same rights under Sections 2.10, 2.11, 2.12(b) and 9.07 as a Bank to the extent of their respective participations.

Section 9.07. ***Indemnification.*** **THE BORROWER SHALL INDEMNIFY THE ADMINISTRATIVE AGENT, THE ISSUING BANK AND EACH BANK AND THEIR RESPECTIVE DIRECTORS, OFFICERS, EMPLOYEES AND AGENTS FROM, AND DISCHARGE, RELEASE, AND HOLD EACH OF THEM HARMLESS AGAINST, ANY AND ALL LIABILITIES, OBLIGATIONS, LOSSES, CLAIMS, EXPENSES, OR DAMAGES OF ANY KIND OR NATURE WHATSOEVER TO WHICH**

ANY OF THEM MAY BECOME SUBJECT RELATING TO OR ARISING OUT OF THIS AGREEMENT, INCLUDING ANY LIABILITIES, OBLIGATIONS, LOSSES, CLAIMS, EXPENSES, OR DAMAGES WHICH ARISE OUT OF OR RESULT FROM (I) ANY ACTUAL OR PROPOSED USE BY THE BORROWER OR ANY AFFILIATE OF THE BORROWER OF THE PROCEEDS OF THE ADVANCES, (II) ANY BREACH BY THE BORROWER OF ANY PROVISION OF THIS AGREEMENT OR ANY OTHER CREDIT DOCUMENT, (III) ANY INVESTIGATION, LITIGATION OR OTHER PROCEEDING (INCLUDING OR ANY THREATENED INVESTIGATION OR PROCEEDING) RELATING TO THE FOREGOING, (IV) ANY ENVIRONMENTAL CLAIM OR REQUIREMENT OF ENVIRONMENTAL LAWS CONCERNING OR RELATING TO THE PRESENT OR PREVIOUSLY−OWNED OR OPERATED PROPERTIES OF THE BORROWER, OR THE OPERATIONS OR BUSINESS, OF THE BORROWER, OR (V) ANY ENVIRONMENTAL CLAIM OR REQUIREMENT OF ENVIRONMENTAL LAWS CONCERNING OR RELATED TO THE BORROWER'S PROPERTIES AND THE BORROWER SHALL REIMBURSE THE ADMINISTRATIVE AGENT, THE ISSUING BANK AND EACH BANK AND THEIR RESPECTIVE DIRECTORS, OFFICERS, EMPLOYEES AND AGENTS, UPON DEMAND FOR ANY REASONABLE OUT−OF−POCKET EXPENSES (INCLUDING REASONABLE OUTSIDE LEGAL FEES) INCURRED IN CONNECTION WITH ANY SUCH INVESTIGATION, LITIGATION OR OTHER PROCEEDING; AND EXPRESSLY INCLUDING ANY SUCH LOSSES, LIABILITIES, CLAIMS, DAMAGES, OR EXPENSE INCURRED BY REASON OF THE PERSON BEING INDEMNIFIED'S OWN NEGLIGENCE, BUT EXCLUDING ANY SUCH LOSSES, LIABILITIES, CLAIMS, DAMAGES OR EXPENSES INCURRED BY REASON OF THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF THE PERSON TO BE INDEMNIFIED.

Section 9.08. *Execution in Counterparts.* This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

Section 9.09. *Survival of Representations, etc.* All representations and warranties contained in this Agreement or made in writing by or on behalf of the Borrower in connection herewith shall survive the execution and delivery of this Agreement and the Credit Documents, the making of the Advances and any investigation made by or on behalf of the Administrative Agent or any Bank, none of which investigations shall diminish the Administrative Agent's or any Bank's right to rely on such representations and warranties. All obligations of the Borrower provided for in Sections 2.10, 2.11, 2.12, 9.04 and 9.07 and all of the obligations of the Banks in Section 2.09 and 8.05 shall survive any termination of this Agreement and repayment in full of the Obligations.

Section 9.10. *Severability.* In case one or more provisions of this Agreement or the other Credit Documents shall be invalid, illegal or unenforceable in any respect under any applicable law, the validity, legality and enforceability of the remaining provisions contained herein or therein shall not be affected or impaired thereby.

Section 9.11. *Business Loans.* The Borrower warrants and represents that the Advances evidenced by the Notes are and shall be for business, commercial, investment or other similar purposes and not primarily for personal, family, household or agricultural use, as such terms are used in Chapter One ("Chapter One") of the Texas Credit Code. At all such times, if any, as Chapter One shall establish a Maximum Rate, the Maximum Rate shall be the "indicated rate ceiling" (as such term is defined in Chapter One) from time−to−time in effect.

Section 9.12. *Usury Not Intended.* It is the intent of the Borrower, the Administrative Agent and the Banks in the execution and performance of this Agreement and the other Credit Documents to contract in strict compliance with applicable usury laws, including conflicts of law concepts, governing the Advances of the Banks including such applicable laws of the State of Texas and the United States of America from time−to−time in effect. In furtherance thereof, the Administrative Agent, the Banks and the Borrower stipulate and agree that none of the terms and provisions contained in this Agreement or the other Credit Documents shall ever be construed to create a contract to pay, as consideration for the use, forbearance or detention of money, interest at a rate in excess of the Maximum Rate and that for purposes hereof "interest" shall include the aggregate of all charges which

constitute interest under such laws that are contracted for, charged or received under this Agreement and the other Credit Documents; and in the event that, notwithstanding the foregoing, under any circumstances the aggregate amounts taken, reserved, charged, received or paid on the Advances, include amounts which by applicable law are deemed interest which would exceed the Maximum Rate, then such excess shall be deemed to be a mistake and the Bank receiving same shall credit the same on the principal of its Notes (or if its Notes shall have been paid in full, refund said excess to the Borrower). In the event that the maturity of the Notes is accelerated by reason of any election of the holder thereof resulting from any Event of Default under this Agreement or otherwise, or in the event of any required or permitted prepayment, then such consideration that constitutes interest may never include more than the Maximum Rate and excess interest, if any, provided for in this Agreement or otherwise shall be canceled automatically as of the date of such acceleration or prepayment and, if theretofore paid, shall be credited on the Notes (or, if the Notes shall have been paid in full, refunded to the Borrower of such interest). The provisions of this Section shall control over all other provisions of this Agreement or the other Credit Documents which may be in apparent conflict herewith. In determining whether or not the interest paid or payable under any specific contingencies exceeds the Maximum Rate, the Borrower, the Administrative Agent and the Banks shall to the maximum extent permitted under applicable law amortize, prorate, allocate and spread in equal parts during the period of the full stated term of the Note, all amounts considered to be interest under applicable law at any time contracted for, charged, received or reserved in connection with the Obligations.

Section 9.13. *Waiver of Jury; Consent to Jurisdiction.* **THE BORROWER, THE ADMINISTRATIVE AGENT, THE ISSUING BANK AND EACH BANK HEREBY IRREVOCABLY WAIVE ANY AND ALL RIGHT TO TRIAL BY JURY IN RESPECT OF ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT, OR ANY OTHER CREDIT DOCUMENT, OR ANY OF THE TRANSACTIONS CONTEMPLATED HEREBY. EACH SUCH PARTY HEREBY IRREVOCABLY SUBMITS TO THE NONEXCLUSIVE JURISDICTION OF THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF TEXAS AND OF ANY TEXAS STATE COURT SITTING IN DALLAS, TEXAS FOR PURPOSES OF ALL LEGAL PROCEEDINGS ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE OTHER CREDIT DOCUMENTS, AND THE TRANSACTIONS CONTEMPLATED THEREBY.**

Section 9.14. *Claims Subject to Judicial Reference; Selection of Referee.* **ALL CLAIMS, INCLUDING ANY AND ALL QUESTIONS OF LAW OR FACT RELATING THERETO, SHALL, AT THE WRITTEN REQUEST OF ANY PARTY HERETO, BE DETERMINED BY REFERENCE (AS DEFINED BELOW). THE PARTIES HERETO SHALL SELECT A SINGLE REFEREE, WHO SHALL BE A RETIRED STATE OR FEDERAL COURT JUDGE WITH AT LEAST FIVE YEARS OF JUDICIAL EXPERIENCE IN CIVIL MATTERS. IN THE EVENT THAT THE PARTIES CANNOT AGREE UPON A REFEREE, THE REFEREE SHALL BE APPOINTED BY THE COURT. THE PARTIES SHALL EQUALLY BEAR THE FEES AND EXPENSES OF THE REFEREE UNLESS THE REFEREE OTHERWISE PROVIDES IN THE STATEMENT OF DECISION. THE REFERENCE SHALL BE CONDUCTED PURSUANT TO APPLICABLE LAW. THE REFEREE SHALL DETERMINE ALL ISSUES RELATING TO THE APPLICABILITY, INTERPRETATION, LEGALITY AND ENFORCEABILITY OF THIS AGREEMENT. IN THE EVENT THAT MULTIPLE CLAIMS ARE ASSERTED, SOME OF WHICH ARE FOUND NOT SUBJECT TO THIS AGREEMENT, THE PARTIES HERETO AGREE TO STAY THE PROCEEDINGS OF THE CLAIMS NOT SUBJECT TO THIS AGREEMENT UNTIL ALL OTHER CLAIMS ARE RESOLVED IN ACCORDANCE WITH THIS AGREEMENT. IN THE EVENT THAT CLAIMS ARE ASSERTED AGAINST MULTIPLE PARTIES, SOME OF WHOM ARE NOT SUBJECT TO THIS AGREEMENT, THE PARTIES AGREE TO SEVER THE CLAIMS SUBJECT TO THIS AGREEMENT AND RESOLVE THEM IN ACCORDANCE WITH THIS AGREEMENT. IN THE EVENT OF ANY CHALLENGE TO THE LEGALITY OR ENFORCEABILITY OF THIS AGREEMENT, THE PREVAILING PARTY SHALL BE ENTITLED TO RECOVER THE COSTS AND EXPENSES, INCLUDING REASONABLE ATTORNEYS' FEES, INCURRED BY IT IN CONNECTION THEREWITH. AS USED IN THIS SECTION 9.14, "*CLAIM*" SHALL MEAN, CAUSE OF ACTION, ACTION, DISPUTE OR CONTROVERSY BETWEEN OR AMONG THE PARTIES HERETO, WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE, WHICH ARISES OUT OF OR RELATES TO: (I) ANY OF THE CREDIT DOCUMENTS; (II) ANY NEGOTIATIONS OR COMMUNICATIONS RELATING TO ANY OF THE CREDIT DOCUMENTS, WITHER OR NOT INCORPORATED INTO THE CREDIT DOCUMENTS OR ANY INDEBTEDNESS EVIDENCED THEREBY; OR (III) ANY ALLEGED AGREEMENTS, PROMISES, REPRESENTATIONS OR TRANSACTIONS IN**

CONNECTION THEREWITH, AND "REFERENCE" SHALL MEAN A JUDICIAL REFERENCE CONDUCTED PURSUANT TO THIS AGREEMENT IN ACCORDANCE WITH APPLICABLE LAW, AS IN EFFECT AT THE TIME THE REFEREE IS SELECTED PURSUANT TO THIS SECTION 9.14.

Section 9.15. *Governing Law.* This Agreement, the Notes and the other Credit Documents shall be governed by, and construed and enforced in accordance with, the laws of the State of Texas. Without limiting the intent of the parties set forth above, (a) Chapter 15, Subtitle 3, Title 79, of the Revised Civil Statutes of Texas, 1925, as amended (relating to revolving loans and revolving tri−party accounts), shall not apply to this Agreement, the Notes, or the transactions contemplated hereby and (b) to the extent that any Bank may be subject to Texas law limiting the amount of interest payable for its account, such Bank shall utilize the indicated (weekly) rate ceiling from time to time in effect as provided in Chapter 303 of the Texas Finance Code, as amended (formerly known as the indicated (weekly) rate ceiling in Article 5069−1.04 of the Revised Civil Statutes of Texas). Each Letter of Credit shall be governed by the Uniform Customs and Practice for Documentary Credits, International Chamber of Commerce Publication No. 500 (1993 version).

Section 9.16. *Credit Documents.* To the extent the specific terms and provisions of this Credit Agreement expressly conflict with the specific terms and provisions of any of the other Credit Documents, the specific terms and provisions of this Credit Agreement shall control.

Section 9.17. *Existing Indebtedness.* The indebtedness of the Borrower evidenced under this Agreement, the Notes and the other Credit Documents is given in renewal, extension, modification but not in extinguishment or discharge of, a portion of the indebtedness evidenced by the Revolver A Note dated December 19, 2001, in the principal amount of $30,000,000 executed by the Borrower to the order of Union Bank of California, N.A., the Revolver A Note dated December 19, 2001, in the principal amount of $30,000,000 executed by the Borrower to the order of Fleet National Bank, the Revolver B Note dated December 19, 2001, in the principal amount of $7,500,000 executed by the Borrower to the order of Union Bank of California, N.A., and the Revolver B Note dated December 19, 2001, in the principal amount of $7,500,000 executed by the Borrower to the order of Fleet National Bank, each bearing interest and being due and payable as therein provided.

PURSUANT TO SECTION 26.02 OF THE TEXAS BUSINESS AND COMMERCE CODE, A CREDIT AGREEMENT IN WHICH THE AMOUNT INVOLVED IN THE CREDIT AGREEMENT EXCEEDS $50,000 IN VALUE IS NOT ENFORCEABLE UNLESS THE CREDIT AGREEMENT IS IN WRITING AND SIGNED BY THE PARTY TO BE BOUND OR THAT PARTY'S AUTHORIZED REPRESENTATIVE.

THE RIGHTS AND OBLIGATIONS OF THE PARTIES TO AN AGREEMENT SUBJECT TO THE PRECEDING PARAGRAPH SHALL BE DETERMINED SOLELY FROM THE WRITTEN CREDIT AGREEMENT, AND ANY PRIOR ORAL AGREEMENTS BETWEEN THE PARTIES ARE SUPERSEDED BY AND MERGED INTO THE CREDIT AGREEMENT. THIS WRITTEN AGREEMENT AND THE CREDIT DOCUMENTS, AS DEFINED IN THIS AGREEMENT, REPRESENT THE FINAL AGREEMENT AMONG 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.

EXECUTED as of the 26th day of November, 2002.

BORROWER:

CROSSTEX ENERGY SERVICES, L.P.

By: Crosstex Energy Services GP, LLC,
its general partner

By: /s/ WILLIAM W. DAVIS

William W. Davis
Senior Vice President and
Chief Financial Officer

ADMINISTRATIVE AGENT:

UNION BANK OF CALIFORNIA, N.A.

By: /s/ JOHN CLARK

John Clark
Vice President

By: _____

Name: _____

Title: _____

SYNDICATION AGENT:

FLEET NATIONAL BANK

By: _____

Name: _____

Title: _____

BANKS:

UNION BANK OF CALIFORNIA, N.A.

By: /s/ JOHN CLARK

John Clark
Vice President

By: _____

Name: _____

Title: _____

FLEET NATIONAL BANK

By: _____

Name: _____

Title: _____

SCHEDULE 1

COMMITMENTS

Bank	Revolver A Commitment	Revolver B Commitment
Union Bank of California, N.A.	$ 26,388,888.89	$ 11,111,111.12
Fleet National Bank	$ 21,111,111.11	$ 8,888,888.88
	$ 47,500,000	$ 20,000,000

SCHEDULE 2

APPLICABLE LENDING OFFICES; ADDRESS FOR NOTICES

Bank	Domestic Lending Office
Union Bank of California, N.A.	445 South Figueroa Street, Suite 1502 Los Angeles, California 90071 Telecopier: 213−236−5747 Attention: Energy Capital Services
Fleet National Bank	100 Federal Street Mail Stop MADE 10008A Boston, Massachusetts 02110 Telecopier: 617−434−3652 Attention: Timothy J. Norton
	Address for Notices
Crosstex Energy Services, L.P.	2501 Cedar Springs, Suite 600 Dallas, Texas 75201 Telephone: 214−953−9500 Telecopier: 214−953−9501 Attention: Mr. William W. Davis
Union Bank of California, N.A.	445 South Figueroa Street, Suite 1502 Los Angeles, California 90071 Telecopier: 213−236−5747 Attention: Energy Capital Services
	With a copy to:
	4200 Lincoln Plaza 500 N. Akard Street Dallas, Texas 75201 Telecopier: 214−922−4209 Attention: John Clark, Vice President
Fleet National Bank	100 Federal Street Mail Stop MADE 10008A Boston, Massachusetts 02110 Telecopier: 617−434−3652 Attention: Timothy J. Norton

SCHEDULE 1.01(a)

LETTER OF CREDIT BANKS FOR ELIGIBLE ACCOUNTS

Bank	Maximum Aggregate Face Amount of Letters of Credit
Union Bank of California, N.A.	unlimited
The Bank of Tokyo−Mitsubishi, Ltd.	unlimited
Fleet National Bank	unlimited
Any bank domiciled in the United States with a credit rating of at least A by S&P and A by Moody's	$ 25,000,000

SCHEDULE 1.01(b)

APPROVED ACCOUNT DEBTORS

Formosa Hydrocarbons Company

Sherwin Alumina, LP

SCHEDULE 1.01(c)

GUARANTORS

Crosstex Gulf Coast Transmission Ltd.

Crosstex Gulf Coast Marketing Ltd.

Crosstex CCNG Marketing Ltd.

Crosstex CCNG Gathering Ltd.

Crosstex CCNG Processing Ltd.

Crosstex CCNG Transmission Ltd.

Crosstex Treating Services, L.P.

SCHEDULE 2.13

EXISTING LETTERS OF CREDIT

Company	Date Posted/ Amended	$ Amount Posted
Walter Oil & Gas Corporation	10/17/2002	2,565,000
Unocal Energy Trading, Inc.	10/1/2002	890,000
Sempra Energy Trading Corp.	5/22/2002	500,000
Camden Resources, Inc.	10/1/2002	1,945,000
United Oil & Mineral, Limited Partnership	10/1/2002	2,500,000
Prize Energy Resources	10/1/2002	500,000
National Energy Group	10/1/2002	500,000
EOG Resources, Inc	8/20/2002	3,500,000
Railroad Commission of Texas	6/02	25,000
Railroad Commission of Texas	6/02 & 7/02	175,000
Total Outstanding		13,100,000

SCHEDULE 4.08

SUBSIDIARIES

Subsidiary	Owner(s)	Interest(s)
Crosstex Gulf Coast Transmission Ltd.	Borrower	99.999% limited partnership interest
	Crosstex Energy Services GP, LLC	.001% general partnership interest
Crosstex Gulf Coast Marketing Ltd.	Borrower	99.999% limited partnership interest
	Crosstex Energy Services GP, LLC	.001% general partnership interest
Crosstex Pipeline, LLC	Borrower	100% membership interest
Crosstex CCNG Marketing Ltd.	Borrower	99.999% limited partnership interest
	Crosstex Energy Services GP, LLC	.001% general partnership interest
Crosstex CCNG Gathering Ltd.	Borrower	99.999% limited partnership interest

	Crosstex Energy Services GP, LLC	.001% general partnership interest
Crosstex CCNG Processing Ltd.	Borrower	99.999% limited partnership interest
	Crosstex Energy Services GP, LLC	.001% general partnership interest
Crosstex CCNG Transmission Ltd.	Borrower	99.999% limited partnership interest
	Crosstex Energy Services GP, LLC	.001% general partnership interest
Crosstex Pipeline Partners, Ltd.	Borrower	Approximately 21% limited partnership interest
	Crosstex Pipeline, LLC	Approximately 7% general partnership
	Various others interest	Approximately 79% limited partnership interest
Crosstex Treating Services, L.P.	Borrower	99.999% limited partnership interest
	Crosstex Treating Services GP, LLC	.001% general partnership interest

SCHEDULE 6.02

PERMITTED DEBT

Promissory Note in the amount of $800,000 dated June 7, 2002 made payable by Crosstex Energy Services, Ltd. to the order of Florida Gas Transmission Company

QuickLinks

Exhibit 10.2

FIRST CONTRIBUTION, CONVEYANCE AND ASSUMPTION AGREEMENT

This First Contribution, Conveyance and Assumption Agreement (this "***Agreement***") dated effective as of 12:01 a.m. Eastern Standard Time on November 27, 2002 (the "***Effective Time***"), is entered into by and among CROSSTEX ENERGY HOLDINGS INC., a Delaware corporation ("***Holdings***"), CROSSTEX ENERGY SERVICES, LTD., a Texas limited partnership ("***CESL***"), CROSSTEX ENERGY, INC., a Texas corporation ("***CEI***"), CROSSTEX ENERGY, L.P., a Delaware limited partnership ("***MLP***"), CROSSTEX ENERGY GP, LLC, a Delaware limited liability company ("***GP LLC***"), CROSSTEX ENERGY GP, L.P., a Delaware limited partnership ("***GP LP***"), CROSSTEX ENERGY SERVICES GP, LLC, a Delaware limited liability company ("***OLP GP***"), CROSSTEX ENERGY SERVICES, L.P., a Delaware limited partnership ("***OLP***"), CROSSTEX GAS SERVICES, INC., a Delaware corporation ("***CGSI***"); CROSSTEX GULF COAST, LLC, a Texas limited liability company ("***Gulf Coast***"); CROSSTEX ASSET MANAGEMENT GP, LLC, a Delaware limited liability company ("***CAM GP***");CROSSTEX ASSET MANAGEMENT, L.P., a Delaware limited partnership ("***CAM LP***"); CROSSTEX GULF COAST TRANSMISSION LTD., a Texas limited partnership ("***GC Transmission***"), CROSSTEX GULF COAST MARKETING LTD., a Texas limited partnership ("***GC Marketing***"), CROSSTEX CCNG TRANSMISSION LTD., a Texas limited partnership ("***CCNG Transmission***"), CROSSTEX CCNG MARKETING LTD., a Texas limited partnership ("***CCNG Marketing***"), CROSSTEX CCNG PROCESSING LTD., a Texas limited partnership ("***CCNG Processing***") and CROSSTEX CCNG GATHERING LTD., a Texas limited partnership ("***CCNG Gathering***").

RECITALS

WHEREAS, the following actions have previously been taken prior to the date hereof:

1. Holdings has formed GP LLC, and contributed $1,000 in capital to it as a capital contribution in exchange for all of the membership interests in GP LLC;

2. GP LLC and Holdings have formed GP LP, with GP LLC contributing $1 in exchange for a 0.001% general partner interest of GP LP and Holdings contributing $999 in exchange for a 99.999% limited partner interest of GP LP;

3. GP LP and Holdings have formed MLP, with GP LLC contributing $20 in exchange for a 2.0% general partner interest in MLP and Holdings contributing $980 in exchange for a 98.0% limited partner interest of MLP;

4. CEI has formed OLP GP, and contributed $1,000 in capital to it as a capital contribution in exchange for all of the membership interests in OLP GP;

5. OLP GP and MLP have formed OLP, with OLP GP contributing $1 in exchange for a 0.001% general partner interest of OLP and MLP contributing $999 in exchange for a 99.999% limited partner interest of OLP;

6. CESL has formed CAM GP, and contributed $1,000 in capital to it as a capital contribution in exchange for all of the membership interests in CAM GP.

7. CAM GP and CESL have formed CAM LP, with CAM GP contributing $100 in exchange for a 1% general partner interest of CAM LP and CESL contributing $900 in exchange for a 99% limited partner interest of CAM LP;

WHEREAS, each of the following matters shall occur in the order stated:

1. CGSI will merge into Holdings in accordance with the Delaware General Corporation Law ("***DGCL***").

2. Holdings will contribute all of its membership interest in GP LLC to CEI as a capital contribution.

3. CEI will adopt a plan of complete liquidation.

4. CEI will contribute a 0.001% general partner interest in CESL to OLP GP as a capital contribution.

5. CESL will convert the 0.999% interest in CESL held by CEI into a 0.999% limited partner interest in CESL.

6. CESL will contribute the Excluded Assets (defined below) to CAM LP as a capital contribution.

7. CESL will distribute its limited partner interest in CAM LP and its membership interest in CAM GP to each of CEI and Holdings, in accordance with their percentage ownership interests in CESL.

8. CEI will distribute its limited partner interest in CAM LP and its membership interest in CAM GP to Holdings.

9. Holdings will contribute the Management Notes (defined below) to CAM LP as a capital contribution.

10. CEI will contribute its 0.999% limited partner interest in CESL and all of its membership interest in OLP GP to MLP in exchange for an interest in MLP.

11. CEI will contribute its interest in MLP to GP LP as a capital contribution.

12. Holdings will transfer its 99.0% limited partner interest in OLP to MLP as a capital contribution.

13. Gulf Coast will merge into OLP GP in accordance with the Texas Limited Liability Company Act ("***Texas LLC Act***") and the Delaware Limited Liability Company Act ("***Delaware LLC Act***") and CESL will merge into OLP in accordance with the Texas Revised Uniform Limited Partnership Act ("***Texas LP Act***") and the Delaware Revised Uniform Limited Partnership Act ("***Delaware LP Act***").

14. Through a series of transactions, OLP will distribute all of its shares of common stock of Crosstex Pipeline, Inc., a Texas corporation ("***CPI***") to Holdings.

15. OLP GP will transfer a 0.999% interest in each of GC Transmission, GC Marketing, CCNG Transmission, CCNG Marketing, CCNG Processing and CCNG Gathering to OLP and each of such interests shall be converted into a limited partner interest in the respective entity.

ARTICLE I
Recordation

Section 1.1 ***Recordation of Evidence of Ownership of Assets.*** In connection with the mergers under the DGCL, the Delaware LLC Act, the Texas LLC Act, the Delaware LP Act and the Texas LP Act that are referred to in the recitals to this Agreement, the parties to this Agreement acknowledge that certain jurisdictions in which the assets of the applicable parties to such mergers are located may require that documents be recorded by the entities resulting from such mergers in order to evidence title in such entities. All such documents shall evidence such new ownership and are not intended to modify, and shall not modify, any of the terms, covenants and conditions herein set forth.

ARTICLE II
Contributions and Distributions of Various Assets,
Stock, and Limited Partnership and Limited Liability Company Interests

The parties hereby agree, as promptly as reasonably practicable, to undertake the following transactions set forth in this Article II in the order set forth in this Article II.

Section 2.1 ***Merger of CGSI into Holdings.*** CGSI will merge into Holdings by taking the steps, executing the documents and making the filings necessary to effect such merger in accordance with the DGCL.

Section 2.2 ***Contribution of GP LLC Interest by Holdings to CEI.*** Pursuant to the form of Assignment attached hereto as *Exhibit A*, Holdings will grant, contribute, transfer, assign and convey to CEI, its successors and assigns, all right, title and interest of Holdings in and to all the membership interest in GP LLC to CEI (the "***GP LLC Interest***"), and CEI will accept the GP LLC Interest as a contribution to the capital of CEI.

Section 2.3 ***Liquidation of CEI.*** CEI will adopt, and the directors and shareholders of CEI will approve, a plan of complete liquidation (the "***Plan of Liquidation***") in the form of *Exhibit B* hereto.

Section 2.4 ***Contribution of CESL GP Interest by CEI to OLP GP.*** Pursuant to the form of Assignment attached hereto as *Exhibit C*, CEI will grant, contribute, transfer, assign and convey to OLP GP, its successors and assigns, all right, title and interest of CEI in and to a 0.001 interest in CESL (the "***CESL GP Interest***"), and OLP GP will accept the CESL GP Interest as a contribution to the capital of OLP GP.

Section 2.5 ***Conversion of Interests to Limited Partner Interests.*** Pursuant to the form of Conversion Agreement attached hereto as *Exhibit D*, CESL will convert the 0.999 percent interest in CESL (the "***CEI CESL Interest***") held by CEI subsequent to the transfer set forth in Section 2.4 hereof, into a 0.999 percent limited partner interest of CESL.

Section 2.6 ***Contribution of Excluded Assets by CESL to CAM LP.*** Pursuant to the form of Assignment and Assumption Agreement attached hereto as *Exhibit E*, CESL will grant, contribute, transfer, assign and convey to CAM LP, its successors and assigns, all right, title and interest of CESL in and to the Enron Receivable, the Jonesville Plant and the Clarkson Plant (collectively, the "***Excluded Assets***"), and CAM LP will accept the Excluded Assets as a capital contribution. For purposes of this Agreement, "***Enron Receivable***" means all accounts receivable of CESL and its affiliates from Enron Corp. and its affiliates; "***Jonesville Plant***" means all assets and liabilities of CESL and its affiliates comprising the processing plant operated by CESL and its affiliates located in Harrison County, Texas; and "***Clarkson Plant***" means all assets and liabilities of CESL and its affiliates comprising the processing plant operated by CESL and its affiliates located in Sutton County, Texas.

Section 2.7 ***Distribution of CAM LP Interest and CAM GP Interest by CESL to OLP GP and Holdings and CEI.*** Pursuant to the form of Assignment attached hereto as *Exhibit F*, CESL will grant, distribute, transfer, assign and convey to OLP GP, its successors and assigns, all right, title and interest of CESL in and to a percentage of each of (i) its limited partner interest in CAM LP (the "***CAM LP Interest***") and (ii) its membership interest in CAM GP (the "***CAM GP Interest***"), such respective percentages shall be equal to OLP GP's percentage ownership interest in CESL (collectively, the "***OLP GP CAM LP Interest***"), and will grant, distribute, transfer, assign and convey to Holdings, its successors and assigns, all right, title and interest of CESL in and to a percentage of each of the CAM LP Interest and the CAM GP Interest, such respective percentages shall be equal to Holdings' percentage ownership interest in CESL (collectively, the "***Holdings CAM LP Interest***"), and will grant, distribute, transfer, assign and convey to CEI, its successors and assigns, all right, title and interest of CESL in and to a percentage of each of the CAM LP Interest and the CAM GP Interest, such respective percentages shall be equal to CEI's percentage ownership interest in CESL (collectively, the "***CEI CAM LP Interest***"), and OLP GP and Holdings and CEI will accept the OLP GP CAM LP Interest and the

Holdings CAM LP Interest and the CEI CAM LP Interest, respectively, each as a distribution. The sum of the portions of each of the CAM LP Interest and the CAM GP Interest transferred by CESL to OLP GP and Holdings and CEI shall equal 100% of each of the CAM LP Interest and the CAM GP Interest.

Section 2.8 ***A. Distribution of OLP GP CAM LP Interest by OLP GP to CEI.*** Pursuant to the form of Assignment attached hereto as *Exhibit G*, OLP GP will grant, distribute, transfer, assign and convey as a dividend to CEI, its successors and assigns, all right, title and interest of OLP GP in and to the OLP GP CAM LP Interest, and CEI will accept the OLP GP CAM LP Interest as a dividend.

B. Distribution by CEI to Holdings. As part of the transactions that are to be effected in accordance with the Plan of Liquidation and pursuant to the form of Assignment attached hereto as *Exhibit G*, CEI will grant, distribute, transfer, assign and convey as a dividend to Holdings, its successors and assigns, all right, title and interest of CEI in and to the OLP GP CAM LP Interest and the CEI CAM LP Interest, and Holdings will accept the OLP GP CAM LP Interest and the CEI CAM LP Interest.

Section 2.9 ***Contribution of Management Notes by Holdings to CAM LP.*** Pursuant to the form of Assignment attached hereto as *Exhibit H*, Holdings will grant, contribute, transfer, assign and convey to CAM LP, its successors and assigns, all right, title and interest of Holdings in and to the Management Notes, and CAM LP will accept the Management Notes as a contribution to the capital of CAM LP. For purposes of this agreement, "***Management Notes***" means each of the short−term promissory notes and long−term promissory notes that are described in *Exhibit H* attached hereto.

Section 2.10 ***A. Contribution of Interests by CEI to MLP.*** Pursuant to the form of Assignment attached hereto as *Exhibit I*, CEI will grant, contribute, transfer, assign and convey to MLP, its successors and assigns, all right, title and interest of CEI in and to (i) the CEI CESL Interest and (ii) all of its membership interests in OLP GP, and MLP will accept (x) the CEI CESL Interest and (y) all of CEI's membership interests in OLP GP as a contribution to the capital of MLP in exchange for an interest in MLP (the "***CEI MLP Interest***").

B. Contribution of CEI MLP Interest by CEI to GP LP. Pursuant to the form of Assignment attached hereto as *Exhibit J*, CEI will grant, contribute, transfer, assign and convey to GP LP, its successors and assigns, all right, title and interest in and to the CEI MLP Interest, and GP LP will accept the CEI MLP Interest as a contribution to the capital of GP LP.

C. Contribution of Holdings CESL Interest by Holdings to MLP. Pursuant to the form of Assignment attached hereto as *Exhibit K*, Holdings will grant, contribute, transfer, assign and convey to MLP, its successors and assigns, all right, title and interest of Holdings in and to its 99.0% limited partner interest in CESL (the "***Holdings CESL Interest***"), and MLP will accept the Holdings CESL Interest as a contribution to the capital of MLP in exchange for an interest in MLP (the "***Holdings MLP Interest***").

D. Post Contribution Interest in MLP. After the transactions for which provision is made in Sections 2.10A, 2.10B and 2.10C hereof, GP LP shall be the general partner of MLP and shall hold a 1.0% interest in MLP and Holdings shall be a limited partner of MLP and shall hold a 99.0% interest in MLP.

Section 2.11 ***Merger of Gulf Coast into OLP GP.*** Gulf Coast will merge into OLP GP by taking the steps, executing the documents and making the filings necessary to effect such merger in accordance with the Delaware LLC Act and the Texas LLC Act.

Section 2.12 ***Merger of CESL into OLP.*** CESL will merge into OLP by taking the steps, executing the documents and making the filings necessary to effect such merger in accordance with the Delaware LP Act and the Texas LP Act.

Section 2.13 ***Distribution of CPI Shares.*** Pursuant to the form of Assignment attached hereto as *Exhibit L*:

(a) OLP will grant, distribute, transfer, assign and convey to OLP GP, its successors and assigns, all right, title and interest of OLP in and to a percentage of its shares of common stock of CPI equal to OLP GP's percentage ownership interest in OLP, and will grant, distribute, transfer, assign and convey to MLP, its successors and assigns, all right, title and interest of OLP in and to a percentage of its shares of common stock of CPI equal to MLP's percentage ownership interest in OLP, and OLP GP and MLP will accept such shares, respectively, each as a distribution.

(b) OLP GP will grant, distribute, transfer, assign and convey to MLP, its successors and assigns, all right, title and interest of OLP GP in and to its shares of common stock of CPI, and MLP will accept such shares as a distribution.

(c) MLP will grant, distribute, transfer, assign and convey to GP LP, its successors and assigns, all right, title and interest of MLP in and to a percentage of its shares of common stock of CPI equal to GP LP's percentage ownership interest in MLP, and will grant, distribute, transfer, assign and convey to Holdings, its successors and assigns, all right, title and interest of MLP in and to a percentage of its shares of common stock of CPI equal to Holdings' percentage ownership interest in MLP, and GP LP and Holdings will accept such shares, respectively, each as a distribution.

(d) GP LP will grant, distribute, transfer, assign and convey to GP LLC, its successors and assigns, all right, title and interest of GP LP in and to a percentage of its shares of common stock of CPI equal to GP LLC's percentage ownership interest in GP LP, and will grant, distribute, transfer, assign and convey to CEI, its successors and assigns, all right, title and interest of CEI in and to a percentage of its shares of common stock of CPI equal to CEI's percentage ownership interest in GP LP, and GP LLC and CEI will accept such shares, respectively, each as a distribution.

(e) GP LLC will grant, distribute, transfer, assign and convey to CEI, its successors and assigns, all right, title and interest of GP LLC in and to its shares of common stock of CPI, and CEI will accept such shares as a distribution.

(f) A part of the transactions that are to be effected in accordance with the Plan of Liquidation, CEI will grant, distribute, transfer, assign and convey to Holdings, its successors and assigns, all right, title and interest of CEI in and to its shares of common stock of CPI, and Holdings will accept such shares.

Section 2.14 ***Transfer and Conversion of Interests.*** Pursuant to the form of Assignment and Conversion Agreement attached hereto as *Exhibit M*, OLP GP will grant, transfer, assign and convey to OLP a 0.999% interest in each of GC Marketing, GC Transmission, CCNG Transmission, CCNG Marketing, CCNG Gathering and CCNG Processing and each of such transferred interests shall be converted into a limited partner interest in the respective entity, such that OLP GP shall be the general partner of each such entity and shall hold a 0.001% interest in each such entity and OLP shall be a limited partner of each such entity and shall hold a 99.999% interest in each such entity.

ARTICLE III
Assumption of Certain Liabilities

Section 3.1 ***Assumption of Liabilities and Obligations of CESL by GP LLC.*** In connection with the distribution by CESL of the Excluded Assets to CAM LP, CAM LP hereby assumes and agrees to duly and timely pay, perform and discharge all of the respective obligations and liabilities arising out of or incurred with respect to the Excluded Assets to the full extent that CESL has been heretofore or would have been in the future, were it not for the execution and delivery of this Agreement, obligated to pay, perform and discharge such obligations and liabilities, provided, however, that said assumption and agreement to duly and timely pay, perform and discharge such obligations and liabilities shall not

increase the obligation of CAM LP with respect to such obligations and liabilities beyond that of CESL.

ARTICLE IV
Title Matters

Section 4.1 ***Encumbrances.*** Where applicable, the distributions of the Excluded Assets set forth in Section 2.6 are made expressly subject to all recorded and unrecorded liens, encumbrances, agreements, defects, restrictions, adverse claim and all laws, rules, regulations, ordinances, judgments and orders of governmental authorities or tribunals having or asserting jurisdiction over the Excluded Assets and operations conducted thereon or in connection therewith, in each case to the extent the same are valid and enforceable and affect the Excluded Assets, including, without limitation, (a) all matters that a current on the ground survey or visual inspection of the Excluded Assets would reflect, and (b) the liabilities assumed in Article III with respect to the Excluded Assets.

Section 4.2 ***Disclaimer of Warranties; Subrogation; Waiver of Bulk Sales Laws.***

(a) NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS AGREEMENT, CAM LP ACKNOWLEDGES AND AGREES THAT CESL HAS NOT MADE, DOES NOT MAKE, AND SPECIFICALLY NEGATES AND DISCLAIMS, ANY REPRESENTATIONS, WARRANTIES, PROMISES, COVENANTS, AGREEMENTS OR GUARANTIES OF ANY KIND OR CHARACTER WHATSOEVER, WHETHER EXPRESS, IMPLIED OR STATUTORY, ORAL OR WRITTEN, PAST OR PRESENT (ALL OF WHICH ARE EXPRESSLY DISCLAIMED BY CESL), REGARDING, WHERE APPLICABLE (1) THE TITLE, VALUE, NATURE, QUALITY OR CONDITION OF THE EXCLUDED ASSETS INCLUDING WITHOUT LIMITATION, THE WATER, SOIL, GEOLOGY OR ENVIRONMENTAL CONDITION OF THE EXCLUDED ASSETS GENERALLY, INCLUDING THE PRESENCE OR LACK OF HAZARDOUS SUBSTANCES OR OTHER MATTERS ON THE EXCLUDED ASSETS, (2) THE INCOME TO BE DERIVED FROM THE EXCLUDED ASSETS, (3) THE SUITABILITY OF THE EXCLUDED ASSETS FOR ANY AND ALL ACTIVITIES AND USES WHICH CAM LP MAY CONDUCT THEREON, (4) THE COMPLIANCE OF OR BY THE EXCLUDED ASSETS OR THEIR OPERATIONS WITH ANY LAWS (INCLUDING WITHOUT LIMITATION ANY ZONING, ENVIRONMENTAL PROTECTION, POLLUTION OR LAND USE LAWS, RULES. REGULATIONS, ORDERS OR REQUIREMENTS), OR (5) THE HABITABILITY, MERCHANTABILITY, MARKETABILITY, PROFITABILITY OR FITNESS FOR A PARTICULAR PURPOSE OF THE EXCLUDED ASSETS. CAM LP ACKNOWLEDGES AND AGREES THAT, WHERE APPLICABLE, CAM LP HAS HAD THE OPPORTUNITY TO INSPECT THE EXCLUDED ASSETS AND CAM LP IS RELYING SOLELY ON ITS OWN INVESTIGATION OF THE EXCLUDED ASSETS AND NOT ON ANY INFORMATION PROVIDED OR TO BE PROVIDED BY CESL. CESL IS NOT LIABLE OR BOUND IN ANY MANNER BY ANY VERBAL OR WRITTEN STATEMENTS, REPRESENTATIONS OR INFORMATION PERTAINING TO THE EXCLUDED ASSETS FURNISHED BY ANY AGENT, EMPLOYEE, SERVANT OR THIRD PARTY. CAM LP ACKNOWLEDGES THAT TO THE MAXIMUM EXTENT PERMITTED BY LAW, THE CONTRIBUTION OF THE EXCLUDED ASSETS AS PROVIDED FOR HEREIN IS MADE ON AN "AS IS", "WHERE IS" BASIS WITH ALL FAULTS AND THE EXCLUDED ASSETS ARE CONTRIBUTED AND CONVEYED BY CESL SUBJECT TO THE FOREGOING. THIS PARAGRAPH SHALL SURVIVE SUCH CONTRIBUTION AND CONVEYANCE AND THE TERMINATION OF THIS AGREEMENT. THE PROVISIONS OF THIS SECTION 4.2 HAVE BEEN NEGOTIATED BY CESL AND CAM LP AFTER DUE CONSIDERATION AND ARE INTENDED TO BE A COMPLETE EXCLUSION AND NEGATION OF ANY REPRESENTATIONS OR WARRANTIES OF CESL, WHETHER EXPRESS, IMPLIED OR STATUTORY, WITH RESPECT TO THE EXCLUDED ASSETS THAT MAY ARISE PURSUANT TO ANY LAW NOW OR HEREAFTER IN EFFECT, OR OTHERWISE.

(b) The contribution of the Excluded Assets made under this Agreement are made with full rights of substitution and subrogation of CESL, and all persons claiming by, through and under it, to the extent assignable, in and to all covenants and warranties by the predecessors−in−title CESL, and with full subrogation of all rights accruing under applicable statutes of limitation and all rights of action of warranty against all former owners of the Excluded Assets.

(c) CAM LP agrees that the disclaimers contained in this Section 4.2 are "conspicuous" disclaimers. Any covenants implied by statute or law by the use of the words "grant," "convey," "bargain," "sell," "assign," "transfer," "deliver," or "set over" or any of them or any other words used in this Agreement or any exhibits hereto are hereby expressly disclaimed, waived or negated.

(d) Each of the parties hereto hereby waives compliance with any applicable bulk sales law or any similar law in any applicable jurisdiction in respect of the transactions contemplated by this Agreement. "***Laws***" means any and all laws, statutes, ordinances, rules or regulations promulgated by a governmental authority, orders of a governmental authority, judicial decisions, decisions of arbitrators or determinations of any governmental authority or court.

ARTICLE V
Further Assurances

Section 5.1 ***Further Assurances.*** From time to time after the date hereof, and without any further consideration, CESL and CAM LP shall execute, acknowledge and deliver all such additional deeds, assignments, bills of sale, conveyances, instruments, notices, releases, acquittances and other documents, and will do all such other acts and things, all in accordance with applicable law, as may be necessary or appropriate more fully and effectively to vest in CAM LP and its successors and assigns beneficial and record title to the interests hereby contributed and assigned to CAM LP or intended so to be and to more fully and effectively carry out the purposes and intent of this Agreement.

Section 5.2 ***Other Assurances.*** From time to time after the date hereof, and without any further consideration, each of the parties to this Agreement shall execute, acknowledge and deliver all such additional instruments, notices and other documents, and will do all such other acts and things, all in accordance with applicable law, as may be necessary or appropriate to more fully and effectively carry out the purposes and intent of this Agreement.

ARTICLE VI
Miscellaneous

Section 6.1 ***Order of Completion of Transactions.*** The transactions provided for in Article II of this Agreement shall be completed in the order set forth in that article.

Section 6. ***Headings; References; Interpretation.*** All article and section headings in this Agreement are for convenience only and shall not be deemed to control or affect the meaning or construction of any of the provisions hereof. The words "hereof," "herein" and "hereunder" and words of similar import, when used in this Agreement, shall refer to this Agreement as a whole, including without limitation, all exhibits attached hereto, and not to any particular provision of this Agreement. All references herein to articles, sections, and exhibits shall, unless the context requires a different construction, be deemed to be references to the articles, sections and exhibits of this Agreement, respectively, and all such Exhibits attached hereto are hereby incorporated herein and made a part hereof for all purposes. All personal pronouns used in this Agreement, whether used in the masculine, feminine or neuter gender, shall include all other genders, and the singular shall include the plural and vice versa. The use herein of the word "including" following any general statement, term or matter shall not be construed to limit such statement, term or matter to the specific items or matters set forth immediately following such word or to similar items or matters, whether or not non−limiting language (such as "without limitation," "but not limited to," or words of similar import) is used with reference

thereto, but rather shall be deemed to refer to all other items or matters that could reasonably fall within the broadest possible scope of such general statement, term or matter.

Section 6.3 ***Successors and Assigns.*** The Agreement shall be binding upon and inure to the benefit of the parties signatory hereto and their respective successors and assigns.

Section 6.4 ***No Third Party Rights.*** The provisions of this Agreement are intended to bind the parties signatory hereto as to each other and are not intended to and do not create rights in any other person or confer upon any other person any benefits, rights or remedies and no person is or is intended to be a third party beneficiary of any of the provisions of this Agreement.

Section 6.5 ***Counterparts.*** This Agreement may be executed in any number of counterparts, all of which together shall constitute one agreement binding on the parties hereto.

Section 6.6 ***Governing Law.*** This Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware applicable to contracts made and to be performed wholly within such state without giving effect to conflict of law principles thereof, except to the extent that it is mandatory that the law of some other jurisdiction, shall apply.

Section 6.7 ***Severability.*** If any of the provisions of this Agreement are held by any court of competent jurisdiction to contravene, or to be invalid under, the laws of any political body having jurisdiction over the subject matter hereof, such contravention or invalidity shall not invalidate the entire Agreement. Instead, this Agreement shall be construed as if it did not contain the particular provision or provisions held to be invalid, and an equitable adjustment shall be made and necessary provision added so as to give effect to the intention of the parties as expressed in this Agreement at the time of execution of this Agreement.

Section 6.8 ***Amendment or Modification.*** This Agreement may be amended or modified from time to time only by the written agreement of all the parties hereto.

Section 6.9 ***Integration*** This Agreement supersedes all previous understandings or agreements between the parties, whether oral or written, with respect to its subject matter. This document is an integrated agreement which contains the entire understanding of the parties. No understanding, representation, promise or agreement, whether oral or written, is intended to be or shall be included in or form part of this Agreement unless it is contained in a written amendment hereto executed by the parties hereto after the date of this Agreement.

Section 6.10 ***Representations and Warranties.*** Each party hereto represents and warrants to each of the other parties hereto as follows:

(a) Such party has the right, power and authority for, and has taken all necessary corporate and other action to authorize, the execution, delivery and performance of the transactions contemplated by this Agreement; and

(b) This Agreement has been duty executed and delivered by the duly authorized officers of such party and constitutes the legal, valid and binding obligation of such party, enforceable in accordance with its terms.

Section 6.11 ***Costs.*** Each transferee/assignee hereunder shall pay all sales, use and similar taxes arising out of the contributions, conveyances and deliveries to be made hereunder, and shall pay all documentary, filing, recording, transfer, deed, and conveyance taxes and fees required in connection therewith.

Section 6.12 ***Deed; Bill of Sale; Assignment.*** To the extent required by applicable law, this Agreement shall also constitute a "deed," "bill of sale" or "assignment" of assets.

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

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

HOLDINGS:

CROSSTEX ENERGY HOLDINGS INC., a Delaware corporation

By: /s/ BRYAN H. LAWRENCE

Name: Bryan H. Lawrence

Title: *Chairman*

CESL:

CROSSTEX ENERGY SERVICES, LTD., a Texas limited partnership
By: Crosstex Energy, Inc., a Texas corporation, its general partner

By: /s/ BARRY E. DAVIS

Name: Barry E. Davis

Title: *President*

CEI:

CROSSTEX ENERGY, INC., a Texas corporation

By: /s/ BARRY E. DAVIS

Name: Barry E. Davis

Title: *President*

MLP:

CROSSTEX ENERGY, L.P., a Delaware limited partnership
By: Crosstex Energy GP, L.P., a Delaware limited partnership, its general partner
By: Crosstex Energy GP, LLC, a Delaware limited liability company, its general partner

By: /s/ BARRY E. DAVIS

Name: Barry E. Davis

Title: *President*

GP LLC:

CROSSTEX ENERGY GP, LLC, a Delaware limited liability company

By: /s/ BARRY E. DAVIS

Name: Barry E. Davis

Title: *President*

GP LP:

CROSSTEX ENERGY GP, L.P., a Delaware limited partnership
By: Crosstex Energy GP, LLC, a Delaware limited liability company, its general partner

By: /s/ BARRY E. DAVIS

Name: Barry E. Davis

Title: *President*

OLP GP:

CROSSTEX ENERGY SERVICES GP, LLC, a Delaware limited liability company

By: /s/ BARRY E. DAVIS

Name: Barry E. Davis

Title: *President*

OLP:

CROSSTEX ENERGY SERVICES, LTD., a Delaware limited partnership
By: Crosstex Energy, Inc., a Texas corporation, its general partner

By: /s/ BARRY E. DAVIS

Name: Barry E. Davis

Title: *President*

GULF COAST:

CROSSTEX GULF COAST, LLC, a Texas limited liability company

By: /s/ BARRY E. DAVIS

Name: Barry E. Davis

Title: *President*

CAM GP:

CROSSTEX ASSET MANAGEMENT GP, LLC, a Delaware limited liability company

By: /s/ BARRY E. DAVIS

Name: Barry E. Davis

Title: *President*

CAM LP:

CROSSTEX ASSET MANAGEMENT, L.P., a Delaware limited partnership
By: CAM GP, LLC, a Delaware limited liability company, its general partner

By: /s/ BARRY E. DAVIS

Name: Barry E. Davis

Title: *President*

GC TRANSMISSION:

CROSSTEX GULF COAST TRANSMISSION LTD., a Texas limited partnership
By: Crosstex Gulf Coast, LLC, a Texas limited liability company, its general partner

By: /s/ BARRY E. DAVIS

Name: Barry E. Davis

Title: *President*

GC MARKETING:

CROSSTEX GULF COAST MARKETING LTD., a Texas limited partnership
By: Crosstex Gulf Coast, LLC, a Texas limited liability company, its general partner

By: /s/ BARRY E. DAVIS

Name: Barry E. Davis

Title: *President*

CCNG TRANSMISSION:

CROSSTEX CCNG TRANSMISSION LTD., a Texas limited partnership
By: Crosstex Gulf Coast, LLC, a Texas limited liability company, its general partner

By: /s/ BARRY E. DAVIS

Name: Barry E. Davis

Title: *President*

CCNG MARKETING:

CROSSTEX CCNG MARKETING LTD., a Texas limited partnership
By: Crosstex Gulf Coast, LLC, a Texas limited liability company, its general partner

By: /s/ BARRY E. DAVIS

Name: Barry E. Davis

Title: *President*

CCNG PROCESSING:

CROSSTEX CCNG PROCESSING LTD., a Texas limited partnership
By: Crosstex Gulf Coast, LLC, a Texas limited liability company, its general partner

By: /s/ BARRY E. DAVIS

Name: Barry E. Davis

Title: *President*

CCNG GATHERING:

CROSSTEX CCNG GATHERING LTD., a Texas limited partnership
By: Crosstex Gulf Coast, LLC, a Texas limited liability company, its general partner

By: /s/ BARRY E. DAVIS

Name: Barry E. Davis

Title: *President*

Exhibit A

ASSIGNMENT

THIS ASSIGNMENT (this "***Assignment***"), is made and entered into at a.m., Eastern Standard Time, on November , 2002, by and between Crosstex Energy Holdings Inc., a Delaware corporation ("***Assignor***") and Crosstex Energy, Inc., a Texas corporation ("***Assignee***").

RECITALS

WHEREAS, Assignor desires to transfer and assign, as a contribution to the capital of Assignee, all of its membership interest (the "***GP LLC Interest***") in Crosstex Energy GP, LLC, a Delaware limited liability company ("***GP LLC***"), and Assignee desires to accept such contribution;

NOW, THEREFORE, in consideration of the premises, the mutual covenants and agreements contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto do hereby agree as follows:

1. *Assignment.* Assignor hereby irrevocably grants, contributes, transfers, assigns and conveys to Assignee, its successors and assigns, all of Assignor's right, title and interest in and to the GP LLC Interest, free and clear of any lien, pledge, security interest, encumbrance or claim of any kind, and hereby withdraws as a member of GP LLC.

2. *Acceptance.* Assignee hereby accepts the assignment of the GP LLC Interest and agrees to be bound by the Certificate of Formation and Limited Liability Company Agreement of GP LLC from and after the date hereof.

3. *Authority.* Assignor has complete and unrestricted power and authority to enter into this Assignment and to grant, contribute, transfer, assign and convey its right, title and interest in and to the GP LLC Interest, and such sale, assignment and transfer does not and will not require the consent or approval of any third person or governmental entity that has not been obtained.

4. *Further Assurances.* The parties hereto covenant and agree that they will execute such further instruments and documents as are or may be necessary or convenient to effectuate and carry out the transactions contemplated by this Assignment.

5. *Binding Effect.* This instrument shall be binding upon the parties hereto and shall inure to the benefit of and be enforceable by their respective successors and assigns.

IN WITNESS WHEREOF, the parties have executed and delivered this Assignment as of the time and date first written above.

ASSIGNOR:

CROSSTEX ENERGY HOLDINGS, INC.

By: _____

Name: _____

Title: _____

ASSIGNEE:

CROSSTEX ENERGY, INC.

By: _____

Name: _____

Title: _____

The undersigned party joins in the execution of this Assignment solely for the purpose of consenting to transactions contemplated hereby.

ACKNOWLEDGED AND AGREED:

CROSSTEX ENERGY GP, LLC

By: _____

Name: _____

Title: _____

Date: a.m., November , 2002

Exhibit B

CROSSTEX ENERGY, INC.

PLAN OF COMPLETE LIQUIDATION

This Plan of Complete Liquidation (the "***Plan***") is intended to accomplish the complete liquidation of Crosstex Energy, Inc., a Texas corporation (the "***Corporation***"), in conformance with the applicable law, including the Internal Revenue Code of 1986, as amended (the "***Code***"), pursuant to the following steps:

A. The Board of Directors of the Corporation shall adopt resolutions declaring it advisable and in the best interests of the Corporation and its shareholders, and recommending to such shareholders, that (i) the Corporation be liquidated in accordance with applicable law, including the Code, (ii) all properties and assets of the Corporation remaining after the payment of or provision for payment of all of the Corporation's liabilities be distributed in kind to the shareholders of the Corporation in accordance with this Plan of Liquidation.

B. The Board of Directors of the Corporation shall approve and adopt the Plan and shall recommend to the shareholders of the Corporation that such shareholders approve and adopt the Plan.

C. The shareholders of the Corporation, by written consent, shall adopt resolutions:

(1) authorizing the liquidation of the Corporation; and

(2) approving and adopting the Plan and authorizing that it be carried out;

(3) if required by applicable law, authorizing and approving the merger of the Corporation with and into Crosstex Energy Holdings Inc., a Delaware corporation and sole shareholder of the Corporation ("***Holdings***"), pursuant to the Plan and in accordance with the laws of the States of Texas and Delaware and the Code; *provided, however*, that such merger shall not take place until after the consummation of the transactions contemplated by Paragraph D hereof and after the consummation of the transactions contemplated by Sections 2.1−2.6 of that certain Closing Contribution, Conveyance and Assumption Agreement by and among the Corporation and the other parties thereto (the "***Closing Contribution Agreement***").

Unless the shareholders of the Corporation shall take each of the actions set forth in subparagraphs (1), (2) and (3) above by written consent, this Plan shall not be adopted and the Corporation shall not be liquidated.

D. If the shareholders of the Corporation take each of the actions set forth in subparagraphs (1), (2) and (3) of Paragraph C above in the manner therein prescribed, the Corporation shall, as expeditiously as possible:

(1) subsequent to the consummation of the transactions contemplated by Sections 2.1−2.7 of that certain First Contribution, Conveyance and Assumption Agreement by and among the Corporation and the other parties thereto (the "***First Contribution Agreement***") and pursuant to the form of Assignment attached as *Exhibit G* to the First Contribution Agreement; the Corporation shall grant, distribute, transfer, assign and convey as a liquidating distribution to Holdings, its successors and assigns, all right, title and interest of the Corporation in and to the CEI CAM LP Interest (as such term is defined in the First Contribution Agreement);

(2) subsequent to the consummation of the transactions contemplated by Sections 2.8−2.13(e) of the First Contribution Agreement and pursuant to the form of Assignment attached as *Exhibit L* to the First Contribution Agreement, the Corporation shall grant, distribute, transfer, assign and convey to Holdings, its successors and assigns, all right, title and interest of the Corporation in and to its shares of common stock of Crosstex Pipeline, Inc.; and

(3) take all necessary and appropriate action to merge the Corporation with and into Holdings, *provided, however*, that such merger shall not take place until after the consummation of the liquidating distributions contemplated by Paragraph E hereof and after the consummation of the transactions contemplated by Sections 2.1−2.6 of the Closing Contribution Agreement.

E. The written consent of the shareholders of the Corporation taking each of the actions set forth in subparagraphs (1), (2) and (3) of Paragraph C above shall constitute full and complete authorization to the proper officers of the Corporation, without further director or shareholder action other than approval of the Board of Directors when expressly required herein, to do and perform any and all acts and to make, execute, acknowledge, certify and deliver any and all agreements, conveyances, assignments, transfers, certificates and other instruments and documents of every kind and character which such officers shall deem necessary or appropriate (i) to convey, transfer and deliver the assets and properties of the Corporation to the extent provided in Paragraph D, and (ii) to merge the Corporation with and into Holdings in accordance with applicable law.

Exhibit C

ASSIGNMENT

THIS ASSIGNMENT (this "***Assignment***"), is made and entered into at a.m., Eastern Standard Time, on November , 2002, by and between Crosstex Energy, Inc., a Texas corporation ("***Assignor***") and Crosstex Energy Services GP, LLC, a Delaware limited liability company ("***Assignee***").

RECITALS

WHEREAS, Assignor desires to transfer and assign to Assignee, as a contribution to the capital of Assignee, all of Assignor's right, title and interest in and to a 0.001 percent interest (the "***CESL GP Interest***") in Crosstex Energy Services, Ltd., a Texas limited partnership ("***CESL***") and Assignee desires to accept the assignment of the CESL GP Interest and to become the sole general partner of CESL;

NOW, THEREFORE, in consideration of the premises, the mutual covenants and agreements contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto do hereby agree as follows:

1. *Assignment.* Assignor hereby irrevocably grants, contributes, transfers, assigns and conveys to Assignee, its successors and assigns, all of Assignor's right, title and interest in and to the CESL GP Interest, free and clear of any lien, pledge, security interest, encumbrance or claim of any kind, and hereby withdraws as the sole general partner of CESL.

2. *Acceptance and Assumption of Liabilities.* Assignee hereby (i) accepts the CESL GP Interest, (ii) agrees to be bound by the Certificate of Limited Partnership and Limited Partnership Agreement of CESL from and after the date hereof and (iii) assumes all obligations and liabilities of Assignor arising from or relating to the CESL GP Interest.

3. *Authority.* Assignor has complete and unrestricted power and authority to enter into this Assignment and to grant, contribute, transfer, assign and convey its right, title and interest in and to the CESL GP Interest, and such sale, assignment and transfer does not and will not require the consent or approval of any third person or governmental entity that has not been obtained.

4. *Further Assurances.* The parties hereto covenant and agree that they will execute such further instruments and documents as are or may be necessary or convenient to effectuate and carry out the transaction contemplated by this Assignment.

5. *Binding Effect.* This Assignment shall be binding upon and inure to the benefit of the parties hereto and their successors and assigns.

IN WITNESS WHEREOF, the parties have executed and delivered this Assignment as of the time and date first written above.

ASSIGNOR:

CROSSTEX ENERGY, INC.

By: _____

Name: _____

Title: _____

ASSIGNEE:

CROSSTEX ENERGY SERVICES GP, LLC

By: _____

Name: _____

Title: _____

The undersigned parties join in the execution of this Assignment solely for the purpose of consenting to transactions contemplated hereby.

ACKNOWLEDGED AND AGREED:

CROSSTEX ENERGY SERVICES, LTD.

By: Crosstex Energy, Inc., its general partner

By: _____

Name: _____

Title: _____

Date: a.m., November , 2002

CROSSTEX ENERGY HOLDINGS INC.

By: _____

Name: _____

Title: _____

Date: a.m., November , 2002

Exhibit D

CONVERSION AGREEMENT

THIS CONVERSION AGREEMENT (this "***Agreement***"), is made and entered into at a.m., Eastern Standard Time on November , 2002, by and between Crosstex Energy Services, Ltd., a Texas limited partnership ("***CESL***"), Crosstex Energy, Inc., a Texas corporation ("***CEI***").

RECITALS

WHEREAS, CEI was previously the holder of a 1.0% interest in CESL and served as the sole general partner of CESL;

WHEREAS, pursuant to that certain First Contribution, Conveyance and Assumption Agreement by and among CESL, CEI and the other parties thereto, at a.m. on November , 2002, CEI transferred a 0.001% general partner interest in CESL to Crosstex Energy Services GP, LLC, a Delaware limited liability company, and withdrew as the sole general partner of CESL; and

WHEREAS, CEI and CESL desire to convert the remaining 0.999% interest (the "***Remaining Interest***") of CEI in CESL to a limited partner interest;

NOW THEREFORE, in consideration of the premises, the mutual covenants and agreements contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. *Conversion of Interest.* CESL hereby converts the Remaining Interest into a 0.999% limited partner interest in CESL.

2. *Agreement to be Bound.* Assignee hereby agrees to be bound by the Certificate of Limited Partnership and Limited Partnership Agreement of CESL from and after the date hereof as a limited partner.

3. *Authority.* Each party hereto has complete and unrestricted power and authority to enter into this Agreement and to consummate the transactions contemplated hereby, and the consummation of such transactions does not and will not require the consent or approval of any third person or governmental entity that has not been obtained.

4. *Further Assurances.* The parties hereto covenant and agree that they will execute such further instruments and documents as are or may be necessary or convenient to effectuate and carry out the transactions contemplated by this Agreement.

5. *Binding Effect.* This instrument shall be binding upon the parties hereto and shall inure to the benefit of and be enforceable by their respective successors and assigns.

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement as of the time and date first written above.

CROSSTEX ENERGY SERVICES, LTD.

By: Crosstex Energy Services GP, LLC,
its general partner

By: _____

Name: _____

Title: _____

CROSSTEX ENERGY, INC.

By: _____

Name: _____

Title: _____

The undersigned party joins in the execution of this Assignment solely for the purpose of consenting to transactions contemplated hereby.

ACKNOWLEDGED AND AGREED:

CROSSTEX ENERGY HOLDINGS INC.

By: _____

Name: _____

Title: _____

Exhibit E

ASSIGNMENT AND ASSUMPTION AGREEMENT

THIS ASSIGNMENT AND ASSUMPTION AGREEMENT (this "***Agreement***") is made and entered into at a.m., Eastern Standard Time, on November , 2002, by and between Crosstex Energy Services, Ltd., a Texas limited partnership ("***Assignor***") and Crosstex Asset Management, L.P., a Delaware limited partnership ("***Assignee***").

RECITALS

WHEREAS, Assignor desires to transfer and assign to Assignee, as a contribution to the capital of Assignee, all of Assignor's right, title and interest in and to the following assets (collectively, the "***Excluded Assets***"):

1. all accounts receivable of Assignor and its affiliates from Enron Corp. and its affiliates;

2. all assets and liabilities of Assignor and its affiliates comprising the processing plant operated by Assignor and its affiliates located in Harrison County, Texas; and

3. all assets and liabilities of Assignor and its affiliates comprising the processing plant operated by Assignor and its affiliates located in Sutton County, Texas;

WHEREAS, Assignee desires to accept the assignment of the Excluded Assets; and

WHEREAS, in connection with the transfer and assignment of the Excluded Assets, Assignor wishes to assign and Assignee wishes to assume all of the Assignor's rights and obligations in, arising from and relating to the Excluded Assets;

NOW, THEREFORE, in consideration of the premises, the mutual covenants and agreements contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto do hereby agree as follows:

1. *Assignment.* Assignor hereby irrevocably grants, contributes, transfers, assigns and conveys to Assignee, its successors and assigns, all of its right, title and interest in and to the Excluded Assets as a contribution to the capital of Assignee.

2. *Acceptance.* Assignee accepts the Excluded Assets as a contribution to the capital of Assignee by Assignor.

3. *Assumption of Liabilities.* Assignee assumes all obligations and liabilities of Assignor in, arising from and relating to the Excluded Assets.

4. *Authority.* Assignor has complete and unrestricted power and authority to enter into this Assignment and to grant, contribute, transfer, assign and convey its right, title and interest in and to the Excluded Assets, and such sale, assignment and transfer does not and will not require the consent or approval of any third person or governmental entity that has not been obtained.

5. *Further Assurances.* The parties hereto covenant and agree that they will execute such further instruments and documents as are or may be necessary or convenient to effectuate and carry out the transaction contemplated by this Assignment.

6. *Binding Effect.* This Assignment shall be binding upon and inure to the benefit of the parties hereto and their successors and assigns.

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement as of the time and date first written above.

ASSIGNOR:

CROSSTEX ENERGY SERVICES, LTD.

By: Crosstex Energy Services GP, LLC,
its general partner

By: _____

Name: _____

Title: _____

ASSIGNEE:

CROSSTEX ASSET MANAGEMENT, L.P.

By: Crosstex Asset Management GP, LLC,
its general partner

By: _____

Name: _____

Title: _____

The undersigned party joins in the execution of this Agreement solely for the purpose of consenting to transactions contemplated hereby.

ACKNOWLEDGED AND AGREED:

CROSSTEX ENERGY HOLDINGS INC.

By: _____

Name: _____

Title: _____

Date: a.m., November , 2002

Exhibit F

ASSIGNMENT

THIS ASSIGNMENT (this "***Assignment***"), is made and entered into at a.m., Eastern Standard Time, on November , 2002, by and among Crosstex Energy Services, Ltd., a Texas limited partnership ("***Assignor***"), and Crosstex Energy Services GP, LLC, a Delaware limited liability company ("***OLP GP***"), Crosstex Energy Holdings Inc., a Delaware corporation ("***Holdings***") and Crosstex Energy Inc., a Texas corporation ("***CEI***"), (collectively, the "***Assignees***").

RECITALS

WHEREAS, Assignor desires to transfer and assign to each of the Assignees as a distribution (i) a percentage of its limited partner interest (the "***CAM LP Interest***") in Crosstex Asset Management, L.P., a Delaware limited partnership ("***CAM LP***") and (ii) a percentage of its membership interest (the "***CAM GP Interest***") in Crosstex Asset Management GP, LLC, a Delaware limited liability company ("***CAM GP***"), and each of the Assignees desires to accept such respective distributions;

NOW, THEREFORE, in consideration of the premises, the mutual covenants and agreements contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto do hereby agree as follows:

1. *Assignment.*

(a) Assignor hereby irrevocably grants, distributes, transfers, assigns and conveys to OLP GP, its successors and assigns, all of Assignor's right, title and interest in and to a percentage of the CAM LP Interest and the CAM GP Interest, such respective percentages being equal to OLP GP's percentage ownership interest in Assignor, free and clear of any lien, pledge, security interest, encumbrance or claim of any kind.

(b) Assignor hereby irrevocably grants, distributes, transfers, assigns and conveys to Holdings, its successors and assigns, all of Assignor's right, title and interest in and to a percentage of the CAM LP Interest and the CAM GP Interest, such respective percentages being equal to Holdings' percentage ownership interest in Assignor, free and clear of any lien, pledge, security interest, encumbrance or claim of any kind.

(c) Assignor hereby irrevocably grants, distributes, transfers, assigns and conveys to CEI, its successors and assigns, all of Assignor's right, title and interest in and to a percentage of the CAM LP Interest and the CAM GP Interest, such respective percentages being equal to CEI's percentage ownership interest in Assignor, free and clear of any lien, pledge, security interest, encumbrance or claim of any kind.

(d) Assignor hereby withdraws as a limited partner of CAM LP and as a member of CAM GP.

2. *Acceptance.*

(a) OLP GP hereby accepts the assignment of the respective percentages of the CAM LP Interest and the CAM GP Interest set forth in Section 1(a) hereof and agrees to be bound by the Certificate of Limited Partnership and the Limited Partnership Agreement of CAM LP and the Certificate of Formation and the Limited Liability Company Agreement of CAM GP from and after the date hereof.

(b) Holdings hereby accepts the assignment of the respective percentages of the CAM LP Interest and the CAM GP Interest set forth in Section 1(b) hereof, and agrees to be bound by the Certificate of Limited Partnership and the Limited Partnership Agreement of CAM LP and the

Certificate of Formation and the Limited Liability Company Agreement of CAM GP from and after the date hereof.

(c) CEI hereby accepts the assignment of the respective percentages of the CAM LP Interest and the CAM GP Interest set forth in Section 1(c) hereof and agrees to be bound by the Certificate of Limited Partnership and the Limited Partnership Agreement of CAM LP and the Certificate of Formation and the Limited Liability Company Agreement of CAM GP from and after the date hereof.

3. *Authority.* Assignor has complete and unrestricted power and authority to enter into this Assignment and to grant, distribute, transfer, assign and convey its right, title and interest in and to the CAM LP Interest and the CAM GP Interest, and such sales, assignments and transfers do not and will not require the consent or approval of any third person or governmental entity that has not been obtained.

4. *Further Assurances.* The parties hereto covenant and agree that they will execute such further instruments and documents as are or may be necessary or convenient to effectuate and carry out the transaction contemplated by this Assignment.

5. *Binding Effect.* This Assignment shall be binding upon and inure to the benefit of the parties hereto and their successors and assigns.

IN WITNESS WHEREOF, the parties have executed and delivered this Assignment as of the time and date first written above.

ASSIGNOR:

CROSSTEX ENERGY SERVICES, LTD.

By: Crosstex Energy Services GP, LLC,
its general partner

By: _____

Name: _____

Title: _____

ASSIGNEES:

CROSSTEX ENERGY SERVICES GP, LLC

By: _____

Name: _____

Title: _____

CROSSTEX ENERGY HOLDINGS INC.

By: _____

Name: _____

Title: _____

CROSSTEX ENERGY, INC.

By: _____

Name: _____

Title: _____

The undersigned parties join in the execution of this Assignment solely for the purpose of consenting to transactions contemplated hereby.

ACKNOWLEDGED AND AGREED:

CROSSTEX ASSET MANAGEMENT, L.P.

By: Crosstex Asset Management GP, LLC, its general partner

By: _____

Name: _____

Title: _____

Date: a.m., November , 2002

CROSSTEX ASSET MANAGEMENT GP, LLC

By: _____

Name: _____

Title: _____

Date: a.m., November , 2002

Exhibit G

ASSIGNMENT

THIS ASSIGNMENT (this "***Assignment***"), is made and entered into at a.m., Eastern Standard Time, on November , 2002, by and among Crosstex Energy Services GP, LLC, a Delaware limited liability company ("***OLP GP***"), Crosstex Energy, Inc., a Texas corporation ("***CEI***"), and Crosstex Energy Holdings Inc., a Delaware corporation ("***Holdings***").

RECITALS

WHEREAS, OLP GP desires to transfer and assign to CEI its limited partner interest in Crosstex Asset Management, L.P., a Delaware limited partnership ("***CAM LP***") and its membership interest in Crosstex Asset Management GP, LLC, a Delaware limited liability company ("***CAM GP***") (collectively, the "***OLP GP CAM LP Interest***"), and CEI desires to accept such distributions; and

WHEREAS, CEI desires to transfer and assign to Holdings its limited partner interest in CAM LP and its membership interest in CAM GP (collectively, the "***CEI CAM LP Interest***"), and the OLP GP CAM LP Interest it receives from OLP GP, and Holdings desires to accept such distributions;

NOW, THEREFORE, in consideration of the premises, the mutual covenants and agreements contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto do hereby agree as follows:

1. *Assignment.*

(a) OLP GP hereby irrevocably grants, distributes, transfers, assigns and conveys to CEI, its successors and assigns, all of OLP GP's right, title and interest in and to the OLP GP CAM LP Interest, free and clear of any lien, pledge, security interest, encumbrance or claim of any kind, and hereby withdraws as a limited partner of CAM LP and as a member of CAM GP.

(b) CEI hereby irrevocably grants, distributes, transfers, assigns and conveys to Holdings, its successors and assigns, all of CEI's right, title and interest in and to the CEI CAM LP Interest and the OLP GP CAM LP Interest, free and clear of any lien, pledge, security interest, encumbrance or claim of any kind, and hereby withdraws as a limited partner of CAM LP and as a member of CAM GP.

2. *Acceptance.*

(a) CEI hereby accepts the assignment of the OLP GP CAM LP Interest and agrees to be bound by the Certificate of Limited Partnership and the Limited Partnership Agreement of CAM LP and the Certificate of Formation and the Limited Liability Company Agreement of CAM GP from and after the date hereof.

(b) Holdings hereby accepts the assignment of the CEI CAM LP Interest and the OLP GP CAM LP Interest and agrees to be bound by the Certificate of Limited Partnership and the Limited Partnership Agreement of CAM LP and the Certificate of Formation and the Limited Liability Company Agreement of CAM GP from and after the date hereof.

3. *Authority.*

(a) OLP GP has complete and unrestricted power and authority to enter into this Assignment and to grant, distribute, transfer, assign and convey its right, title and interest in and to the OLP GP CAM LP Interest, and such sales, assignments and transfers do not and will not require the consent or approval of any third person or governmental entity that has not been obtained.

(b) CEI has complete and unrestricted power and authority to enter into this Assignment and to grant, distribute, transfer, assign and convey its right, title and interest in and to the CEI CAM LP Interest and the OLP GP CAM LP Interest, and such sales, assignments and transfers do not and will not require the consent or approval of any third person or governmental entity that has not been obtained.

4. *Further Assurances.* The parties hereto covenant and agree that they will execute such further instruments and documents as are or may be necessary or convenient to effectuate and carry out the transaction contemplated by this Assignment.

5. *Binding Effect.* This Assignment shall be binding upon and inure to the benefit of the parties hereto and their successors and assigns.

IN WITNESS WHEREOF, the parties have executed and delivered this Assignment as of the time and date first written above.

CROSSTEX ENERGY SERVICES GP, LLC

By: _____

Name: _____

Title: _____

CROSSTEX ENERGY, INC.

By: _____

Name: _____

Title: _____

CROSSTEX ENERGY HOLDINGS INC.

By: _____

Name: _____

Title: _____

The undersigned parties join in the execution of this Assignment solely for the purpose of consenting to transactions contemplated hereby.

ACKNOWLEDGED AND AGREED:

CROSSTEX ASSET MANAGEMENT, L.P.

By: Crosstex Asset Management GP, LLC, its general partner

By: _____

Name: _____

Title: _____

Date: a.m., November , 2002

CROSSTEX ASSET MANAGEMENT GP, LLC

By: _____

Name: _____

Title: _____

Date: a.m., November , 2002

Exhibit H

ASSIGNMENT

THIS ASSIGNMENT (this "***Assignment***") is made and entered into at a.m., Eastern Standard Time, on November , 2002, by and between Crosstex Energy Holdings Inc., a Delaware corporation ("***Assignor***"), and Crosstex Asset Management, L.P., a Delaware limited partnership ("***Assignee***").

RECITALS

WHEREAS, Assignor desires to transfer and assign, as a contribution to the capital of Assignee, all of its right title and interest in and to the promissory notes listed below (collectively, the "***Notes***"), and Assignee desires to accept the Notes as a contribution to the capital of Assignee; and

2. Those certain Full Recourse Promissory Notes dated September 12, 2000, by and between Holdings and each of the following persons in the original principal amounts set forth opposite their names:

Name	Original Principal Amount
Barry E. Davis	$ 394,994
A. Chris Aulds	$ 255,215
James R. Wales	$ 158,446
John W. Daugherty	$ 40,629
Lisa M. Brecht	$ 40,629
Rodney Madden	$ 10,089

3. Those certain Full Recourse Promissory Notes dated October 25, 2000, by and between Holdings and each of the following persons in the original principal amounts set forth opposite their names:

Name	Original Principal Amount
Barry E. Davis	$ 566,343
A. Chris Aulds	$ 365,931
James R. Wales	$ 227,178
John W. Daugherty	$ 60,939
Lisa M. Brecht	$ 60,939
Mark E. Huff	$ 53,532
Rodney Madden	$ 15,129

4. Those certain Short−Term Full Recourse Promissory Notes dated October 25, 2000, by and between Holdings and each of the following persons in the original principal amounts set forth opposite their names:

Name	Original Principal Amount
Barry E. Davis	$ 62,927
A. Chris Aulds	$ 40,659
James R. Wales	$ 25,242
John W. Daugherty	$ 6,771
Lisa M. Brecht	$ 6,771
Mark E. Huff	$ 5,948
Rodney Madden	$ 1,681

4. Those certain Full Recourse Promissory Notes dated September 30, 2001, by and between Holdings and each of the following persons in the original principal amounts set forth opposite their names:

Name	Original Principal Amount
Barry E. Davis	$ 439,596
A. Chris Aulds	$ 284,028
James R. Wales	$ 176,340
William W. Davis	$ 300,000
Jack M. Lafield	$ 300,000
Michael P. Scott	$ 240,000

5. That certain Full Recourse Promissory Note dated October 15, 2001, by and between Holdings and Mike W. Hopkins in the original principal amount of $180,000.

WHEREAS, Assignor desires to transfer and assign, as a contribution to the capital of Assignee, all of its right title and interest in and to the stock pledge agreements listed below (collectively, the "***Pledge Agreements***"), and Assignee desires to accept the Pledge Agreements as a contribution to the capital of Assignee:

1. Those certain Stock Pledge Agreements dated September 12, 2000, by and between Holdings and each of Barry E. Davis, A. Chris Aulds, James R. Wales, John W. Daugherty, Lisa M. Brecht and Rodney Madden;

2. Those certain Stock Pledge Agreements dated October 25, 2000, by and between Holdings and each of Barry E. Davis, A. Chris Aulds, James R. Wales, John W. Daugherty, Lisa M. Brecht, Mark E. Huff and Rodney Madden;

3. Those certain Stock Pledge Agreements dated September 30, 2001, by and between Holdings and each of Barry E. Davis, A. Chris Aulds, James R. Wales, William W. Davis, Jack M. Lafield and Michael P. Scott.

4. That certain Stock Pledge Agreement dated October 15, 2001, by and between Holdings and Mike W. Hopkins.

NOW, THEREFORE, in consideration of the premises, the mutual covenants and agreements contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto do hereby agree as follows:

1. *Assignment.* Assignor does hereby sell, transfer, convey, assign, endorse, set over and deliver unto Assignee all of Assignor's right, title and interest in and to the following:

(a) All indebtedness and obligations owing to Assignor under or pursuant to the Notes and all the other rights, benefits, remedies and privileged under or pursuant to the Notes (all of the foregoing are herein collectively called the "***Assigned Indebtedness***"); and

(b) All rights, titles, interests, privileges, claims, demands, equities, liens, charges and security interests existing or to exist directly in connection with or solely as security for the Assigned Indebtedness, including without limitation, those existing under or pursuant to the Pledge Agreements and all other pledges and other documents or instruments securing the Assigned Indebtedness.

TO HAVE AND TO HOLD the Assigned Indebtedness, together and along with all such rights, titles, interests, liens, charges, security interests, privileges, claims, demands and equities.

2. *Acceptance.* Assignee hereby accepts the assignment of the Notes and the Pledge Agreements as a contribution by Assignor to the capital of Assignee.

3. *Ratification of Debtor.* Each of the undersigned debtors hereby ratifies and confirms the liens and security interests created under his or her respective Pledge Agreement and the indebtedness evidenced by his or her respective Note.

4. *Endorsement of Note.* Assignor agrees to promptly endorse the Note: "pay to the order of Crosstex Asset Management, L.P. without recourse or warranty" and deliver the same to Assignee.

5. *Authority.* Assignor has complete and unrestricted power and authority to enter into this Assignment and to sell, assign and transfer its right, title and interest in and to the Notes and the Pledge Agreements, and such sales, assignments and transfers do not and will not require the consent or approval of any third person or governmental entity that has not been obtained.

6. *Further Assurances.* The parties hereto covenant and agree that they will execute such further instruments and documents as are or may be necessary or convenient to effectuate and carry out the transaction contemplated by this Assignment.

7. *Binding Effect.* This Assignment shall be binding upon and inure to the benefit of the parties hereto and their successors and assigns.

IN WITNESS WHEREOF, the parties have executed and delivered this Assignment as of the time and date first written above.

ASSIGNOR:

CROSSTEX ENERGY HOLDINGS INC.

By: _____

Name: _____

Title: _____

ASSIGNOR:

CROSSTEX ASSET MANAGEMENT, L.P..

By: Crosstex Asset Management GP, LLC,
its general partner

By: _____

Name: _____

Title: _____

DEBTORS:

_____

Barry E. Davis

_____

A. Chris Aulds

_____

James R. Wales

_____

John W. Daugherty

_____

Lisa M. Brecht

_____

Mark E. Huff

_____

Rodney Madden

_____

William W. Davis

_____

Jack M. Lafield

_____

Michael P. Scott

Exhibit I

ASSIGNMENT

THIS ASSIGNMENT (this "***Assignment***"), is made and entered into at a.m., Eastern Standard Time, on November , 2002, by Crosstex Energy, Inc., a Texas corporation ("***Assignor***") and Crosstex Energy, L.P., a Delaware limited partnership ("***Assignee***").

RECITALS

WHEREAS, Assignor desires to transfer and assign to Assignee, as a contribution to the capital of Assignee, (i) its 0.999% limited partner interest (the "***CEI CESL Interest***") in Crosstex Energy Services, Ltd., a Texas limited partnership (the "***CESL***") and (ii) all of its membership interest (the "***Membership Interest***") in Crosstex Energy Services GP, LLC, a Delaware limited liability company (the "***OLP GP***"), and Assignee desires to accept such contribution in exchange for an interest in Assignee entitling Assignor to 1% of the distributions of Assignee (the "***CEI MLP Interest***"); and

NOW, THEREFORE, in consideration of the premises, the mutual covenants and agreements contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto do hereby agree as follows:

1. *Assignment.* As a contribution to the capital of Assignee, and in exchange for the CEI MLP Interest, Assignor hereby irrevocably grants, contributes, transfers, assigns and conveys to Assignee, its successors and assigns, all of Assignor's right, title and interest in and to the CEI CESL Interest and the Membership Interest, free and clear of any lien, pledge, security interest, encumbrance or claim of any kind.

2. *Acceptance.* In exchange for the CEI MLP Interest, Assignee hereby accepts the assignment of the CEI CESL Interest and the Membership Interest and agrees to be bound by the Certificate of Limited Partnership and Limited Partnership Agreement of CESL and the Certificate of Formation and Limited Liability Company Agreement of OLP GP from and after the date hereof. Assignor hereby accepts the assignment of the CEI MLP Interest and agrees to be bound by the Certificate of Limited Partnership and Limited Partnership Agreement of MLP from and after the date hereof.

3. *Authority.* Assignor has complete and unrestricted power and authority to enter into this Assignment and to grant, contribute, transfer, assign and convey its right, title and interest in the CEI CESL Interest and the Membership Interest, and such sale, assignment and transfer does not and will not require the consent or approval of any third person or governmental entity that has not been obtained.

4. *Further Assurances.* The parties hereto covenant and agree that they will execute such further instruments and documents as are or may be necessary or convenient to effectuate and carry out the transaction contemplated by this Assignment.

5. *Binding Effect.* This instrument shall be binding upon the parties hereto and shall inure to the benefit of and be enforceable by their respective successors and assigns.

IN WITNESS WHEREOF, the parties have executed and delivered this Assignment as of the time and date first written above.

ASSIGNOR:

CROSSTEX ENERGY, INC.

By: _____

Name: _____

Title: _____

ASSIGNEE:

CROSSTEX ENERGY, L.P.

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

By: Crosstex Energy GP, LLC,
its general partner

By: _____

Name: _____

Title: _____

The undersigned parties join in the execution of this Assignment solely for the purpose of consenting to transactions contemplated hereby.

ACKNOWLEDGED AND AGREED:

CROSSTEX ENERGY SERVICES, LTD.

By: Crosstex Energy Services GP, LLC, its general partner

By: _____

Name: _____

Title: _____

Date: a.m., November , 2002

CROSSTEX ENERGY HOLDINGS INC.

By: _____

Name: _____

Title: _____

Date: a.m., November , 2002

CROSSTEX ENERGY SERVICES GP, LLC

By: _____

Name: _____

Title: _____

Date: a.m., November , 2002

Exhibit J

ASSIGNMENT

THIS ASSIGNMENT (this "***Assignment***"), is made and entered into at a.m., Eastern Standard Time, on November , 2002, by and between Crosstex Energy, Inc., a Texas corporation ("***Assignor***") and Crosstex Energy GP, L.P., a Delaware limited partnership ("***Assignee***").

RECITALS

WHEREAS, Assignor desires to transfer and assign to Assignee, as a contribution to the capital of Assignee, all of Assignor's right, title and interest in and to its limited partner interest (the "***CEI MLP Interest***") in Crosstex Energy, L.P., a Delaware limited partnership ("***MLP***") and Assignee desires to accept the contribution of the CEI MLP Interest, and to become a partner of MLP.

NOW, THEREFORE, in consideration of the premises, the mutual covenants and agreements contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto do hereby agree as follows:

1. *Assignment.* As a contribution to the capital of Assignee, Assignor hereby irrevocably grants, contributes, transfers, assigns and conveys to Assignee, its successors and assigns, all of Assignor's right, title and interest in and to the CEI MLP Interest, free and clear of any lien, pledge, security interest, encumbrance or claim of any kind.

2. *Acceptance and Agreement to be Bound.* Assignee hereby accepts the assignment of the CEI MLP Interest and agrees to be bound by the Certificate of Limited Partnership and Limited Partnership Agreement of MLP from and after the date hereof.

3. *Authority.* Assignor has complete and unrestricted power and authority to enter into this Assignment and to grant, contribute, transfer, assign and convey its right, title and interest in the CEI MLP Interest, and such sale, assignment and transfer does not and will not require the consent or approval of any third person or governmental entity that has not been obtained.

4. *Further Assurances.* The parties hereto covenant and agree that they will execute such further instruments and documents as are or may be necessary or convenient to effectuate and carry out the transaction contemplated by this Assignment.

5. *Binding Effect.* This instrument shall be binding upon the parties hereto and shall inure to the benefit of and be enforceable by their respective successors and assigns.

IN WITNESS WHEREOF, the parties have executed and delivered this Assignment as of the time and date first written above.

ASSIGNOR:

CROSSTEX ENERGY, INC.

By: _____

Name: _____

Title: _____

ASSIGNEE:

CROSSTEX ENERGY GP, L.P.

By: Crosstex Energy GP, LLC,
its general partner

By: _____

Name: _____

Title: _____

The undersigned parties join in the execution of this Assignment solely for the purpose of consenting to transactions contemplated hereby.

ACKNOWLEDGED AND AGREED:

CROSSTEX ENERGY, L.P.

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

By: Crosstex Energy GP, LLC, its general partner

By: _____

Name: _____

Title: _____

Date: a.m., November , 2002

CROSSTEX ENERGY HOLDINGS INC.

By: _____

Name: _____

Title: _____

Date: a.m., November , 2002

Exhibit K

ASSIGNMENT

THIS ASSIGNMENT AGREEMENT (this "Assignment"), is made and entered into at a.m., Eastern Standard Time, on November , 2002, is made by and between Crosstex Energy Holdings Inc., a Delaware corporation ("***Assignor***") and Crosstex Energy, L.P., a Delaware limited partnership ("***Assignee***").

RECITALS

WHEREAS, Assignor desires to transfer and assign to Assignee, as a contribution to the capital of Assignee and in exchange for an interest in Assignee entitling Assignor to 99% of the distributions of Assignee (the "***Holdings MLP Interest***"), all of Assignor's right, title and interest in and to its 99.0% limited partner interest (the "***Holdings CESL Interest***") in Crosstex Energy Services, Ltd., Texas limited partnership ("***CESL***") and Assignee desires to accept the contribution of the Holdings CESL Interest, and to become a partner of CESL.

NOW, THEREFORE, in consideration of the premises, the mutual covenants and agreements contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto do hereby agree as follows:

1. *Assignment.* As a contribution to the capital of Assignee, and in exchange the Holdings MLP Interest, Assignor hereby irrevocably grants, contributes, transfers, assigns and conveys to Assignee, its successors and assigns, all of Assignor's right, title and interest in and to the Holdings CESL Interest, free and clear of any lien, pledge, security interest, encumbrance or claim of any kind.

2. *Acceptance and Agreement to be Bound.* Assignee hereby accepts the assignment of the Holdings CESL Interest and agrees to be bound by the Certificate of Limited Partnership and Limited Partnership Agreement of CESL from and after the date hereof. Assignor hereby accepts the assignment of the Holdings MLP Interest and agrees to be bound by the Certificate of Limited Partnership and Limited Partnership Agreement of MLP from and after the date hereof.

3. *Authority.* Assignor has complete and unrestricted power and authority to enter into this Assignment and to sell, assign and transfer its right, title and interest in the Holdings CESL Interest, and such sale, assignment and transfer does not and will not require the consent or approval of any third person or governmental entity that has not been obtained.

4. *Further Assurances.* The parties hereto covenant and agree that they will execute such further instruments and documents as are or may be necessary or convenient to effectuate and carry out the transaction contemplated by this Assignment.

5. *Binding Effect.* This instrument shall be binding upon the parties hereto and shall inure to the benefit of and be enforceable by their respective successors and assigns.

IN WITNESS WHEREOF, the parties have executed and delivered this Assignment as of the time and date first written above.

ASSIGNOR:

CROSSTEX ENERGY HOLDINGS INC.

By: _____

Name: _____

Title: _____

ASSIGNEE:

CROSSTEX ENERGY, L.P.

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

By: Crosstex Energy GP, LLC,
its general partner

By: _____

Name: _____

Title: _____

The undersigned party joins in the execution of this Assignment solely for the purpose of consenting to transactions contemplated hereby.

ACKNOWLEDGED AND AGREED:

CROSSTEX ENERGY SERVICES, LTD.

By: Crosstex Energy Services GP, LLC, its general partner

By: _____

Name: _____

Title: _____

Date: a.m., November , 2002

Exhibit L

ASSIGNMENT

THIS ASSIGNMENT (this "***Assignment***"), is made and entered into at a.m., Eastern Standard Time, on November , 2002, by Crosstex Energy Services, L.P., a Delaware limited partnership ("***OLP***"), Crosstex Energy Services GP, LLC, a Delaware limited liability company ("***OLP GP***"), Crosstex Energy, L.P., a Delaware limited partnership ("***MLP***"), Crosstex Energy GP, L.P., a Delaware limited partnership ("***GP LP***"), Crosstex Energy Holdings Inc., a Delaware corporation ("***Holdings***"), Crosstex Energy GP, LLC, a Delaware limited liability company ("***GP LLC***") and Crosstex Energy, Inc., a Texas corporation ("***CEI***").

RECITALS

WHEREAS, OLP desires to distribute to Holdings, through the intermediate entities that are parties hereto, all right, title and interest in its shares of common stock (the "***CPI Shares***") of Crosstex Pipeline, Inc., a Texas corporation ("***CPI***"), and Holdings and each of the intermediate entities that are parties hereto desires to accept such distribution and, where applicable, to make the distributions of the CPI Shares;

NOW, THEREFORE, in consideration of the premises, the mutual covenants and agreements contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto do hereby agree as follows:

1. *Assignment and Acceptance.*

(a) OLP hereby irrevocably grants, distributes, transfers, assigns and conveys to each of OLP GP and MLP, their respective successors and assigns, all of OLP's right, title and interest in and to a percentage of its shares of common stock of CPI equal to their respective percentage ownership interests in OLP, free and clear of any lien, pledge, security interest, encumbrance or claim of any kind, and each of OLP GP and MLP hereby accept such shares, respectively, each as a distribution.

(b) OLP GP hereby irrevocably grants, distributes, transfers, assigns and conveys to MLP, its successors and assigns, all of OLP GP's right, title and interest in and to its shares of common stock of CPI, free and clear of any lien, pledge, security interest, encumbrance or claim of any kind, and MLP hereby accepts such shares as a distribution.

(c) MLP hereby irrevocably grants, distributes, transfers, assigns and conveys to each of GP LP and Holdings, their respective successors and assigns, all of MLP's right, title and interest in and to a percentage of its shares of common stock of CPI equal to their respective percentage ownership interests in MLP, free and clear of any lien, pledge, security interest, encumbrance or claim of any kind, and each of GP LP and Holdings hereby accept such shares, respectively, each as a distribution.

(e) GP LP hereby irrevocably grants, distributes, transfers, assigns and conveys to each of GP LLC and CEI, their respective successors and assigns, all of GP LP's right, title and interest in and to a percentage of its shares of common stock of CPI equal to their respective percentage ownership interests in GP LP, free and clear of any lien, pledge, security interest, encumbrance or claim of any kind, and each of GP LLC and CEI hereby accept such shares, respectively, each as a distribution.

(f) GP LLC hereby irrevocably grants, distributes, transfers, assigns and conveys to CEI, its successors and assigns, all of GP LLC's right, title and interest in and to its shares of common stock of CPI, free and clear of any lien, pledge, security interest, encumbrance or claim of any kind, and CEI hereby accepts such shares as a distribution.

(g) Pursuant to a plan of liquidation previously adopted by CEI and its shareholders, CEI hereby irrevocably grants, distributes, transfers, assigns and conveys to Holdings, its successors and assigns, all of CEI's right, title and interest in and to its shares of common stock of CPI, free and clear of any lien, pledge, security interest, encumbrance or claim of any kind, and Holdings hereby accepts such shares as a distribution.

3. *Authority.* Each of the parties hereto has complete and unrestricted power and authority to enter into this Assignment and to sell, assign and transfer its right, title and interest in the shares of common stock of CPI, and such sale, assignment and transfer does not and will not require the consent or approval of any third person or governmental entity that has not been obtained.

4. *Further Assurances.* The parties hereto covenant and agree that they will execute such further instruments and documents as are or may be necessary or convenient to effectuate and carry out the transaction contemplated by this Assignment.

5. *Binding Effect.* This instrument shall be binding upon the parties hereto and shall inure to the benefit of and be enforceable by their respective successors and assigns.

IN WITNESS WHEREOF, the parties have executed and delivered this Assignment as of the time and date first written above.

CROSSTEX ENERGY SERVICES, L.P.

By: Crosstex Energy Services GP, LLC,
its general partner

By: _____

Name: _____

Title: _____

CROSSTEX ENERGY SERVICES GP, LLC

By: _____

Name: _____

Title: _____

CROSSTEX ENERGY, L.P.

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

By: Crosstex Energy GP, LLC,
its general partner

By: _____

Name: _____

Title: _____

CROSSTEX ENERGY GP, L.P.

By: Crosstex Energy GP, LLC,
its general partner

By: _____

Name: _____

Title: _____

CROSSTEX ENERGY HOLDINGS INC.

By: _____

Name: _____

Title: _____

CROSSTEX ENERGY GP, LLC

By: _____

Name: _____

Title: _____

CROSSTEX ENERGY, INC.

By: _____

Name: _____

Title: _____

The undersigned party joins in the execution of this Assignment solely for the purpose of consenting to transactions contemplated hereby.

ACKNOWLEDGED AND AGREED:

CROSSTEX PIPELINE, INC.

By: _____

Name: _____

Title: _____

Date: a.m., November , 2002

EXHIBIT M

ASSIGNMENT AND CONVERSION AGREEMENT

THIS ASSIGNMENT AND CONVERSION AGREEMENT (this "***Agreement***"), is made and entered into at a.m., Eastern Standard Time on November , 2002, by and between Crosstex Energy Services GP, LLC, a Delaware limited liability company ("***OLP GP***"), Crosstex Energy Services, L.P., a Delaware limited partnership ("***OLP***"), Crosstex Gulf Coast Transmission Ltd., a Texas limited partnership ("***GC Transmission***"), Crosstex Gulf Coast Marketing Ltd., a Texas limited partnership ("***GC Marketing***"), Crosstex CCNG Transmission Ltd., a Texas limited partnership ("***CCNG Transmission***"), Crosstex CCNG Marketing Ltd., a Texas limited partnership ("***CCNG Marketing***"), Crosstex CCNG Processing Ltd., a Texas limited partnership ("***CCNG Processing***") and Crosstex CCNG Gathering Ltd., a Texas limited partnership ("***CCNG Gathering***").

RECITALS

WHEREAS, OLP GP is the beneficial owner of a 1.0% general partner interest in each of GC Transmission, GC Marketing, CCNG Transmission, CCNG Marketing, CCNG Processing and CCNG Gathering (individually a "***Partnership***", and collectively, the "***Partnerships***");

WHEREAS, OLP is the beneficial owner of a 99% limited partner interest in each of the Partnerships;

WHEREAS, OLP GP desires to transfer and assign 0.999% of its interest in each Partnership to OLP and OLP and each of the Partnerships desire to convert each of such transferred interests into a 0.999% limited partner interest in each of the respective Partnerships, such that OLP GP shall be the general partner of each such Partnership and shall hold a 0.001% general partner interest in each such Partnership and OLP shall be a limited partner of each such Partnership and shall hold a 99.999% limited partner interest in each such Partnership;

NOW THEREFORE, in consideration of the premises, the mutual covenants and agreements contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. *Assignment.* **OLP GP hereby irrevocably grants, transfers, assigns and conveys to OLP, its successors and assigns, all of OLP GP's right, title and interest in and to a 0.999% interest in each Partnership (the "*Interests*"), free and clear of any lien, pledge, security interest, encumbrance or claim of any kind.**

2. *Acceptance and Agreement to be Bound.* OLP hereby accepts the assignment of the Interests and agrees to be bound by the Certificate of Limited Partnership and Limited Partnership Agreement of each Partnership from and after the date hereof, as a limited partner.

3. *Conversion of Interests.* Each of the Partnerships hereby converts that portion of the Interests relating to such Partnership into a 0.999% limited partner interest in such Partnership.

4. *Authority.* Each party hereto has complete and unrestricted power and authority to enter into this Agreement and to consummate the transactions contemplated hereby, and the consummation of such transactions does not and will not require the consent or approval of any third person or governmental entity that has not been obtained.

5. *Further Assurances.* The parties hereto covenant and agree that they will execute such further instruments and documents as are or may be necessary or convenient to effectuate and carry out the transactions contemplated by this Agreement.

6. *Binding Effect.* This instrument shall be binding upon the parties hereto and shall inure to the benefit of and be enforceable by their respective successors and assigns.

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement as of the time and date first written above.

CROSSTEX ENERGY GP, LLC

By: _____

Name: _____

Title: _____

CROSSTEX ENERGY SERVICES, L.P.

By: Crosstex Energy Services GP, LLC,
its general partner

By: _____

Name: _____

Title: _____

CROSSTEX GULF COAST TRANSMISSION LTD.

By: Crosstex Energy Services GP, LLC,
its general partner

By: _____

Name: _____

CROSSTEX GULF COAST MARKETING LTD.

By: Crosstex Energy Services GP, LLC,
its general partner

By: _____

Name: _____

Title: _____

CROSSTEX CCNG TRANSMISSION LTD.

By: Crosstex Energy Services GP, LLC,
its general partner

By: _____

Name: _____

Title: _____

CROSSTEX CCNG MARKETING LTD.

By: Crosstex Energy Services GP, LLC,
its general partner

By: _____

Name: _____

Title: _____

CROSSTEX CCNG PROCESSING LTD.

By: Crosstex Energy Services GP, LLC,
its general partner

By: _____

Name: _____

Title: _____

CROSSTEX CCNG GATHERING LTD.

By: Crosstex Energy Services GP, LLC,
its general partner

By: _____

Name: _____

Title: _____

QuickLinks

Exhibit 10.3

CLOSING CONTRIBUTION, CONVEYANCE AND ASSUMPTION AGREEMENT

This Closing Contribution, Conveyance and Assumption Agreement (this "***Agreement***") dated as of 12:01 a.m., Eastern Standard Time, on December 11, 2002, is made and entered into by and among CROSSTEX ENERGY HOLDINGS INC., a Delaware corporation ("***Holdings***"), CROSSTEX ENERGY, INC., a Texas corporation ("***CEI***"), CROSSTEX ENERGY, L.P., a Delaware limited partnership ("***MLP***"), CROSSTEX ENERGY GP, LLC, a Delaware limited liability company ("***GP LLC***"), CROSSTEX ENERGY GP, L.P., a Delaware limited partnership ("***GP LP***"), CROSSTEX ENERGY SERVICES GP, LLC, a Delaware limited liability company ("***OLP*** GP"), CROSSTEX ENERGY SERVICES, L.P., a Delaware limited partnership ("***OLP***") and CROSSTEX PIPELINE, INC., a Texas corporation ("***CPI***").

RECITALS

WHEREAS, the actions that are described in the First Contribution, Conveyance and Assumption Agreement, dated November 27, 2002, have occurred;

WHEREAS, OLP has entered into a credit agreement dated November 26, 2002 with a syndicate of financial institutions led by Union Bank of California, N.A. providing for credit facilities aggregating up to $67.5 million ("***Credit Agreement***").

WHEREAS, each of the following matters shall occur in the order indicated:

1. CEI will enter into that certain Amended and Restated Limited Liability Company Agreement of GP LLC.

2. Holdings will enter into that certain Amended and Restated Limited Liability Company Agreement of Crosstex Asset Management GP, LLC ("***CAM GP***").

3. GP LP and Holdings will enter into that certain Amended and Restated Agreement of Limited Partnership of MLP.

4. CPI will convert to Crosstex Pipeline, LLC, a Texas limited liability company ("***CPLLC***") in accordance with the Texas Limited Liability Company Act ("***Texas LLC Act***").

5. Through a series of transactions, Holdings will contribute all of its equity interest in CPLLC to OLP in exchange for a portion of the limited partner interests of MLP.

6. Through a series of transactions, Holdings will contribute a portion of its limited partner interest in MLP to GP LP.

7. MLP will enter into that certain Amended and Restated Limited Liability Company Agreement of OLP GP.

8. OLP GP and MLP will enter into that certain Amended and Restated Agreement of Limited Partnership of OLP.

9. MLP shall sell 2,000,000 common units representing limited partner interests in MLP ("***Common Units***") to the public (the "***Offering***").

10. The limited partner interests in MLP owned by Holdings will be converted into 4,667,000 subordinated units representing limited partner interests in MLP ("***Subordinated Units***") and 333,000 Common Units and the right to receive $2.5 million from MLP.

11. From the proceeds of the Offering, MLP will distribute $2.5 million to Holdings.

12. From the proceeds of the Offering, MLP will pay transaction expenses and contribute the balance of proceeds of the Offering to OLP as a capital contribution.

13. OLP will repay indebtedness outstanding under the Credit Agreement with the capital contribution received pursuant to the immediately preceding recital.

14. MLP will contribute the proceeds of any exercise of the Option (as defined in Section 3.1) to OLP as a capital contribution.

15. OLP will repay indebtedness outstanding under the Credit Agreement with the capital contribution received pursuant to the immediately preceding recital.

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

ARTICLE I
Recordation of Evidence of Ownership of Assets

Section 1.1 In connection with the conversion under the Texas LLC Act that is referred to in the recitals to this Agreement, the parties to this Agreement acknowledge that certain jurisdictions in which the assets of the party to such conversion are located may require that documents be recorded by the entity resulting from such conversion in order to evidence title in such entity. All such documents shall evidence such new ownership and are not intended to modify, and shall not modify, any of the terms, covenants and conditions herein set forth.

ARTICLE II
Conversion of CPI and Contribution and Distribution of Interests

The parties hereby agree, as promptly as reasonably practicable, to undertake the following transactions set forth in this Article II in the order set forth in this Article II.

Section 2.1 ***Amendment and Restatement of GP LLC Agreement.*** CEI will enter into that certain Amended and Restated Limited Liability Company Agreement of GP LLC, substantially in the form attached hereto as *Exhibit A*.

Section 2.2 ***Amendment and Restatement of CAM GP Agreement.*** Holdings will enter into that certain Amended and Restated Limited Liablity Company Agreement of CAM GP, substantially in the form attached hereto as *Exhibit B*.

Section 2.3 ***Amendment and Restatement of MLP Agreement.*** GP LP and Holdings will enter into that certain Amended and Restated Agreement of Limited Partnership of MLP, substantially in the form attached hereto as *Exhibit C*.

Section 2.4 ***Conversion of CPI to CPLLC.*** CPI will convert to CPLLC by taking the steps, executing the documents and making the filings necessary to effect such conversion under the Texas LLC Act.

Section 2.5 ***Contribution of CPLLC Interest.*** Pursuant to the form of Assignment attached hereto as *Exhibit D*:

(a) Holdings will grant, contribute, transfer, assign and convey to MLP, its successors and assigns, all right, title and interest of Holdings in its membership interest in CPLLC (the "***CPLLC Interest***"), and MLP will accept the CPLLC Interest as a contribution to the capital of MLP.

(b) MLP will grant, contribute, transfer, assign and convey to OLP, its successors and assigns, all right, title and interest of MLP in and to the CPLLC Interest, and OLP will accept the CPLLC Interest as a capital contribution.

Section 2.6 ***Transfer of Interests by Holdings to GP LP.*** Pursuant to the form of Assignment attached hereto as Exhibit E, Holdings will grant, transfer, assign and convey to GP LP, its successors and assigns, all right, title and interest of Holdings in and to a portion of its limited partner interest in MLP as a contribution to the capital of GP LP, such portion to be an amount sufficient to permit the consummation of the conversions contemplated by Section 2.10 hereof relating to the General Partner Interest (as defined in the MLP Agreement) and the Incentive Distribution Rights (as defined in the MLP Agreement), as a capital contribution.

Section 2.7 ***Amendment and Restatement of OLP GP Agreement.*** MLP will enter into that certain Amended and Restated Limited Liability Company Agreement of OLP GP, substantially in the form attached hereto as *Exhibit F*.

Section 2.8 ***Amendment and Restatement of OLP Agreement.*** OLP GP and MLP will enter into that certain Amended and Restated Agreement of Limited Partnership of OLP, substantially in the form attached hereto as *Exhibit G*.

Section 2.9 ***Public Cash Distribution.*** MLP will acknowledge receipt of $37,200,000 in cash (net of underwriting discounts and commissions) obtained from the Offering in exchange for 2,000,000 Common Units.

Section 2.10 ***Conversion of General Partner Interest of GP LP.*** In accordance with Section 5.2 of the MLP Agreement, the general partner interest and limited partner interest in MLP owned by GP LP will be converted into (i) the General Partner Interest (as defined in the MLP Agreement) and (ii) the Incentive Distribution Rights (as defined in the MLP Agreement). GP LP hereby acknowledges receipt of the General Partner Interest and the Incentive Distribution Rights.

Section 2.11 ***Conversion of Limited Partner Interests of Holdings.*** In accordance with Section 5.2 of the MLP Agreement, the limited partner interests in MLP owned by Holdings will be converted into (i) 4,667,000 Subordinated Units, (ii) 333,000 Common Units and (iii) the right to receive $2.5 million from MLP.

Section 2.12 ***Distribution of Proceeds by MLP to Holdings.*** Upon receipt by MLP of the cash contribution set forth in Section 2.9 above (with MLP having paid approximately $2.5 million for fees and expenses in connection with the Offering and related transactions) MLP will grant, distribute, transfer, assign and convey to Holdings, cash in the amount of $2.5 million in satisfaction of the obligation identified in Section 2.11.

Section 2.13 ***MLP Capital Contribution to OLP.*** Upon receipt by MLP of the cash contribution set forth in Section 2.9 above, MLP will contribute to the capital of OLP the remaining proceeds from the Offering.

Section 2.14 ***OLP Use of Proceeds.*** The parties to this Agreement acknowledge that OLP will use the cash received as set forth in Section 2.13 above for the repayment of indebtedness outstanding under the Credit Agreement.

ARTICLE III
Over−Allotment Option

Section 3.1 ***Purchase of Additional Common Units.*** The underwriters of the Offering were granted a 30−day option (the "***Option***") to purchase up to 300,000 Common Units. If the Option is exercised in full, the parties to this Agreement acknowledge that an additional cash contribution of $5,580,000 will be made from the public to MLP, through the underwriters, in exchange for 300,000 Common Units.

Section 3.2 ***Exercise of Over−Allotment Option.*** In the event that the Option is exercised, in whole or in part, MLP will contribute the proceeds of the exercise of the Option to the capital of OLP.

Section 3.3 ***OLP Use of Over−Allotment Proceeds.*** The parties to this Agreement acknowledge that OLP will use the cash received as set forth in Section 3.2 above for the repayment of indebtedness outstanding under the Credit Agreement.

ARTICLE IV
Further Assurances

Section 4.1 From time to time after the date hereof, and without any further consideration, each of the parties to this Agreement shall execute, acknowledge and deliver all such additional instruments, notices and other documents, and will do all such other acts and things, all in accordance with applicable law, as may be necessary or appropriate to more fully and effectively carry out the purposes and intent of this Agreement.

ARTICLE V
Miscellaneous

Section 5.1 ***Order of Completion of Transactions.*** The transactions provided for in Article II of this Agreement shall be completed in the order set forth in that article.

Section 5.2 ***Headings; References; Interpretation.*** All article and section headings in this Agreement are for convenience only and shall not be deemed to control or affect the meaning or construction of any of the provisions hereof. The words "hereof," "herein" and "hereunder" and words of similar import, when used in this Agreement, shall refer to this Agreement as a whole, including without limitation, all exhibits attached hereto, and not to any particular provision of this Agreement. All references herein to articles, sections, and exhibits shall, unless the context requires a different construction, be deemed to be references to the articles, sections and exhibits of this Agreement, respectively, and all such exhibits attached hereto are hereby incorporated herein and made a part hereof for all purposes. All personal pronouns used in this Agreement, whether used in the masculine, feminine or neuter gender, shall include all other genders, and the singular shall include the plural and vice versa. The use herein of the word "including" following any general statement, term or matter shall not be construed to limit such statement, term or matter to the specific items or matters set forth immediately following such word or to similar items or matters, whether or not non−limiting language (such as "without limitation," "but not limited to," or words of similar import) is used with reference thereto, but rather shall be deemed to refer to all other items or matters that could reasonably fall within the broadest possible scope of such general statement, term or matter.

Section 5.3 ***Successors and Assigns.*** The Agreement shall be binding upon and inure to the benefit of the parties signatory hereto and their respective successors and assigns.

Section 5.4 ***No Third Party Rights.*** The provisions of this Agreement are intended to bind the parties signatory hereto as to each other and are not intended to and do not create rights in any other person or confer upon any other person any benefits, rights or remedies and no person is or is intended to be a third party beneficiary of any of the provisions of this Agreement.

Section 5.5 ***Counterparts.*** This Agreement may be executed in any number of counterparts, all of which together shall constitute one agreement binding on the parties hereto.

Section 5.6 ***Governing Law.*** This Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware applicable to contracts made and to be performed wholly within such state without giving effect to conflict of law principles thereof, except to the extent that it is mandatory that the law of some other jurisdiction, shall apply.

Section 5.7 ***Severability.*** If any of the provisions of this Agreement are held by any court of competent jurisdiction to contravene, or to be invalid under, the laws of any political body having

jurisdiction over the subject matter hereof, such contravention or invalidity shall not invalidate the entire Agreement. Instead, this Agreement shall be construed as if it did not contain the particular provision or provisions held to be invalid, and an equitable adjustment shall be made and necessary provision added so as to give effect to the intention of the parties as expressed in this Agreement at the time of execution of this Agreement.

Section 5.8 ***Amendment or Modification.*** This Agreement may be amended or modified from time to time only by the written agreement of all the parties hereto.

Section 5.9 ***Integration.*** This Agreement supersedes all previous understandings or agreements between the parties, whether oral or written, with respect to its subject matter. This document is an integrated agreement which contains the entire understanding of the parties. No understanding, representation, promise or agreement, whether oral or written, is intended to be or shall be included in or form part of this Agreement unless it is contained in a written amendment hereto executed by the parties hereto after the date of this Agreement.

Section 5.10 ***Representations and Warranties.*** Each party hereto represents and warrants to each of the other parties hereto as follows:

(a) Such party has the right, power and authority for, and has taken all necessary corporate and other action to authorize, the execution, delivery and performance of the transactions contemplated by this Agreement;

(b) This Agreement has been duty executed and delivered by the duly authorized officers of such party and constitutes the legal, valid and binding obligation of such party, enforceable in accordance with its terms; and

(c) Any property or right being transferred and assigned by such party hereunder to another party is owned by such transferor/assignor, free and clear or all liens, claims and encumbrances and upon such transfer the transferee/assignee will succeed to all right, title and ownership in such property or right.

THE PARTIES ACKNOWLEDGE AND AGREE THAT, EXCEPT FOR THE FOREGOING REPRESENTATIONS AND WARRANTIES, ALL PROPERTY AND RIGHTS TRANSFERRED AND ASSIGNED PURSUANT TO THIS AGREEMENT ARE BEING TRANSFERRED AND ASSIGNED ON AN AS−IS, WHERE−IS BASIS AND NO OTHER REPRESENTATIONS AND WARRANTIES ARE MADE WITH RESPECT TO SUCH PROPERTY OR RIGHTS.

Section 5.11 ***Costs.*** Each transferee/assignee hereunder shall pay all sales, use and similar taxes arising out of the contributions, conveyances and deliveries to be made hereunder, and shall pay all documentary, filing, recording, transfer, deed, and conveyance taxes and fees required in connection therewith.

Section 5.12 ***Deed; Bill of Sale; Assignment.*** To the extent required by applicable law, this Agreement shall also constitute a "deed," "bill of sale" or "assignment" of assets.

[The Remainder Of This Page is Intentionally Left Blank]

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

HOLDINGS:

CROSSTEX ENERGY HOLDINGS INC., a Delaware corporation

By: /s/ BRYAN H. LAWRENCE

Name: Bryan H. Lawrence

Title: *Chairman*

CEI:

CROSSTEX ENERGY, INC., a Texas corporation

By: /s/ BARRY E. DAVIS

Name: Barry E. Davis

Title: *President*

MLP:

CROSSTEX ENERGY, L.P., a Delaware limited partnership

By: Crosstex Energy GP, L.P., a Delaware limited partnership, its general partner
By: Crosstex Energy GP, LLC, a Delaware limited liability company, its general partner

By: /s/ BARRY E. DAVIS

Name: Barry E. Davis

Title: *President*

GP LLC:

CROSSTEX ENERGY GP, LLC, a Delaware limited liability company

By: /s/ BARRY E. DAVIS

Name: Barry E. Davis

Title: *President*

GP LP:

CROSSTEX ENERGY GP, L.P., a Delaware limited partnership
By: Crosstex Energy GP, LLC, a Delaware limited liability company, its general partner

By: /s/ BARRY E. DAVIS

Name: Barry E. Davis

Title: *President*

OLP:

CROSSTEX ENERGY SERVICES, L.P., a Delaware limited partnership
By: Crosstex Energy Services GP, LLC, a Delaware limited liability company, its general partner

By: /s/ BARRY E. DAVIS

Name: Barry E. Davis

Title: *President*

OLP GP:

CROSSTEX ENERGY SERVICES GP, LLC, a Delaware limited liability company

By: /s/ BARRY E. DAVIS

Name: Barry E. Davis

Title: *President*

CPI:

CROSSTEX PIPELINE, INC., a Texas corporation

By: /s/ BARRY E. DAVIS

Name: Barry E. Davis

Title: *President*

Exhibit A

Form of Amended and Restated Limited Liability Company Agreement of GP LLC

Exhibit B

Form of Amended and Restated Limited Liability Company Agreement of CAM GP

Exhibit C

Form of Amended and Restated Agreement of Limited Partnership of MLP

Exhibit D

ASSIGNMENT

THIS ASSIGNMENT (this "***Assignment***") is made and entered into at a.m., Eastern Standard Time, on December , 2002, by and among Crosstex Energy Holdings Inc., a Delaware corporation ("***Assignor***"), Crosstex Energy, L.P., a Delaware limited partnership ("***Assignee***") and Crosstex Energy Services, L.P., a Delaware limited partnership ("***OLP***").

RECITALS

WHEREAS, Assignor desires to contribute, as a contribution to the capital of Assignee, all of its membership interest (the "***CPLLC Interest***") in Crosstex Pipeline, LLC, a Texas limited liability company (the "***Company***"), and Assignee desires to accept such contribution as a contribution to the capital of OLP; and

WHEREAS, Assignee desires to contribute, as a contribution to the capital of OLP, all of its interest in and to the CPLLC Interest, and OLP desires to accept such contribution as a contribution to the capital of OLP.

NOW THEREFORE, in consideration of the premises, the mutual covenants and agreements contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto do hereby agree as follows:

1. *Assignment.*

(a) As a contribution to the capital of Assignee, Assignor hereby irrevocably grants, contributes, transfers, assigns and conveys to Assignee, its successors and assigns, all of Assignor's right, title and interest in and to the CPLLC Interest, free and clear of any lien, pledge, security interest, encumbrance or claim of any kind, and hereby withdraws as a member of the Company.

(b) As a contribution to the capital of OLP, Assignee hereby irrevocably grants, contributes, transfers, assigns and conveys to OLP, its successors and assigns, all of Assignee's right, title and interest in and to the CPLLC Interest, free and clear of any lien, pledge, security interest, encumbrance or claim of any kind, and hereby withdraws as a member of the Company.

2. *Acceptance.*

(a) Assignee hereby accepts the assignment of the CPLLC Interest as a contribution by Assignor to the capital of Assignee, and agrees to be bound by the Articles of Organization and Regulations of the Company from and after the date hereof until the CPLLC Interest is transferred and assigned to OLP in accordance with the terms of this Assignment.

(b) OLP hereby accepts the assignment of the CPLLC Interest as a contribution by Assignee to the capital of OLP, and agrees to be bound by the Articles of Organization and Regulations of the Company from and after the date hereof.

3. *Authority.* Each party hereto has complete and unrestricted power and authority to enter into this Assignment and to sell, assign and transfer its right, title and interest in the CPLLC Interest, and such sale, assignment and transfer does not and will not require the consent or approval of any third person or governmental entity that has not been obtained.

4. *Further Assurances.* Each party hereto agrees that it shall execute and deliver or cause to be executed and delivered from time to time such instruments, documents, agreements, consents and assurances and take such other action as any other party hereto reasonably may require to more effectively assign and transfer to and vest in such party the rights and interests assigned hereunder.

5. *Binding Effect.* This instrument shall be binding upon the parties hereto and shall inure to the benefit of and be enforceable by their respective successors and assigns.

IN WITNESS WHEREOF, the parties have executed this Assignment as of the date and time first written above.

ASSIGNOR:

CROSSTEX ENERGY HOLDINGS INC.

By: _____

Name: _____

Title: _____

ASSIGNEE:

CROSSTEX ENERGY, L.P.

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

By: Crosstex Energy GP, LLC,
its general partner

By: _____

Name: _____

Title: _____

OLP:

CROSSTEX ENERGY SERVICES, L.P.

By: Crosstex Energy Services GP, LLC,
its general partner

By: _____

Name: _____

Title: _____

The undersigned party joins in the execution of this Assignment solely for the purpose of consenting to transactions contemplated hereby.

ACKNOWLEDGED AND AGREED:

CROSSTEX PIPELINE, LLC

By: _____

Name: _____

Title: _____

Date: a.m., December , 2002

Exhibit E

ASSIGNMENT

THIS ASSIGNMENT (this "***Assignment***") is made and entered into at a.m., Eastern Standard Time, on December , 2002, by Crosstex Energy Holdings Inc., a Delaware corporation ("***Assignor***"), and Crosstex Energy GP, L.P., a Delaware limited partnership ("***Assignee***").

RECITALS

WHEREAS, Assignor desires to contribute, as a contribution to the capital of Assignee, a portion of its limited partner interest in Crosstex Energy, L.P., a Delaware limited partnership ("***MLP***"), and Assignee desires to accept the MLP Interest (as hereinafter defined) as a capital contribution; and

NOW THEREFORE, in consideration of the premises and the mutual agreements contained herein, the parties agree as follows:

1. *Assignment.* As a contribution to the capital of Assignee, Assignor hereby irrevocably grants, contributes, transfers, assigns and conveys to Assignee, its successors and assigns, all of Assignor's right, title and interest in and to a portion of the limited partner interest the amount of which shall be sufficient to permit the consummation of the conversions contemplated by Section 2.10 of that certain Closing Contribution, Conveyance and Assumption Agreement, by and among Assignor, Assignee and the other parties thereto (the "***MLP Interest***"), free and clear of any lien, pledge, security interest, encumbrance or claim of any kind.

2. *Acceptance.* Assignee hereby accepts the assignment of the MLP Interest as a contribution by Assignor to the capital of Assignee, and agrees to be bound by the Certificate of Limited Partnership and Limited Partnership Agreement of MLP from and after the date hereof.

3. *Authority.* Assignor has complete and unrestricted power and authority to enter into this Assignment and to sell, assign and transfer its right, title and interest in the MLP Interest, and such sale, assignment and transfer does not and will not require the consent or approval of any third person or governmental entity that has not been obtained.

4. *Further Assurances.* Assignor agrees that it shall execute and deliver or cause to be executed and delivered from time to time such instruments, documents, agreements, consents and assurances and take such other action as Assignee reasonably may require to more effectively assign and transfer to and vest in Assignee the rights and interests assigned hereunder.

5. *Binding Effect.* This instrument shall be binding upon the parties hereto and shall inure to the benefit of and be enforceable by their respective successors and assigns.

IN WITNESS WHEREOF, the parties have executed this Assignment as of the date and time first written above.

ASSIGNOR:

CROSSTEX ENERGY HOLDINGS INC.

By: _____

Name: _____

Title: _____

ASSIGNEE:

CROSSTEX ENERGY GP, L.P.

By: Crosstex Energy GP, LLC, its general partner

By: _____

Name: _____

Title: _____

Exhibit F

Form of Amended and Restated Limited Liability Company Agreement of OLP GP

Exhibit G

Form of Amended and Restated Agreement of Limited Partnership of OLP

QuickLinks

Exhibit 10.4

CROSSTEX ENERGY GP, LLC
LONG−TERM INCENTIVE PLAN

Section 1. Purpose Of The Plan.

The Crosstex Energy GP, LLC Long−Term Incentive Plan (the "Plan") is intended to promote the interests of Crosstex Energy, L.P., a Delaware limited partnership (the "Partnership"), by providing to employees and directors of Crosstex Energy GP, LLC (the "Company") and its Affiliates who perform services for the Partnership incentive compensation awards for superior performance that are based on Units. The Plan is also contemplated to enhance the ability of the Company and its Affiliates to attract and retain the services of individuals who are essential for the growth and profitability of the Partnership and to encourage them to devote their best efforts to the business of the Partnership, thereby advancing the interests of the Partnership and its partners.

Section 2. Definitions.

As used in the Plan, the following terms shall have the meanings set forth below:

"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.

"Award" means an Option or Restricted Unit granted under the Plan, and shall include any tandem DERs granted with respect to such Award.

"Board" means the Board of Directors of the Company.

"Change in Control" means, and shall be deemed to have occurred if, (i) Yorktown Partners LLC, a Delaware limited liability company, or its Affiliates including any funds under its management ("Yorktown") no longer directly or indirectly owns a controlling interest in the Company, (ii) 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 or the Company to any Person or its Affiliates, other than the Partnership, the Company or any of their Affiliates or (iii) any merger, reorganization, consolidation or other transaction pursuant to which more than 50% of the combined voting power of the equity interests in the Company ceases to be owned by Persons who own such interests as of the initial public offering date of the Units.

"Committee" means the Compensation Committee of the Board or such other committee of the Board appointed to administer the Plan.

"DER" means a contingent right, granted in tandem with a specific Restricted Unit, to receive an amount in cash equal to the cash distributions made by the Partnership with respect to a Unit during the period such Restricted Unit is outstanding.

"Director" means a "non−employee director" of the Company, as defined in Rule 16b−3.

"Employee" means any employee of the Company or an Affiliate, as determined by the Committee.

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

"Fair Market Value" means the closing sales price of a Unit on the applicable date (or if there is no trading in the Units on such date, on the next preceding date on which there was trading) as reported in *The Wall Street Journal* (or other reporting service approved by the Committee). In the

---

event Units are not publicly traded at the time a determination of fair market value is required to be made hereunder, the determination of fair market value shall be made in good faith by the Committee.

"Option" means an option to purchase Units granted under the Plan.

"Participant" means any Employee or Director granted an Award under the Plan.

"Partnership Agreement" means the Amended and Restated Agreement of Limited Partnership of Crosstex Energy, L.P.

"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.

"Restricted Period" means the period established by the Committee with respect to an Award during which the Award either remains subject to forfeiture or is not exercisable by or payable to the Participant.

"Restricted Unit" means a phantom unit granted under the Plan which upon or following vesting entitles the Participant to receive a Unit.

"Rule 16b−3" means Rule 16b−3 promulgated by the SEC under the Exchange Act, or any successor rule or regulation thereto as in effect from time to time.

"SEC" means the Securities and Exchange Commission, or any successor thereto.

"Unit" means a Common Unit of the Partnership or any other securities or other consideration into which a Common Unit of the Partnership is converted pursuant to any capital reorganization, recapitalization, merger or other similar transaction.

Section 3. Administration.

The Plan shall be administered by the Committee. A majority of the Committee shall constitute a quorum, and the acts of the members of the Committee who are present at any meeting thereof at which a quorum is present, or acts unanimously approved by the members of the Committee in writing, shall be the acts of the Committee. Subject to the following, and any applicable law, the Committee, in its sole discretion, may delegate any or all of its powers and duties under the Plan, including the power to grant Awards under the Plan, to the Chief Executive Officer of the Company (provided the Chief Executive Officer is a member of the Board), subject to such limitations on such delegated powers and duties as the Committee may impose, if any. Upon any such delegation all references in the Plan to the "Committee," other than in Section 7, shall be deemed to include the Chief Executive Officer; provided, however, that such delegation shall not limit the Chief Executive Officer's right to receive Awards under the Plan. Notwithstanding the foregoing, the Chief Executive Officer may not grant Awards to, or take any action with respect to any Award previously granted to himself, a person who is an officer subject to Rule 16b−3 or a member of the Board. Subject to the terms of the Plan and applicable law, and in addition to other express powers and authorizations conferred on the Committee by the Plan, the Committee shall have full power and authority to: (i) designate Participants; (ii) determine the type or types of Awards to be granted to a Participant; (iii) determine the number of Units to be covered by Awards; (iv) determine the terms and conditions of any Award; (v) determine whether, to what extent, and under what circumstances Awards may be settled, exercised, canceled, or forfeited; (vi) interpret and administer the Plan and any instrument or agreement relating to an Award made under the Plan; (vii) establish, amend, suspend, or waive such rules and regulations and appoint such agents as it shall deem appropriate for the proper administration of the Plan; and (viii) make any other determination and take any other action that the Committee deems necessary or desirable for the administration of the Plan. Unless otherwise expressly provided in the Plan, all designations, determinations, interpretations, and other decisions under or with respect to the Plan or any Award

shall be within the sole discretion of the Committee, may be made at any time and shall be final, conclusive, and binding upon all Persons, including the Company, the Partnership, any Affiliate, any Participant, and any beneficiary of any Award.

Section 4. Units

(a) *Units Available.* Subject to adjustment as provided in Section 4(c), the number of Units with respect to which (i) Restricted Units may be granted under the Plan is 233,000 and (ii) Options may be granted under the Plan is 467,000. If any Option or Restricted Unit is forfeited or otherwise terminates or is canceled without the delivery of Units, then the Units covered by such Award, to the extent of such forfeiture, termination or cancellation, shall again be Units with respect to which Options or Restricted Units may be granted, as the case may be.

(b) *Sources of Units Deliverable Under Awards.* Any Units delivered pursuant to an Award shall consist, in whole or in part, of Units acquired in the open market, from any Affiliate, the Partnership or any other Person, or any combination of the foregoing, as determined by the Committee in its discretion.

(c) *Adjustments.* In the event that the Committee determines that any distribution (whether in the form of cash, Units, other securities, or other property), recapitalization, split, reverse split, reorganization, merger, consolidation, split−up, spin−off, combination, repurchase, or exchange of Units or other securities of the Partnership, issuance of warrants or other rights to purchase Units or other securities of the Partnership, or other similar transaction or event affects the Units such that an adjustment is determined by the Committee to be appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan, then the Committee shall, in such manner as it may deem equitable, adjust any or all of (i) the number and type of Units (or other securities or property) with respect to which Awards may be granted under the Plan, (ii) the number and type of Units (or other securities or property) subject to outstanding Awards, and (iii) the grant or exercise price with respect to any outstanding Award or, if deemed appropriate, make provision for a cash payment to the holder of an outstanding Award; provided, that the number of Units subject to any Award shall always be a whole number.

Section 5. Eligibility.

Any Employee who performs services for the benefit of the Partnership or Director shall be eligible to be designated a Participant and receive an Award under the Plan.

Section 6. Awards.

(a) *Options.* The Committee shall have the authority to determine the Employees and Directors to whom Options shall be granted, the number of Units to be covered by each Option, the purchase price therefor and the conditions and limitations applicable to the exercise of the Option, including the following terms and conditions and such additional terms and conditions, as the Committee shall determine, that are not inconsistent with the provisions of the Plan.

(i) *Exercise Price.* The purchase price per Unit purchasable under an Option shall be determined by the Committee at the time the Option is granted and may be more or less than its Fair Market Value as of the date of grant.

(ii) *Time and Method of Exercise.* The Committee shall determine the Restricted Period, i.e., the time or times at which an Option may be exercised in whole or in part, which may include, without limitation, accelerated vesting upon the achievement of specified performance goals, and the method or methods by which payment of the exercise price with respect thereto may be made or deemed to have been made, which, unless otherwise prohibited by applicable law, may include,

without limitation, cash, check acceptable to the Company, a "cashless−broker" exercise through procedures approved by the Company, other securities or other property, a note from the Participant in a form acceptable to the Company, or any combination thereof, having a Fair Market Value on the exercise date equal to the relevant exercise price.

(iii) *Term.* Subject to earlier termination as provided in the grant agreement or the Plan, each Option shall expire on the tenth anniversary of its date of grant.

(iv) *Forfeiture.* Except as otherwise provided in the terms of the Option grant, upon termination of a Participant's employment with the Company and its Affiliates or membership on the Board, whichever is applicable, for any reason during the applicable Restricted Period, all Options shall be forfeited by the Participant. The Committee may, in its discretion, waive in whole or in part such forfeiture with respect to a Participant's Options.

(b) *Restricted Units.* The Committee shall have the authority to determine the Employees and Directors to whom Restricted Units shall be granted, the number of Restricted Units to be granted to each such Participant, the Restricted Period, the conditions under which the Restricted Units may become vested or forfeited, which may include, without limitation, the accelerated vesting upon the achievement of specified performance goals, and such other terms and conditions as the Committee may establish with respect to such Awards, including whether DERs are granted with respect to such Restricted Units.

(i) *DERs.* To the extent provided by the Committee, in its discretion, a grant of Restricted Units may include a tandem DER grant, which may provide that such DERs shall be paid directly to the Participant, be credited to a bookkeeping account (with or without interest in the discretion of the Committee) subject to the same vesting restrictions as the tandem Award, or be subject to such other provisions or restrictions as determined by the Committee in its discretion.

(ii) *Forfeiture.* Except as otherwise provided in the terms of the Restricted Units grant, upon termination of a Participant's employment with the Company and its Affiliates or membership on the Board, whichever is applicable, for any reason during the applicable Restricted Period, all Restricted Units shall be forfeited by the Participant. The Committee may, in its discretion, waive in whole or in part such forfeiture with respect to a Participant's Restricted Units.

(iii) *Lapse of Restrictions.* Upon or following the vesting of each Restricted Unit, the Participant shall be entitled to receive from the Company one Unit, subject to the provisions of Section 8(b).

(c) *General.*

(i) *Awards May Be Granted Separately or Together.* Awards may, in the discretion of the Committee, be granted either alone or in addition to, in tandem with, or in substitution for any other Award granted under the Plan or any award granted under any other plan of the Company or any Affiliate. Awards granted in addition to or in tandem with other Awards or awards granted under any other plan of the Company or any Affiliate may be granted either at the same time as or at a different time from the grant of such other Awards or awards.

(ii) *Limits on Transfer of Awards.*

(A) Except as provided in (C) below, each Option shall be exercisable only by the Participant during the Participant's lifetime, or by the person to whom the Participant's rights shall pass by will or the laws of descent and distribution.

(B) Except as provided in (C) below, no Award and no right under any such Award may be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by a Participant and any such purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance shall be void and unenforceable against the Company or any Affiliate.

(C) To the extent specifically provided by the Committee with respect to an Option grant, an Option may be transferred by a Participant without consideration to immediate family members or related family trusts, limited partnerships or similar entities or on such terms and conditions as the Committee may from time to time establish. In addition, Awards may be transferred by will and the laws of descent and distribution.

(iii) *Term of Awards.* The term of each Award shall be for such period as may be determined by the Committee.

(iv) *Unit Certificates.* All certificates for Units or other securities of the Partnership delivered under the Plan pursuant to any Award or the exercise thereof shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the Plan or the rules, regulations, and other requirements of the SEC, any stock exchange upon which such Units or other securities are then listed, and any applicable federal or state laws, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

(v) *Consideration for Grants.* Awards may be granted for no cash consideration or for such consideration as the Committee determines.

(vi) *Delivery of Units or other Securities and Payment by Participant of Consideration.* Notwithstanding anything in the Plan or any grant agreement to the contrary, delivery of Units pursuant to the exercise or vesting of an Award may be deferred for any period during which, in the good faith determination of the Committee, the Company is not reasonably able to obtain Units to deliver pursuant to such Award without violating the rules or regulations of any applicable law or securities exchange. No Units or other securities shall be delivered pursuant to any Award until payment in full of any amount required to be paid pursuant to the Plan or the applicable Award grant agreement (including, without limitation, any exercise price or tax withholding) is received by the Company. Unless otherwise prohibited by applicable law, such payment may be made by such method or methods and in such form or forms as the Committee shall determine, including, without limitation, cash, other Awards, withholding of Units, cashless− broker exercises with simultaneous sale, or any combination thereof; provided that the combined value, as determined by the Committee, of all cash and cash equivalents and the Fair Market Value of any such Units or other property so tendered to the Company, as of the date of such tender, is at least equal to the full amount required to be paid to the Company pursuant to the Plan or the applicable Award agreement.

(vii) *Change in Control.* Upon a Change in Control, or such period prior thereto as may be established by the Committee, all Awards shall automatically vest and become payable or exercisable, as the case may be, in full. In this regard, all Restricted Periods shall terminate and all performance criteria, if any, shall be deemed to have been achieved at the maximum level. To the extent that an Option is not exercised upon a Change in Control, the Committee may, in its discretion, cancel such Award without payment or provide for a replacement grant with respect to such property and on such terms as it deems appropriate

Section 7. Amendment And Termination.

Except to the extent prohibited by applicable law and unless otherwise expressly provided in an Award agreement or in the Plan:

(a) *Amendments to the Plan.* Except as required the rules of the principal securities exchange on which the Units are traded and subject to Section 7(b) below, the Board or the Committee may amend, alter, suspend, discontinue, or terminate the Plan in any manner, including increasing the number of

Units available for Awards under the Plan, without the consent of any partner, Participant, other holder or beneficiary of an Award, or other Person.

(b) *Amendments to Awards.* Subject to Section 7(a), the Committee may waive any conditions or rights under, amend any terms of, or alter any Award theretofore granted, provided no change, other than pursuant to Section 7(c), in any Award shall materially reduce the benefit to a Participant without the consent of such Participant.

(c) *Adjustment of Awards Upon the Occurrence of Certain Unusual or Nonrecurring Events.* The Committee is hereby authorized to make adjustments in the terms and conditions of, and the criteria included in, Awards in recognition of unusual or nonrecurring events (including, without limitation, the events described in Section 4(c) of the Plan) affecting the Partnership or the financial statements of the Partnership, or of changes in applicable laws, regulations, or accounting principles, whenever the Committee determines that such adjustments are appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan.

Section 8. General Provisions.

(a) *No Rights to Award.* No Person shall have any claim to be granted any Award under the Plan, and there is no obligation for uniformity of treatment of Participants. The terms and conditions of Awards need not be the same with respect to each recipient.

(b) *Withholding.* The Company or any Affiliate is authorized to withhold from any Award, from any payment due or transfer made under any Award or from any compensation or other amount owing to a Participant the amount (in cash, Units, other securities, Units that would otherwise be issued pursuant to such Award or other property) of any applicable taxes payable in respect of the grant of an Award, its exercise, the lapse of restrictions thereon, or any payment or transfer under an Award or under the Plan and to take such other action as may be necessary in the opinion of the Company or Affiliate to satisfy its withholding obligations for the payment of such taxes.

(c) *No Right to Employment.* The grant of an Award shall not be construed as giving a Participant the right to be retained in the employ of the Company or any Affiliate or to remain on the Board, as applicable. Further, the Company or an Affiliate may at any time dismiss a Participant from employment, free from any liability or any claim under the Plan, unless otherwise expressly provided in the Plan or in any Award agreement.

(d) *Governing Law.* The validity, construction, and effect of the Plan and any rules and regulations relating to the Plan shall be determined in accordance with the laws of the State of Delaware without regard to its conflict of laws principles.

(e) *Severability.* If any provision of the Plan or any Award is or becomes or is deemed to be invalid, illegal, or unenforceable in any jurisdiction or as to any Person or Award, or would disqualify the Plan or any Award under any law deemed applicable by the Committee, such provision shall be construed or deemed amended to conform to the applicable laws, or if it cannot be construed or deemed amended without, in the determination of the Committee, materially altering the intent of the Plan or the Award, such provision shall be stricken as to such jurisdiction, person or award and the remainder of the Plan and any such Award shall remain in full force and effect.

(f) *Other Laws.* The Committee may refuse to issue or transfer any Units or other consideration under an Award if, in its sole discretion, it determines that the issuance or transfer or such Units or such other consideration might violate any applicable law or regulation, the rules of the principal securities exchange on which the Units are then traded, or entitle the Partnership or an Affiliate to recover the same under Section 16(b) of the Exchange Act, and any payment tendered to the Company by a Participant, other holder or beneficiary in connection with the exercise of such Award shall be promptly refunded to the relevant Participant, holder or beneficiary.

(g) *No Trust or Fund Created.* Neither the Plan nor any Award shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company or any participating Affiliate and a Participant or any other Person. To the extent that any Person acquires a right to receive payments from the Company or any participating Affiliate pursuant to an Award, such right shall be no greater than the right of any general unsecured creditor of the Company or any participating Affiliate.

(h) *No Fractional Units.* No fractional Units shall be issued or delivered pursuant to the Plan or any Award, and the Committee shall determine whether cash, other securities, or other property shall be paid or transferred in lieu of any fractional Units or whether such fractional Units or any rights thereto shall be canceled, terminated, or otherwise eliminated.

(i) *Headings.* Headings are given to the Sections and subsections of the Plan solely as a convenience to facilitate reference. Such headings shall not be deemed in any way material or relevant to the construction or interpretation of the Plan or any provision thereof.

(j) *Facility Payment.* Any amounts payable hereunder to any person under legal disability or who, in the judgment of the Committee, is unable to properly manage his financial affairs, may be paid to the legal representative of such person, or may be applied for the benefit of such person in any manner which the Committee may select, and the Company shall be relieved of any further liability for payment of such amounts.

(k) *Gender and Number*. Words in the masculine gender shall include the feminine gender, the plural shall include the singular and the singular shall include the plural.

Section 9. Term Of The Plan.

The Plan shall be effective on the date of its approval by the Board and shall continue until the date terminated by the Board or Units are no longer available for grants of Awards under the Plan, whichever occurs first. However, unless otherwise expressly provided in the Plan or in an applicable Award Agreement, any Award granted prior to such termination, and the authority of the Board or the Committee to amend, alter, adjust, suspend, discontinue, or terminate any such Award or to waive any conditions or rights under such Award, shall extend beyond such termination date.

QuickLinks

Exhibit 10.5

Execution Copy

OMNIBUS AGREEMENT

among

CROSSTEX ENERGY HOLDINGS INC.

CROSSTEX ENERGY GP, LLC

CROSSTEX ENERGY GP, L.P.

CROSSTEX ENERGY SERVICES, L.P.

and

CROSSTEX ENERGY, L.P.

OMNIBUS AGREEMENT

THIS OMNIBUS AGREEMENT is entered into on, and effective as of, the Closing Date by and among Crosstex Energy Holdings Inc., a Delaware corporation ("Crosstex Energy Holdings"), Crosstex Energy GP, LLC, a Delaware limited liability company ("Crosstex GP"), Crosstex Energy GP, L.P., a Delaware limited partnership (the "General Partner"), Crosstex Energy Services, L.P., a Delaware limited partnership (the "Operating Partnership"), and Crosstex Energy, L.P., a Delaware limited partnership (the "Partnership").

R E C I T A L S:

Crosstex Energy Holdings, Crosstex GP, the Partnership, the Operating Partnership and the General Partner desire by their execution of this Agreement to evidence their understanding, (i) as more fully set forth in Article II of this Agreement, with respect to (a) those business opportunities that Crosstex Energy Entities (as defined herein) will not pursue during the term of this Agreement unless each of the Partnership and the Operating Partnership has declined to engage in such business opportunity for its own account and (b) the procedures whereby such business opportunities are to be offered to the Partnership and the Operating Partnership and accepted or declined and (ii) as more fully set forth in Article III of this Agreement, with respect to the maximum amount to be paid by the Partnership to the General Partner and its Affiliates for general and administrative services in the one year period following the date hereof.

In consideration of the premises and the covenants, conditions, and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

ARTICLE I
Definitions

1.1 ***Definitions.*** (a) Capitalized terms used herein but not defined shall have the meanings given them in the Partnership Agreement.

(b) As used in this Agreement, the following terms shall have the respective meanings set forth below:

"Affiliate" has the meaning assigned to such term in the Partnership Agreement.

"Agreement" means this Omnibus Agreement, as it may be amended, modified, or supplemented from time to time in accordance with Section 4.5 hereof.

"Allocated General and Administrative Expenses" means expenses associated with centralized corporate functions including general and administrative services and including, but not limited to, certain management, engineering, legal, accounting, finance, information technology, insurance, human resource, administration of employee benefit plans and other shared corporate services; *provided, however*, that Allocated General and Administrative Expenses shall not include the direct operating and maintenance expenses associated with the operation of the assets of the Partnership.

"Change of Control" has the meaning assigned to such term in Section 2.4.

"Closing Date" means the date of the closing of the Partnership's initial public offering of Common Units.

"Common Units" has the meaning assigned to such term in the Partnership Agreement.

"Conflicts Committee" has the meaning assigned to such term in the Partnership Agreement.

"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.

"Crosstex Energy Entities" means Crosstex Energy Holdings and any Person controlled, directly or indirectly, by Crosstex Energy Holdings other than the Partnership Group.

"Crosstex Energy Holdings" has the meaning assigned to such term in the preamble to this Agreement.

"Crosstex GP" has the meaning assigned to such term in the preamble to this Agreement.

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

"General Partner" has the meaning assigned to such term in the preamble to this Agreement.

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

"Initial Offering" has the meaning assigned to such term in the Partnership Agreement.

"Management" means collectively those individuals who are listed as executive officers of Crosstex GP in the final prospectus relating to the Initial Offering.

"Offer" has the meaning assigned to such term in Section 2.3.

"Operating Partnership" has the meaning assigned to such term in the preamble to this Agreement.

"Partnership" has the meaning assigned to such term in the preamble to this Agreement.

"Partnership Agreement" means the Amended and Restated Agreement of Limited Partnership of the Partnership, dated as of the Closing Date, as such agreement is in effect on the Closing Date, to which reference is hereby made for all purposes of this Agreement. No amendment or modification to the Partnership Agreement subsequent to the Closing Date shall be given effect for the purposes of this Agreement unless consented to by each of the parties to this Agreement.

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

"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.

"Restricted Business" has the meaning assigned to such term in Section 2.1.

"Subsidiary" has the meaning assigned to such term in the Partnership Agreement.

"Voting Securities" means securities of any class of Person entitling the holders thereof to vote on a regular basis in the election of members of the board of directors or other governing body of such Person.

"Yorktown Funds" means Yorktown Energy Partners IV, L.P., Yorktown Energy Partners V, L.P. and any other investment fund sponsored by or managed by Yorktown Partners, LLC, including any fund formed subsequent to the Closing Date.

ARTICLE II
Business Opportunities

2.1 ***Restricted Businesses.*** For so long as the General Partner (or any Affiliate of Crosstex Energy Holdings) is a general partner of the Partnership, each of the Crosstex Energy Entities shall be prohibited from engaging in the business of gathering, transmitting, treating, processing, storing and marketing of natural gas and the transportation, fractionation, storing and marketing of natural gas liquids (the "Restricted Business").

2.2 ***Permitted Exceptions.*** Notwithstanding any provision of Section 2.1 to the contrary, a Crosstex Energy Entity may pursue an opportunity to purchase or invest in, and may ultimately purchase, own and/or operate, a Restricted Business under the following circumstances:

(a) The Restricted Business was engaged in by a Crosstex Energy Entity on the date of this Agreement, including, without limitation, the business relating to the Excluded Assets (as defined in the First Contribution, Conveyance and Assumption Agreement, dated as of November 27, 2002, among Crosstex Energy Holdings, the Partnership, the Operating Partnership, the General Partner and the other parties named therein); provided, however, that any future acquisitions or opportunities related to such Restricted Business shall be subject to the procedures set forth in Section 2.3.

(b) The Crosstex Energy Entity first offers the Partnership the opportunity to pursue such opportunity and the board of directors of Crosstex GP (with the approval of the Conflicts Committee) has elected not to cause a Group Member to pursue such opportunity or acquisition in accordance with the procedures set forth in Section 2.3.

(c) The fair market value of the assets that comprise the Restricted Business represents less than a majority of the fair market value of the business being considered for purchase or investment, in the reasonable belief of majority of the board of directors of Crosstex Energy Holdings; provided that the Crosstex Energy Entity subsequently offers the Partnership the opportunity to purchase the assets that comprise the Restricted Business in accordance with the procedures set forth in Section 2.3 and the board of directors of Crosstex GP, with the approval of the Conflicts Committee, has elected not to cause a Group Member to pursue such opportunity or acquisition.

2.3 ***Procedures.*** (a) In the event that a Crosstex Energy Entity becomes aware of an opportunity to purchase a Restricted Business, then as soon as practicable, such Crosstex Energy Entity shall notify the Partnership of such opportunity and deliver to Crosstex GP all information prepared by or on behalf of such Crosstex Energy Entity relating to such potential purchase. As soon as practicable, but in any event within 30 days after receipt of such notification and information, Crosstex GP, on behalf of the Partnership, shall notify the Crosstex Energy Entity that either (i) Crosstex GP, on behalf of the Partnership, has elected, with the approval of the Conflicts Committee, not to cause a Group Member to pursue the opportunity to acquire such Restricted Business, or (ii) Crosstex GP, on behalf of the Partnership, has elected to cause a Group Member to pursue the opportunity to acquire such Restricted Business. If, at any time, Crosstex GP abandons such opportunity (as evidenced in writing by Crosstex GP following the request of the Crosstex Energy Entity), the Crosstex Energy Entity may pursue such opportunity. Any Restricted Business which is permitted to be purchased by a Crosstex Energy Entity must be so purchased (i) within 12 months of the time the Crosstex Energy Entity becomes able to pursue such acquisition in accordance with the provisions of this Section 2.3 and (ii) on terms not materially more favorable to the Crosstex Energy Entity than were offered to the Partnership. If either of these conditions are not satisfied, the opportunity must be reoffered to the Partnership in accordance with this Section 2.3(a).

(b) In the event that a Crosstex Energy Entity acquires a Restricted Business as part of a larger transaction in accordance with Section 2.2(c), then not later than 30 days after the consummation of the acquisition, such Crosstex Energy Entity shall notify Crosstex GP of such purchase and offer the Partnership the opportunity to purchase the Restricted Business constituting a portion of such purchase and deliver to Crosstex GP all information prepared by or on behalf of or in the possession of such Crosstex Energy Entity relating to the Restricted Business. As soon as practicable, but in any event within 60 days after receipt of such notification, Crosstex GP shall notify the Crosstex Energy Entity that either (i) Crosstex GP has elected, with the approval of the Conflicts Committee, not to cause a Group Member to purchase such Restricted Business, in which event the Crosstex Energy Entity shall be forever free to continue to engage in such particular Restricted Business; provided, however, that any future acquisitions or opportunities related to such particular Restricted Business shall be subject

to the procedures set forth in this Section 2.3, or (ii) Crosstex GP has elected to cause a Group Member to purchase such Restricted Business, in which event the following procedures shall be followed:

(i) Within 30 days of receipt of the notice from Crosstex GP that Crosstex GP has elected to cause a Group Member to purchase the Restricted Business, the Crosstex Energy Entity shall submit a good faith offer to Crosstex GP to sell the Restricted Business (the "Offer") to any Group Member on the terms and for the consideration stated in the Offer.

(ii) After receipt of such Offer by Crosstex GP, the Crosstex Energy Entity and Crosstex GP shall negotiate in good faith the terms on which the Restricted Business will be sold to a Group Member. The Crosstex Energy Entity shall provide all information concerning the business, operations and finances of such Restricted Business as may be reasonably requested by Crosstex GP.

(iii) If the Crosstex Energy Entity and Crosstex GP agree on such terms within 60 days after receipt by Crosstex GP of the Offer, a Group Member shall purchase the Restricted Business on such terms as soon as commercially practicable after such agreement has been reached.

(iv) If the Crosstex Energy Entity and Crosstex GP are unable to agree on the terms of a sale during the 60−day period after receipt by Crosstex GP of the Offer, the Crosstex Energy Entity and Crosstex GP will engage an independent investment banking firm with a national reputation to determine the fair market value of the Restricted Business. In determining the fair market value of the Restricted Business, the investment banking firm will have access to the proposed sale and purchase values for the Offer submitted by the Crosstex Energy Entity and Crosstex GP, respectively. Such investment banking firm will determine the value of the Restricted Business within 30 days and furnish the Crosstex Energy Entity and Crosstex GP with its opinion of such value. The fees and expenses of the investment banking firm's appraisal will be split equally between the Crosstex Energy Entity and the Partnership Group. Upon receipt of such opinion, Crosstex GP will have the option, but not the obligation, subject to the approval of the Conflicts Committee, to:

(v) (A) cause a Group Member to purchase the Restricted Business in accordance with the following process:

(1) if the valuation of the investment banking firm is in the range between the proposed sale/purchase values of the Crosstex Energy Entity and Crosstex GP, a Group Member will have the right to purchase the Restricted Business at the valuation submitted by the investment banking firm;

(2) if the valuation of the investment banking firm is less than the proposed purchase value submitted by Crosstex GP, a Group Member will have the right to purchase the Restricted Business at the valuation submitted by the investment banking firm; and

(3) if the valuation of the investment banking firm is greater than the proposed sale value submitted by the Crosstex Energy Entity, a Group Member will have the right to purchase the Restricted Business for the amount submitted by the Crosstex Energy Entity; or

(B) decline to purchase such Restricted Business, in which event the Crosstex Energy Entity forever will be free to continue to own and operate the assets and business comprising such particular Restricted Business; provided, however, that any future acquisitions or opportunities related to such particular Restricted Business shall be subject to the procedures set forth in this Section 2.3.

2.4 ***Termination.*** The provisions of Article II may be terminated by any of the Crosstex Energy Entities upon or at any time after a "Change of Control" of Crosstex Energy Holdings, Crosstex GP or

the General Partner by written notice to the Partnership. A Change of Control of Crosstex Energy Holdings, Crosstex GP or the General Partner shall be deemed to have occurred upon the occurrence of one or more of the following events: (a) any sale, lease, exchange, or other transfer (in one transaction or a series of related transactions) of all or substantially all of the assets of Crosstex Energy Holdings, Crosstex GP or the General Partner to any other Person unless immediately following such sale, lease, exchange, or other transfer such assets are owned, directly or indirectly, by the Crosstex Energy Entities, the Yorktown Funds or Management; (b) the consolidation or merger of Crosstex Energy Holdings, Crosstex GP or the General Partner with or into another Person pursuant to a transaction in which the outstanding Voting Stock of Crosstex Energy Holdings, Crosstex GP or the General Partner is changed into or exchanged for cash, securities, or other property, other than any such transaction where (i) the outstanding Voting Stock of Crosstex Energy Holdings, Crosstex GP or the General Partner is changed into or exchanged for Voting Stock of the surviving corporation or its parent and (ii) the holders of the Voting Stock of Crosstex Energy Holdings, Crosstex GP or the General Partner immediately prior to such transaction own, directly or indirectly, not less than a majority of the Voting Stock of the surviving Person or its parent immediately after such transaction; and (c) a "person" or "group" (within the meaning of Sections 13(d) or 14(d)(2) of the Exchange Act) being or becoming the "beneficial owner" (as defined in Rules 13d−3 and 13d−5 under the Exchange Act) of more than 50% of all of the then outstanding Voting Stock of Crosstex Energy Holdings, Crosstex GP or the General Partner, other than (i) in a merger or consolidation that would not constitute a Change of Control under clause (b) above and (ii) the Yorktown Funds or Management.

2.5 ***Scope of Prohibition.*** Except as provided in this Article II and the Partnership Agreement, each Crosstex Energy Entity shall be free to engage in any business activity whatsoever, including those that may be in direct competition with any Group Member. In addition, each Yorktown Fund will be free to own or engage in any business activity whatsoever, including those that may be in direct competition with any Group Member.

2.6 ***Enforcement.*** The Crosstex Energy Entities agree and acknowledge that the Partnership Group does not have an adequate remedy at law for the breach by the Crosstex Energy Entities of their covenants and agreements set forth in this Article II, and that any breach by the Crosstex Energy Entities of their covenants and agreements set forth in this Article II would result in irreparable injury to the Partnership Group. The Crosstex Energy Entities further agree and acknowledge that any Group Member may, in addition to the other remedies which may be available to the Partnership Group, file a suit in equity to enjoin the Crosstex Energy Entities from such breach, and consent to the issuance of injunctive relief under this Agreement.

ARTICLE III
Services

3.1 ***General and Administrative Reimbursement.*** The amount for which the General Partner or its Affiliates shall be entitled to reimbursement from the Partnership pursuant to Sections 7.4(b) and 7.6(c) of the Partnership Agreement for Allocated General and Administrative Expenses shall not exceed $6.0 million in the aggregate in the 12 months following the date of this Agreement; *provided further*, that such reimbursement cap will not apply to the cost of any third party legal, accounting or advisory services received, or the direct expenses of the General Partner and its Affiliates incurred, in connection with acquisition or business development opportunities evaluated on behalf of the Partnership.

ARTICLE IV
Miscellaneous

4.1 ***Choice of Law; Submission to Jurisdiction.*** This Agreement shall be subject to and governed by the laws of the State of Delaware, excluding any conflicts−of−law rule or principle that might refer

the construction or interpretation of this Agreement to the laws of another state. Each party hereby submits to the jurisdiction of the state and federal courts in the State of Delaware and to venue in Wilmington, Delaware.

4.2 ***Notice.*** All notices or requests or consents provided for or permitted to be given pursuant to this Agreement must be in writing and must be given by depositing same in the United States mail, addressed to the Person to be notified, postpaid, and registered or certified with return receipt requested or by delivering such notice in person or by telecopier or telegram to such party. Notice given by personal delivery or mail shall be effective upon actual receipt. Notice given by telegram or telecopier shall be effective upon actual receipt if received during the recipient's normal business hours, or at the beginning of the recipient's next business day after receipt if not received during the recipient's normal business hours. All notices to be sent to a party pursuant to this Agreement shall be sent to or made at the address set forth below such party's signature to this Agreement, or at such other address as such party may stipulate to the other parties in the manner provided in this Section 4.2.

4.3 ***Entire Agreement.*** This Agreement constitutes the entire agreement of the parties relating to the matters contained herein, superseding all prior contracts or agreements, whether oral or written, relating to the matters contained herein.

4.4 ***Effect of Waiver or Consent.*** No waiver or consent, express or implied, by any party to or of any breach or default by any Person in the performance by such Person of its obligations hereunder shall be deemed or construed to be a consent or waiver to or of any other breach or default in the performance by such Person of the same or any other obligations of such Person hereunder. Failure on the part of a party to complain of any act of any Person or to declare any Person in default, irrespective of how long such failure continues, shall not constitute a waiver by such party of its rights hereunder until the applicable statute of limitations period has run.

4.5 ***Amendment or Modification.*** This Agreement may be amended or modified from time to time only by the written agreement of all the parties hereto; provided, however, that the Partnership and the Operating Partnership may not, without the prior approval of the Conflicts Committee, agree to any amendment or modification of this Agreement that, in the reasonable discretion of the General Partner, will adversely affect the holders of Common Units. Each such instrument shall be reduced to writing and shall be designated on its face an "Amendment" or an "Addendum" to this Agreement.

4.6 ***Assignment.*** No party shall have the right to assign its rights or obligations under this Agreement without the consent of the other parties hereto.

4.7 ***Counterparts.*** This Agreement may be executed in any number of counterparts with the same effect as if all signatory parties had signed the same document. All counterparts shall be construed together and shall constitute one and the same instrument.

4.8 ***Severability.*** If any provision of this Agreement or the application thereof to any Person or circumstance shall be held invalid or unenforceable to any extent, the remainder of this Agreement and the application of such provision to other Persons or circumstances shall not be affected thereby and shall be enforced to the greatest extent permitted by law.

4.9 ***Gender, Parts, Articles and Sections.*** Whenever the context requires, the gender of all words used in this Agreement shall include the masculine, feminine and neuter, and the number of all words shall include the singular and plural. All references to Article numbers and Section numbers refer to Articles and Sections of this Agreement, unless the context otherwise requires.

4.10 ***Further Assurances.*** In connection with this Agreement and all transactions contemplated by this Agreement, each signatory party hereto agrees to execute and deliver such additional documents and instruments and to perform such additional acts as may be necessary or appropriate to effectuate,

carry out and perform all of the terms, provisions and conditions of this Agreement and all such transactions.

4.11 ***Withholding or Granting of Consent.*** Each party may, with respect to any consent or approval that it is entitled to grant pursuant to this Agreement, grant or withhold such consent or approval in its sole and uncontrolled discretion, with or without cause, and subject to such conditions as it shall deem appropriate.

4.12 ***U.S. Currency.*** All sums and amounts payable to or to be payable pursuant to the provisions of this Agreement shall be payable in coin or currency of the United States of America that, at the time of payment, is legal tender for the payment of public and private debts in the United States of America.

4.13 ***Laws and Regulations.*** Notwithstanding any provision of this Agreement to the contrary, no party to this Agreement shall be required to take any act, or fail to take any act, under this Agreement if the effect thereof would be to cause such party to be in violation of any applicable law, statute, rule or regulation.

4.14 ***Negotiation of Rights of Crosstex Energy Holdings, Limited Partners, Assignees, and Third Parties.*** The provisions of this Agreement are enforceable solely by the parties to this Agreement, and no shareholder of Crosstex Energy Holdings and no limited partner, member, assignee or other Person of the Partnership or the Operating Partnership shall have the right, separate and apart from Crosstex Energy Holdings, the Partnership or the Operating Partnership, to enforce any provision of this Agreement or to compel any party to this Agreement to comply with the terms of this Agreement.

[Remainder of This Page Intentionally Left Blank.]

IN WITNESS WHEREOF, the Parties have executed this Agreement on, and effective as of, the Closing Date.

CROSSTEX ENERGY HOLDINGS INC.

By: /s/ BRYAN H. LAWRENCE

Bryan H. Lawrence
Chairman

Address for Notice:

2501 Cedar Springs, Suite 600
Dallas, Texas 75201

CROSSTEX ENERGY GP, LLC

By: /s/ WILLIAM W. DAVIS

William W. Davis
Senior Vice President and
Chief Financial Officer

Address for Notice:

2501 Cedar Springs, Suite 600
Dallas, Texas 75201

CROSSTEX ENERGY GP, L.P.

By: Crosstex Energy GP, LLC, its general partner

By: /s/ WILLIAM W. DAVIS

William W. Davis
Senior Vice President and
Chief Financial Officer

Address for Notice:

2501 Cedar Springs, Suite 600
Dallas, Texas 75201

CROSSTEX ENERGY SERVICES, L.P.

By: Crosstex Energy Services GP, LLC,
its general partner

By: /s/ BARRY E. DAVIS

Barry E. Davis
President and
Chief Executive Officer

Address for Notice:

2501 Cedar Springs, Suite 600
Dallas, Texas 75201

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
Senior Vice President and
Chief Financial Officer

Address for Notice:

2501 Cedar Springs, Suite 600
Dallas, Texas 75201

QuickLinks

Exhibit 10.6

CROSSTEX ENERGY GP, LLC
EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "***Agreement***") is entered into this day of , 2002 (the ***"Effective Date"***), by and between Crosstex Energy GP, LLC, a Delaware limited liability company (the "***Company***"), and , an individual ("***Employee***").

ARTICLE I
Definitions and Interpretations

1.1. *Definitions.* For purposes of this Agreement, except as otherwise expressly provided herein or unless the context otherwise requires, the following terms shall have the following respective meanings:

"***Accounting Firm***" shall have the meaning set forth in *Section 3.4(c)*.

"***Base Salary***" shall have the meaning set forth in *Section 3.1*.

"***Board***" means the Board of Directors of the Company.

"***Cause***" means (i) Employee has failed to perform the duties assigned to him and such failure has continued for thirty (30) days following delivery by the Company of written notice to Employee of such failure, (ii) Employee has been convicted of a felony or misdemeanor involving moral turpitude, (iii) Employee has engaged in acts or omissions against the Company constituting dishonesty, breach of fiduciary obligation, or intentional wrongdoing or misfeasance, (iv) Employee has acted intentionally or in bad faith in a manner that results in a material detriment to the assets, business or prospects of the Company, or (v) Employee has breached any obligation under this Agreement.

"***Change in Control***" shall be deemed to have occurred if (i) Crosstex Energy Holdings Inc., a Delaware corporation, and/or its affiliates, collectively, no longer directly or indirectly hold a controlling interest in Crosstex Energy GP, L.P. or the Company and Employee does not remain employed by the Company upon the occurrence of such event (whether Employee's employment is terminated voluntarily or by the Company), (ii) Yorktown Energy Partners V, L.P., a Delaware limited partnership, or its affiliates or partners, cease to own as a group a controlling interest in Crosstex Energy Holdings Inc. and Employee does not remain employed by the Company upon the occurrence of such event (whether Employee's employment is terminated voluntarily or by the Company), or (iii) the Company has caused the sale of at least fifty percent (50%) of the assets of the Partnership.

"***Code***" shall mean the Internal Revenue Code of 1986, as amended, and any successor statute or statutes.

"***Company Group***" shall mean the Company, Crosstex Energy GP, L.P., the Partnership, Crosstex Energy Services, Ltd., and their respective affiliates and subsidiaries.

"***Confidential Information***" shall have the meaning set forth in *Section 5.1*.

"***Disability***" shall mean a physical or mental condition of Employee that, in the good faith judgment of not less than a majority of the entire membership of the Board (excluding Employee, if Employee is then a member of the Board), based upon certification by a licensed physician reasonably acceptable to Employee and the Board, (i) prevents Employee from being able to perform the services required under this Agreement, (ii) has continued for a period of at least 180 days during any 12−month period, and (iii) is expected to continue.

"***Good Reason***" means any of the following: (i) the assignment to Employee of any duties materially inconsistent with Employee's position (including a materially adverse change in Employee's office, title and reporting requirements), authority, duties or responsibilities; (ii) the Company's requiring Employee to be based at any office other than offices in the greater Dallas, Texas area; (iii) any termination by the Company of Employee's employment other than as expressly permitted by this Agreement; (iv) a breach or violation by the Company of any material provision of this Agreement, which breach or violation remains unremedied for more than 30 days after written notice thereof is given to the Company by Employee. For purposes of this definition, no act or failure to act on the Company's part shall be considered a "Good Reason" unless Employee has given the Company written notice of such act or failure to act within 30 days thereof and the Company fails to remedy such act or failure to act within 30 days of its receipt of such notice.

"***Gross Up Payment***" shall have the meaning set forth in *Section 3.4(b)*.

"***Partnership***" means Crosstex Energy, L.P., a Delaware limited partnership.

"***Person***" means any individual, partnership, joint venture, corporation, trust, unincorporated organization or any other entity.

"***Restricted Period***" shall have the meaning set forth in *Section 5.2(a)*.

"***Severance Plan***" shall have the meaning set forth in *Section 4.1(e)*.

"***Total Payment***" shall have the meaning set forth in *Section 3.4(a)*.

1.2. *Interpretations.*

(a) In this Agreement, unless a clear contrary intention appears, (i) the words "herein," "hereof" and "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section or other subdivision, (ii) reference to any Article or Section, means such Article or Section hereof, (iii) the words "including" (and with correlative meaning "include") means including, without limiting the generality of any description preceding such term, and (iv) where any provision of this Agreement refers to action to be taken by either party, or which such party is prohibited from taking, such provision shall be applicable whether such action is taken directly or indirectly by such party.

(b) The Article and Section headings herein are for convenience only and shall not affect the construction hereof.

ARTICLE II
Employment of Employee

2.1. *Employment.* The Company agrees to employ Employee and Employee agrees to be employed by the Company upon the terms and conditions of this Agreement, commencing on the date hereof and continuing until terminated as provided in *Section 4.1*.

2.2. *Position and Duties.* While employed hereunder, Employee shall serve as the of the Company and shall have and may exercise all of the powers, functions, duties and responsibilities normally attributable to such position and shall have such additional duties and responsibilities commensurate with such position as may from time to time be reasonably assigned to Employee by the Board. Employee shall observe and comply with all lawful policies, directions and instructions of the Board, which are consistent with the foregoing provisions of this *Section 2.2*, and shall endeavor to promote the business, reputation and interests of the Company and the other members of the Company Group, including the Partnership.

2.3. *Devotion of Time.* Employee shall devote substantially all of his business time, attention, skill and efforts to the faithful and efficient performance of his duties hereunder. Notwithstanding the

foregoing, Employee may engage in the following activities so long as they do not interfere in any material respect with the performance of Employee's duties and responsibilities hereunder: (i) service on corporate, civic, religious, educational and/or charitable boards or committees and (ii) management of his personal investments.

2.4. *Place of Employment.* Employee's place of employment hereunder shall be at the Company's principal executive offices in the greater Dallas, Texas area.

ARTICLE III
Compensation and Benefits

3.1. *Compensation; Bonus.* For services rendered by Employee under this Agreement, the Company shall pay to Employee an annual base salary of $ (the "***Base Salary***"), payable in accordance with the Company's payroll practice for its executives as it is earned. The Board shall review the Base Salary at least annually and may adjust the amount of the Base Salary at any time as the Board may deem appropriate in its sole discretion; provided, however, that in no event may the Base Salary be decreased below the above stated amount without the prior written consent of Employee. Employee shall be eligible for annual bonuses and participation in other short−term or long−term incentive plans at the discretion of the Board.

3.2. *Reimbursement of Expenses.* The Company shall reimburse Employee for all ordinary and necessary expenses incurred and paid by Employee in the course of the performance of Employee's duties pursuant to this Agreement and consistent with the Company's policies in effect from time to time with respect to travel, entertainment and other business expenses, and subject to the Company's requirements with respect to the manner of approval and reporting of such expenses.

3.3. *Additional Benefits.* Employee shall be entitled to receive all employee benefits, fringe benefits, vacations and other perquisites that may be offered by the Company to its executives as a group, including participation by Employee and, where applicable, Employee's dependents, in the various employee benefit plans or programs (including pension plans, profit sharing plans, incentive plans, health plans, life insurance and disability insurance) provided to executives of the Company in general, subject to meeting the eligibility requirements with respect to each of such benefit plans or programs. However, nothing in this *Section 3.3* shall be deemed to prohibit the Company from making any changes in any of the plans, programs or benefits described herein.

3.4. *Gross Up Payment*

(a) If the payments and benefits provided to Employee under this Agreement or under any other agreement with, or plan of, the Company (the "***Total Payment***") (i) constitute a "parachute payment" as defined in Section 280G of the Code and exceed three times Employee's "base amount" as defined under Code Section 280G(b)(3) by less than 10% of three times Employee's base amount, and (ii) would, but for this *Section 3.4(a)*, be subject to the excise tax imposed by Code Section 4999, then Employee's payments and benefits under this Agreement shall be either (A) paid in full, or (B) reduced and payable only as to the maximum amount which would result in no portion of such payments and benefits being subject to excise tax under Code Section 4999, whichever results in the receipt by Employee on an after−tax basis of the greatest amount of Total Payment (taking into account the applicable federal, state and local income taxes, the excise tax imposed by Code Section 4999 and all other taxes (including any interest and penalties) payable by Employee). If a reduction of the Total Payment is necessary, Employee shall be entitled to select which payments or benefits will be reduced and the manner and method of any such reduction of such payments and benefits. Within 30 days after the amount of any required reduction in payments and benefits is finally determined under *Section 3.4(c)*, Employee shall notify the Company in writing regarding which payments and benefits are to be reduced. If no notification is given by Employee, the Company will determine which payments and benefits to reduce. If, as a result of any reduction required by this *Section 3.4(a)*,

amounts previously paid to Employee exceed the amount to which Employee is entitled, Employee will promptly return the excess amount to the Company.

(b) If the Total Payment constitutes a "parachute payment" as defined in Code Section 280G and exceeds three times Employee's "base amount" as defined under Code Section 280G(b)(3) by 10% or more of three times Employee's base amount, the Company shall provide to Employee, in cash, an additional payment in an amount to cover the full excise tax due under Code Section 4999, plus Employee's state and federal income, employment, excise, and other taxes (including interest and penalties) on this additional payment (the "***Gross−Up Payment***"). Any amount payable under this *Section 3.4(b)* shall be paid as soon as possible following the date of Employee's termination, but in no event later than 30 days after such date.

(c) All determinations required to be made under this *Section 3.4*, including whether reductions are necessary or whether a Gross−Up Payment is required, the amount of such Gross−Up Payment and the assumptions to be used in determining such Gross−Up Payment, shall be made by the accounting firm used by the Company and/or the members of the Company Group at the time of such determination (the "***Accounting Firm***"). The Accounting Firm shall provide detailed supporting calculations both to the Company and to Employee within 15 business days of the receipt of notice from the Company or Employee that there has been a termination of Employee's employment, or such earlier time as is requested by the Company. In the event that the Accounting Firm is serving as accountant or auditor for the Person effecting the change in control transaction, Employee may appoint another nationally recognized accounting firm to make the determinations required hereunder (which accounting firm shall then be referred to as the Accounting Firm hereunder). All fees and expenses of the Accounting Firm shall be borne solely by the Company.

(d) In the event Employee is entitled to a Gross−Up Payment under *Section 3.4(b)* and the Internal Revenue Service subsequently increases the excise tax computation described in *Section 3.4(b)*, the Company shall reimburse Employee for the full amount necessary to make Employee whole on an after−tax basis (less any amounts received by Employee that Employee would not have received had the computations initially been computed as subsequently adjusted), including the value of any underpaid excise tax, and any related interest and/or penalties due to the Internal Revenue Service.

ARTICLE IV
Termination of Employment

4.1. *Term and Termination.*

(a) Subject to *Section 4.1(b)* and *Section 4.1(c)*, the term of this Agreement shall commence as of the Effective Date, and shall continue for a period of two (2) years. Commencing on the first anniversary of the date of this Agreement, on a daily basis, the term of this Agreement shall be automatically extended by one additional day (such that the remaining term of this Agreement shall be one year) until Employee's employment hereunder shall have terminated pursuant to this *Section 4.1*.

(b) Notwithstanding *Section 4.1(a)*, this Agreement shall terminate immediately upon the death, Disability (as hereinafter defined) or adjudication of legal incompetence of Employee, or upon the Company's ceasing to carry on its business or becoming bankrupt.

(c) Notwithstanding *Section 4.1(a)*, the Company may terminate Employee's employment at any time for Cause or without Cause; provided, however, that in no event shall the Company be entitled to terminate Employee's employment hereunder unless the Board shall adopt, by the affirmative vote of at least a majority of the entire membership of the Board (excluding Employee, if Employee is then a member of the Board), a resolution authorizing such termination.

(d) In the event that (1) the Company elects to terminate Employee's employment with the Company for Cause or the Company's ceasing to carry on its business or becoming bankrupt or

(2) Employee terminates his employment with the Company other than for Good Reason, the Company shall pay or provide to Employee:

(i) such Base Salary as Employee shall have earned up to the date of his termination; and

(ii) such other fringe benefits normally provided to employees of the Company as Employee shall have earned up to the date of his termination.

(e) In the event that (1) the Company elects to terminate Employee's employment with the Company during the term hereof referred to in *Section 4.1(a)* and such termination is without Cause, (2) Employee's employment is terminated as a result of the death, Disability, adjudication of legal incompetence of Employee, (3) Employee terminates his employment for Good Reason or (4) Employee's employment is terminated as a result of a Change in Control, the Company shall pay to Employee:

(i) the unpaid amount of Employee's Base Salary for the remainder of the term of this Agreement, which amounts shall be paid at the regularly scheduled times, as if such termination or Change in Control had not occurred;

(ii) any bonuses earned by Employee under any incentive plans under which Employee is a participant up to the date of such termination or Change in Control; and

(iii) such other fringe benefits (other than any bonus, severance pay benefit or participation in the Company's 401(k) employee benefit plan) normally provided to employees of the Company as Employee shall have earned up to the date of his termination or Change in Control; and

(iv) Employee shall be entitled to continue his participation in any health plans of the Company for the remainder of the term of this Agreement.

The amount payable to Employee under this *Section 4.1(e)* is in lieu of, and not in addition to, any severance payment due or to become due to Employee under any separate agreement or contract between Employee and the Company or pursuant to any severance payment plan, program or policy of the Company or any other member of the Company Group (collectively, "***Severance Plan***"). Any severance amounts received by Employee under a Severance Plan shall be applied as an offset to (reduce or eliminate, as the case may be) any future payments otherwise to be made to Employee under this *Section 4.1(e)*; *i.e.*, no additional payments shall be made under this *Section 4.1(e)* until the aggregate amount of the offsets hereunder equals the severance amounts received by Employee under the Severance Plan.

(f) Nothing in this Agreement shall prevent or limit Employee's continuing or future participation in any plan, program, policy or practice provided by the Company for which Employee may qualify, nor shall anything herein limit or otherwise affect such rights as Employee may have under any other contract or agreement with the Company or any other member of the Company Group. Amounts which are vested benefits or which Employee is otherwise entitled to receive under any plan, policy, practice or program of or any contract or agreement with the Company at or subsequent to the termination of Employee's employment shall be payable in accordance with such plan, policy, practice or program or contract or agreement except as explicitly modified by this Agreement; provided, however, the time period after such termination shall not be credited as continued employment of Employee for any purpose under any such plan, policy, practice or program.

ARTICLE V
Confidential Information and Non−Competition

5.1. *Covenant Not to Disclose Confidential Information.* Employee acknowledges that during the course of his employment with the Company he has or will have access to and knowledge of certain information and data that the Company or other members of the Company Group consider

confidential and that the release of such information or data to unauthorized persons would be extremely detrimental to the Company Group. As a consequence, Employee hereby agrees and acknowledges that he owes a duty to the Company not to disclose, and agrees that, during or after the term of his employment, without the prior written consent of the Company, he will not communicate, publish or disclose, to any person anywhere or use any Confidential Information (as hereinafter defined) for any purpose other than carrying out his duties as contemplated by this Agreement. Employee will use his best efforts at all times to hold in confidence and to safeguard any Confidential Information from falling into the hands of any unauthorized person and, in particular, will not permit any Confidential Information to be read, duplicated or copied. Notwithstanding the foregoing, Employee may disclose such Confidential Information to the extent required by applicable law or as a consequence of any judicial or regulatory proceeding, based upon the opinion of legal counsel and only after Employee has requested that such Confidential Information be preserved to the maximum extent practicable. Employee will return to the Company all Confidential Information in Employee's possession or under Employee's control when the duties of Employee no longer require Employee's possession thereof, or whenever the Company shall so request, and in any event will promptly return all such Confidential Information if Employee's relationship with the Company is terminated for any or no reason and will not retain any copies thereof. For purposes hereof, the term "***Confidential Information***" shall mean any information or data used by or belonging or relating to the Company or any other member of the Company Group that is not known generally to the industry in which any member of the Company Group is or may be engaged (other than as a result of disclosure by Employee in violation of this Agreement), including without limitation, any and all trade secrets, proprietary data and information relating to any member of the Company Group's past, present or future business and products, price lists, customer lists, processes, procedures or standards, know−how, manuals, business strategies, records, drawings, specifications, designs, financial information, whether or not reduced to writing, or information or data that the Company or any other member of the Company Group advises Employee should be treated as confidential information.

5.2. *Covenant Not to Compete.*

(a) In partial consideration for the Company's agreement to provide Employee access to Confidential Information and the other benefits provided by this Agreement, Employee agrees that while employed by the Company and until the later to occur of one (1) year after the termination of such employment (for any reason) or the date on which the Company is no longer obligated to make payments to Employee under this Agreement (the "***Restricted Period***"), Employee shall not, unless Employee receives the prior written consent of the Board, own an interest in, manage, operate, join, control, lend money or render financial or other assistance to or participate in or be connected with, as an officer, employee, partner, stockholder, consultant or otherwise, any Person that competes with any member of the Company Group in the (i) purchasing, selling, brokering or marketing of natural gas, including, without limitation, locating buyers and sellers, preparing and negotiating purchase and sales contracts with the natural gas producers from which any member of the Company Group purchased natural gas, or any customer of any member of the Company Group to which such member has sold gas during the 12−month period preceding the termination of such employment; (ii) the gathering, treating, processing, and/or transporting natural gas within a ten (10) mile radius of any plant, equipment or facilities owned, leased (as lessor or lessee) or operated by any member of the Company Group as of the date of the termination of such employment; (iii) treating of natural gas for the removal of carbon dioxide, hydrogen sulfide, or other contaminants in the states of Texas, Louisiana, Oklahoma and any state in which any member of the Company Group owns or operates a natural gas treating facility as of the date of the termination of such employment; (iv) brokering, marketing, purchase for resale, purchase for inventory (*i.e.*, any purchase other than immediate use in projects not otherwise restricted under the terms hereof), sale or lease (as lessor) of new or used equipment for treating natural gas for the removal of carbon dioxide, hydrogen sulfide, or other contaminant; and (v) owning or operating of a business or facility that is engaged or will engage in the business of

fabricating new or refurbishing used amine−treating facilities; provided, however, that following Employee's termination of employment the foregoing restriction shall apply only to (A) those areas where any member of the Company Group was actually doing business on the date of such termination of employment and (B) those areas in respect of which any member of the Company Group actively and diligently conducted at any time during the 12−month period ended on such date of termination an analysis to determine whether or not it would commence doing business in such areas but, in the case of each such area the foregoing restriction shall cease to apply when each member of the Company Group ceases to actively conduct business (disregarding any temporary stoppages) in such area or, if applicable, abandons its intent to conduct business in such area.

(b) Employee has carefully read and considered the provisions of this *Section 5.2* and, having done so, agrees that the restrictions set forth in this *Section 5.2* (including the Restricted Period, scope of activity to be restrained and the geographical scope) are fair and reasonable and are reasonably required for the protection of the interests of the Company Group and their respective officers, directors, employees, creditors, partners, members and stockholders. Employee understands that the restrictions contained in this *Section 5.2* may limit his ability to engage in a business similar to the business of any member of the Company Group, but acknowledges that he will receive sufficiently high remuneration and other benefits from the Company hereunder to justify such restrictions.

(c) During the Restricted Period, Employee shall not, whether for his own account or for the account of any other Person (excluding the members of the Company Group), intentionally (i) solicit, endeavor to entice or induce any employee of any member of the Company Group to terminate his employment with such member or accept employment with anyone else or (ii) interfere in a similar manner with the business of the Company Group.

(d) It is specifically agreed that the Restricted Period, during which the agreements and covenants of Employee made herein shall be effective, shall be computed by excluding from such computation any time which Employee is in violation of any provision of this *Section 5.2*.

(e) In the event that any provision of this *Section 5.2* relating to the Restricted Period and/or the areas of restriction shall be declared by a court of competent jurisdiction to exceed the maximum time period or areas such court deems reasonable and enforceable, the Restricted Period and/or areas of restriction deemed reasonable and enforceable by the court shall become and thereafter be the maximum time period and/or areas.

5.3. *Specific Performance.* Recognizing that irreparable damage will result to the Company in the event of the breach or threatened breach of any of the foregoing covenants and assurances by Employee contained in this *Article V*, and that the Company's remedies at law for any such breach or threatened breach will be inadequate, the Company and its successors and assigns, in addition to such other remedies that may be available to them, shall be entitled to an injunction, including a mandatory injunction, to be issued by any court of competent jurisdiction ordering compliance with this Agreement or enjoining and restraining Employee, and each and every person, firm or company acting in concert or participation with him, from the continuation of such breach and, in addition thereto, he shall pay to the Company all ascertainable damages, including costs and reasonable attorneys' fees sustained by the Company or any other member of the Company Group by reason of the breach or threatened breach of said covenants and assurances. The obligations of Employee and the rights of the Company, its successors and assigns under this *Article V* and *Section 6.7* shall survive the termination of this Agreement. The covenants and obligations of Employee set forth in this *Article V* are in addition to and not in lieu of or exclusive of any other obligations and duties of Employee to the Company Group, whether express or implied in fact or in law.

ARTICLE VI
Miscellaneous

6.1. *Satisfaction of Obligations.* The Company shall use its commercially reasonable efforts to obtain from the Partnership, to the extent permitted under all agreements and other documents to which the Company, the Partnership and/or other members of the Company Group are then subject, all funds necessary to satisfy the Company's obligations to Employee under this Agreement.

6.2. *Severability.* The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

6.3. *No Breach.* Employee represents and warrants to the Company that neither the execution nor delivery of this Agreement, nor the performance of Employee's obligations hereunder will conflict with, or result in a breach of, any term, condition, or provision of, or constitute a default under, any obligation, contract, agreement, covenant or instrument to which Employee is a party or under which Employee is bound, including without limitation, the breach by Employee of a fiduciary duty to any former employers.

6.4. *Entire Agreement; Amendment.* This Agreement cancels and supersedes all previous agreements relating to the subject matter of this Agreement, written or oral, between the parties hereto and their respective affiliates and contains the entire understanding of the parties hereto and shall not be amended, modified or supplemented in any manner whatsoever except as otherwise provided herein or in writing signed by each of the parties hereto. Failure of the Company to demand strict compliance with any of the terms, covenants or conditions hereof shall not be deemed a waiver of the term, covenant or condition, nor shall any waiver or relinquishment by the Company of any right or power hereunder at any one time or more times be deemed a waiver or relinquishment of the right or power at any other time or times.

6.5. *Governing Law.* This Agreement and all rights and obligations of the parties hereunder shall be governed by, and construed and interpreted in accordance with, the laws of the State of Texas applicable to agreements made and to be performed entirely within the State, including all matters of enforcement, validity and performance.

6.6. *Notices.* All notices and all other communications provided for in the Agreement shall be in writing and addressed (i) if to the Company, at its principal office address or such other address as it may have designated by written notice to Employee for purposes hereof, directed to the attention of the Board with a copy to the Secretary of the Company and (ii) if to Employee, at his residence address on the records of the Company or to such other address as he may have designated to the Company in writing for purposes hereof. Each such notice or other communication shall be deemed to have been duly given when personally delivered or sent by United States registered mail, return receipt requested, postage prepaid, or by a nationally recognized overnight delivery service, with delivery confirmed.

6.7. *Assignment.* This Agreement is personal and not assignable by Employee but it may be assigned by the Company without notice to or consent of Employee to, and shall thereafter be binding upon and enforceable by, any member of the Company Group and any person that shall acquire or succeed to substantially all of the business or assets of any member of the Company Group (and such person shall be deemed included in the definition of the "Company" and the "Company Group" for all purposes of this Agreement) but is not otherwise assignable by the Company.

6.8. *Tax Withholdings.* The Company shall withhold from all payments hereunder all applicable taxes (federal, state or other) that it is required to withhold therefrom unless Employee has otherwise paid (or made other arrangements satisfactory) to the Company the amount of such taxes.

6.9. *Employment with Affiliates.* For purposes of this Agreement, employment with any member of the Company Group shall be deemed to be employment with the Company.

6.10. *Expenses.* If any action at law or in equity is necessary to enforce or interpret the terms of this Agreement, the prevailing party shall be entitled to reasonable attorney's fees, costs and necessary disbursements in addition to any other relief to which such party may be entitled.

6.11. *Counterparts.* This Agreement may be executed in or more counterparts, each of which shall be deemed to be an original, but all of which together will constitute one and the same instrument.

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the Company has caused this Employment Agreement to be duly executed, and Employee has hereunto set his hand, as of the day and year first above written.

CROSSTEX ENERGY GP, LLC

By: _____

Name: _____

Title: _____

EMPLOYEE:

_____

Name: _____

Schedule Pursuant to Item 601

Name	Position	Annual Base Salary
Barry E. Davis	President, Chief Executive Officer	$ 201,500
James R. Wales	Executive Vice President—Midstream Division	$ 171,064
A. Chris Aulds	Executive Vice President—Treating Division	$ 171,064
Jack M. Lafield	Senior Vice President—Business Development	$ 160,875
William W. Davis	Senior Vice President, Chief Financial Officer	$ 160,875
Michael P. Scott	Senior Vice President—Engineering and Operations	$ 134,304

QuickLinks

QuickLinks −− Click here to rapidly navigate through this document

Exhibit 21.1

List of Subsidiaries

Name of Subsidiary	State of Organization
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 Treating Services GP, LLC	Delaware

List of Assumed Names

Name of Subsidiary	Assumed Names
Crosstex Energy Services, L.P.	Crosstex/WRA Gas Services, Inc.

QuickLinks

Exhibit 21.1

EXHIBIT 99.1

CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES−OXLEY ACT OF 2003
(18 U.S.C. Section 1350)

In connection with the accompanying Annual Report of Crosstex Energy, L.P., (the "Partnership") on Form 10−K for the year ended December 31, 2002, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), 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 Partnership, hereby certify that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Partnership.

Date: March 21, 2003

/s/ BARRY E. DAVIS

Barry E. Davis
President and Chief Executive Officer
(principal executive officer)

EXHIBIT 99.2

CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES−OXLEY ACT OF 2003
(18 U.S.C. Section 1350)

In connection with the accompanying Annual Report of Crosstex Energy, L.P., (the "Partnership") on Form 10−K for the year ended December 31, 2002, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, William W. Davis, Chief Financial Officer of Crosstex Energy GP, LLC, the general partner of Crosstex Energy GP, L.P., the general partner of the Partnership, hereby certify that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Partnership.

Date: March 21, 2003

/s/ WILLIAM W. DAVIS

William W. Davis
Chief Financial Officer
(principal financial and accounting officer)