
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF

THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported) — April 1, 2004

Plains All American Pipeline, L.P.

(Exact name of Registrant as specified in its charter)

DELAWARE
*(State or other jurisdiction
of incorporation or organization)*

1-14569
(Commission File Number)

76-0582150
*(I.R.S. Employer
Identification No.)*

333 Clay Street, Suite 1600

Houston, Texas 77002
(713) 646-4100

*(Address, including zip code, and telephone number,
including area code, of Registrant's principal executive offices)*

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Item 2. Acquisition or Disposition of Assets

Plains All American Pipeline, L.P. ("PAA") has completed the acquisition of the North American crude oil and pipeline operations (which accounts for substantially all of the historical consolidated operations) of Link Energy LLC. The total purchase price for the transaction was approximately \$331 million, which included \$273.5 million in cash, the assumption of \$50.0 million of liabilities and net working capital items and \$7.5 million of third-party transaction, closing and integration costs and other items. The transaction closed and was effective on April 1, 2004, and was funded by borrowings under our revolving credit facilities. Certain financial statements, including the historical consolidated financial statements of Link Energy LLC and pro forma combined financial statements of PAA are attached to this Form 8-K as Exhibits 99.1, 99.2 and 99.3.

Item 7. Financial Statements and Exhibits

(c) Exhibits

23.1	Consent of PricewaterhouseCoopers LLP
99.1	Link Energy LLC Condensed Consolidated Financial Statements (Unaudited) as of March 31, 2004 and December 31, 2003 (Successor Company) and for the Three Months Ended March 31, 2004 (Successor Company), One Month Ended March 31, 2003 (Successor Company) (Restated), and Two Months Ended February 28, 2003 (Predecessor Company) (Restated)
99.2	Link Energy LLC Consolidated Financial Statements as of December 31, 2003 (Successor Company) and 2002 (Predecessor Company) (Restated) and for the Ten Months Ended December 31, 2003 (Successor Company) (Restated), Two Months Ended February 28, 2003 (Predecessor Company) (Restated) and Years Ended December 31, 2002 and 2001 (Predecessor Company) (Restated)
99.3	Unaudited Pro Forma Combined Financial Statements of Plains All American Pipeline, L.P. as of and for the three months ended March 31, 2004 and for the year ended December 31, 2003.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

PLAINS ALL AMERICAN PIPELINE, L.P.

By: Plains AAP, L.P., its general partner

By: Plains All American GP LLC, its general partner

By: _____ /s/ TINA L. VAL

Name: Tina L. Val

Title: Vice President — Accounting and
Chief Accounting Officer

Date: June 16, 2004

INDEX TO EXHIBITS

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CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (File Nos. 333-91141, 333-54118, 333-74920) and Form S-3 (File Nos. 333-59224 and 333-68446) of Plains All American Pipeline, L.P. of our reports dated March 30, 2004, except as to the matters discussed in the Note 1 caption "Restatement of Financial Results" and in Note 10 which the date is June 15, 2004 relating to the consolidated financial statements of Link Energy LLC and its subsidiaries (Successor Company) and EOTT Energy Partners, L.P. and its subsidiaries (Predecessor Company), which appear in this Current Report on Form 8-K.

PricewaterhouseCoopers LLP

Houston, Texas

June 15, 2004

Link Energy LLC

Link Energy LLC Condensed Consolidated Financial Statements (Unaudited) as of March 31, 2004 and December 31, 2003 (Successor Company) and for the Three Months Ended March 31, 2004 (Successor Company), One Month Ended March 31, 2003 (Successor Company) (Restated), and Two Months Ended February 28, 2003 (Predecessor Company) (Restated)

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- (1) Condensed Consolidated Statements of Operations (Unaudited) -Three Months Ended March 31, 2004 (Successor Company), One Month Ended March 31, 2003 (Restated) (Successor Company), and Two Months Ended February 28, 2003 (Restated) (Predecessor Company)
- (2) Condensed Consolidated Balance Sheets (Unaudited) -March 31, 2004 and December 31, 2003 (Successor Company)
- (3) Condensed Consolidated Statements of Cash Flows (Unaudited) - Three Months Ended March 31, 2004 (Successor Company), One Month Ended March 31, 2003 (Restated) (Successor Company), and Two Months Ended February 28, 2003 (Restated) (Predecessor Company)
- (4) Condensed Consolidated Statement of Members' Capital (Unaudited) -Three Months Ended March 31, 2004 (Successor Company)
- (5) Notes to Condensed Consolidated Financial Statements (Unaudited)

For purposes of these financial statements, references to the "Predecessor Company" are references to Link LLC for periods through February 28, 2003 (the last day of the calendar month in which it emerged from bankruptcy) and references to the "Successor Company" are references to Link LLC for periods subsequent to February 28, 2003. The Successor Company's financial statements are not comparable to the Predecessor Company's financial statements.

LINK ENERGY LLC
(A LIMITED LIABILITY COMPANY)
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In Thousands, Except per Unit Amounts)
(Unaudited)

SUCCESSOR COMPANY	PREDECESSOR COMPANY	THREE MONTHS ONE	
MONTH	TWO MONTHS ENDED	ENDED	ENDED
MARCH 31, 2003	FEBRUARY 28, 2003	MARCH 31, 2004	MARCH 31, 2004
-----	-----	(RESTATED)	(RESTATED)
Operating Revenue			
.....
40,682	\$ 17,733	|	\$ 31,635
Cost of Sales			
.....
8,081	1,876	|	4,521
Operating Expenses			
.....
6,082	|	13,020	Depreciation and Amortization-operating
.....	.....	5,054	1,707
.....	.....	.....	4,123
Gross Profit			
.....
6,822	8,068	|	9,971
Selling, General and Administrative Expenses			
.....
18,514	3,885	|	6,846
Depreciation and Amortization-corporate & other			
.....
6	1	|	519
Other (Income) Expense			
.....
(710)			
(138)	|	(8)	
Operating Income (Loss)			
.....
4,320	|	2,614	Interest Expense and Related Charges
.....
(11,531)	|	(3,301)	Interest Income
.....
17			Other, net
.....
23	|	58	
(41)	|	98	
Income (Loss) from Continuing Operations Before Reorganization | Items, Net Gain on Discharge of Debt, Fresh Start Adjustments and | Cumulative Effect of Accounting Changes			
.....
1,043	|	(2,875)	Reorganization Items (Note 5)
.....
(7,330)			Net Gain on Discharge of Debt (Note 5)
.....
131,560	|		Fresh Start Adjustments (Note 6)
.....
(56,771)			
Income (Loss) from Continuing Operations			
.....
(22,543)	|	1,043	Income (Loss) from Discontinued Operations (Note 7)
.....
139	|	(6,471)	Net Income (Loss) Before Cumulative | Effect of Accounting Changes
.....
(22,404)	|	(5,428)	Cumulative Effect of Accounting Changes (Note 12)
.....
(3,976)			Net Income (Loss)
.....
\$			
(22,404)	|	(5,428)	Basic Net Income (Loss) Per Unit (Note 10) | LLC Unit
.....
(1.81)	|	(0.44)	Common Unit
.....
N/A	|	N/A	Subordinated Unit
.....
\$			
N/A	|	0.14	
.....
\$			
(1.81)	|	(0.44)	Average Units Outstanding for Diluted Computation
.....
12,353	|	12,317	
.....
27,476			

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

LINK ENERGY LLC
(A LIMITED LIABILITY COMPANY)
CONDENSED CONSOLIDATED BALANCE SHEETS
(In Thousands)
(Unaudited)

MARCH 31, 2004		DECEMBER 31, 2003		ASSETS -----	
-- ----- Current Assets					
Cash and cash equivalents		\$ 2,929		\$ 2,450	
Restricted cash		3,581			
Trade and other receivables, net of allowance for doubtful accounts of \$1,210 and \$1,210, respectively ...		406,512		446,030	
Inventories		7,838		7,636	
Other		6,682		6,283	
----- Total current assets		427,542		468,444	
Property, Plant and Equipment					
.....		277,480		278,724	
Less: Accumulated depreciation					
.....		21,114		16,214	
----- Net property, plant and equipment					
256,366		262,510		---	
----- Long-lived assets of discontinued operations					
838					
----- Other Assets					
5,907		6,852		----- Total Assets	
689,815		\$ 738,644		=====	
LIABILITIES AND MEMBERS' CAPITAL					
Current Liabilities					
Trade and other accounts payable		\$ 431,598		\$ 476,509	
Accrued taxes payable		3,964		6,700	
Term loans (Note 4)		75,000		75,000	
Commodity repurchase agreement (Note 4)		16,860		18,000	
Receivable financing (Note 4)		45,500		27,000	
Other		24,668		27,982	
----- Total current liabilities		597,590		631,191	
----- Long-term Liabilities					
Senior notes (Note 4)		110,052		104,451	
Other		15,607		17,399	
----- Total long-term liabilities		125,659		121,850	
Commitments and Contingencies (Note 11)					
Members' Capital (Deficit)					
Members' Capital (Deficit)		(33,434)		(14,392)	
Accumulated Other Comprehensive Income (Loss)		(5)			
----- Total		(33,434)		(14,392)	
----- Total Liabilities and Members' Capital		\$ 689,815		\$ 738,644	
-----		=====		=====	

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

LINK ENERGY LLC
(A LIMITED LIABILITY COMPANY)
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)
(Unaudited)

SUCCESSOR COMPANY | PREDECESSOR COMPANY THREE MONTHS ONE MONTH | TWO MONTHS ENDED ENDED | ENDED MARCH 31, 2004			
MARCH 31, 2003 | FEBRUARY 28, 2003 -----			
----- | ----- | (RESTATED) | (RESTATED)			
CASH FLOWS FROM OPERATING ACTIVITIES | Reconciliation of net income (loss) to net cash provided by | (used in) operating activities | Net income (loss)			
.....	\$ (22,404)	\$	
(5,428) | \$ 61,127 Depreciation and amortization			
.....	5,060	1,925	| 5,560
Net unrealized change in crude oil trading activities			
374 (895) | (2,120) Gains on disposal of assets			
.....	(730)	(103)	| --
Non-cash compensation expense			
3,361 -- | -- Non-cash net gain for reorganization items and discharge | of debt			
.....			
(127,185) Fresh start adjustments			
.....			
Changes in components of working capital - | Receivables			
.....	39,518		
(33,040) | (32,177) Inventories			
.....			
(5,769) | 6,757 Other current assets			
.....	551	(3,073)	|
2,428 Trade accounts payable			
.....	(41,655)	33,067	|
47,845 Accrued taxes payable			
.....	(2,736)	883	| 1,717
Other current liabilities			
.....	827	(407)	| (320)
Other assets and liabilities			
1,231 (1,026) | 2,530 -----			
----- Net Cash Provided by (Used in) Operating Activities	(16,805)	(13,866)	| 22,933
----- | ----- | CASH FLOWS			
FROM INVESTING ACTIVITIES | Proceeds from sale of property, plant and equipment	1,614	103	| --
Release of restricted cash			
.....	2,464	--	| --
Additions to property, plant and equipment			
.....	(899)	(259)	| (285)
----- Net Cash Provided by (Used in) Investing Activities	3,179	(156)	| (285)
----- -----			
CASH FLOWS FROM FINANCING ACTIVITIES | Increase (decrease) in receivable financing			
18,500 (10,000) | -- Decrease in repurchase agreement			
.....	(1,140)	--	| --
Other			
.....			
(3,255) (2,336) | 1,655 -----			
----- Net Cash Provided By (Used in) Financing Activities	14,105	(12,336)	| 1,655
----- -----			
Increase (Decrease) in Cash and Cash Equivalents			
.....	479	(26,358)	| 24,303
Cash and Cash Equivalents Beginning of Period			
2,450 40,735 | 16,432 -----			
----- Cash and Cash Equivalents End of Period			
.....	\$ 2,929	\$ 14,377	| \$ 40,735
===== =====			
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | Cash Paid for Interest			
.....	\$ 8,231	\$ 2,084	
| \$ 5,599 =====			
===== Cash Paid for Reorganization Items			
.....	\$ --	\$ 1,637	| \$ 2,867
===== =====			
SUPPLEMENTAL NON CASH INVESTING AND FINANCING INFORMATION | Discharge of 11% Senior Notes, including accrued interest .....	\$ --	\$ --	| \$ 248,481
Cancellation of additional partnership interests			
.....	\$ --	\$ --	| \$ 9,318
Issuance of 9% Senior Notes and payment of interest in kind ...	\$ 5,460	\$ --	|
\$ 104,000 Issuance of new equity of Successor Company			
.....	\$ --	\$ --	| \$ 36,687

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

LINK ENERGY LLC
(A LIMITED LIABILITY COMPANY)
CONDENSED CONSOLIDATED STATEMENTS OF MEMBERS' CAPITAL
(In Thousands)
(Unaudited)

ACCUMULATED OTHER MEMBERS' COMPREHENSIVE CAPITAL	
INCOME (LOSS) TOTAL	-----
-- Members' Capital (Deficit) at December 31, 2003	
.....	\$ (14,392) \$ (5) \$ (14,397) Net Loss
.....	
(22,404) -- (22,404) Unrealized net losses on	
derivative instruments arising during the period	
.....	-----
Less reclassification adjustments for net realized	
losses on derivative instruments included in net loss	
.....	-- 5 5 ----- Comprehensive loss
.....	(22,399) --
----- Restricted unit compensation expense	
.....	3,361 -- 3,361 Other
.....	-----
1 -- 1	----- Members'
Capital (Deficit) at March 31, 2004	.....
\$ (33,434) \$ -- \$ (33,434)	=====
	=====

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

LINK ENERGY LLC
(A LIMITED LIABILITY COMPANY)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. SALE OF CRUDE OIL BUSINESS

On April 1, 2004, Link Energy LLC ("Link LLC") sold all of its crude oil marketing, pipeline and trucking transportation business, which constitutes all of Link LLC's remaining operations, to Plains All American Pipeline, L.P. ("Plains"). As a part of such sale, we agreed to settle all outstanding litigation with Texas New Mexico Pipe Line Company, a wholly owned subsidiary of Shell Pipeline Company. The \$290 million proceeds from the transaction consist of approximately \$273 million in cash from Plains, plus assumption of certain obligations and approximately \$17 million in cash from Texas New Mexico Pipe Line Company. Under the terms of the purchase and sale agreement, an escrow of \$10 million was established to provide for post-closing adjustments related to inventory and working capital. Link LLC and Plains subsequently agreed that, subject to the satisfaction of certain conditions, there would be no post closing adjustments to inventory or working capital and Link LLC and Plains would each receive one-half of the remaining escrow balance in accordance with the terms of the purchase and sale agreement.

In conjunction with this transaction, the requisite holders of Link LLC's 9% senior notes provided the necessary consents to amend the indenture effective as of the closing of the transaction, to remove substantially all of the covenants in the indenture and to provide that Plains would not be required to assume the senior notes as otherwise required by the indenture. The holders of approximately 86% of the outstanding senior notes agreed to sell their notes to us for 100% of the principal and accrued interest at the closing of the transaction. The other holders of the senior notes have been offered the right to resell their notes on the same terms. Senior noteholders that sell their notes to us on these terms will also receive their proportionate share of up to \$25 million from any funds (including funds released from the escrow) that may remain after we make provision for our outstanding liabilities, obligations and contingencies. The potential premium is in exchange for the senior noteholders' waiver and modification of certain provisions of the notes, including the right to have Plains assume the notes, and approximates the premium on the notes reflected by the estimated market value if Plains had assumed the notes.

Upon the closing of the transaction, we used the proceeds of the sale to repay and redeem approximately \$249 million of long and short-term debt, which included our existing credit facilities, the majority of our 9% senior notes referenced above, and other indebtedness and accrued interest. In addition, we paid transaction expenses of approximately \$4.6 million. See further discussion regarding the repayment of debt in Note 4.

As a result of the closing of the transaction, we have no further operations and will wind down over a period of time. Funds released from the escrow plus remaining funds from the transaction are being used to wind down Link LLC and make provisions for any remaining liabilities or claims, and to make the additional payments described above to redeem the remaining outstanding senior notes. See discussion regarding the offer to repurchase the remaining outstanding senior notes not tendered at the closing of the transaction in Note 4.

LINK ENERGY LLC
(A LIMITED LIABILITY COMPANY)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

The following is a pro-forma summary of Link LLC's net assets on April 2, 2004 (post the closing of the Plains transaction and the repayment of debt on April 1, 2004 with the net proceeds from the Plains transaction):

(in millions)

Assets Cash
and
restricted
cash ... \$ 33
Other current
assets
..... 5 ---

Total Assets
.....
38 -----
--
Liabilities
Trade and
other
payables ...
11 9% Senior
notes
.....
16 -----
-- Total
Liabilities
..... 27 --

Net Assets
.....
\$ 11
=====

As senior noteholders that have sold their notes to us have the right to receive their proportionate share of up to \$25 million of any remaining funds as previously discussed, there will not be any liquidating or other distributions to the holders of Link LLC's units.

A Special Committee of the Board of Directors of Link LLC reviewed the transaction with its financial advisor, Petrie Parkman & Company, which rendered an opinion that the Plains transaction, as summarized in its opinion, was fair from a financial point of view.

2. BASIS OF PRESENTATION

Organization

Effective October 1, 2003, EOTT Energy, LLC ("EOTT LLC") changed its name to Link Energy LLC ("Link LLC"). Link LLC is a Delaware limited liability company that was formed on November 14, 2002 to assume and continue the business formerly directly owned by EOTT Energy Partners, L.P. (the "MLP"). The MLP emerged from bankruptcy and merged into EOTT Energy Operating Limited Partnership resulting in EOTT LLC becoming the successor registrant to the MLP on March 1, 2003, the effective date of the Third Amended Joint Chapter 11 Plan of Reorganization, as supplemented ("Restructuring Plan"). We operated principally through four affiliated operating limited partnerships, Link Energy Limited Partnership, Link Energy Canada Limited Partnership, Link Energy Pipeline Limited Partnership, and EOTT Energy Liquids, L.P. (see Note 7 for information regarding the disposition of our Liquids operations), each of which is a Delaware limited partnership. Link Energy General Partner, LLC served as the general partner for our four affiliated operating limited partnerships. Until the MLP emerged from bankruptcy, EOTT Energy Corp. (the "General Partner"), a Delaware corporation and a wholly owned subsidiary of Enron Corp. ("Enron"), served as the general partner of the MLP and owned an approximate 1.98% general partner interest in the MLP. Unless the context otherwise requires, the terms "we," "our," "us," and "Link" refer to Link Energy LLC and its four affiliated operating limited partnerships, Link Energy Finance Corp., and Link Energy General Partner, LLC (the "Subsidiary Entities"), and for periods prior to our emergence from bankruptcy in March 2003, such terms and "EOTT" refer to EOTT Energy Partners, L.P. and its sole general partner, EOTT Energy Corp., as well as the Subsidiary Entities.

LINK ENERGY LLC
(A LIMITED LIABILITY COMPANY)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Interim Financial Statements

The financial statements presented herein have been prepared by Link LLC in accordance with generally accepted accounting principles in the United States and the rules and regulations of the Securities and Exchange Commission. The financial statements presented herein have been prepared on a going concern basis as the sale of substantially all of our assets to Plains and the winding down of Link LLC occurred subsequent to the period ended March 31, 2004. Interim results are not necessarily indicative of results for a full year. The financial information included herein has been prepared without audit. The condensed consolidated balance sheet at December 31, 2003 has been derived from, but does not include all the disclosures contained in, the audited financial statements for the year ended December 31, 2003. In the opinion of management, all of these unaudited statements include all adjustments and accruals consisting only of normal recurring adjustments, except for those relating to fresh start reporting and those more fully discussed in Notes 5 and 6, which are necessary for a fair presentation of the results of the interim periods reported herein. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and accompanying notes included in our Annual Report on Form 10-K as amended on June 16, 2004 for the year ended December 31, 2003.

Fresh Start Reporting

As a result of the application of fresh start reporting under the American Institute of Certified Public Accountants Statement of Position No. 90-7 ("SOP 90-7"), "Financial Reporting by Entities in Reorganization Under the Bankruptcy Code," as of February 28, 2003 (the date chosen for accounting purposes), Link LLC's financial results for the one month ended March 31, 2003, and the two months ended February 28, 2003 include two different bases of accounting and accordingly, the financial condition, operating results and cash flows of the Successor Company and the Predecessor Company have been separately disclosed. For a further discussion of fresh start reporting, see Note 6. For purposes of these financial statements, references to the "Predecessor Company" are references to us for periods through February 28, 2003 (the last day of the calendar month in which we emerged from bankruptcy) and references to the "Successor Company" are references to Link LLC for periods subsequent to February 28, 2003. The Successor Company's financial statements are not comparable to the Predecessor Company's financial statements. See further discussion in Note 6.

Partnership Status

As a limited liability company, we are generally treated like a partnership for federal income tax purposes and like a corporation with limited liability for state law and other non-tax purposes. In other words, for federal income tax purposes, we do not pay tax on our income or gain, nor are we entitled to a deduction for our losses, but such gains or losses are allocated to each member in accordance with the member's interest in us and the member will be responsible for paying the income tax applicable to such membership interest. In order for us to continue to be classified as a partnership for federal income tax purposes, at least 90% of our gross income for every taxable year must consist of "qualifying income" within the meaning of the Internal Revenue Code. In 2002 and 2003, we recognized income from our settlement with Enron and discharge of indebtedness in excess of 10% of our gross income for each of those years.

We were trying to raise additional equity and we believed that we might not be able to access the capital markets without a higher degree of certainty as to our classification for federal income tax purposes. Therefore, in January 2004, we requested a private letter ruling from the Internal Revenue Service to determine either that the income from our settlement with Enron and the debt discharge income is qualifying income or that the recognition of such income should be disregarded for purposes of the qualifying income test because it was an inadvertent result of our bankruptcy. Due to the fact that the Company is no longer trying to raise equity, we retracted the private letter ruling request from the Internal Revenue Service in April 2004.

LINK ENERGY LLC
(A LIMITED LIABILITY COMPANY)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Reclassifications

Certain reclassifications have been made to prior period amounts to conform with the current period presentation.

3. RESTATEMENT OF FINANCIAL RESULTS.

As reported in our Amendment No. 1 to our Form 10-K for the year ended December 31, 2003, we have restated our prior year financial results to reflect inventory and accounts payable reconciliation adjustments in prior periods. The restatement resulted in a decrease in our net loss for the one month ended March 31, 2003 of \$1.2 million and an increase in our net income for the two months ended February 28, 2003 of \$0.9 million.

A summary of the effects of the restatement on reported amounts for the one month ended March 31, 2003 and the two months ended February 28, 2003 are presented below. (Amounts in thousands, except per share amounts.)

SUCCESSOR COMPANY | PREDECESSOR COMPANY	ONE MONTH | TWO MONTHS ENDED | ENDED
MARCH 31, 2003 | FEBRUARY 28, 2003 --- ----- | --- ----- |	MARCH 31, 2003 | FEBRUARY 28, 2003 --- ----- | --- ----- |
REVENUE | As Reported	REVENUE | As Reported
.....
\$ 17,315 | \$ 31,979	\$ 17,315 | \$ 31,979
As Restated	As Restated
.....
17,733 | 31,635 GROSS	17,733 | 31,635 GROSS
PROFIT | As Reported	PROFIT | As Reported
.....
8,077 | 9,681 As	8,077 | 9,681 As
Restated	Restated
.....
8,068 | 9,971	8,068 | 9,971
OPERATING INCOME | As	OPERATING INCOME | As
Reported	Reported
.....
4,329 | 2,324 As	4,329 | 2,324 As
Restated	Restated
.....
4,320 | 2,614 NET	4,320 | 2,614 NET
INCOME (LOSS) | As	INCOME (LOSS) | As
Reported	Reported
.....
(6,650) | 60,267 As	(6,650) | 60,267 As
Restated	Restated
.....
(5,428) | 61,127	(5,428) | 61,127
DILUTED EARNINGS	DILUTED EARNINGS
(LOSS) PER UNIT | As	(LOSS) PER UNIT | As
Reported	Reported
.....
(0.54) | 0.08 As	(0.54) | 0.08 As
Restated	Restated
.....
(0.44) | 0.10	(0.44) | 0.10

LINK ENERGY LLC
(A LIMITED LIABILITY COMPANY)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

4. CREDIT RESOURCES

Summary of Exit Credit Facilities, Senior Notes, and Other Debt

The tables below provide a summary of our financing arrangements as of March 31, 2004 (in millions).

COMMITMENT/ AMOUNT FACE	
AMOUNT OUTSTANDING -----	
----- Exit	
Credit Facilities: Letter	
of Credit Facility	
..... \$ 260.0 \$ 235.9	
Trade Receivables	
Agreement 100.0	
45.5 Commodity Repurchase	
Agreement ... 16.9 16.9	
Term Loans	
.....	
75.0 75.0 Senior Notes	
.....	
114.7 110.0 (1) Other	
Debt: Enron Note	
.....	
5.7 6.3 (1) Big Warrior	
Note	
2.4 2.2 (1) Ad Valorem	
Tax Liability	
4.5 4.5	

(1) These notes were adjusted to fair value pursuant to the adoption of fresh start reporting required by SOP 90-7.

On April 1, 2004, we utilized net proceeds from the sale of the crude oil business to Plains to repay the following debt outstanding and related accrued interest at March 31, 2004 (in millions):

Trade Receivables Agreement	\$ 45.5
Commodity Repurchase Agreement	16.9
Term Loans	75.0
Senior Notes	99.0
Enron Note	5.7
Big Warrior Note	2.4

Total principal	244.5
Interest	4.6

Total principal and interest paid	\$ 249.1
	=====

The outstanding letters of credit and the ad valorem liability were assumed by Plains in connection with the sale of the crude oil business.

Subsequent to the sale of the crude oil business, we offered to repurchase the remaining senior notes not redeemed on April 1 (approximately \$15.7 million) for 101% of the principal amount plus any accrued and unpaid interest thereon to the payment date. As of June 14, 2004, we have only \$0.1 million of senior notes outstanding.

5. BANKRUPTCY PROCEEDINGS AND RESTRUCTURING PLAN

On October 8, 2002, the MLP and the Subsidiary Entities filed pre-negotiated voluntary petitions for reorganization under Chapter 11 of the United States Bankruptcy Code (the "EOTT Bankruptcy"). The filing was made in the United States Bankruptcy Court for the Southern District of Texas, Corpus Christi Division (the "EOTT Bankruptcy Court"). Additionally, the General Partner filed a voluntary petition for reorganization

LINK ENERGY LLC
(A LIMITED LIABILITY COMPANY)
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under Chapter 11 on October 21, 2002 in the EOTT Bankruptcy Court in order to join in the voluntary, pre-negotiated Restructuring Plan. On October 24, 2002, the EOTT Bankruptcy Court administratively consolidated, for distribution purposes, the General Partner's bankruptcy filing with the previously filed cases. The EOTT Bankruptcy Court confirmed our Restructuring Plan on February 18, 2003, and it became effective March 1, 2003. We filed a motion closing the bankruptcy case on April 14, 2004, and the order closing the case was entered on June 2, 2004.

The following reorganization items and net gain on discharge of debt, which were specifically related to the EOTT Bankruptcy, were recorded during the two months ended February 28, 2003, (in thousands):

Reorganization items - legal and professional fees	\$ (7,330)
Net gain on discharge of 11% senior notes, related accrued interest and other debt (1)	\$ 131,560

- - - - -
(1) The gain on discharge of debt was recorded net of the 9% senior notes and limited liability company units issued to the creditors upon emergence from bankruptcy.

6. FRESH START REPORTING

As previously discussed, our Consolidated Financial Statements reflect the adoption of fresh start reporting required by SOP 90-7 for periods subsequent to our emergence from bankruptcy. In accordance with the principles of fresh start reporting, we have adjusted our assets and liabilities to their fair values as of February 28, 2003. The net effect of the fresh start reporting adjustments was a loss of \$56.8 million, which is reflected in the results of operations of the Predecessor Company for the two months ended February 28, 2003.

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The effects of the reorganization pursuant to the Restructuring Plan and the application of fresh start reporting on the Predecessor Company's consolidated balance sheet as of February 28, 2003 are as follows (in thousands):

PREDECESSOR DEBT DISCHARGE COMPANY AND RECLASS FRESH START SUCCESSOR COMPANY FEBRUARY 28, 2003 ADJUSTMENTS FEBRUARY 28, 2003 -----	
---	(RESTATED) (RESTATED) Assets
40,735	Current Assets Cash and cash equivalents \$
\$ --	\$ -- \$ 40,735 Trade and other receivables
439,361	-- -- 439,361 Inventories
25,525	-- 750(g) 26,275 Other
12,911	-- (2,021)(h) 10,890 -----

	Total current assets
517,261	----- 518,532 -- (1,271)

	Property, Plant and Equipment, at cost ... 598,633 -- (267,654)(i) 330,979 Less: Accumulated depreciation 223,188 -- (223,188)(i)

	Net property, plant and equipment ... 375,445 -- (44,466)
330,979	-----
	----- Goodwill
7,436	-- (7,436)(j) -----
	----- Other
	Assets
10,762	----- (2,880)(h) 7,882 -----

	Total Assets
\$ --	\$ (56,053) \$ 856,122 =====
	=====
	Liabilities and Members'/Partners' Capital Current Liabilities Trade and other accounts payable \$ 451,873 \$ 17,406(a) \$ - - \$ 469,279 Accrued taxes payable 13,045 (8,307) (b) -- 4,738 Term loans
75,000	(75,000)(c) -- -- Repurchase agreement
75,000	(75,000)(c) -- -- Receivable financing
50,000	-- -- 50,000 Other
19,226	2,815(a)(b) 318(k) 22,359 -- -----

	Total current liabilities
546,376	----- 684,144 (138,086) 318

	Long-Term Liabilities
	9% Senior Notes
98,800	(d) -- 98,800 Term loans
75,000	(c) -- 75,000 Repurchase agreement
75,000	(c) -- 75,000 Ad valorem tax liability
6,992	(b) -- 6,992 Other
17,781	-- 400(k) 18,181 -----

	Total long-term liabilities
17,781	255,792 400 273,973 -----

	Liabilities Subject to Compromise 284,843 (284,843)(a) -- -- Additional Partnership Interests 9,318 (9,318)(e) -- -- Members'/Partners' Capital (Deficit) (83,911) 176,455(f) (56,771) 35,773 -----

	Total Liabilities and Members'/Partners' Capital
\$ --	\$ 912,175 \$ -- \$ (56,053) \$ 856,122 =====
	=====

Notes:

- (a) Liabilities subject to compromise have been adjusted to reflect the settlement of the claims and discharge of the 11% senior notes and related accrued interest in connection with the Restructuring Plan.
- (b) To reclassify current and long-term amounts due to taxing authorities for accrued but unpaid ad valorem taxes in connection with the Restructuring Plan.
- (c) To reflect the refinancing on a long-term basis of amounts outstanding under the Debtor-in-Possession Financing Facilities.
- (d) To reflect the issuance of 9% senior unsecured notes (face amount of \$104 million) to all former senior note holders and general unsecured creditors with allowed claims in connection with the Restructuring Plan, recorded at fair value.
- (e) To reflect the cancellation of the additional partnership interests in connection with the Restructuring Plan.
- (f) To reflect the issuance of limited liability company units pursuant to the Restructuring Plan and the net gain on extinguishment of debt.

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- (g) To adjust inventory to fair value.
- (h) To reflect the elimination of deferred turnaround costs, which are included in the fair value of property, plant and equipment of the Successor Company.
- (i) To adjust property, plant, and equipment to fair value.
- (j) To reflect the elimination of goodwill resulting from the fair value allocation.
- (k) To reflect the Enron and Big Warrior notes at fair value.

7. DISCONTINUED OPERATIONS

West Coast Assets

Effective October 1, 2003, we sold all of the assets comprising our natural gas gathering, processing, natural gas liquids fractionation, storage and related trucking and distribution facilities located on the West Coast.

Revenues and results of operations for the West Coast operating segment for the three months ended March 31, 2004, the one month ended March 31, 2003 and the two months ended February 28, 2003, are shown below (in thousands). We did not allocate any interest expense to the West Coast discontinued operations for any of the periods presented below.

SUCCESSOR COMPANY |	PREDECESSOR COMPANY -----
----- -----	----- -----
--- THREE MONTHS ONE MONTH | TWO MONTHS ENDED ENDED | ENDED MARCH 31, 2004 MARCH 31, 2003 | FEBRUARY 28, 2003 -----	----- | -----
-----	-----
Revenues	
.....	
\$ -- \$2,934 | \$5,571 ===	
===== | ===== |	Income
(loss) from discontinued operations	
.....	
\$ 248 | \$ 395 =====	
=====	

Liquids Operations

Effective December 31, 2003, we sold all of our remaining natural gas liquids assets for approximately \$20 million, plus inventory value. The assets included our underground salt dome storage facility and related pipeline grid near Mont Belvieu, Texas as well as our processing facility and former methyl tertiary butyl ether ("MTBE") plant at Morgan's Point, near La Porte, Texas.

Revenues and results of operations for the Liquids Operations for the three months ended March 31, 2004, the one month ended March 31, 2003 and the two months ended February 28, 2003 are shown below (in thousands). We did not allocate any interest expense to the Liquids discontinued operations for any periods presented below.

SUCCESSOR COMPANY |	PREDECESSOR COMPANY -----
----- -----	----- -----
- THREE MONTHS ONE MONTH | TWO MONTHS ENDED ENDED | ENDED MARCH 31, 2004 MARCH 31, 2003 | FEBRUARY 28, 2003 -----	----- | -----
----- (RESTATED) (RESTATED) Revenues	----- -----
.....	
\$ -- \$ 8,525 \$40,337	
===== =====	Income (loss) from
discontinued operations	
..... \$139	
\$(6,719) \$ 124 =====	
===== =====	

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8. INVENTORY

In connection with the sale of the crude oil business to Plains on April 1, 2004, Link LLC personnel, accompanied by Plains representatives, completed a comprehensive physical measurement of all crude oil volumes held by Link LLC in its pipelines and storage tanks. The measurement process was completed as of March 31, 2004. The results of the measurement process identified approximately 70,000 barrels of crude oil tank bottoms that were previously classified as merchantable crude oil inventory. Storage tank bottoms include sediment, water or non-merchantable paraffin that accumulate at the bottom of the tank. A charge of \$2.1 million was recorded to cost of sales in the three months ended March 31, 2004 to reflect the write-down of our inventory.

9. CAPITAL

The following is a rollforward of LLC units and warrants outstanding:

LLC Units	Warrants	-

Outstanding at		
December 31, 2003		
.....		
13,182,889	922,432	
Exercise of warrants		
.....		
26 (26)	Change in	
restricted units	outstanding ..	
25,000	--	-----

Outstanding at March		
31, 2004		
.....		
13,207,915	922,406	
=====		
=====		

Under the Link LLC Equity Incentive Plan ("Incentive Plan") adopted in June 2003, 1.2 million restricted units were authorized to be issued to certain key employees and directors. The Incentive Plan had a ten-year term and restricted unit awards granted thereunder typically vested over a three-year period. We have recorded non-cash compensation expense of \$3.5 million related to the Incentive Plan for the three months ended March 31, 2004. The following table sets forth the Incentive Plan activity for the three months ended March 31, 2004:

Number of Restricted	
Units	-----
Outstanding at December	
31, 2003 ...	830,000
Granted	
.....	
35,000	Forfeited
.....	
(10,000)	-----
Outstanding at March 31,	
2004	855,000
=====	

In March 2004, the Company agreed to repurchase 105,000 restricted units for \$4,000. As a result, we accelerated the recognition of non-cash compensation expense of approximately \$1.0 million, which is included in the \$3.5 million of total non-cash compensation expense discussed above.

In connection with the sale of our crude oil business to Plains on April 1, 2004, officers and certain key employees signed a settlement and release agreement in connection with consideration received under change in control agreements. The settlement and release agreement required, among other things, the relinquishment of the remaining 750,000 restricted units.

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10. EARNINGS PER UNIT

Basic earnings per unit include the weighted average impact of outstanding units (i.e., it excludes unit equivalents). Diluted earnings per unit consider the impact of all potentially dilutive securities.

Successor Company

Basic and diluted net loss per unit for the Successor Company were \$1.81 for the three months ended March 31, 2004 and \$0.44 per unit (as restated) for the one month ended March 31, 2003. Outstanding warrants and restricted units were determined to be antidilutive and are not included in the computation of fully diluted earnings per unit. For the three months ended March 31, 2004, basic and diluted net loss per unit from continuing operations were \$1.82 and basic and diluted net income per unit for discontinued operations were \$0.01. For the one month ended March 31, 2003, basic and diluted net income per unit from continuing operations were \$0.08 and basic and diluted net loss per unit from discontinued operations were \$0.52.

Predecessor Company

Total and per unit information related to income (loss) from continuing operations, discontinued operations, the cumulative effect of an accounting change and net income (loss) for the Predecessor Company is shown in the table below. All amounts exclude amounts allocated to the General Partner (in thousands, except per unit amounts):

Two Months Ended February 28, 2003 (Restated)	-----	-----	-----
Basic (1)	-----	-----	-----
Common Subordinated Diluted	---	---	---
	-----	-----	-----
	Income Per	Income Per	Income Per
	Unit (Loss)	Unit (Loss)	Unit (Loss)
	-----	-----	-----
	Income	Income	Income
	(Loss) from Continuing	(Loss) from Continuing	(Loss) from Continuing
Operations	..... \$ 2,133	..... \$ 2,133	..... \$ 2,133
	0.11	0.11	0.11
Income (Loss) from Discontinued			
Operations(2)	.... 519	.... 519	.... 519
	0.03	0.03	0.03
	-- 519	-- 519	-- 519
	0.02	0.02	0.02
	Cumulative Effect	Cumulative Effect	Cumulative Effect
	of Accounting Changes(3)	of Accounting Changes(3)	of Accounting Changes(3)
	-----	-----	-----
	Net Income (Loss)	Net Income (Loss)	Net Income (Loss)
	-----	-----	-----
	\$ 2,652	\$ 0.14	\$ --
	2,652	\$ 0.10	-----
	-----	-----	-----
	-----	-----	-----
	Weighted Average	Weighted Average	Weighted Average
	Units Outstanding	Units Outstanding	Units Outstanding
	..... 18,476	..... 9,000	..... 9,000
	27,476	-----	-----
	-----	-----	-----

- (1) Net income (loss), excluding the approximate two percent General Partner interest, has been apportioned to each class of unitholder based on the ownership of total units outstanding in accordance with the MLP's Partnership Agreement. Net losses are not allocated to the common and subordinated unitholders to the extent that such allocations would cause a deficit capital account balance or increase any existing deficit capital account balance. Any remaining losses are allocated to the General Partner as a result of the balances in the capital accounts of the common and subordinated unitholders. Effective with the third quarter of 2002, all losses were being allocated to the General Partner. The disproportionate allocation of 2002 net losses among the unitholders and the General Partner was recouped during the two months ended February 28, 2003.
- (2) Earnings (loss) per unit from discontinued operations has been determined based on the difference between the amount of net income (loss) allocated to each class of unitholder and the amount of income (loss) from continuing operations allocated to each class of unitholder. Earnings (loss) per unit for the two months ended February 28, 2003, have been impacted by the disproportionate allocation of income and loss discussed above.
- (3) The cumulative effect of accounting changes was allocated to the General Partner and subsequently recouped by the General Partner during the two months ended February 28, 2003.

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11. COMMITMENTS AND CONTINGENCIES

Litigation. We are, in the ordinary course of business, a defendant in various lawsuits, some of which are covered in whole or in part by insurance. We believe that the ultimate resolution of litigation, individually and in the aggregate, will not have a materially adverse impact on our financial position or results of operations. Prior to and since the commencement of our bankruptcy proceedings, various legal actions arose in the ordinary course of business, of which the significant actions are discussed below.

John H. Roam, et al. vs. Texas-New Mexico Pipe Line Company and EOTT Energy Pipeline Limited Partnership, Cause No. CV43296, In the District Court of Midland County, Texas, 238th Judicial District (Kniffen Estates Suit). The Kniffen Estates Suit was filed on March 2, 2001, by certain residents of the Kniffen Estates, a residential subdivision located outside of Midland, Texas. The allegations in the petition state that free crude oil products were discovered in water wells in the Kniffen Estates area, on or about October 3, 2000. The plaintiffs claim that the crude oil products are from a 1992 release from a pipeline then owned by the Texas-New Mexico Pipe Line Company ("Tex-New Mex"). We purchased that pipeline from Tex-New Mex in 1999. With respect to us, the plaintiffs were seeking damages arising from any contamination of the soil or groundwater since we acquired the pipeline in question. No specific amount of money damages was claimed in the Kniffen Estates Suit, but the plaintiffs did file proofs of claim in our bankruptcy proceeding totaling \$62 million. In response to the Kniffen Estates Suit, we filed a cross-claim against Tex-New Mex. In the cross-claim, we claimed that, in relation to the matters alleged by the plaintiffs, Tex-New Mex breached the Purchase and Sale Agreement between the parties dated May 1, 1999, by failing to disclose the 1992 release and by failing to undertake the defense and handling of the toxic tort claims, fair market value claims, and remediation claims arising from the release. On April 5, 2002, we filed an amended cross-claim which alleged that Tex-New Mex defrauded us as part of Tex-New Mex's sale of the pipeline systems to us in 1999. The amended cross-claim also alleged that various practices employed by Tex-New Mex in the operation of its pipelines constituted gross negligence and willful misconduct and voided our obligation to indemnify Tex-New Mex for remediation of releases that occurred prior to May 1, 1999. In the Purchase and Sale Agreement, we agreed to indemnify Tex-New Mex only for certain remediation obligations that arose before May 1, 1999, unless these obligations were the result of the gross negligence or willful misconduct of Tex-New Mex prior to May 1, 1999. EOTT Energy Pipeline Limited Partnership ("PLP") and the plaintiffs agreed to a settlement during our bankruptcy proceedings. The settlement provides for the plaintiffs' release of their claims filed against PLP in this proceeding and in the bankruptcy proceedings, in exchange for an allowed general unsecured claim in our bankruptcy of \$3,252,800 (as described above, the plaintiffs filed proofs of claim in our bankruptcy proceedings totaling \$62 million). The allowed general unsecured claim was accrued at December 31, 2002. On April 1, 2003, we filed a second amended cross-claim in this matter. In addition to the claims filed in the previous cross-claims, we requested (i) injunctive relief for Tex-New Mex's refusal to honor its indemnity obligations; (ii) injunctive relief requiring Tex-New Mex to identify, investigate and remediate sites where the conduct alleged in our cross-claim occurred; and (iii) restitution damages of over \$125,000,000. At a hearing on April 11, 2003, the court severed into a separate action EOTT's cross-claims against Tex-New Mex that extend beyond the crude oil release and groundwater contamination in the Kniffen Estates subdivision ("EOTT's Over-Arching Claim"). Developments in EOTT's Over-Arching Claim are described immediately below. The trial of EOTT's Kniffen Claims commenced on June 16, 2003, and the jury returned its verdict on July 2, 2003. The jury found that Tex-New Mex's gross negligence and willful misconduct caused the contamination in the Kniffen Estates. The jury also found that Tex-New Mex committed fraud against us with respect to the Kniffen Estates site. On November 28, 2003, the court the final judgment which provides for the award to us of (i) actual damages in the amount of \$7,701,938, (ii) attorney's fees in the amount of \$1,400,000, (iii) prejudgment interest in the amount of \$1,044,509 and (iv) punitive damages in the amount of \$18,203,876. The final judgment also contains a finding that Tex-New Mex is obligated to indemnify us for future remediation costs incurred at the Kniffen Estates site. On March 31, 2004, we entered into a settlement agreement with Tex-New Mex that resolves this lawsuit, EOTT's Over-Arching Claim, and the litigation with Jimmie T. Cooper and Betty P. Cooper that is described below. Pursuant to the terms of the settlement, we received cash payments totaling \$25 million (\$17

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million from Tex-New Mex and the remainder as part of the proceeds received in the Plains transaction) on April 1, 2004, and all claims in this litigation were released. In addition, the settlement provided for the termination of all environmental indemnity obligations under the agreements governing Tex-New Mex's sale of its pipeline system to us. In accordance with the terms of the settlement, the amended judgment was vacated and this lawsuit was dismissed on April 15, 2004.

EOTT Energy Operating Limited Partnership vs. Texas-New Mexico Pipeline Company, Cause No. CV-44, 099, In the District Court of Midland County, Texas, 238th Judicial District ("EOTT's Over-Arching Claim"). As described above, the claims in this lawsuit were severed from EOTT's Kniffen Claims on April 11, 2003. In this lawsuit, we alleged that various practices employed by Tex-New Mex in the operation of its pipelines and handling of spills constitute gross negligence and willful misconduct, thus triggering Tex-New Mex's obligation to indemnify us for remediation of releases where such practices ("Non-Remediation Practices") were employed. In addition to damages, we were seeking (a) injunctive relief requiring Tex-New Mex to honor its indemnity obligations under the Purchase and Sale Agreement and (b) injunctive relief requiring Tex-New Mex to identify, investigate, and remediate sites where Tex-New Mex employed the Non-Remediation Practices. Discovery opened in EOTT's Over-Arching Claim on December 1, 2003. On March 3, 2004, we amended our petition to specifically list more than 200 contamination sites where Tex-New Mex employed the Non-Remediation Practices. The March 31, 2004 settlement agreement that provided for the resolution of the Kniffen Estates Suit also provided for the release of all claims in EOTT's Over-Arching Claim. In accordance with the terms of that settlement agreement, EOTT's Over-Arching Claim was dismissed with prejudice on April 20, 2004.

Bankruptcy Issues related to Claims Made by Texas-New Mexico Pipeline Company and its affiliates. Tex-New Mex, Shell Oil Company ("Shell") and Equilon filed proofs of claim in our bankruptcy, each filing similar claims in the amount of \$112 million. In July of 2003, we entered into an agreement with Shell, Tex-New Mex and Equilon whereby all of their claims were either withdrawn, estimated or allowed, leaving the value of the claims estimated for distribution purposes at \$56,924.52. In connection with the settlement of the Kniffen Estates Suit and the Over-Arching Claim, we have resolved all of our outstanding bankruptcy claims with Shell and its related entities.

Jimmie T. Cooper and Betty P. Cooper vs. Texas-New Mexico Pipeline Company, Inc., EOTT Energy Pipeline Limited Partnership, and EOTT Energy Corp., Case No. CIV-03-0035 JB/LAM, In the United States District Court for the District of New Mexico. This lawsuit was filed on October 1, 2002. The plaintiffs in this lawsuit are surface interest owners of certain property located in Lea County, New Mexico. The plaintiffs alleged that aquifers underlying their property and water wells located on their property were contaminated as a result of spills and leaks from a pipeline running across their property that is or was owned by Tex-New Mex and us. The plaintiffs sought payment of costs that would be incurred in investigating and remediating the alleged crude oil releases and replacing water supplies from aquifers that have allegedly been contaminated and damages in an unspecified amount arising from the plaintiffs' alleged fear of exposure to carcinogens and the alleged interference with the plaintiffs' quiet enjoyment of their property. The plaintiffs are also seeking an unspecified amount of punitive damages. EOTT and the plaintiffs agreed to the terms of a settlement, whereby the plaintiffs agreed to release their claims against us and received an allowed general unsecured claim in our bankruptcy in the amount of \$1,027,000. The allowed general unsecured claim was accrued at December 31, 2002. On October 21, 2003, the plaintiffs filed a motion seeking our dismissal from this lawsuit. Tex-New Mex opposed this motion, and on October 31, 2003, Tex-New Mex filed a motion for leave to file a cross-claim against us. In the proposed cross-claim, Tex-New Mex is seeking a declaratory judgment finding that we are contractually obligated to indemnify Tex-New Mex for all costs Tex-New Mex has incurred or will incur related to the defense of the plaintiffs' claims in this lawsuit. The proposed cross-claim also alleges that we failed to assume Tex-New Mex's defense of this lawsuit and failed to indemnify Tex-New Mex for the expenses Tex-New Mex has incurred in this lawsuit, and that such actions by us constitute a breach of the Purchase and Sale Agreement governing Tex-New Mex's sale of the subject pipeline to us. The March 31, 2004 settlement agreement that provided for the resolution of the Kniffen Estates Suit also provided

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for the release of Tex-New Mex's claims against us in this lawsuit. In accordance with the terms of that settlement agreement, this lawsuit was dismissed with prejudice on April 20, 2004.

In re EOTT Energy Partners, L.P., Case No. 02-21730, EOTT Energy Finance Corp., Case No. 02-21731, EOTT Energy General Partner, L.L.C., Case No. 02-21732, EOTT Energy Operating Limited Partnership, Case No. 02-21733, EOTT Energy Canada Limited Partnership, Case No. 02-21734, EOTT Energy Liquids, L.P., Case No. 02-21736, EOTT Energy Corp., Case No. 02-21788, Debtors (Jointly Administered under Case No. 02-21730), In the United States Bankruptcy Court for the Southern District of Texas, Corpus Christi Division. On October 8, 2002, we and all of our subsidiaries filed voluntary petitions for relief under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the Southern District of Texas (the "EOTT Bankruptcy Court") to facilitate reorganization of our business and financial affairs for the benefit of us, our creditors and other interested parties. Additionally, the General Partner filed its voluntary petition for reorganization under Chapter 11 on October 21, 2002 in the EOTT Bankruptcy Court. Our Restructuring Plan was confirmed on February 18, 2003 and became effective on March 1, 2003. Shell and Tex-New Mex filed a notice of appeal to our plan confirmation on February 24, 2003. A hearing on the appeal was held in the District Court on August 19, 2003, where the judge ruled the appeal was moot. The ruling became final on October 24, 2003. We filed a motion closing the bankruptcy case on April 14, 2004, and the order closing the case was entered on June 2, 2004.

Blackmore Partners, L.P. v. Link Energy, LLC, J. Robert Chambers, Julie H. Edwards, Thomas M. Matthews, Robert E. Ogle, James M. Tidwell, S. Wil VanLoh, Jr., and Daniel J. Zaloudek, Case No. 454-N, In the Court of Chancery of the State of Delaware in and for New Castle County, for the alleged breach of fiduciary duties to certain unitholders in connection with the anticipated distribution of proceeds resulting from the sale of substantially all of the Company's operating assets to Plain Marketing, L.P., Plains Pipeline, L.P. and Plains All American Pipeline, L.P. effective April 1, 2004 (the "Transaction"). The suit was brought by a unitholder who claims that the Company and its directors in place at the time of the Transaction favored the interests of unitholders who were also the holders of the Company's 9% Senior Notes (the "Notes") to the detriment of plaintiff and the other members of the class as defined by plaintiff (i.e., unitholders who do not also own a portion of the Notes). The plaintiff maintains that the Company's liquidation plan is inequitable and discriminatory since it allegedly provides a \$25 million supplemental payment to the unitholders who also own the Notes. Based on management's current knowledge, we believe the allegations are without merit. We can provide no assurances regarding the outcome of this lawsuit, but will continue to gather and analyze new information as it becomes available.

EPA's Section 308 Request. In July 2001, Enron received a request for information from the EPA under Section 308 of the CWA, requesting information regarding certain spills and releases from oil pipelines owned or operated by Enron and its affiliated companies for the time period July 1, 1998 to July 11, 2001. Enron responded in January of 2002 to the EPA's Section 308 request in its capacity as the operator of the pipelines actually owned by us and on our behalf. Under the terms of the Enron Settlement Agreement dated October 8, 2002, we would be required to indemnify EOTT Energy Corp., as the prior general partner, and its affiliates including Enron Pipeline Services Company, with regard to any environmental remediation, except for claims of gross negligence and willful misconduct. While we cannot predict the outcome of the EPA's Section 308 request, the EPA could seek to impose liability for environmental cleanup on us with respect to the matters being reviewed. The outcome of the EPA's Section 308 request is not yet known, and we are unaware of any potential liability.

Environmental. Prior to the sale of all of our assets, we were subject to extensive federal, state and local laws and regulations covering the discharge of materials into the environment, or otherwise relating to the protection of the environment, and which require expenditures for remediation at various operating facilities and waste disposal sites, as well as expenditures in connection with the construction of new facilities. At the federal level, such laws include, among others, the Clean Air Act, the Clean Water Act, the Oil Pollution Act, the Resource Conservation and Recovery Act, the Comprehensive Environmental Response, Compensation

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and Liability Act, and the National Environmental Policy Act, as each may be amended from time to time. Failure to comply with these laws and regulations may result in the assessment of administrative, civil, and criminal penalties or the imposition of injunctive relief.

Prior to the sale of our Liquids Operations discussed further in Note 7, we produced MTBE at our Morgan's Point Facility. MTBE is used as an additive in gasoline. Due to health concerns around MTBE, there have been lawsuits filed against companies involved in the production of MTBE. We have not been named in any such actions, nor do we anticipate being included in any such actions. However, we can provide no assurances that we may not be included in such actions due to our past production of MTBE.

We have incurred spill clean up and remediation costs associated with the assets acquired from Tex-New Mex as well as in connection with other properties we own in various locations throughout the United States. We have insurance covering clean up and remediation costs that may be incurred in connection with properties not acquired from Tex-New Mex. However, no assurance can be given that the insurance will be adequate to cover any such cleanup and remediation costs.

The following are summaries of environmental remediation expense, estimated environmental liabilities, and amounts receivable under insurance policies for the indicated periods (in thousands):

SUCCESSOR COMPANY | PREDECESSOR COMPANY ----- ----- -- | ----- -----		
THREE MONTHS ONE MONTH | TWO MONTHS ENDED ENDED | ENDED MARCH 31, 2004 MARCH 31, 2003 | FEBRUARY 28, 2003 ----- ----- | - ----- ---- | | Remediation expense		
\$ 1,407 \$ 926 | \$ 1,979 Estimated insurance recoveries ... (361) -- | (79) ----- ----- | - ----- Net remediation expense \$		
1,046 \$ 926 | \$ 1,900 =====		

SUCCESSOR COMPANY | PREDECESSOR COMPANY ----- ----- | ----- ---- THREE MONTHS ONE MONTH | TWO MONTHS ENDED ENDED | ENDED MARCH 31, 2004 MARCH 31, 2003 | FEBRUARY 28, 2003 ----- ----- | ----- ----- , | Environmental liability at beginning of period ... \$ 12,216 \$ 13,440 | \$ 13,440 Remediation expense		
1,407 926 | 1,979 Cash expenditures		
(2,400) (1,176) | (1,979) ----- ----- | ----- Environmental liability at end of period \$ 11,223 \$ 13,190 | \$ 13,440 ===== ===== | =====		

SUCCESSOR COMPANY	PREDECESSOR COMPANY
-----	-----
THREE MONTHS ENDED	ONE MONTH ENDED
MARCH 31, 2004	MARCH 31, 2003
-----	-----
Environmental insurance receivable at beginning of period	
\$ 3,089	\$ 8,837
Estimated recoveries	\$ 8,803
361	
-	79
	Cash receipts
-----	-----
(1,780)	(45)
Environmental insurance receivable at end of period ...	
\$ 3,450	\$ 7,057
8,837	=====

The environmental liability was classified in Other Current (\$6.7 million) and Other Long-Term Liabilities (\$4.5 million) and the insurance receivable was classified in Trade and Other Receivables (\$3.0 million) and Other Assets (\$0.4 million) at March 31, 2004.

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12. NEW ACCOUNTING STANDARDS

Accounting Standards Adopted - First Quarter 2004

In December 2003, the FASB issued FASB Interpretation No. 46 (revised December 2003), "Consolidation of Variable Interest Entities - an Interpretation of ARB No.51" ("FIN 46R"). FIN 46R replaces FIN 46 which we implemented effective with the adoption of fresh start reporting on March 1, 2003. FIN 46R is required to be implemented by the end of the first reporting period beginning after December 15, 2003. We adopted FIN 46R effective January 1, 2004. Adoption of FIN 46R had no impact on our financial statements.

Accounting Standards Previously Adopted - Cumulative Effect of Accounting Changes

In June 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations." This statement required entities to record the fair value of a liability for legal obligations associated with the retirement obligations of tangible long-lived assets in the period in which it is incurred. When the liability is initially recorded, a corresponding increase in the carrying value of the related long-lived asset would be recorded. Over time, accretion of the liability is recognized each period, and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, an entity either settles the obligation for its recorded amount or incurs a gain or loss on settlement. We adopted the accounting principle required by the new statement effective January 1, 2003. As a result of the adoption of SFAS 143 on January 1, 2003, we recorded a liability of \$1.7 million, property, plant and equipment, net of accumulated depreciation of \$0.1 million and a cumulative effect of a change in accounting principle of \$1.6 million.

In October 2002, the EITF reached a consensus in EITF Issue 02-03 to rescind Issue EITF 98-10, and related interpretive guidance, and preclude mark to market accounting for energy trading contracts that are not derivative instruments pursuant to SFAS 133. The consensus requires that gains and losses (realized and unrealized) on all derivative instruments held for trading purposes be shown net in the income statement, whether or not the instrument is settled physically. The consensus to rescind EITF Issue 98-10 was effective for all new contracts entered into (and physical inventory purchased) after October 25, 2002. For energy trading contracts and physical inventories that existed on or before October 25, 2002, that remained at December 31, 2002, the consensus was effective January 1, 2003 and was reported as a cumulative effect of a change in accounting principle. The cumulative effect of the accounting change at January 1, 2003 was a loss of \$2.4 million.

13. BUSINESS SEGMENT INFORMATION

We have two reportable segments, which management reviews in order to make decisions about resources to be allocated and assess performance: North American Crude Oil and Pipeline Operations. The North American Crude Oil segment primarily purchases, gathers, transports and markets crude oil. The Pipeline Operations segment operates approximately 6,900 miles of active common carrier pipelines in 12 states. Effective December 31, 2003, we sold our Liquids Operations and therefore the results of operations related to these assets have been classified as discontinued operations presented herein. We sold all of our natural gas liquids assets on the West Coast on October 1, 2003 and therefore, the results of operations related to these assets previously included in the West Coast Operations segment have been reclassified to discontinued operations for all periods presented herein.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies as discussed in Note 2 included in our Annual Report on Form 10-K (as amended) for the year ended December 31, 2003. We evaluate performance based on operating income (loss).

LINK ENERGY LLC
(A LIMITED LIABILITY COMPANY)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

We account for intersegment revenue for our North American Crude Oil Operations as if the sales were to third parties, that is, at current market prices. Intersegment revenues for Pipeline Operations are based on published pipeline tariffs.

FINANCIAL INFORMATION BY BUSINESS SEGMENT
(IN THOUSANDS)

	NORTH CORPORATE AMERICAN	PIPELINE AND CRUDE OIL	OPERATIONS OTHER (a)	CONSOLIDATED

----- THREE MONTHS ENDED MARCH				
31, 2004 (SUCCESSOR COMPANY)				
Revenue from external customers	\$ 29,307	\$ 11,375		
\$ -- \$ 40,682 Intersegment revenue (b)			(2,407)	
15,357 (12,950) --				

----- Total operating revenue -----				
26,900	26,732	(12,950)	40,682	--

----- Gross profit (loss) -----				
(1,621)	8,443	--	6,822	-----

----- Operating income (loss) -----				
6,266	(12,721)	(10,988)	Other expenses, net	(4,533)
(11,555)	(11,555)			-----

----- Income (loss) from continuing operations ----				
(4,533)	6,266	(24,276)	(22,543)	-----

----- Total assets -----				
474,576	203,680	11,559	689,815	-----

----- Depreciation and amortization -----				
5,060	638	4,416	6	-----

NORTH CORPORATE AMERICAN PIPELINE AND CRUDE OIL OPERATIONS OTHER (a) CONSOLIDATED				

----- ONE MONTH ENDED MARCH 31, 2003 (SUCCESSOR COMPANY) (RESTATED) -----				
Revenue from external customers	\$ 16,768	\$ 965	\$ --	\$ 17,733
8,568 (5,655) --				Intersegment revenue (b) (2,913)
13,855	9,533	(5,655)	17,733	Total operating revenue

----- Gross profit -----				
3,852	4,216	--	8,068	-----

----- Operating income (loss) -----				
(3,277)	(3,277)			3,313 3,238 (2,231) 4,320 Other expense

----- Income (loss) from continuing operations before cumulative effect of accounting changes (c) -----				
1,043				3,313 3,238 (5,508)

----- Total assets -----				
547,962	221,766	99,884	869,612	-----

----- Depreciation and amortization -----				
376	1,331	1	1,708	-----

LINK ENERGY LLC
(A LIMITED LIABILITY COMPANY)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NORTH CORPORATE AMERICAN PIPELINE AND CRUDE OIL OPERATIONS OTHER (a)			
CONSOLIDATED -----			
----- TWO MONTHS			
ENDED FEBRUARY 28, 2003 (PREDECESSOR COMPANY) (RESTATED) Revenue from external customers			
27,213	\$ 4,422	\$ --	\$ 31,635 Intersegment revenue (b)
			..... (1,768)
11,828	(10,060)		-----
----- Total			
operating revenue			
			..... 25,445
16,250	(10,060)	31,635	-----

Gross profit (loss)			
			..... 3,752
6,219	--	9,971	-----
----- Operating			
income (loss)			
			..... 2,365
4,261	(4,012)	2,614	Other expense
		
--	--	(5,489)	(5,489) Reorganization
			items, net gain on discharge of debt and
			fresh start adjustments (c)
--	--	67,459	67,459 -----
----- Income			
(loss) from continuing operations			
			..... 2,365 4,261 57,958 64,584

----- Total assets			
505,965	226,646	123,511	856,122 -----

----- Depreciation and amortization			
			..... 837 3,286 519
4,642			-----

- (a) Corporate and Other also includes intersegment eliminations.
- (b) Intersegment sales for North American Crude Oil are made at prices comparable to those received from external customers. Intersegment sales for Pipeline Operations are based on published pipeline tariffs.
- (c) The two months ended February 28, 2003 include a gain from reorganization items of \$7.3 million, a gain on discharge of debt of \$131.6 million and a loss related to fresh start adjustments of \$56.8 million. See Notes 5 and 6. 2002 includes a net gain from reorganization items of \$32.8 million

Link Energy LLC

Link Energy LLC Consolidated Financial Statements as of December 31, 2003 (Successor Company) and 2002 (Predecessor Company) (Restated) and for the Ten Months Ended December 31, 2003 (Successor Company) (Restated), Two Months Ended February 28, 2003 (Predecessor Company) (Restated) and Years Ended December 31, 2002 and 2001 (Predecessor Company) (Restated)

LINK ENERGY LLC
(a LIMITED LIABILITY COMPANY)
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Unitholders of Link Energy LLC:

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of operations, members' capital and cash flows present fairly, in all material respects, the financial position of Link Energy LLC and its subsidiaries (Successor Company) at December 31, 2003 and the results of their operations and their cash flows for the period from March 1, 2003 to December 31, 2003 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index present fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and the financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audit. We conducted our audit of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in the Note 1 caption "Restatement of Financial Results" and in Note 10 to the consolidated financial statements, the Company has restated its financial results for the period from March 1, 2003 to December 31, 2003.

As discussed in Note 1 to the consolidated financial statements, the United States Bankruptcy Court for the Southern District of Texas confirmed the Company's voluntary petitions for reorganization under Chapter 11 of the U.S. Bankruptcy Code (the "plan") on February 18, 2003, to be effective on March 1, 2003. In connection with its emergence from bankruptcy, the Company adopted fresh start accounting as of February 28, 2003.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 3 to the consolidated financial statements, the Company has suffered recurring losses from operations and has a net capital deficiency that raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 3. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

PRICEWATERHOUSECOOPERS LLP
Houston, Texas

March 30, 2004, except as to the matters discussed in the Note 1 caption "Restatement of Financial Results" and in Note 10 which the date is June 15, 2004

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Unitholders of Link Energy LLC:

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of operations, partners' capital and cash flows present fairly, in all material respects, the financial position of EOTT Energy Partners, L.P. and its subsidiaries (Predecessor Company) at December 31, 2002 and the results of their operations and their cash flows for the period from January 1, 2003 to February 28, 2003, and for each of the two years in the period ended December 31, 2002 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and the financial statement schedule are the responsibility of the Company'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 of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in the Note 1 caption "Restatement of Financial Results" and in Note 10 to the consolidated financial statements, the Company has restated its financial results for the period from January 1, 2003 to February 28, 2003, and for each of the two years in the period ended December 31, 2002.

As discussed in Note 1 to the consolidated financial statements, the Company filed a petition on October 8, 2002 with the United States Bankruptcy Court for the Southern District of Texas for reorganization under the provisions of Chapter 11 of the U.S. Bankruptcy Code. The Company's reorganization plan was confirmed on February 18, 2003, to be effective on March 1, 2003. In connection with its emergence from bankruptcy, the Company adopted fresh start accounting as of February 28, 2003.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 3 to the consolidated financial statements, the Company has suffered recurring losses from operations and has a net capital deficiency that raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 3. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

As discussed in Note 20 to the consolidated financial statements, the Company adopted the provisions of Emerging Issues Task Force No. 02-03, "Issues Involved in Accounting for Derivative Contracts Held for Trading Purposes and Contracts Involved in Energy Trading and Risk Management Activities," related to the rescission of Emerging Issues Task Force Issue 98-10, "Accounting for Contracts Involved in Energy Trading and Risk Management Activities," as of January 1, 2003. As discussed in Note 20 to the consolidated financial statements, the Company changed its method of accounting for asset retirement obligations as of January 1, 2003.

PRICEWATERHOUSECOOPERS LLP
Houston, Texas

March 30, 2004, except as to the matters discussed in the Note 1 caption "Restatement of Financial Results" and in Note 10 which the date is June 15, 2004

LINK ENERGY LLC
(A LIMITED LIABILITY COMPANY)
CONSOLIDATED STATEMENTS OF OPERATIONS
(In Thousands, Except Per Unit Amounts)

	SUCCESSOR COMPANY	PREDECESSOR COMPANY		
	TEN MONTHS ENDED DECEMBER 31, 2003 (RESTATED)	TWO MONTHS ENDED FEBRUARY 28, 2003 (RESTATED)	YEAR ENDED DECEMBER 31,	
			2002 (RESTATED)	2001 (RESTATED)
Operating Revenue.....	\$ 153,033	\$ 31,635	\$ 182,932	\$250,571
Cost of Sales.....	23,863	4,521	25,007	43,149
Operating Expenses.....	70,102	13,020	94,274	97,969
Depreciation and Amortization-operating.....	17,139	4,123	26,621	27,802
Gross Profit.....	41,929	9,971	37,030	81,651
Selling, General and Administrative Expenses..	45,959	6,846	53,480	45,051
Depreciation and Amortization-corporate & other	22	519	3,267	3,083
Other (Income) Expense.....	(13,867)	(8)	6,710	(1,092)
Impairment of Assets.....	-	-	1,168	-
Operating Income (Loss).....	9,815	2,614	(27,595)	34,609
Interest Expense and Related Charges.....	(32,708)	(5,645)	(45,876)	(35,363)
Interest Income.....	77	58	127	1,319
Other, net.....	115	98	(44)	(517)
Income (Loss) from Continuing Operations Before Reorganization Items, Net Gain on Discharge of Debt and Fresh Start Adjustments.....	(22,701)	(2,875)	(73,388)	48
Reorganization Items.....	-	(7,330)	32,847	-
Net Gain on Discharge of Debt (Note 5).....	-	131,560	-	-
Fresh Start Adjustments (Note 6).....	-	(56,771)	-	-
Income (Loss) from Continuing Operations.....	(22,701)	64,584	(40,541)	48
Loss from Discontinued Operations (Note 8)....	(30,214)	519	(62,713)	(16,605)
Income (Loss) Before Cumulative Effect of Accounting Change.....	(52,915)	65,103	(103,254)	(16,557)
Cumulative Effect of Accounting Change (Notes 2 & 20).....	-	(3,976)	-	1,073
Net Income (Loss).....	\$ (52,915)	\$ 61,127	\$ (103,254)	\$ (15,484)
Basic Net Income (Loss) Per Unit (Note 12)				
LLC Unit.....	\$ (4.29)	\$ N/A	\$ N/A	\$ N/A
Common Unit.....	\$ N/A	\$ 0.14	\$ (0.03)	\$ (0.55)
Subordinated Unit.....	\$ N/A	\$ -	\$ (3.23)	\$ (0.55)
Diluted Net Income (Loss) Per Unit (Note 12)..	\$ (4.29)	\$ 0.10	\$ (1.08)	\$ (0.55)
Distributions Per Unit.....	\$ -	\$ -	\$ 0.25	\$ 1.90
Average Units Outstanding for Diluted Computation	12,331	27,476	27,476	27,476

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

LINK ENERGY LLC
(A LIMITED LIABILITY COMPANY)
CONSOLIDATED BALANCE SHEETS
(In Thousands)

	SUCCESSOR COMPANY ----- DECEMBER 31, 2003 -----	PREDECESSOR COMPANY ----- DECEMBER 31, 2002 ----- (RESTATED)
ASSETS		
Current Assets		
Cash and cash equivalents.....	\$ 2,450	\$ 16,432
Restricted cash (Note 8).....	6,045	-
Trade and other receivables, net of allowance for doubtful accounts of \$1,210 and \$1,210, respectively...	446,030	407,096
Inventories of continuing operations.....	7,636	15,389
Inventories of discontinued operations.....	-	16,970
Other.....	6,283	23,888
	-----	-----
Total current assets.....	468,444	479,775
	-----	-----
Property, Plant and Equipment.....	278,724	546,410
Less: Accumulated depreciation.....	16,214	205,351
	-----	-----
Net property, plant and equipment.....	262,510	341,059
	-----	-----
Long-lived assets of discontinued operations.....	838	39,899
Goodwill.....	-	7,436
Other Assets.....	6,852	4,070
	-----	-----
Total Assets.....	\$ 738,644	\$ 872,239
	=====	=====
LIABILITIES AND MEMBERS'/PARTNERS' CAPITAL		
Current Liabilities		
Trade and other accounts payable.....	\$ 476,509	\$ 389,925
Accrued taxes payable.....	6,700	11,327
Term loans (Note 4).....	75,000	75,000
Commodity repurchase agreement (Note 4).....	18,000	75,000
Receivable financing (Note 4).....	27,000	50,000
Other.....	27,982	23,274
	-----	-----
Total current liabilities.....	631,191	624,526
	-----	-----
Long -Term Liabilities		
Senior notes (Note 4).....	104,451	-
Other.....	17,399	15,817
	-----	-----
Total long-term liabilities.....	121,850	15,817
	-----	-----
Liabilities Subject to Compromise (Note 5).....	-	292,827
	-----	-----
Commitments and Contingencies (Note 15)		
Additional Partnership Interests (Note 18).....	-	9,318
	-----	-----
Members'/Partners' Capital (Deficit)		
Partners' Capital (Deficit).....	-	(70,249)
Members' Capital (Deficit).....	(14,392)	-
Accumulated Other Comprehensive Income (Loss).....	(5)	-
	-----	-----
Total.....	(14,397)	(70,249)
	-----	-----
Total Liabilities and Members'/Partners' Capital.....	\$ 738,644	\$ 872,239
	=====	=====

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

LINK ENERGY LLC
(A LIMITED LIABILITY COMPANY)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)

	SUCCESSOR COMPANY	PREDECESSOR COMPANY		
	TEN MONTHS ENDED DECEMBER 31, 2003	TWO MONTHS ENDED FEBRUARY 28, 2003	YEAR ENDED DECEMBER 31,	
			2002	2001
	(RESTATED)	(RESTATED)	(RESTATED)	(RESTATED)
CASH FLOWS FROM OPERATING ACTIVITIES				
Reconciliation of net income (loss) to net cash provided by (used in) operating activities				
Net income (loss).....	\$ (52,915)	\$ 61,127	\$ (103,254)	\$ (15,484)
Depreciation.....	19,242	5,560	35,535	33,469
Amortization of goodwill and other.....	-	-	2,015	2,609
Impairment of assets.....	2,751	-	77,268	29,057
Write-down of liquids operations inventories.....	4,003	-	-	-
Net unrealized change in crude oil trading activities.....	822	(2,120)	(1,755)	2,053
(Gains) losses on disposal of assets.....	(2,727)	-	984	229
Non-cash compensation expense.....	2,306	-	-	-
Non-cash net gain for reorganization items and discharge of debt.....	-	(127,185)	(37,802)	-
Fresh start adjustments.....	-	56,771	-	-
Changes in components of working capital--				
Receivables.....	(6,475)	(32,177)	94,089	421,680
Inventories.....	12,762	6,757	54,077	1,799
Other current assets.....	3,192	2,428	7,411	(1,780)
Trade accounts payable.....	9,034	47,845	(96,934)	(537,198)
Accrued taxes payable.....	1,962	1,717	2,481	(1,909)
Other current liabilities.....	14,500	(320)	(98)	19,249
Other assets and liabilities.....	(8,623)	2,530	682	4,968
Net Cash Provided by (Used in) Operating Activities..	(166)	22,933	34,699	(41,258)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of assets.....	62,197	-	2,390	17,209
Increase in restricted cash.....	(6,045)	-	-	-
Acquisitions.....	-	-	-	(117,000)
Additions to property, plant and equipment.....	(9,153)	(285)	(31,238)	(36,228)
Net Cash Provided by (Used in) Investing Activities..	46,999	(285)	(28,848)	(136,019)
CASH FLOWS FROM FINANCING ACTIVITIES				
Increase (decrease) in receivable financing.....	(23,000)	-	7,500	42,500
Increase (decrease) in short-term borrowings.....	-	-	(40,000)	40,000
Increase in term loans.....	-	-	75,000	-
Increase (decrease) in repurchase agreements.....	(57,000)	-	(25,000)	100,000
Debt issuance cost.....	(3,758)	-	(750)	-
Distributions to unitholders.....	-	-	(4,712)	(43,163)
Exercise of warrants.....	444	-	-	-
Other.....	(1,804)	1,655	(4,398)	(13,349)
Net Cash Provided by (Used in) Financing Activities..	(85,118)	1,655	7,640	125,988
Increase (Decrease) in Cash and Cash Equivalents.....	(38,285)	24,303	13,491	(51,289)
Cash and Cash Equivalents Beginning of Period.....	40,735	16,432	2,941	54,230
Cash and Cash Equivalents End of Period.....	\$ 2,450	\$ 40,735	\$ 16,432	\$ 2,941
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION				
Cash Paid for Interest.....	\$ 19,558	\$ 5,599	\$ 34,931	\$ 33,041
Cash Paid for Reorganization Items.....	\$ 6,271	\$ 2,867	\$ 4,955	\$ -
SUPPLEMENTAL NON CASH INVESTING AND FINANCING INFORMATION				
Discharge of 11% Senior Notes, including accrued interest.....	\$ -	\$ 248,481	\$ -	\$ -
Cancellation of additional partnership interests.....	\$ -	\$ 9,318	\$ -	\$ -
Issuance of 9% Senior Notes and payment of interest in kind.....	\$ 5,200	\$ 104,000	\$ -	\$ -
Issuance of new equity of Successor Company.....	\$ -	\$ 36,687	\$ -	\$ -

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

LINK ENERGY LLC
(A LIMITED LIABILITY COMPANY)
CONSOLIDATED STATEMENTS OF MEMBERS'/PARTNERS' CAPITAL
(In Thousands)

PARTNERS CAPITAL

	COMMON UNITHOLDERS	SUBORDINATED UNITHOLDERS	GENERAL PARTNER	MEMBERS' CAPITAL	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	TOTAL
Partners' Capital (Deficit) at December 31, 2000 (Unaudited).....	\$ 47,832	\$ 41,247	\$ 7,285	\$ -	\$ -	\$ 96,364
Net loss (Restated).....	(10,207)	(4,973)	(304)	-	-	(15,484)
Cash distribution.....	(35,105)	(7,200)	(858)	-	-	(43,163)
Partners' Capital (Deficit) at December 31, 2001 (Restated).....	2,520	29,074	6,123	-	-	37,717
Net loss (Restated).....	(553)	(29,074)	(73,627)	-	-	(103,254)
Cash distribution.....	(4,619)	-	(93)	-	-	(4,712)
Partners' Capital (Deficit) at December 31, 2002 (Restated).....	(2,652)	-	(67,597)	-	-	(70,249)
Loss before reorganization items, net gain on discharge of debt and fresh start adjustments (Restated).....	-	-	(6,332)	-	-	(6,332)
Reorganization items and net gain on discharge of debt.....	17,624	35,354	80,374	35,773	-	169,125
Fresh start adjustments.....	(14,972)	(35,354)	(6,445)	-	-	(56,771)
Members' Capital at February 28, 2003 (Successor Company) (Restated).....	\$ -	\$ -	\$ -	\$ 35,773	\$ -	\$ 35,773
Members' Capital at March 1, 2003 (Successor Company) (Restated).....	\$ -	\$ -	\$ -	\$ 35,773	\$ -	\$ 35,773
Net loss (Restated).....	-	-	-	(52,915)	-	(52,915)
Unrealized net losses on derivative instruments arising during the period.....	-	-	-	-	(160)	-
Less reclassification adjustment for net realized losses on derivative instruments included in net loss.....	-	-	-	-	155	(5)
Comprehensive loss.....	-	-	-	-	-	(52,920)
Exercise of warrants.....	-	-	-	444	-	444
Issuance of restricted units.....	-	-	-	12,450	-	12,450
Less unearned compensation expense.....	-	-	-	(10,144)	-	(10,144)
Members' Capital at December 31, 2003 (Successor Company).....	\$ -	\$ -	\$ -	\$ (14,392)	\$ (5)	\$ (14,397)

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

LINK ENERGY LLC
(A LIMITED LIABILITY COMPANY)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(AS RESTATED)

1. BASIS OF PRESENTATION

Name Change and Organization

Effective October 1, 2003, EOTT Energy LLC ("EOTT LLC") changed its name to Link Energy LLC ("Link LLC"). In connection with our name change, we also changed the names of several of our subsidiaries as listed in the table below.

NEW NAME	FORMER NAME
Link Energy Limited Partnership	EOTT Energy Operating Limited Partnership
Link Energy Pipeline Limited Partnership	EOTT Energy Pipeline Limited Partnership
Link Energy Canada Limited Partnership	EOTT Energy Canada Limited Partnership
Link Energy Finance Corp.	EOTT Energy Finance Corp.
Link Energy General Partner LLC	EOTT Energy General Partner, L.L.C.
Link Energy Canada, Ltd.	EOTT Energy Canada Management Ltd.

Link LLC is a Delaware limited liability company that was formed on November 14, 2002 in anticipation of assuming and continuing the business formerly directly owned by EOTT Energy Partners, L.P. (the "MLP"), which, as described in Note 5 below, filed for Chapter 11 reorganization with its wholly owned subsidiaries on October 8, 2002. The MLP emerged from bankruptcy and merged into EOTT Energy Operating Limited Partnership resulting in EOTT LLC becoming the successor registrant to the MLP on March 1, 2003, the effective date of the Third Amended Joint Chapter 11 Plan of Reorganization, as supplemented ("Restructuring Plan"). We operate principally through four affiliated operating limited partnerships, Link Energy Limited Partnership, Link Energy Canada Limited Partnership, Link Energy Pipeline Limited Partnership, and EOTT Energy Liquids, L.P. (see Note 8 for information regarding the disposition of our Liquids operations), each of which is a Delaware limited partnership. Link Energy Finance Corp. was formed in order to facilitate certain investors' ability to purchase our senior notes. Link Energy General Partner, LLC serves as the general partner for our four affiliated operating limited partnerships. Until the MLP emerged from bankruptcy, EOTT Energy Corp. (the "General Partner"), a Delaware corporation and a wholly owned subsidiary of Enron Corp. ("Enron"), served as the general partner of the MLP and owned an approximate 1.98% general partner interest in the MLP. The General Partner filed for bankruptcy on October 21, 2002. Unless the context otherwise requires, the terms "we," "our," "us," and "Link" refer to Link Energy LLC and its four affiliated operating limited partnerships, Link Energy Finance Corp., and Link Energy General Partner, LLC (the "Subsidiary Entities"), and for periods prior to our emergence from bankruptcy in March 2003, such terms and "EOTT" refer to EOTT Energy Partners, L.P. and its sole general partner, EOTT Energy Corp., as well as the Subsidiary Entities.

Restatement of Financial Results

We have restated our financial results for the ten months ended December 31, 2003, the two months ended February 28, 2003, and the years ended December 31, 2002 and 2001 as more fully discussed in Note 10. The restatement relates to control deficiencies identified with inventory and accounts payable reconciliation procedures in our pipeline and liquids operations. The restatement results in a decrease in our net loss for the ten months ended December 31, 2003 of \$0.9 million, an increase in our net income for the two months ended February 28, 2003 of \$0.9 million, and an increase in our net loss for the years ended December 31, 2002 and 2001 of \$1.5 million and \$0.3 million respectively.

Fresh Start Reporting

As a result of the application of fresh start reporting under the American Institute of Certified Public Accountants Statement of Position No. 90-7 ("SOP 90-7"), "Financial Reporting by Entities in Reorganization Under the Bankruptcy Code," as of February 28, 2003 (the date chosen for accounting purposes), Link's financial results for the ten months ended December 31, 2003 and the two months ended February 28, 2003 include two different bases of accounting and accordingly,

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the financial condition, operating results and cash flows of the Successor Company and the Predecessor Company have been separately disclosed. For a further discussion of fresh start reporting, see Note 6. For purposes of these financial statements, references to the "Predecessor Company" are references to us for periods through February 28, 2003 (the last day of the calendar month in which we emerged from bankruptcy) and references to the "Successor Company" are references to Link for periods subsequent to February 28, 2003. The Successor Company's financial statements are not comparable to the Predecessor Company's financial statements. See further discussion in Note 6.

Partnership Status

As a limited liability company, we are generally treated like a partnership for federal income tax purposes and like a corporation with limited liability for state law and other non-tax purposes. In other words, for federal income tax purposes, we do not pay tax on our income or gain, nor are we entitled to a deduction for our losses, but such gains or losses are allocated to each member in accordance with the member's interest in us and the member will be responsible for paying the income tax applicable to such membership interest. Our taxable income or loss, which may vary substantially from the net income or net loss we report in our consolidated statement of operations, is includable in the federal income tax returns of our members. The aggregate difference in the basis of our net assets for financial and tax reporting purposes cannot be readily determined as we do not have access to information about each member's tax attributes in Link.

In order for us to continue to be classified as a partnership for federal income tax purposes, at least 90% of our gross income for every taxable year must consist of "qualifying income" within the meaning of the Internal Revenue Code. In 2002 and 2003, we recognized income from our settlement with Enron and discharge of indebtedness in excess of 10% of our gross income for each of those years. As disclosed in more detail in our Third Amended Joint Chapter 11 Plan which is incorporated by reference into our Annual Report on Form 10-K for the year ended December 31, 2002, we concluded that income from our settlement with Enron and our debt discharge income constituted "qualifying income," although the matter was not free from doubt. In January 2004, we requested a private letter ruling from the Internal Revenue Service to determine either that the income from our settlement with Enron and the debt discharge income is qualifying income or that the recognition of such income should be disregarded for purposes of the qualifying income test because it was an inadvertent result of our bankruptcy.

We are unable to predict how or when the Internal Revenue Service will rule. If the ruling is favorable, we will continue to be treated as a partnership for federal income tax purposes for so long as we satisfy the qualifying income test. If we are unable to obtain a favorable ruling and are unsuccessful in litigating the matter should we choose to do so, we will be taxable as a corporation for the year in which we failed to meet the qualifying income test and every year thereafter. Any classification of us as a corporation could result in a material reduction in the value of our units.

LLC Agreement

Under our Limited Liability Company Agreement (the "LLC Agreement"), our Board may, but is not required, to make distributions to each interest holder, and in any event, our exit credit facilities do not permit us to make any cash distributions so long as we have any indebtedness or other obligations outstanding under the exit credit facilities. Similar to a corporation, members do not share our liability. Under our LLC Agreement, members are also entitled to certain information about us and to vote for directors and on certain other matters. The holders of the majority of outstanding units have the right to vote on mergers and the election or removal of directors. The holders of two-thirds of the units have the right to approve additional issuances of equity and certain amendments to the LLC Agreement. Members are not entitled to participate in our management directly, but participate indirectly through the election of our directors.

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Reclassifications

Certain reclassifications have been made to prior period amounts to conform with the current period presentation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation. We own and operate our assets through our operating limited partnerships. The accompanying financial statements reflect the consolidated accounts of Link Energy LLC and the operating limited partnerships after elimination of intercompany transactions.

Nature of Operations. Through our affiliated limited partnerships, Link Energy Limited Partnership, Link Energy Canada Limited Partnership, Link Energy Pipeline Limited Partnership, and EOTT Energy Liquids, L.P., we are engaged in the purchasing, gathering, transporting, trading, storage and resale of crude oil and related activities. Prior to their disposition in 2003, we were also engaged in the operation of a hydrocarbon processing plant (the "Morgan's Point Facility"), a natural gas liquids storage facility (the "Mont Belvieu Facility") and natural gas liquids assets on the West Coast. See Note 8 for information regarding the disposition of our Morgan's Point Facility, Mont Belvieu Facility and natural gas liquids assets on the West Coast. The results of operations related to these assets have been reclassified to discontinued operations for all periods presented herein. Our remaining principal business segments are our North American Crude Oil gathering and marketing operations and our Pipeline Operations.

Use of Estimates. The preparation of financial statements in conformity with generally accepted accounting principles requires management 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 reporting period. Actual results could differ from those estimates.

Cash Equivalents. We record as cash equivalents all highly liquid short-term investments having original maturities of three months or less.

Restricted Cash. Restricted cash represents cash which is not available for general corporate purposes. At December 31, 2003, restricted cash is comprised of amounts to be used for the settlement of certain obligations related to our Liquids Operations, which were sold on December 31, 2003. See further discussion in Note 8.

Inventory. Inventory includes crude oil inventory in our North American Crude Oil gathering and marketing operations and our Pipeline Operations. Inventory is stated at average cost for all periods presented.

Property, Plant and Equipment. Property, plant and equipment is stated at historical cost for the Predecessor Company and has been adjusted to reflect the adoption of fresh start reporting for the Successor Company. See Note 7. Normal maintenance and repairs are charged to expense as incurred while significant improvements which extend the life of the asset are capitalized. Upon retirement or sale of an asset, the asset and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in the results of operations.

Impairment of Assets. We evaluate impairment of our long-lived assets in accordance with Statement of Financial Accounting Standards ("SFAS") No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," and would recognize an impairment when estimated undiscounted future cash flows associated with an asset or group of assets are less than the asset carrying amount. Long-lived assets are subject to factors which could affect future cash flows. These factors include competition, our financial condition and cost of credit which impacts our ability to maintain or increase our crude oil volumes, regulation, environmental matters, consolidation in the industry, refinery demand for specific grades of crude oil, area market price structures and continued developmental drilling in certain areas of the United States. We continuously monitor these factors and pursue alternative strategies to maintain or enhance cash flows

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associated with these assets; however, no assurances can be given that we can mitigate the effects, if any, on future cash flows related to any changes in these factors. See Note 8 for further discussion of asset impairments.

Depreciation. Depreciation is provided by applying the straight-line method to the basis of property, plant, and equipment over the estimated useful lives of the assets. Asset lives are 10 to 20 years for barging, terminalling, gathering and pipeline facilities, 5 to 10 years for transportation equipment, and 3 to 20 years for other buildings and equipment.

Goodwill. Effective January 1, 2002, we adopted SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 142 requires entities to discontinue the amortization of goodwill, allocate all existing goodwill among its reporting segments based on criteria set by SFAS No. 142 and perform initial impairment tests by applying a fair value-based analysis on the goodwill in each reporting segment. Goodwill is to be tested for impairment annually or more frequently if circumstances indicate a possible impairment. Goodwill was allocated to the North American Crude Oil segment and in 2002 no impairment of goodwill was required. Our reported income from continuing operations of \$0.05 million (\$0.00 per diluted unit) in 2001 included amortization of goodwill of \$1.0 million (\$0.4 per diluted unit). Our income from continuing operations in 2001, excluding the amortization of goodwill, would have been \$1.0 million (\$0.04 per diluted unit). In connection with the adoption of fresh start reporting (see Note 6), all remaining goodwill at February 28, 2003 was eliminated.

Pipeline Linefill. Pipeline linefill, which consists of minimum operating requirements is recorded at cost for the Predecessor Company and was adjusted to fair value in connection with the adoption of fresh start reporting for the Successor Company (See Note 6). Total minimum operating linefill requirements held in third party pipelines and our pipelines at December 31, 2003 and 2002 were 2.1 million barrels valued at \$39.7 million and 2.9 million barrels valued at \$50.2 million, respectively. Minimum linefill requirements held in third party pipelines at December 31, 2003 and 2002 were valued at \$6.3 million and \$8.8 million, respectively, and classified as Other Assets and Other Current Assets, respectively, on the balance sheet. Minimum linefill requirements held in our pipelines at December 31, 2003 and 2002, were valued at \$33.4 million and \$41.4 million, respectively, and classified as Property, Plant and Equipment on the balance sheet. See Note 8 for information regarding the sale of certain linefill.

Derivative and Hedging Activities. We utilize derivative instruments to minimize our exposure to commodity price fluctuations. Generally, as we purchase lease crude oil at prevailing market prices, we enter into corresponding sales transactions involving either physical deliveries of crude oil to third parties or a sale of futures contracts on the NYMEX. Price risk management strategies, including those involving price hedges using NYMEX futures contracts, are very important in managing our commodity price risk. Such hedging techniques require resources for managing both future positions and physical inventories. We effect transactions both in the futures and physical markets in order to deliver the crude oil to its highest value location or otherwise to maximize the value of the crude oil we control. Throughout the process, we seek to maintain a substantially balanced risk position at all times. We do have certain risks that cannot be completely hedged such as basis risks (the risk that price relationships between delivery points, grades of crude oil or delivery periods will change) and the risk that transportation costs will change.

Effective January 1, 1999, we began reporting energy trading contracts (as defined) at fair value in the balance sheet with changes in fair value included in earnings in accordance with Emerging Issues Task Force ("EITF") Issue 98-10, "Accounting for Contracts Involved in Energy Trading and Risk Management Activities."

Effective January 1, 2001, we began reporting derivative activities in accordance with SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended. SFAS No. 133 requires that derivative instruments be recorded in the balance sheet as either assets or liabilities measured at fair value. Under SFAS No. 133, we are required to "mark-to-fair value" all of our derivative instruments at the end of each reporting period. At the date of initial adoption of SFAS No. 133, the difference between the fair value of derivative instruments and the previous carrying amount of those derivatives was recorded as the cumulative effect of a change in accounting principle. The cumulative effect of adopting SFAS No. 133 effective January 1, 2001 was a \$1.3 million (\$0.05 per diluted unit) increase in income. SFAS No. 133 requires that changes in the derivative's fair value be recognized currently in earnings unless

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specific hedge accounting criteria are met. Qualifying criteria include, among other requirements, that we formally designate, document, and assess the effectiveness of the hedging instruments as they are established and at the end of each reporting period. Special accounting for qualifying hedges allows a derivative's gains and losses to offset related results from the hedged item in the income statement. Changes in the fair value of derivatives designated as cash flow hedges are deferred to Other Comprehensive Income (Loss) ("OCI"), a component of Members' Capital, and reclassified into earnings when the associated hedged transaction affects earnings. Deferral of derivative gains and losses through OCI is limited to the portion of the change in fair value of the derivative instrument which effectively hedges the associated hedged transaction; ineffective portions are recognized currently in earnings. Beginning in the second quarter of 2003, we designated certain of our derivative instruments as cash flow hedges of forecasted transactions. These hedges were for a maximum of two-months and had no material effect on our OCI or earnings for the ten months ended December 31, 2003. The ineffective portions of our hedged transactions were not material to our earnings for the ten months ended December 31, 2003. SFAS No. 133 requires that any cash flow hedges, for which it is probable that the original forecasted transactions will not occur by the end of the originally specified time period, be discontinued and reclassified into earnings, and that such reclassifications be recorded and separately disclosed. We had no such reclassifications for the ten months ended December 31, 2003. All unrealized derivative gains and losses included in accumulated other comprehensive income (loss) at December 31, 2003 are expected to be reclassified to net income (loss) within the next twelve months. Realized derivative gains and losses are included in Operating Revenue in our Statement of Operations.

Changes in the market value of transactions designated as energy trading activities in accordance with EITF Issue 98-10 (prior to the rescission of EITF Issue 98-10) and derivative instruments accounted for under SFAS No. 133, are recorded in revenues every period as unrealized gains or losses. The related price risk management assets and liabilities are recorded in other current or non-current assets and liabilities, as applicable, on the balance sheet. The fair value of transactions is determined primarily based on forward prices of the commodity, adjusted for certain transaction costs associated with the transactions. For the ten months ended December 31, 2003, we had net unrealized losses of \$0.8 million, for the two months ended February 28, 2003, we had net unrealized gains of \$4.5 million and for the years ended December 31, 2002 and 2001, we had net unrealized gains of \$1.8 million and net unrealized losses of \$2.5 million, respectively.

In the first quarter of 2001, we changed our method of accounting for inventories used in our energy trading activities from the average cost method to the fair value method. The cumulative effect of the change in accounting for inventories as of January 1, 2001 was \$0.2 million (\$0.01 per diluted unit) and is reported as a decrease in net income for 2001. The change in accounting for inventories increased reported net income in 2001 by approximately \$2.6 million. The consensus to rescind EITF Issue 98-10 eliminated EOTT's basis for recognizing physical inventories at fair value. With the rescission of EITF Issue 98-10, inventories purchased after October 25, 2002 were valued at average cost.

In October 2002, the EITF reached a consensus in EITF Issue 02-03 "Issues Involved in Accounting for Derivative Contracts Held for Trading Purposes and Contracts Involved in Energy Trading and Risk Management Activities." The EITF reached a consensus to rescind EITF Issue 98-10, and related interpretive guidance, and preclude mark to market accounting for energy trading contracts that are not derivative instruments pursuant to SFAS No. 133. See Note 20 for discussion of the cumulative effect of the change in accounting principle. The consensus requires that gains and losses (realized and unrealized) on all derivative instruments held for trading purposes be shown net in the income statement, whether or not the instrument is settled physically.

Revenue Recognition. Prior to the rescission of EITF Issue 98-10 in the fourth quarter of 2002, substantially all of our current gathering, marketing and trading activities were accounted for on a fair value basis with changes in fair value included in earnings. Qualifying derivative instruments are accounted for pursuant to SFAS No. 133 and energy trading activities were accounted for pursuant to EITF Issue 98-10. We recognize revenue on the accrual method, for non trading activities and non-derivative instruments, based on the right to receive payment for goods and services delivered to third parties.

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Certain estimates were made in determining the fair value of contracts. We have determined these estimates using available market data and valuation methodologies. Judgment is required in interpreting market data, and the use of different market assumptions or estimation methodologies may affect the estimated fair value amounts.

Cost of Sales and Operating Expenses. Cost of sales includes the cost of purchasing crude oil and associated transportation costs. Operating expenses consist of field and pipeline expenses, including payroll and benefits, utilities, telecommunications, fuel and power, environmental expenses and property taxes.

Receivable Financing. SFAS No. 140 "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities - A Restatement of FASB Statement No. 125" was effective March 31, 2001. Under SFAS No. 140, transfers of accounts receivable under our receivables agreement, discussed further in Note 4, are accounted for as financings. Costs associated with the transfers are classified as "Interest Expense and Related Charges" on the Consolidated Income Statement.

Foreign Currency Transactions. Canadian operations represent all of our foreign activities. The U.S. dollar is the functional currency. Foreign currency transactions are initially translated into U.S. dollars. The resulting gains and losses are included in the determination of net income (loss) in the period in which the exchange rate changes. The gain (loss) on foreign currency transactions, included in "Other, net" on the Consolidated Income Statement was a gain of \$0.1 million for the ten months ended December 31, 2003 and a gain of \$0.1 million for the two months ended February 28, 2003. No gain or loss was recognized for the year ended December 31, 2002 and a \$0.3 million loss was recognized for the year ended December 31, 2001.

Environmental. Expenditures for ongoing compliance with environmental regulations that relate to current operations are expensed or capitalized as appropriate. Estimated liabilities are recorded when environmental assessments indicate that remedial efforts are probable and the costs can be reasonably estimated. Estimates of the liability and insurance recovery, if any, are based upon currently available facts, existing technology and presently enacted laws and regulations and are included in the balance sheet on an undiscounted basis.

Unit Based Compensation Plans. We account for unit-based compensation using the intrinsic value recognition provisions of APB No. 25, "Accounting for Stock Issued to Employees," and related interpretations. If we had elected to recognize compensation cost based on the fair value recognition provisions of SFAS No. 123, "Accounting for Stock Based Compensation", net income (loss) and net income (loss) per unit would be unchanged for the ten months ended December 31, 2003, the two months ended February 28, 2003 and for the years ended December 31, 2002 and 2001.

3. LIQUIDITY/GOING CONCERN

GENERAL

We emerged from bankruptcy on March 1, 2003 as a highly leveraged company and have not been able to significantly reduce our debt to date. We will not be able to continue as a viable business unless we reduce our debt and attract new volumes.

Our Restructuring Plan anticipated profitable Liquids Operations and a quick return of crude oil volume growth in 2003. After incurring an operating loss of \$31.0 million from our Liquids Operations since our emergence from bankruptcy, we sold our Liquids Operations in December 2003 for approximately \$20 million (see Note 8). Our pre-bankruptcy customers and business partners have been less willing to do business with us than we anticipated as a result of our being highly leveraged and having shown no substantive improvement in our financial performance. Although our Restructuring Plan assumed that our marketing volumes would increase to approximately 350,000 barrels per day by

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the end of 2003, our actual marketing volumes were approximately 254,000 barrels per day in December 2003, and we do not anticipate an appreciable increase in volumes for the remainder of 2004.

Furthermore, as a result of our bankruptcy, we incurred higher costs in obtaining credit than we had in the past. Our trade creditors were less willing to extend credit to us on an unsecured basis and the amount of letters of credit we have been required to post for our marketing activities increased significantly. Our letters of credit outstanding at December 31, 2003 were \$250 million with a maximum commitment available of \$260 million.

Our cash flow from operations is not sufficient to meet our current cash requirements and, as a result, we have been borrowing under our Trade Receivables Agreement in order to fund our operations and capital needs. Absent a significant improvement in our business performance, we expect to continue to borrow to meet our cash requirements to the extent borrowed funds are available. At March 19, 2004, we have approximately \$23.0 million in borrowing availability under our Trade Receivables Agreement. Based on our current cash requirements, we may exhaust our sources of available cash in the second quarter of 2004.

We have sold substantially all of our non-strategic assets in an effort to reduce our aggregate indebtedness, which was approximately \$268 million as of March 15, 2004. We will not be able to use funds from future asset sales, if any, to meet our current cash needs because the proceeds from any such sales are likely to be required to reduce our outstanding indebtedness. In addition to asset sales, we have attempted, without success, to raise additional equity and to convert indebtedness to equity.

We are in advanced discussions with a potential buyer regarding the sale of substantially all of our assets; however, there can be no assurances that we can consummate a transaction. The net proceeds of the transaction would be used to repay all of our outstanding indebtedness, as well as to satisfy other existing obligations. If the transaction were consummated, we would have no further operations and would wind down over a period of time. If we are not successful in consummating the transaction, we will continue to pursue other strategic alternatives, which include the sale of additional assets (singularly or in groups) or a voluntary filing under the U.S. Bankruptcy Code. Based on our existing level of indebtedness, it is unlikely that either a sale or bankruptcy would yield any material residual value for the Company's unitholders.

FACTORS ADVERSELY AFFECTING OUR LIQUIDITY AND WORKING CAPITAL

Our ability to fund our liquidity and working capital requirements has been adversely affected by various factors, including the following:

- COVENANT BREACHES UNDER EXIT CREDIT FACILITIES. During the last four months of 2003 and in January 2004, we have breached certain covenants under our exit credit facilities, which include the Letter of Credit Agreement, the Term Loan, the Trade Receivables Agreement and the Commodity Repurchase Agreement. These covenants are discussed below. We have obtained a waiver of these 2003 violations and are currently in discussions with our lenders regarding a waiver for January 2004. In addition, we have reduced the lenders' maximum commitment under the Letter of Credit Facility from \$325 million to \$260 million.
- Minimum Consolidated EBIDA. We are required to maintain a minimum, rolling cumulative four month total of consolidated Earnings Before Interest Depreciation and Amortization, subject to certain adjustments, as defined ("Minimum Consolidated EBIDA"). For the rolling four-month periods ended September 30, 2003, October 31, 2003, November 30, 2003, December 31, 2003 and January 31, 2004, the required Minimum Consolidated EBIDA under our exit credit facilities and our actual consolidated EBIDA were as follows:

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ROLLING FOUR-MONTH PERIOD ENDED	REQUIRED MINIMUM CONSOLIDATED EBIDA	ACTUAL CONSOLIDATED EBIDA
-----	-----	-----
		(RESTATED)
September 30, 2003.....	\$ 6.6 million	\$ 1.2 million
October 31, 2003.....	\$ 8.7 million	\$ 2.9 million
November 30, 2003.....	\$10.4 million	\$(1.4) million
December 31, 2003.....	\$12.7 million	\$(2.2) million
January 31, 2004.....	\$16.0 million	\$ 1.0 million

For the rolling four-month periods ending February 29, 2004, March 31, 2004 and April 30, 2004, we will be required to maintain Minimum Consolidated EBIDA of \$15.7 million, \$16.9 million and \$16.5 million, respectively. Thereafter, the requirement continues to increase until it reaches \$17.4 million for the four-month period ended August 31, 2004. Because this covenant becomes increasingly stringent, we expect we will not be in compliance with this covenant and thereby will be in default under our exit credit facilities for the foreseeable future.

- Interest Coverage. We are required to maintain a minimum ratio of consolidated EBIDA to interest expense, subject to certain exclusions ("Interest Coverage Ratio"), over rolling consecutive four month periods. For the rolling four-month periods ended September 30, 2003, October 31, 2003, November 30, 2003, December 31, 2003 and January 31, 2004, the required Interest Coverage Ratio under our exit credit facilities and our actual interest coverage ratio were as follows:

ROLLING FOUR-MONTH PERIOD ENDED	REQUIRED INTEREST COVERAGE RATIO	ACTUAL INTEREST COVERAGE RATIO
-----	-----	-----
		(RESTATED)
September 30, 2003.....	.62 to 1.00	.13 to 1.00
October 31, 2003.....	.79 to 1.00	.31 to 1.00
November 30, 2003.....	.93 to 1.00	(.15) to 1.00
December 31, 2003.....	1.11 to 1.00	(.23) to 1.00
January 31, 2004.....	1.36 to 1.00	.10 to 1.00

For the rolling four-month periods ending February 29, 2004, March 31, 2004 and April 30, 2004, we will be required to maintain an Interest Coverage Ratio of 1.35 to 1.00, 1.36 to 1.00 and 1.34 to 1.00, respectively. This ratio requirement continues to increase until it reaches 1.42 to 1.0 for the four-month period ended August 31, 2004. Because this covenant becomes increasingly stringent, we expect we will not be in compliance with this covenant and thereby will be in default under our exit credit facilities for the foreseeable future.

- Minimum Consolidated Tangible Net Worth. At the end of each month, from March 31, 2003 to December 31, 2003, we were required to maintain a minimum consolidated tangible net worth, subject to certain adjustments, as defined ("Minimum Consolidated Tangible Net Worth"), of \$8.5 million. Actual Minimum Consolidated Tangible Net Worth at December 31, 2003 was \$12.8 million. From January 31, 2004 to August 30, 2004, we are required to maintain a Minimum Consolidated Tangible Net Worth of \$10 million. Actual Minimum Consolidated Tangible Net Worth at January 31, 2004 was \$9.9 million.

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- Covenant Breach relating to Borrowing Base Calculation. We are required to maintain asset values (the "Borrowing Base") at all times that exceed our aggregate outstanding letters of credit ("LC Obligations"). As of February 15, 2004, aggregate LC Obligations exceeded the Borrowing Base by approximately \$1.9 million. This represented a payment default of \$1.9 million under our Letter of Credit Facility which was subsequently waived. As of March 15, 2004, the Borrowing Base exceeded LC Obligations by approximately \$12 million.
- Consequences of Covenant Breaches. Any default (covenant default or payment default, after applicable cure periods) under any of our exit credit facilities will cause a cross-default under all the other exit credit facilities. If a payment default under any of the exit credit facilities or any other debt obligation involves indebtedness of \$10 million or more, or there is an acceleration of the indebtedness of \$10 million or more, then the payment default under the exit credit facilities would be a default under the indenture relating to the 9% Senior Notes (the "9% Senior Notes Indenture"). A default under the 9% Senior Notes Indenture will cause a cross-default under our exit credit facilities.

Any breaches, unless waived, could severely limit our access to liquidity and credit support and result in our being required to repay all outstanding indebtedness, plus accrued and unpaid interest, under our exit credit facilities as well as the 9% Senior Note Indenture. Although our exit credit facility lenders provided a waiver for our breaches of covenants as of December 31, 2003, there can be no assurance they will provide waivers for any subsequent period, including January 31, 2004, or that any amendment to our exit credit facilities required to obtain such assurance will not adversely affect our liquidity.

- Maturities of our Exit Facilities. In addition, we extended our Trade Receivables Agreement and Commodity Repurchase Agreement to June 1, 2004 (although we have an option to extend the maturity to August 30, 2004, subject to us being in compliance with our debt covenants) and our Term Loan and Letter of Credit Facility mature on August 30, 2004. As of March 15, 2004, we had \$53.0 million of outstanding borrowings under our Trade Receivables Agreement, \$16.9 million of outstanding borrowings under our Commodity Repurchase Agreement, and \$75 million of borrowings under our Term Loan Agreement. Since we did not reduce Standard Chartered's exposure below \$200 million by March 1, 2004, we paid a \$2.5 million fee to Standard Chartered on March 15, 2004. We may not be able to repay the indebtedness under our exit credit facilities at maturity. Any replacement credit facilities, to the extent obtainable, may be at significantly greater cost to us. There can be no assurances, however, that replacement credit facilities can be obtained.
- COVENANT BREACH UNDER ENRON NOTE. We are required to maintain at all times a letter of credit securing a promissory note payable to Enron Corp. (the "Enron Note") in the initial principal amount of \$6.2 million. We failed to cause such letter of credit to be renewed at least 10 business days prior to its expiration, which resulted in an event of default under, and the automatic acceleration of, the Enron Note. As of December 31, 2003, \$5.7 million was due and payable under the Enron Note. A replacement letter of credit has been issued, and we have asked Enron Corp. to waive the event of default and rescind the automatic acceleration of the note. There can be no assurance that Enron Corp. will provide the waiver or when such a waiver will be provided.

GOING CONCERN

Our Consolidated Financial statements have been prepared assuming we will continue as a going concern which contemplates the realization of assets and settlement of liabilities in the normal course of business. The factors discussed

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above raise substantial doubt about our ability to continue as a going concern. Our Consolidated Financial statements do not include any adjustments that might result from the outcome of this uncertainty.

4. CREDIT RESOURCES

SUMMARY OF DEBTOR IN POSSESSION ("DIP") FINANCING

On October 18, 2002, we entered into agreements with Standard Chartered, SCTS, Lehman and other lending institutions for \$575 million in DIP financing facilities. The DIP facilities provided (i) \$500 million of credit and financing facilities through Standard Chartered and SCTS, which included up to \$325 million for letters of credit through Standard Chartered and \$175 million of inventory repurchase/accounts receivable financing through SCTS, and (ii) \$75 million of term loans through Lehman and other lending institutions. The credit facilities were subject to a borrowing base and were secured by a first-priority lien on all, or substantially all, of our real and personal property. At December 31, 2002 we had amounts outstanding under the repurchase agreement and accounts receivable financing agreement of \$75 million and \$50 million, respectively, at weighted average interest rates of 4.4% and 4.7%, respectively. As of February 28, 2003, we had outstanding approximately \$313 million of letters of credit, \$125 million of inventory repurchase/accounts receivable financing, and \$75 million of term loans. The DIP financing facilities contained certain restrictive covenants that, among other things, limited distributions, other debt, and certain asset sales. On February 28, 2003, as we emerged from bankruptcy, the DIP financing facilities were refinanced by the same institutions. The following discussion provides an overview of our post-bankruptcy debt.

SUMMARY OF EXIT CREDIT FACILITIES, SENIOR NOTES, AND OTHER DEBT

Our emergence from bankruptcy, as of March 1, 2003, was financed through a combination of exit credit facilities, senior notes and other debt associated with settlement of claims during our bankruptcy proceedings. The table below provides a summary of these financing arrangements as of December 31, 2003.

SUMMARY OF FINANCING ARRANGEMENTS
(IN MILLIONS)

	COMMITMENT/ FACE AMOUNT	AMOUNT OUTSTANDING	MATURITY
Exit Credit Facilities:			
Letter of Credit Facility.....	\$ 260.0	\$ 250.1	August 30, 2004
Trade Receivables Agreement.....	100.0(1)	27.0	March 1, 2004(2)
Commodity Repurchase Agreement.....	18.0	18.0	March 1, 2004(2)
Term Loans.....	75.0	75.0	August 30, 2004
Senior Notes.....	109.2	104.5	March 1, 2010(3)(4)
Other Debt:			
Enron Note.....	5.7	6.4	October 1, 2005(3) (5)
Big Warrior Note.....	2.5	2.3	March 1, 2007(3)
Ad Valorem Tax Liability.....	6.6	6.6	March 1, 2009

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- (1) \$50 million of this commitment is unavailable ten days each month.
- (2) On March 1, 2004, we extended these arrangements for 3 months until June 1, 2004 and paid an extension fee of \$0.4 million. We have an option to extend these arrangements until August 30, 2004 subject to the payment of extension fees of \$0.4 million and us being in compliance with our debt covenants.
- (3) These notes were adjusted to fair value pursuant to the adoption of fresh start reporting required by SOP 90-7.
- (4) On September 1, 2003 and March 1, 2004, we issued an additional senior note in the amount of \$5.2 million and \$5.5 million, respectively, in lieu of the first and second semi-annual payment of interest on our senior notes.
- (5) See discussion below regarding event of default.

The following is a summary of our scheduled debt maturities at December 31, 2003 (in millions):

	2004	2005	2006	2007	2008	After 2008	Total
	-----	-----	-----	-----	-----	-----	-----
Senior Notes.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 109.2	\$ 109.2
Term Loans(1).....	75.0	-	-	-	-	-	75.0
Commodity Repurchase Agreement (1).....	18.0	-	-	-	-	-	18.0
Trade Receivables Agreement(1).....	27.0	-	-	-	-	-	27.0
Enron Note (2).....	1.0	4.7	-	-	-	-	5.7
Big Warrior Note.....	0.3	0.4	0.4	1.4	-	-	2.5
Ad Valorem Tax Liability.....	2.8	0.9	1.0	1.1	0.8	-	6.6
	-----	-----	-----	-----	-----	-----	-----
	\$ 124.1	\$ 6.0	\$ 1.4	\$ 2.5	\$ 0.8	\$ 109.2	\$ 244.0
	=====	=====	=====	=====	=====	=====	=====

- (1) See previous discussion of covenant violations and cross defaults.
- (2) See discussion below regarding event of default.

Exit Credit Facilities

On February 11, 2003, we entered into our exit credit facilities with the same lenders and under substantially the same terms in the DIP financing facilities. These new facilities were effective March 1, 2003 and \$2.9 million of facility and extension fees were paid in connection with these new facilities. Such fees are being amortized as interest expense over the terms of the facilities.

Letter of Credit Facility

The Letter of Credit Facility, as amended, with Standard Chartered provides \$260 million of financing until August 30, 2004 and is subject to defined borrowing base limitations. The borrowing base is (as of the date of determination) the sum of cash equivalents, specified percentages of eligible receivables, deliveries, fixed assets, inventory, margin deposits and undrawn product purchase letters of credit, minus (i) first purchase crude payables, other priority claims, aggregate net amounts payable by the borrowers under certain hedging contracts and certain eligible receivables arising from future crude oil obligations, (ii) the principal amount of loans outstanding and any accrued and unpaid fees and expenses under the Term Loans, and (iii) all outstanding amounts under the Amended and Restated Commodity Repurchase Agreement and the Amended and Restated Receivables Purchase Agreement ("SCTS Purchase Agreements"). Pursuant to a scheduled advance rate reduction, effective July 1, 2003, the specified percentages of eligible receivables and fixed assets in the borrowing base were reduced. As of February 15, 2004, our aggregate letter of credit obligation exceeded the borrowing base by approximately \$1.9 million. We have obtained a waiver of this violation from our lenders. As of March 15, 2004, the Borrowing Base exceeded LC Obligations by approximately \$12 million.

The Letter of Credit Facility required an upfront facility fee of \$1.25 million that was paid at closing. Since we did not reduce Standard Chartered's exposure below \$200 million by March 1, 2004, we paid a \$2.5 million fee to Standard Chartered. Letter of credit fees range from 2.25% to 2.75% per annum depending on usage. The commitment fee is 0.5%

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per annum of the unused portion of the Letter of Credit Facility. Additionally, we agreed to a fronting fee, which is the greater of 0.25% per annum times the face amount of the letter of credit or \$250. An annual arrangement fee of 1% per annum times the average daily maximum commitment amount, as defined in the Letter of Credit Facility, is payable on a monthly basis.

The exit credit facilities include various financial covenants that we must adhere to on a monthly basis as discussed in Note 3 and set forth below.

- Current Ratio. We must maintain a ratio of consolidated current assets, subject to certain adjustments to consolidated current liabilities less funded debt, as defined, of 0.90 to 1.00 for the term of the exit credit facilities. The actual Current Ratio at December 31, 2003 was 1.00 to 1.00.

For purposes of determining the financial information used in the financial covenants set forth above and in Note 3, we are required to exclude all items directly attributable to our Liquids Operations and the West Coast natural gas liquids assets ("Designated Assets") for the first five months ended May 31, 2003, and to make "permitted adjustments" (changes due to fresh start reporting, income and expenses attributable to the Designated Assets during the first five months ended May 31, 2003, changes due to the cumulative affect of changes in GAAP, which are approved by the bank, gains or losses from the sales of assets or Designated Assets and any write-downs on Designated Assets), as defined.

In connection with the sale of assets in 2003 discussed in Note 8, the Letter of Credit Facility was amended to allow the net proceeds from these asset sales to be used to repay amounts outstanding under the Commodity Repurchase Agreement.

In addition, there are certain restrictive covenants that, among other things, limit other debt, certain asset sales, mergers and change in control transactions. Additionally, the exit credit facilities prohibit us from making any distributions, or purchases, acquisitions, redemptions or retirement of our LLC units so long as we have any indebtedness, liabilities or other obligations outstanding to Standard Chartered, SCTS, Lehman, or any other lenders under these facilities.

SCTS Purchase Agreements

We have an agreement with SCTS similar to our pre-bankruptcy inventory repurchase agreement, which provides for the financing of purchases of crude oil inventory utilizing a forward commodity repurchase agreement ("Commodity Repurchase Agreement"). The maximum commitment under the Commodity Repurchase Agreement was \$75 million. It required an upfront facility fee of approximately \$378,000 and carried an interest rate of LIBOR plus 3%. During the fourth quarter of 2003, net proceeds of \$57 million from the disposition of assets were used to repay amounts outstanding under the Commodity Repurchase Agreement and the maximum commitment amount was reduced to \$18 million. The Commodity Repurchase Agreement had an initial term of six months to August 30, 2003, at which time we had the option to extend for an additional twelve months. In August 2003, we amended the Commodity Repurchase Agreement to provide us the option to (1) extend the maturity date to March 1, 2004 and (2) prior to March 1, 2004, extend the maturity date to August 30, 2004. The election of each option will require the payment of an extension fee of \$375,000. We elected to extend the maturity date to March 1, 2004, which required the payment of the extension fee of \$375,000 and increased the interest rate to LIBOR plus 7%. We subsequently elected to extend the Commodity Repurchase Agreement to June 1, 2004, although we have an option to extend the maturity to August 30, 2004, subject to us being in compliance with our debt covenants. The election of the option required the payment of an extension fee of \$0.2 million. At December 31, 2003, we had outstanding repurchase agreements of \$18 million with an interest rate of 8.2%.

In addition, we also have an agreement with SCTS similar to our pre-bankruptcy trade receivables agreement, which provides for the financing of up to an aggregate amount of \$100 million of certain trade receivables ("Trade Receivables Agreement") outstanding at any one time. The discount fee is LIBOR plus 3% and an upfront facility fee of approximately \$504,000 was paid. The Trade Receivables Agreement had an initial term of six months to August 30, 2003, at which time we had the option to extend for an additional twelve months. In August 2003, we amended the Trade Receivables

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Agreement to provide us the option to (1) extend the maturity date to March 1, 2004 and (2) prior to March 1, 2004, extend the maturity date to August 30, 2004. The election of each option will require the payment of an extension fee of \$0.5 million. We elected to extend the maturity date to March 1, 2004, which required the payment of an extension fee of \$0.5 million and increased the interest rate to LIBOR plus 7%. We subsequently elected to extend the Trade Receivables Agreement to June 1, 2004, although we have an option to extend the maturity to August 30, 2004. The election of the option required the payment of an extension fee of \$250,000. Receivables financed at December 31, 2003 totaled \$27 million at a weighted average interest rate of 8.1%.

Term Loan Agreement

We entered into an agreement with Lehman, as Term Lender Agent, and other lenders (collectively, "Term Lenders"), which provides for term loans in the aggregate amount of \$75 million (the "Term Loans"). The Term Loans mature on August 30, 2004.

The financing included two term notes. The Tier-A Term Note is for \$50 million with a 9% per annum interest rate. The Tier-B Term Note is for \$25 million with a 10% per annum interest rate. Interest is payable monthly on both notes. An upfront fee of \$750,000 was paid and we agreed to pay a deferred financing fee in the aggregate amount of \$2 million on the maturity date of the Term Loans. This latter fee was fully accrued as of February 28, 2003.

The Term Loans are collateralized and have certain repayment priorities with respect to collateral proceeds pursuant to the Intercreditor and Security Agreement that is discussed below. Under the Term Loan Agreement, term loan debt outstanding is subject to a borrowing base as defined in the Letter of Credit Agreement. Further, the Term Loan Agreement contains financial covenants that mirror those outlined above in the discussion of the Letter of Credit Facility.

Intercreditor and Security Agreement

In connection with the Letter of Credit Facility, the Term Loans and the SCTS Purchase Agreements, we entered into the Intercreditor and Security Agreement ("Intercreditor Agreement") with Standard Chartered, Lehman, SCTS and various other secured parties ("Secured Parties"). This agreement provides for the sharing of collateral among the Secured Parties and prioritizes the application of collateral proceeds which provides for repayment of the Tier-A Term Note and the Standard Chartered letter of credit exposure above \$300 million prior to other secured obligations.

In addition, to the extent that drawings are made on any letters of credit, Standard Chartered, as Collateral Agent, may distribute funds from our debt service payment account to itself (as letter of credit issuer ("LC Issuer")) on behalf of the letter of credit participants) as needed to allow Link LLC to reimburse Standard Chartered, as letter of credit issuer, for such drawings.

Senior Notes

On October 1, 1999, we issued to the public \$235 million of 11% senior notes. The senior notes were due October 1, 2009, and interest was paid semiannually on April 1 and October 1. The senior notes were fully and unconditionally guaranteed by all of our operating limited partnerships but were otherwise unsecured. On October 1, 2002, we did not make the interest payment of \$12.9 million on our 11% senior notes. These notes were cancelled effective March 1, 2003 as a result of our Restructuring Plan and the holders of these notes, along with our general unsecured creditors with allowed claims, received a pro rata share of \$104 million of 9% senior unsecured notes, plus a pro rata share of 11,947,820 Link LLC units.

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Link LLC Senior Notes 2010

In February 2003, we issued \$104 million of 9% senior unsecured notes to the Bank of New York, as depositary agent, which was subsequently allocated by the depositary agent to former holders of the 11% senior notes described above and our general unsecured creditors with allowed claims. The senior notes are due in March 2010, and interest will be paid semiannually on September 1 and March 1, with the first payment made on September 1, 2003. Under the terms of the indenture governing our senior notes, we are allowed to pay interest payments in kind by issuing additional senior notes on the first two interest payment dates. If we make payments in kind, we must make the payments as if interest were being charged at 10% per annum instead of 9% per annum. On September 1, 2003, we issued an additional senior note in the aggregate principal amount of \$5.2 million to the Bank of New York in lieu of the first interest payment. On March 1, 2004, we issued an additional senior note in the aggregate principal amount of \$5.5 million to the Bank of New York in lieu of the second interest payment. We may not optionally redeem the notes. The notes are subject to mandatory redemption or sinking fund payments if we sell assets and use the money for certain purposes or if we have a change of control. Provisions of the indenture could limit additional borrowings, sale and lease back transactions, affiliate transactions, purchases of our own equity, payments on debt subordinated to the senior notes, distributions to members, certain merger, consolidation or change in control transactions, or sale of assets if certain financial performance ratios are not met.

Other Debt

In connection with our settlement with Enron as part of the Restructuring Plan, we executed a \$6.2 million note payable to Enron ("Enron Note") that is guaranteed by our subsidiaries. The Enron Note is secured by an irrevocable letter of credit and bears interest at 10% per annum. Interest is paid semiannually on April 1 and October 1, beginning on April 1, 2003 and we are allowed to pay interest payments in kind on the first two interest payment dates. Principal payments of \$1 million are payable in October 2003 and October 2004, with the remaining principal balance due in October 2005. On October 1, 2003, we paid our first principal payment of \$1.0 million and elected to pay our interest payment of \$0.3 million in kind. We failed to cause the letter of credit to be renewed at least 10 business days prior to its expiration, which resulted in an event of default under, and the automatic acceleration of, the Enron Note. A replacement letter of credit has been issued and we have requested Enron to waive the event of default and rescind the automatic acceleration of the note. There can be no assurance that Enron will provide the waiver, and therefore, the Enron Note is recorded in Other Current Liabilities on the Consolidated Balance Sheet at December 31, 2003.

In connection with a settlement with Big Warrior Corporation ("Big Warrior") during our bankruptcy, we executed a \$2.7 million note payable to Big Warrior, which is secured by a second lien position in one of our Mississippi pipelines. The four-year note is payable in quarterly installments which began June 1, 2003 based on a seven-year amortization schedule, at an interest rate of 6% per annum. A final balloon payment is due March 1, 2007. Effective July 31, 2003, Farallon Capital Partners, L.P. ("Farallon") and Tinicum Partners, L.P. ("Tinicum"), both of which are Term Lenders, purchased this note from Big Warrior.

In conjunction with our Restructuring Plan, we agreed to pay accrued but unpaid ad valorem taxes over six years from the effective date of our Restructuring Plan. This debt bears interest at 6% with principal and interest payments due quarterly. The first payment was made on June 1, 2003. Unpaid ad valorem taxes of \$2 million associated with the Liquids Operations sold on December 31, 2003 (see Note 8) were paid in January 2004.

5. BANKRUPTCY PROCEEDINGS AND RESTRUCTURING PLAN

On October 8, 2002, the MLP and the Subsidiary Entities filed pre-negotiated voluntary petitions for reorganization under Chapter 11 of the United States Bankruptcy Code (the "EOTT Bankruptcy"). The filing was made in the United States Bankruptcy Court for the Southern District of Texas, Corpus Christi Division (the "EOTT Bankruptcy Court"). Additionally, the General Partner filed a voluntary petition for reorganization under Chapter 11 on October 21, 2002 in the EOTT Bankruptcy Court in order to join in the voluntary, pre-negotiated Restructuring Plan. On October 24, 2002,

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the EOTT Bankruptcy Court administratively consolidated, for distribution purposes, the General Partner's bankruptcy filing with the previously filed cases. We operated as debtors-in-possession under the Bankruptcy Code, which means we continued to remain in possession of our assets and properties and continued our day-to-day operations. The EOTT Bankruptcy Court confirmed our Restructuring Plan on February 18, 2003, and it became effective March 1, 2003.

We entered into an agreement, dated October 7, 2002, with Enron, Standard Chartered Bank ("Standard Chartered"), Standard Chartered Trade Services Corporation ("SCTS"), Lehman Commercial Paper Inc. ("Lehman Commercial") and holders of approximately 66% of the outstanding principal amount of our 11% senior notes (the "Restructuring Agreement"). Under this Restructuring Agreement, Enron, Standard Chartered, SCTS, Lehman Commercial and approximately 66% of our 11% senior note holders agreed to vote in favor of the Restructuring Plan, and to refrain from taking actions not in support of the Restructuring Plan.

The Restructuring Plan, however, was subject to the approval of the EOTT Bankruptcy Court, and the Settlement Agreement with Enron ("Enron Settlement Agreement") was subject to the additional approval of the United States Bankruptcy Court for the Southern District of New York (the "Enron Bankruptcy Court"), where Enron and certain of its affiliates filed for Chapter 11 bankruptcy protection. The EOTT Bankruptcy Court approved the Enron Settlement Agreement on November 22, 2002, and the Enron Bankruptcy Court approved the Enron Settlement Agreement on December 5, 2002. The major provisions of the Restructuring Plan, which became effective March 1, 2003, are as follows:

- Enron has no further affiliation with us. The General Partner will be liquidated as soon as reasonably possible with no material effect to us.
- We consummated the Settlement Agreement with Enron effective December 31, 2002. In the fourth quarter of 2002, we recognized a gain of \$45.5 million related to the Settlement Agreement with Enron.
- We converted to a limited liability company structure and EOTT LLC (subsequently renamed Link Energy LLC) became the successor registrant to the MLP. The MLP was merged into EOTT Energy Operating Limited Partnership.
- We are now managed by a seven-member Board of Directors. One of the directors is the chief executive officer of Link LLC, and the remaining six directors were selected by the former senior note holders who signed the Restructuring Agreement.
- We cancelled our outstanding \$235 million of 11% senior unsecured notes. Our former senior unsecured note holders and holders of allowed general unsecured claims received a pro rata share of \$104 million of 9% senior unsecured notes and a pro rata share of 11,947,820 limited liability company units of EOTT LLC representing 97% of the newly issued units.
- We cancelled the MLP's publicly traded common units, and the former holders of the MLP's common units received 369,520 limited liability company units of EOTT LLC, representing 3% of newly issued units, and 957,981 warrants to purchase an additional 7% of the new units. We cancelled the MLP's subordinated units and additional partnership interests. See Note 18.
- We were authorized to develop, and the board has subsequently approved, a management incentive plan. The incentive plan reserves 1.2 million of EOTT LLC's authorized units for issuance to certain key employees and directors. See Note 19.
- We closed exit credit facilities with Standard Chartered, SCTS, Lehman, and other lenders on February 28, 2003. See further discussion in Note 4.

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As a result of the confirmation of our Restructuring Plan, the following liabilities that were deemed subject to compromise were either discharged by the EOTT Bankruptcy Court or retained as ongoing obligations of the Successor Company. Estimated liabilities subject to compromise at December 31, 2002 were as follows (in thousands):

11% Senior Notes.....	\$	235,000
Interest payable - 11% Senior Notes.....		13,481
Accounts payable and suspense payable.....		34,876
Allowed claims for environmental settlements and contingencies		7,970
Other.....		1,500

Total.....	\$	292,827
		=====

The following reorganization items and net gain on discharge of debt, which were specifically related to the EOTT Bankruptcy, were recorded during the two months ended February 28, 2003, (in thousands):

Reorganization items - legal and professional fees.....	\$	(7,330)
Net gain on discharge of 11% senior notes, related accrued interest and other debt (1).....	\$	131,560

(1) The gain on discharge of debt was recorded net of the 9% senior notes and limited liability company units issued to the creditors upon emergence from bankruptcy.

6. FRESH START REPORTING

As previously discussed, our Consolidated Financial Statements reflect the adoption of fresh start reporting required by SOP 90-7 for periods subsequent to our emergence from bankruptcy. In accordance with the principles of fresh start reporting, we have adjusted our assets and liabilities to their fair values as of February 28, 2003. The net effect of the fresh start reporting adjustments was a loss of \$56.8 million, which is reflected in the results of operations of the Predecessor Company for the two months ended February 28, 2003.

The enterprise value of Link on the effective date of the Restructuring Plan was determined to be approximately \$363 million. The enterprise value was determined with the assistance of a third party financial advisor using discounted cash flow, comparable transaction and capital market comparison analyses, adjusted for the actual working capital as of the effective date of the Restructuring Plan. The discounted cash flow analyses were based upon five year projected financial results, including an assumption for terminal values using cash flow multiples, discounted at our estimated post-restructuring weighted-average cost of capital.

Pursuant to SOP 90-7, the reorganization value of Link on the effective date of the Restructuring Plan was determined to be approximately \$856 million, which represented the enterprise value plus the fair value of current liabilities exclusive of funded debt on February 28, 2003. We have allocated the reorganization value as of February 28, 2003 to tangible and identifiable intangible assets in conformity with SFAS No. 141, "Business Combinations", using discounted cash flow and replacement cost valuation analyses, and liabilities, including debt, were recorded at their net present values. Independent third-party valuation specialists were used to determine the allocation of the reorganization value to our tangible and identifiable intangible assets and to determine the fair value of our long-term liabilities.

The valuations were based on a number of estimates and assumptions, which are inherently subject to significant uncertainties and contingencies beyond our control. Accordingly, there can be no assurance that the valuations will be realized, and actual results could vary significantly.

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The effects of the reorganization pursuant to the Restructuring Plan and the application of fresh start reporting on the Predecessor Company's consolidated balance sheet as of February 28, 2003 are as follows (in thousands):

	PREDECESSOR COMPANY FEBRUARY 28, 2003 ----- (RESTATED)	DEBT DISCHARGE AND RE-CLASS ADJUSTMENTS -----	FRESH START ADJUSTMENTS -----	SUCCESSOR COMPANY FEBRUARY 28, 2003 ----- (RESTATED)
Assets				
Current Assets				
Cash and cash equivalents.....	\$ 40,735	\$ -	\$ -	\$ 40,735
Trade and other receivables.....	439,361	-	-	439,361
Inventories.....	25,525	-	750(g)	26,275
Other.....	12,911	-	(2,021)(h)	10,890
	-----	-----	-----	-----
Total current assets.....	518,532	-	(1,271)	517,261
	-----	-----	-----	-----
Property, Plant and Equipment, at cost...	598,633	-	(267,654)(i)	330,979
Less: Accumulated depreciation.....	223,188	-	(223,188)(i)	-
	-----	-----	-----	-----
Net property, plant and equipment...	375,445	-	(44,466)	330,979
	-----	-----	-----	-----
Goodwill	7,436	-	(7,436)(j)	-
	-----	-----	-----	-----
Other Assets.....	10,762	-	(2,880)(h)	7,882
	-----	-----	-----	-----
Total Assets.....	\$ 912,175	\$ -	\$ (56,053)	\$ 856,122
	=====	=====	=====	=====
Liabilities and Members'/Partners' Capital				
Current Liabilities				
Trade and other accounts payable.....	\$ 451,873	\$ 17,406(a)	\$ -	\$ 469,279
Accrued taxes payable.....	13,045	(8,307)(b)	-	4,738
Term loans.....	75,000	(75,000)(c)	-	-
Repurchase agreement.....	75,000	(75,000)(c)	-	-
Receivable financing.....	50,000	-	-	50,000
Other.....	19,226	2,815(a)(b)	318(k)	22,359
	-----	-----	-----	-----
Total current liabilities.....	684,144	(138,086)	318	546,376
	-----	-----	-----	-----
Long-Term Liabilities				
9% Senior Notes.....	-	98,800(d)	-	98,800
Term loans.....	-	75,000(c)	-	75,000
Repurchase agreement.....	-	75,000(c)	-	75,000
Ad valorem tax liability.....	-	6,992(b)	-	6,992
Other.....	17,781	-	400(k)	18,181
	-----	-----	-----	-----
Total long-term liabilities.....	17,781	255,792	400	273,973
	-----	-----	-----	-----
Liabilities Subject to Compromise.....	284,843	(284,843)(a)	-	-
Additional Partnership Interests.....	9,318	(9,318)(e)	-	-
Members'/Partners' Capital (Deficit)	(83,911)	176,455 (f)	(56,771)	35,773
	-----	-----	-----	-----
Total Liabilities and Members'/Partners' Capital.....	\$ 912,175	\$ -	\$ (56,053)	\$ 856,122
	=====	=====	=====	=====

Notes:

- (a) Liabilities subject to compromise have been adjusted to reflect the settlement of the claims and discharge of the 11% senior notes and related accrued interest in connection with the Restructuring Plan. See further discussion in Note 5.
- (b) To reclassify current and long - term amounts due to taxing authorities for accrued but unpaid ad valorem taxes in connection with the Restructuring Plan.
- (c) To reflect the refinancing on a long-term basis of amounts outstanding under the Debtor-in-Possession Financing Facilities.
- (d) To reflect the issuance of 9% senior unsecured notes (face amount of \$104 million) to all former senior note holders and general unsecured creditors with allowed claims in connection with the Restructuring Plan, recorded at fair value.
- (e) To reflect the cancellation of the additional partnership interests in connection with the Restructuring Plan.

(f) To reflect the issuance of limited liability company units pursuant to the Restructuring Plan and the net gain on extinguishment of debt.

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- (g) To adjust inventory to fair value.
- (h) To reflect the elimination of deferred turnaround costs, which are included in the fair value of property, plant and equipment of the Successor Company.
- (i) To adjust property, plant, and equipment to fair value.
- (j) To reflect the elimination of goodwill resulting from the fair value allocation.
- (k) To reflect the Enron and Big Warrior notes at fair value.

7. PROPERTY, PLANT AND EQUIPMENT

The components of property, plant and equipment are as follows (in thousands):

	SUCCESSOR COMPANY ----- DECEMBER 31, 2003 -----	PREDECESSOR COMPANY ----- DECEMBER 31, 2002 -----
Operating PP&E, including pipelines, storage tanks, etc.....	\$ 268,866	\$ 477,834
Office PP&E buildings and leasehold improvements.....	1,717	52,621
Tractors and trailers and other vehicles.....	1,248	10,739
Land.....	6,893	5,216
	-----	-----
Property, Plant & Equipment.....	278,724	546,410
Less: Accumulated depreciation.....	(16,214)	(205,351)
	-----	-----
Net Property, Plant & Equipment.....	\$ 262,510 =====	\$ 341,059 =====

8. DISPOSITIONS OF ASSETS

Discontinued Operations - West Coast Assets

Effective June 25, 2003, we signed a definitive agreement to sell all of the assets comprising our natural gas gathering, processing, natural gas liquids fractionation, storage and related trucking and distribution facilities located on the West Coast. A sale of these assets to a third party had been one of the options considered by us since we emerged from bankruptcy. The sales price for the assets exclusive of inventory was \$9.9 million. The proceeds from the sale of the West Coast natural gas liquids assets could be increased by up to \$1.4 million depending on the operating results of the West Coast natural gas liquids assets during the twelve month period following closing. The closing occurred on October 1, 2003, and \$9.0 million of the net proceeds from the sale were used to pay down amounts outstanding under the Commodity Repurchase Agreement.

Effective June 1, 2002, we sold our West Coast refined products marketing operations to Trammo Petroleum Inc. The sales price was not significant.

Effective June 30, 2001, we sold our West Coast crude oil gathering and blending operations to Pacific Marketing and Transportation LLC ("Pacific") for \$14.3 million. We could have been required to repay up to \$1.5 million of the sale price, subject to a two-year look-back provision regarding average operating results during the period July 1, 2001 through June 30, 2003. Such amount is reflected in Liabilities Subject to Compromise in the Consolidated Balance Sheet at December 31, 2002. In addition, we also provided customary indemnifications to Pacific with a maximum aggregate exposure of \$3.7 million, whose terms were due to expire between June 2002 through June 2006. In the third quarter of 2003, we negotiated a settlement and release with Pacific of all remaining obligations related to the sale for a payment of \$0.2 million.

Revenues and results of operations for the West Coast operating segment for the ten months ended December 31, 2003, the two months ended February 28, 2003, and the years ended December 31, 2002 and 2001 are shown below (in

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(in thousands). We did not allocate any interest expense to the West Coast discontinued operations for any of the periods presented below.

	SUCCESSOR COMPANY		PREDECESSOR COMPANY	
	TEN MONTHS ENDED DECEMBER 31, 2003	TWO MONTHS ENDED FEBRUARY 28, 2003	YEAR ENDED DECEMBER 31, 2002	YEAR ENDED DECEMBER 31, 2001
	(RESTATED)	(RESTATED)	(RESTATED)	(RESTATED)
Revenues.....	\$ 20,639	\$ 5,571	\$ 68,467	\$ 491,091
Income (loss) from discontinued operations.....	\$ 752	\$ 395	\$ (25,246)	\$ (4,679)

The income (loss) from the West Coast discontinued operations includes a loss on disposal of \$0.8 million for the ten months ended December 31, 2003, no gain or loss recognized for the two months ended February 28, 2003, a gain on disposal of \$0.2 million and a loss on disposal of \$1.3 million for the years ended December 31, 2002 and 2001, respectively. At December 31, 2002, we recorded an impairment charge of \$22.9 million to reflect these assets at their estimated fair values at December 31, 2002.

Discontinued Operations - Liquids Operations

Effective December 31, 2003, we sold all of our remaining natural gas liquids assets to a subsidiary of Valero Energy Corporation ("Valero") for approximately \$20 million, plus inventory value. The assets included our underground salt dome storage facility and related pipeline grid near Mont Belvieu, Texas as well as our processing facility and former methyl tertiary butyl ether ("MTBE") plant at Morgan's Point, near La Porte, Texas. Net proceeds of approximately \$15 million from the sale were used to pay down amounts outstanding under the Commodity Repurchase Agreement.

Net proceeds from the sale of approximately \$6 million were placed in escrow for ad valorem tax liabilities associated with the assets sold, reimbursement of any costs associated with potential title defects and adjustments associated with the verification of actual inventory balances sold.

In connection with the sale, we provided indemnifications to Valero for (1) title defects for a period of two years up to a maximum amount of \$2 million and (2) preclosing environmental liabilities with an indefinite term and no monetary limits. We recorded a \$1.1 million liability at December 31, 2003, reflecting the estimated fair value of these obligations.

Revenues and results of operations for the Liquids Operations for the ten months ended December 31, 2003, the two months ended February 28, 2003 and the years ended December 31, 2002 and 2001 are shown below (in thousands). We did not allocate any interest expense to the Liquids discontinued operations for any periods presented below.

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	SUCCESSOR COMPANY		PREDECESSOR COMPANY	
	TEN MONTHS ENDED DECEMBER 31, 2003 ----- (RESTATED)	TWO MONTHS ENDED FEBRUARY 28, 2003 ----- (RESTATED)	YEAR ENDED DECEMBER 31, 2002 ----- (RESTATED)	YEAR ENDED DECEMBER 31, 2001 ----- (RESTATED)
Revenues.....	\$ 128,684	\$ 40,337	\$ 212,670	\$ 48,701
Income (loss) from discontinued operations.....	\$ (30,966)	\$ 124	\$ (37,467)	\$ (11,926)

Income (loss) from the Liquids discontinued operations for the ten months ended December 31, 2003 includes a loss on disposal of \$8.4 million. At December 31, 2002, we recorded impairments of \$33.0 million and \$20.2 million related to our Mont Belvieu and Morgan's Point facilities, respectively, to reflect these assets at their estimated fair values at December 31, 2002.

During the fourth quarter of 2003, pursuant to a previously announced plan to reduce our Liquids Operations, we began to phase out our MTBE production at the Morgan's Point Facility. The decision to cease production of MTBE and end our financial exposure to the MTBE market was made after earlier attempts to sell the Liquids Operations terminated unsuccessfully. In connection with the phase out of MTBE production, we recorded charges in September 2003 for severance costs of \$1.8 million, asset impairments of \$2.8 million and the write-down of our materials and supplies inventory of \$2.3 million. The severance costs were accrued pursuant to our pre-existing severance plan in accordance with SFAS No. 112, "Employers' Accounting for Post Employment Benefits - an Amendment of FASB Statements No. 5 and 43". The impairment charges reflect adjustments to the carrying values of long-lived assets used in the MTBE manufacturing operations to reflect their fair values. The charge for materials and supplies represents an adjustment to the carrying values of inventory items to reflect their net realizable values. The market for surplus MTBE related materials and supplies has been severely impacted by recent plant shut downs.

Our Liquids Operations were originally acquired effective June 30, 2001. We paid \$117 million in cash to Enron and State Street Bank and Trust Company of Connecticut, National Association, Trustee.

Concurrently with the acquisition of the Liquids Operations, we entered into a ten-year tolling agreement for the conversion of feedstocks into products, on a take-or-pay basis ("Toll Conversion Agreement"), and a ten-year storage and transportation agreement for the use of a significant portion of the Mont Belvieu Facility and pipeline grid system, on a take-or-pay basis ("Storage Agreement"). Both agreements were with Enron Gas Liquids, Inc. ("EGLI"), a wholly-owned subsidiary of Enron, which is now in bankruptcy. Under these agreements EGLI retained all existing third party commodity, transportation and storage contracts associated with these facilities. These agreements were the principle basis for determining the desirability of the transaction and the purchase price of the Liquids assets.

As more fully explained in Note 18, on December 3, 2001, EGLI was included in Enron's bankruptcy filing. Due to the non-performance by EGLI under the Toll Conversion Agreement in late November 2001, we began to operate the Morgan's Point Facility as a merchant operation in the spot market. We were unable to enter into third party spot or term contracts for storage until the Storage Agreement was rejected by EGLI. On April 2, 2002, the Bankruptcy Court entered a stipulation and agreed order rejecting the Toll Conversion and Storage Agreements (the "Stipulation"), which order became final and non-appealable on April 12, 2002. Rejection of the Storage Agreement with EGLI resulted in the loss of the buyer of the fixed throughput and storage capacity at the Mont Belvieu Facility. However, the rejection allowed us to directly seek new customers and pursue long-term contracts for the Mont Belvieu Facility to replace the long-term and continuous stream of revenue we expected under the Storage Agreement with EGLI. As a result of EGLI's non-performance under these contracts, we recorded a \$29.1 million impairment in the fourth quarter of 2001.

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Sales of Other Assets

On October 1, 2003, we sold certain crude oil marketing and transportation assets in the Arkansas, Louisiana and Texas ("ArkLaTex") area to Plains Marketing L.P. and Plains All American Pipeline, L.P., a wholly owned subsidiary of Plains Resources, Inc. The sales price for these assets, including linefill, was approximately \$17 million. Subsequent to closing, \$16.2 million of the net proceeds from the sale were used to pay down amounts outstanding under the Commodity Repurchase Agreement. The gain on the sale of these assets was \$11.7 million. The long-lived assets disposed of were historically presented in the North American Crude Oil and Pipeline Operations operating segments.

In the fourth quarter of 2003, we entered into a Crude Oil Joint Marketing Agreement with ChevronTexaco Global Trading, a division of Chevron U.S.A. Inc. ("ChevronTexaco"). The agreement was effective January 1, 2004 with a term of 10 years. Under the agreement, ChevronTexaco will market all of the Company's lease crude oil in West Texas and Eastern New Mexico, with the Company handling the transportation of the crude oil and related administrative functions. The agreement contains various performance factors which must be met in order for the agreement to remain in effect for the full term of the agreement and if ChevronTexaco does not achieve certain performance targets during the first year of the agreement, we have agreed to economic adjustments not to exceed \$1 million. In addition, if this agreement is terminated prior to January, 2006, as a result of us (1) divesting all or substantially all of our assets within the West Texas and New Mexico area or (2) seeking the protection of bankruptcy and are no longer able to perform our obligations under this agreement, then we will owe ChevronTexaco a \$1 million termination payment. No assets were sold pursuant to this agreement, with the exception of linefill. In December 2003, the Company sold approximately 370,000 barrels of linefill held in West Texas and New Mexico to ChevronTexaco for approximately \$10 million. The Company recognized a gain of approximately \$2.6 million related to the sale, which gain has been deferred (included in Other Long-Term Liabilities on the Consolidated Balance Sheet), as the agreement contains mandatory obligations for the Company to repurchase the linefill from ChevronTexaco in the event that the agreement is terminated within the first five years.

9. CHANGE IN ESTIMATE OF CRUDE OIL LINEFILL

Measuring the physical volumes of crude oil linefill in certain of the pipelines we operate in the West Texas and New Mexico area is inherently difficult. Because these pipelines are operated under very little pressure, unlike the vast majority of our other pipelines, we cannot use traditional engineering based methods to estimate the physical volumes in the system but instead have utilized certain operational assumptions and topographical information which take into consideration the measurement limitations.

As a part of our pipeline integrity management program, we are in the process of removing from service various pipelines we operate in this area, some of which were acquired from Texas-New Mexico Pipe Line Company in 1999. The actual physical volume of crude oil linefill we removed from the line we took out of service during the third quarter of 2003 was less than our estimate of linefill volume for the applicable pipeline. Following this discovery, we initiated a thorough review of our estimates for all of our pipelines which are operated under very little pressure. We also engaged the services of a third party consultant to review our methodology of estimating linefill volumes. After completing this review, we revised downward our estimates of the physical volume of crude oil linefill in certain of our pipelines by approximately 170,000 barrels. As a result, we recorded a charge of \$4.6 million to reflect our change in estimate of physical linefill volumes based on September 30, 2003 market prices. The charge was recorded in cost of sales in the Consolidated Statements of Operations.

We currently estimate that we will complete the program to remove these pipelines from service in the first half of 2004. The amount of crude oil linefill we ultimately remove from the affected pipelines could differ materially from our current estimates. Therefore, additional charges could be required in the near term.

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10. RESTATEMENT OF FINANCIAL RESULTS.

As reported in our initial Annual Report on Form 10-K for 2003, we identified control deficiencies with inventory and accounts payable reconciliation procedures in our pipelines and liquids operations. In order to address these issues, we designed and implemented additional procedures to provide reasonable assurance that these control deficiencies did not lead to a further misstatement in our consolidated financial statements. Related to this matter, we originally recorded charges in the third and fourth quarter of 2003 of \$1.8 million and \$0.9 million, respectively.

We are restating prior year financial results to reflect the inventory and accounts payable reconciliation adjustments in prior periods. The restatement results in a decrease in our net loss for the ten months ended December 31, 2003 of \$0.9 million, an increase in our net income for the two months ended February 28, 2003 of \$0.9 million, and an increase in our net loss for the years ended December 31, 2002 and 2001 of \$1.5 million and \$0.3 million respectively.

A summary of the effects of the restatement on reported amounts for the ten months ended December 31, 2003, the two months ended February 28, 2003, and the years ended December 31, 2002 and 2001 are presented below. The effects on reported amounts for the quarterly periods in the years 2003 and 2002 are presented in Note 22. (Amounts in thousands, except per share amounts).

	SUCCESSOR COMPANY		PREDECESSOR COMPANY	
	TEN MONTHS ENDED DECEMBER 31, 2003	TWO MONTHS ENDED FEBRUARY 28, 2003	YEAR ENDED DECEMBER 31, 2002	YEAR ENDED DECEMBER 31, 2001
REVENUE				
As Reported	\$ 152,678	\$ 31,979	\$ 182,942	\$ 250,573
As Restated	153,033	31,635	182,932	250,571
GROSS PROFIT				
As Reported	41,440	9,681	37,558	81,902
As Restated	41,929	9,971	37,030	81,651
OPERATING INCOME				
As Reported	9,326	2,324	(27,067)	34,860
As Restated	9,815	2,614	(27,595)	34,609
NET INCOME (LOSS)				
As Reported	(53,829)	60,267	(101,731)	(15,233)
As Restated	(52,915)	61,127	(103,254)	(15,484)
DILUTED EARNINGS (LOSS) PER UNIT				
As Reported	(4.37)	0.08	(1.07)	(0.54)
As Restated	(4.29)	0.10	(1.08)	(0.55)

11. CAPITAL

As part of the Restructuring Plan, EOTT's common units, subordinated units and additional partnership interests were canceled and 14,475,321 new limited liability company units ("LLC units") were authorized. Holders of common units received 369,520 LLC units and 957,981 warrants to purchase additional LLC units. The warrants have a five-year term, a strike price of \$12.50, are exercisable after June 30, 2003 and had an estimated fair value of \$0.01 per warrant as of the effective date of the Restructuring Plan. Holders of EOTT's former 11% senior notes and general unsecured creditors with allowed claims received a pro rata allocation of 11,947,820 LLC units. The Bank of New York, the depository agent, distributed approximately 90% of the LLC units in August 2003 and the final allocation of

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units was completed in December 2003. Additionally, 1.2 million LLC units were reserved for a management incentive plan for issuance to certain key employees and directors. See further discussion in Note 19.

The following is a rollforward of LLC units and warrants outstanding:

	Common Units	Subordinated Units	LLC Units	Warrants
	-----	-----	-----	-----
Units Outstanding at December 31, 2002.....	18,476,011	9,000,000	-	-
Units Cancelled in Connection with Restructuring Plan..	(18,476,011)	(9,000,000)	-	-
Issuance of New LLC Units and Warrants.....	-	-	12,317,340	957,981
	-----	-----	-----	-----
LLC Units and Warrants Outstanding as of February 28, 2003.....	-	-	12,317,340	957,981
	-----	-----	-----	-----
Exercise of Warrants.....	-	-	35,549	(35,549)
Restricted Units Outstanding.....	-	-	830,000	-
	-----	-----	-----	-----
LLC Units and Warrants Outstanding at December 31, 2003	-	-	13,182,889	922,432
	=====	=====	=====	=====

The LLC units and the warrants were issued pursuant to an exemption from the registration requirements of the Securities Act of 1933, as amended and applicable state law, pursuant to the exemptions afforded under Section 1145, Title 11 of the U.S. Bankruptcy Code. The LLC units and the warrants have been registered pursuant to the Securities Exchange Act of 1934, as amended (the "Exchange Act") pursuant to Section 12(g) and we are therefore a reporting company under the Exchange Act. Neither the LLC units nor the warrants are traded on any national exchange or pursuant to an automated quotation system administered by the National Association of Securities Dealers, Inc. ("NASD").

The LLC units issued pursuant to the Restructuring Plan are subject to the terms of a Registration Rights Agreement effective March 1, 2003 (the "Registration Rights Agreement"). Following completion of the audit of our financial statements for the year ending December 31, 2003, any holders of 10% or more of the securities eligible for registration under the terms of the Registration Rights Agreement will be entitled to demand registration of their LLC units, subject to certain conditions. The Registration Rights Agreement also provides for customary piggyback registration rights entitling holders of LLC units to include their units in any registration in which we may engage, subject to certain conditions. We will be required to pay all registration expenses in connection with any such registrations.

The LLC units are subject to the terms of an LLC Agreement, which currently, among other things, restricts the issuance of additional equity interests in Link without the approval of holders of at least two-thirds of the outstanding units.

12. EARNINGS PER UNIT

Basic earnings per unit include the weighted average impact of outstanding units (i.e., it excludes unit equivalents). Diluted earnings per unit consider the impact of all potentially dilutive securities.

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Successor Company

Basic and diluted net loss per unit for the Successor Company were \$4.29 for the ten months ended December 31, 2003. Outstanding stock warrants and contingently issuable restricted units were determined to be antidilutive and are not included in the computation of fully diluted earnings per unit. Basic and diluted net loss per unit from continuing operations were \$1.84 for the ten months ended December 31, 2003. Basic and diluted net loss per unit from discontinued operations were \$2.45 for the ten months ended December 31, 2003.

Predecessor Company

Total and per unit information related to income (loss) from continuing operations, discontinued operations, the cumulative effect of an accounting change and net income (loss) for the Predecessor Company is shown in the tables below. All amounts exclude amounts allocated to the General Partner (in thousands, except per unit amounts):

Two Months Ended February 28, 2003 (Restated)

	Basic (1)					
	Common		Subordinated		Diluted (2)	
	Income (Loss)	Per Unit	Income (Loss)	Per Unit	Income (Loss)	Per Unit
Income (Loss) from Continuing Operations.....	\$ 2,133	\$ 0.11	\$ -	\$ -	\$ 2,133	\$ 0.08
Income (Loss) from Discontinued Operations(3)..	519	0.03	-	-	519	0.02
Cumulative Effect of Accounting Changes(4).....	-	-	-	-	-	-
Net Income (Loss).....	<u>\$ 2,652</u>	<u>\$ 0.14</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,652</u>	<u>\$ 0.10</u>
Weighted Average Units Outstanding.....		<u>18,476</u>		<u>9,000</u>		<u>27,476</u>

Year Ended December 31, 2002 (Restated)

	Basic (1)					
	Common		Subordinated		Diluted (2)	
	Income (Loss)	Per Unit	Income (Loss)	Per Unit	Income (Loss)	Per Unit
Income (Loss) from Continuing Operations.....	\$ (1,017)	\$ (0.06)	\$ (29,074)	\$ (3.23)	\$ (30,091)	\$ (1.10)
Income (Loss) from Discontinued Operations (3)....	464	0.03	-	-	464	0.02
Net Income (Loss).....	<u>\$ (553)</u>	<u>\$ (0.03)</u>	<u>\$ (29,074)</u>	<u>\$ (3.23)</u>	<u>\$ (29,627)</u>	<u>\$ (1.08)</u>
Weighted Average Units Outstanding.....		<u>18,476</u>		<u>9,000</u>		<u>27,476</u>

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Year Ended December 31, 2001 (Restated)

	Basic (1)					
	Common		Subordinated		Diluted (2)	
	Income (Loss)	Per Unit	Income (Loss)	Per Unit	Income (Loss)	Per Unit
Income (Loss) from Continuing Operations	\$ 31	\$ -	\$ 14	\$ -	\$ 45	\$ -
Income (Loss) from Discontinued Operations (3) ..	(10,945)	(0.59)	(5,331)	(0.59)	(16,276)	(0.59)
Cumulative Effect of Accounting Changes	707	0.04	344	0.04	1,051	0.04
Net Income (Loss)	<u>\$ (10,207)</u>	<u>\$ (0.55)</u>	<u>\$ (4,973)</u>	<u>\$ (0.55)</u>	<u>\$ (15,180)</u>	<u>\$ (0.55)</u>
Weighted Average Units Outstanding		18,476		9,000		27,476

(1) Net income (loss), excluding the approximate two percent General Partner interest, has been apportioned to each class of unitholder based on the ownership of total units outstanding in accordance with the MLP's Partnership Agreement. Net losses are not allocated to the common and subordinated unitholders to the extent that such allocations would cause a deficit capital account balance or increase any existing deficit capital account balance. Any remaining losses are allocated to the General Partner as a result of the balances in the capital accounts of the common and subordinated unitholders. Effective with the third quarter of 2002, all losses were being allocated to the General Partner. The disproportionate allocation of 2002 net losses among the unitholders and the General Partner was recouped during the two months ended February 28, 2003.

(2) The diluted earnings (loss) per unit calculation assumes the conversion of subordinated units into common units.

(3) Earnings (loss) per unit from discontinued operations has been determined based on the difference between the amount of net income (loss) allocated to each class of unitholder and the amount of income (loss) from continuing operations allocated to each class of unitholder. Earnings (loss) per unit for the two months ended February 28, 2003, have been impacted by the disproportionate allocation of income and loss discussed above.

(4) The cumulative effect of accounting changes was allocated to the General Partner and subsequently recouped by the General Partner during the two months ended February 28, 2003.

13. OPERATING REVENUES

In connection with adopting EITF Issue 02-03, revenues and cost of sales related to our crude oil marketing and trading activities have been presented on a net basis. Gross revenues and purchase costs that have been netted are as follows (in thousands):

	SUCCESSOR COMPANY	PREDECESSOR COMPANY	
	TEN MONTHS ENDED DECEMBER 31, 2003	TWO MONTHS ENDED FEBRUARY 28, 2003	YEAR ENDED DECEMBER 31, 2002 2001
	(RESTATED)	(RESTATED)	(RESTATED) (RESTATED)
Gross revenue	\$ 4,260,719	\$ 831,187	\$4,541,591 \$8,081,536
Purchase costs reclassified	4,124,451	803,974	4,386,983 7,854,972
Operating revenues for marketing and trading operations, net	136,268	27,213	154,608 226,564
Gross revenue from other operations	16,765	4,422	28,324 24,007
Operating revenue	<u>\$ 153,033</u>	<u>\$ 31,635</u>	<u>\$ 182,932</u> <u>\$ 250,571</u>

Consistent with standard crude oil industry practice, we utilize "buy/sell" contracts to facilitate our delivery obligations and to limit our overall risk. We utilize buy/sell contracts to price the relative values of crude oil that we seek to exchange between locations. The economic objective is to exchange one barrel of crude oil for another barrel of crude oil that has a different attribute such as, but not limited to, quality, location or delivery period. The primary objective of

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pricing both sides of a buy/sell contract at prices reflective of the crude oil's relative values is to allow for volume variances which occur between the estimated scheduled volumes and actual deliveries. If all volumes on these crude oil purchase contracts were exactly as forecast each month, such contracts could be handled by exchange contracts, with simply a location and quality differential. However, volumes are frequently (almost always in the case of lease production) different than scheduled. Both parties to the transaction are protected against volume variances by using the current month's market price for each grade, location or delivery period associated with the different barrels of crude oil.

The following amounts have been recorded for buy/sell contracts in Operating Revenue in the Consolidated Statements of Operations (in millions):

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	SUCCESSOR COMPANY	PREDECESSOR COMPANY		
	TEN MONTHS ENDED DECEMBER 31, 2003	TWO MONTHS ENDED FEBRUARY 28, 2003	YEAR ENDED 2002	YEAR ENDED DECEMBER 31, 2001
Gross revenues	\$ 2,735	\$ 502	\$ 2,568	\$ 5,075
Purchase costs	2,625	481	2,474	5,013
Net operating revenue	\$ 110	\$ 21	\$ 94	\$ 62

14. OTHER (INCOME) EXPENSE.

The components of other (income) expense are as follows (in thousands):

	SUCCESSOR COMPANY	PREDECESSOR COMPANY		
	TEN MONTHS ENDED DECEMBER 31, 2003	TWO MONTHS ENDED FEBRUARY 28, 2003	YEAR ENDED 2002	YEAR ENDED DECEMBER 31, 2001
(Gain) loss on disposal of fixed assets	\$ (11,885)	\$ -	\$ 1,184	\$ (1,108)
Litigation settlements and provisions	(1,171)	-	7,970	528
Gain on sale of NYMEX seats	-	-	(1,297)	-
Other income	(811)	(8)	(1,147)	(512)
Total	\$ (13,867)	\$ (8)	\$ 6,710	\$ (1,092)

15. COMMITMENTS AND CONTINGENCIES

Operating Leases. We lease certain real property, equipment, and operating facilities under various operating leases. Future non-cancelable commitments related to these items at December 31, 2003, are as follows (in millions): years ending December 31, 2004 - \$5.3; 2005 - \$4.2; 2006 - \$3.3; 2007 - \$1.0; 2008 - \$0.3; thereafter - \$0.4.

Total lease expense incurred was \$5.9 million for the ten months ended December 31, 2003, \$1.2 million for the two months ended February 28, 2003 and \$7.7 million and \$8.3 million for the years ended December 31, 2002 and 2001, respectively.

Indemnities. In November 2002, the Financial Accounting Standards Board ("FASB") issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" ("FIN 45"). FIN 45 requires disclosures to be made by a guarantor in its financial statements about its obligations under certain guarantees it has issued and that a guarantor recognize, at the inception of a guarantee, a liability for the fair value of the obligation under the guarantee. We are a party to various contracts entered into in the ordinary course of business that contain indemnity provisions. Our obligations under the indemnities are contingent upon the occurrence of events or circumstances specified in the contracts. No such events or circumstances have occurred to date and we do not consider our liability under the indemnities to be material to our financial position or results of operations.

Litigation. We are, in the ordinary course of business, a defendant in various lawsuits, some of which are covered in whole or in part by insurance. We believe that the ultimate resolution of litigation, individually and in the aggregate, will not have a materially adverse impact on our financial position or results of operations. Several litigation claims were settled during the course of the bankruptcy proceedings or are still being negotiated post confirmation. How each matter was or is being handled is set forth in the summary of each case below. For matters where the parties negotiated a settlement during our bankruptcy proceedings, the settlement amount was recorded at December 31, 2002 as an allowed

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general unsecured claim in "Other Income (Expense)" in our Consolidated Statement of Operations. In connection with our Restructuring Plan, general unsecured creditors with allowed claims received a pro rata share of \$104 million of 9% senior unsecured notes and a pro rata share of 11,947,820 Link LLC units. See further discussion in Notes 4 and 11. Prior to and since the commencement of our bankruptcy proceedings, various legal actions arose in the ordinary course of business, of which the significant actions are discussed below.

John H. Roam, et al. vs. Texas-New Mexico Pipe Line Company and EOTT Energy Pipeline Limited Partnership, Cause No. CV43296, In the District Court of Midland County, Texas, 238th Judicial District (Kniffen Estates Suit). The Kniffen Estates Suit was filed on March 2, 2001, by certain residents of the Kniffen Estates, a residential subdivision located outside of Midland, Texas. The allegations in the petition state that free crude oil products were discovered in water wells in the Kniffen Estates area, on or about October 3, 2000. The plaintiffs claim that the crude oil products are from a 1992 release from a pipeline then owned by the Texas-New Mexico Pipe Line Company ("Tex-New Mex"). We purchased that pipeline from Tex-New Mex in 1999. The plaintiffs have alleged that Tex-New Mex was negligent, grossly negligent, and malicious in failing to accurately report and remediate the spill. With respect to us, the plaintiffs were seeking damages arising from any contamination of the soil or groundwater since we acquired the pipeline in question. No specific amount of money damages was claimed in the Kniffen Estates Suit, but the plaintiffs did file proofs of claim in our bankruptcy proceeding totaling \$62 million. In response to the Kniffen Estates Suit, we filed a cross-claim against Tex-New Mex. In the cross-claim, we claimed that, in relation to the matters alleged by the plaintiffs, Tex-New Mex breached the Purchase and Sale Agreement between the parties dated May 1, 1999, by failing to disclose the 1992 release and by failing to undertake the defense and handling of the toxic tort claims, fair market value claims, and remediation claims arising from the release. On April 5, 2002, we filed an amended cross-claim which alleged that Tex-New Mex defrauded us as part of Tex-New Mex's sale of the pipeline systems to us in 1999. The amended cross-claim also alleged that various practices employed by Tex-New Mex in the operation of its pipelines constituted gross negligence and willful misconduct and voided our obligation to indemnify Tex-New Mex for remediation of releases that occurred prior to May 1, 1999. In the Purchase and Sale Agreement, we agreed to indemnify Tex-New Mex only for certain remediation obligations that arose before May 1, 1999, unless these obligations were the result of the gross negligence or willful misconduct of Tex-New Mex prior to May 1, 1999. EOTT Energy Pipeline Limited Partnership ("PLP") and the plaintiffs agreed to a settlement during our bankruptcy proceedings. The settlement provides for the plaintiffs' release of their claims filed against PLP in this proceeding and in the bankruptcy proceedings, in exchange for an allowed general unsecured claim in our bankruptcy of \$3,252,800 (as described above, the plaintiffs filed proofs of claim in our bankruptcy proceedings totaling \$62 million). The allowed general unsecured claim was accrued at December 31, 2002. On April 1, 2003, we filed a second amended cross-claim in this matter. In addition to the claims filed in the previous cross-claims, we requested (i) injunctive relief for Tex-New Mex's refusal to honor its indemnity obligations; (ii) injunctive relief requiring Tex-New Mex to identify, investigate and remediate sites where the conduct alleged in our cross-claim occurred; and (iii) restitution damages of over \$125,000,000. Tex-New Mex filed a motion to compel arbitration of these issues. The motion to compel arbitration was denied at a hearing held on April 11, 2003. At the April 11, 2003 hearing, the court also severed into a separate action EOTT's cross-claims against Tex-New Mex that extend beyond the crude oil release and groundwater contamination in the Kniffen Estates subdivision ("EOTT's Over-Arching Claim"). Developments in EOTT's Over-Arching Claim are described immediately below. Prior to the trial of the plaintiff's claims against Tex-New Mex and EOTT's original cross-claim against Tex-New Mex arising from the crude oil release and groundwater contamination in the Kniffen Estates subdivision ("EOTT's Kniffen Claims"), Tex-New Mex reached a settlement with the plaintiffs that provided for the release of the plaintiffs' claims. The trial of EOTT's Kniffen Claims commenced on June 16, 2003, and the jury returned its verdict on July 2, 2003. The jury found that Tex-New Mex's gross negligence and willful misconduct caused the contamination in the Kniffen Estates. The jury also found that Tex-New Mex committed fraud against us with respect to the Kniffen Estates site. The jury awarded us actual damages equal to the expenses we have incurred to date in remediating the Kniffen Estates site (approximately \$6.1 million) and punitive damages in the amount of \$50 million. On November 28, 2003, the court entered an amended judgment based on the jury verdict. The final judgment provides for the award to us of (i) actual damages in the amount of \$7,701,938, (ii) attorney's fees in the amount of \$1,400,000, (iii) prejudgment interest in the amount of \$1,044,509 and (iv) punitive damages in the amount of \$18,203,876. The punitive damages were reduced

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from the jury's award of \$50 million in accordance with Texas' statutory caps on punitive damages awards. The final judgment also contains a finding that Tex-New Mex is obligated to indemnify us for future remediation costs incurred at the Kniffen Estates site. Tex-New Mex filed a motion for new trial that was overruled by operation of law on February 11, 2004. Tex-New Mex has indicated its intent to appeal the amended judgment by posting a supersedeas bond in the amount of \$10,665,419 on February 12, 2004. We cannot predict the outcome of Tex-New Mex's appellate efforts.

EOTT Energy Operating Limited Partnership vs. Texas-New Mexico Pipeline Company, Cause No. CV-44, 099, In the District Court of Midland County, Texas, 238th Judicial District ("EOTT's Over-Arching Claim"). As described above, the claims in this lawsuit were severed from EOTT's Kniffen Claims on April 11, 2003. In this lawsuit, we allege that various practices employed by Tex-New Mex in the operation of its pipelines and handling of spills constitute gross negligence and willful misconduct, thus triggering Tex-New Mex's obligation to indemnify us for remediation of releases where such practices ("Non-Remediation Practices") were employed. In addition to damages, we are seeking (a) injunctive relief requiring Tex-New Mex to honor its indemnity obligations under the Purchase and Sale Agreement and (b) injunctive relief requiring Tex-New Mex to identify, investigate, and remediate sites where Tex-New Mex employed the Non-Remediation Practices. Discovery opened in EOTT's Over-Arching Claim on December 1, 2003. The court conducted a scheduling conference for this case on January 12, 2004, and set a trial date of September 19, 2005. On March 3, 2004, we amended our petition to specifically list more than 200 contamination sites where Tex-New Mex employed the Non-Remediation Practices.

Bankruptcy Issues related to Claims Made by Texas-New Mexico Pipeline Company and its affiliates. Tex-New Mex, Shell Oil Company ("Shell") and Equilon filed proofs of claim in our bankruptcy, each filing similar claims in the amount of \$112 million. In July of 2003, we entered into an agreement with Shell, Tex-New Mex and Equilon whereby all of their claims were either withdrawn, estimated or allowed, leaving the value of the claims estimated for distribution purposes at \$56,924.52. We are currently working to fully resolve these claims in the bankruptcy claims resolution process.

Jimmie T. Cooper and Betty P. Cooper vs. Texas-New Mexico Pipeline Company, Inc., EOTT Energy Pipeline Limited Partnership, and EOTT Energy Corp., Case No. CIV-03-0035 JB/LAM, In the United States District Court for the District of New Mexico. This lawsuit was filed on October 1, 2002. The plaintiffs in this lawsuit are surface interest owners of certain property located in Lea County, New Mexico. The plaintiffs alleged that aquifers underlying their property and water wells located on their property were contaminated as a result of spills and leaks from a pipeline running across their property that is or was owned by Tex-New Mex and us. The plaintiffs did not specify when the alleged spills and leaks occurred. The plaintiffs are seeking payment of costs that would be incurred in investigating and remediating the alleged crude oil releases and replacing water supplies from aquifers that had allegedly been contaminated. The plaintiffs sought damages in an unspecified amount arising from the plaintiffs' alleged fear of exposure to carcinogens and the alleged interference with the plaintiffs' quiet enjoyment of their property. The plaintiffs are also seeking an unspecified amount of punitive damages. EOTT and the plaintiffs agreed to the terms of a settlement, whereby the plaintiffs agreed to release their claims against us and received an allowed general unsecured claim in our bankruptcy in the amount of \$1,027,000. The allowed general unsecured claim was accrued at December 31, 2002. The settlement documents have been finalized. On October 21, 2003, the plaintiffs filed a motion seeking our dismissal from this lawsuit. Tex-New Mex opposed this motion, and on October 31, 2003, Tex-New Mex filed a motion for leave to file a cross-claim against us. In the proposed cross-claim, Tex-New Mex is seeking a declaratory judgment finding that we are contractually obligated to indemnify Tex-New Mex for all costs Tex-New Mex has incurred or will incur related to the defense of the plaintiffs' claims in this lawsuit. The proposed cross-claim also alleges that we failed to assume Tex-New Mex's defense of this lawsuit and failed to indemnify Tex-New Mex for the expenses Tex-New Mex has incurred in this lawsuit, and that such actions by us constitute a breach of the Purchase and Sale Agreement governing Tex-New Mex's sale of the subject pipeline to us. On December 4, 2003, we filed a motion in our bankruptcy proceeding seeking a determination that Tex-New Mex's proposed cross-claim had been waived, barred, and discharged in our bankruptcy proceeding. A hearing on that motion (the "Zero Claim Motion") was held on February 18, 2004 and the bankruptcy court took the Zero Claim Motion under advisement. We have asked the court to delay ruling on Tex-New Mex's

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motion for leave to file cross-claim until the bankruptcy court rules on our Zero Claim Motion. At the settlement conference held on February 27, 2004, the plaintiffs and Tex-New Mex reached a settlement. Tex-New Mex has agreed to pay the plaintiffs \$1,350,000 for a release of the plaintiffs' claims.

In re EOTT Energy Partners, L.P., Case No. 02-21730, EOTT Energy Finance Corp., Case No. 02-21731, EOTT Energy General Partner, L.L.C., Case No. 02-21732, EOTT Energy Operating Limited Partnership, Case No. 02-21733, EOTT Energy Canada Limited Partnership, Case No. 02-21734, EOTT Energy Liquids, L.P., Case No. 02-21736, EOTT Energy Corp., Case No. 02-21788, Debtors (Jointly Administered under Case No. 02-21730), In the United States Bankruptcy Court for the Southern District of Texas, Corpus Christi Division. On October 8, 2002, we and all of our subsidiaries filed voluntary petitions for relief under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the Southern District of Texas (the "EOTT Bankruptcy Court") to facilitate reorganization of our business and financial affairs for the benefit of us, our creditors and other interested parties. Additionally, the General Partner filed its voluntary petition for reorganization under Chapter 11 on October 21, 2002 in the EOTT Bankruptcy Court. Our Restructuring Plan was confirmed on February 18, 2003 and became effective on March 1, 2003. The provisions of the Restructuring Plan are further described in Note 5. Shell and Tex-New Mex filed a notice of appeal to our plan confirmation on February 24, 2003. A hearing on the appeal was held in the District Court on August 19, 2003, where the judge ruled the appeal was moot. The ruling became final on October 24, 2003. The bankruptcy remains open while we resolve all of the outstanding claims. We expect to close the bankruptcy in early 2004.

EPA Section 308 Request. In July 2001, Enron received a request for information from the Environmental Protection Agency ("EPA") under Section 308 of the Clean Water Act, requesting information regarding certain spills and releases from oil pipelines owned or operated by Enron and its affiliated companies for the time period July 1, 1998 to July 11, 2001. Enron responded in January of 2002 to the EPA's Section 308 request in its capacity as the operator of the pipelines actually owned by us and on our behalf. Under the terms of the Enron Settlement Agreement dated October 8, 2002, we would be required to indemnify EOTT Energy Corp., as the prior general partner, and its affiliates including Enron Pipeline Services Company, with regard to any environmental remediation, except for claims of gross negligence and willful misconduct. While we cannot predict the outcome of the EPA's Section 308 request, the EPA could seek to impose liability for environmental cleanup on us with respect to the matters being reviewed. The outcome of the EPA Section 308 request is not yet known, and we are unaware of any potential liability of Enron, its affiliates, or us. It is possible that our bankruptcy proceedings did not relieve us from certain potential environmental remediation liability.

Environmental. We are subject to extensive federal, state and local laws and regulations covering the discharge of materials into the environment, or otherwise relating to the protection of the environment, and which require expenditures for remediation at various operating facilities and waste disposal sites, as well as expenditures in connection with the construction of new facilities. At the federal level, such laws include, among others, the Clean Air Act, the Clean Water Act, the Oil Pollution Act, the Resource Conservation and Recovery Act, the Comprehensive Environmental Response, Compensation and Liability Act, and the National Environmental Policy Act, as each may be amended from time to time. Failure to comply with these laws and regulations may result in the assessment of administrative, civil, and criminal penalties or the imposition of injunctive relief.

Prior to the sale of our Liquids Operations discussed further in Note 8, we produced MTBE at our Morgan's Point Facility. MTBE is used as an additive in gasoline. Due to health concerns around MTBE, there have been lawsuits filed against companies involved in the production of MTBE. We have not been named in any such actions, nor do we anticipate being included in any such actions. However, we can provide no assurances that we may not be included in such actions due to our past production of MTBE.

In 2001, expenses incurred for spill clean up and remediation costs related to the assets purchased from Tex-New Mex increased significantly. Based on our experience with these assets, we filed an amended cross-claim against Tex-New Mex alleging contingent claims for potential remediation issues not yet known to us. We allege that Tex-New Mex failed to report spills, underreported spills, failed to properly respond to leaks in the pipeline and engaged in other

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activities with regard to the pipeline that may result in future remediation liabilities. We obtained \$20 million in insurance coverage in connection with the acquisition from Tex-New Mex believing that amount would be sufficient to cover our remediation requirements along the pipeline for a ten-year period. However, after four years into the term of the insurance policy, we have made claims in excess of the amount of insurance coverage.

In addition to costs associated with the assets acquired from Tex-New Mex, we have also incurred spill clean up and remediation costs in connection with other properties we own in various locations throughout the United States. We also have insurance covering clean up and remediation costs that may be incurred in connection with properties not acquired from Tex-New Mex. However, no assurance can be given that the insurance will be adequate to cover any such cleanup and remediation costs.

The following are summaries of environmental remediation expense, estimated environmental liabilities, and amounts receivable under insurance policies for the indicated periods (in thousands):

	SUCCESSOR COMPANY	PREDECESSOR COMPANY		
	TEN MONTHS ENDED DECEMBER 31, 2003	TWO MONTHS ENDED FEBRUARY 28, 2003	TWELVE MONTHS ENDED DECEMBER 31, 2002	TWELVE MONTHS ENDED DECEMBER 31, 2001
Remediation expense	\$ 9,107	\$ 1,979	\$ 14,819	\$ 25,372
Estimated insurance recoveries	(1,325)	(79)	(1,316)	(13,576)
Net remediation expense	<u>\$ 7,782</u>	<u>\$ 1,900</u>	<u>\$ 13,503</u>	<u>\$ 11,796</u>

	SUCCESSOR COMPANY	PREDECESSOR COMPANY	
	TEN MONTHS ENDED DECEMBER 31, 2003	TWO MONTHS ENDED FEBRUARY 28, 2003	YEAR ENDED DECEMBER 31, 2002
Environmental liability at beginning of period ...	\$ 13,440	\$ 13,440	\$ 12,075
Remediation expense	9,107	1,979	14,819
Cash expenditures	(10,331)	(1,979)	(13,454)
Environmental liability at end of period	<u>\$ 12,216</u>	<u>\$ 13,440</u>	<u>\$ 13,440</u>

	SUCCESSOR COMPANY	PREDECESSOR COMPANY	
	TEN MONTHS ENDED DECEMBER 31, 2003	TWO MONTHS ENDED FEBRUARY 28, 2003	YEAR ENDED DECEMBER 31, 2002
Environmental insurance receivable at beginning of period	\$ 8,837	\$ 8,803	\$ 14,344
Estimated recoveries	1,325	79	1,316
Cash receipts	(7,073)	(45)	(6,857)
Environmental insurance receivable at end of period	<u>\$ 3,089</u>	<u>\$ 8,837</u>	<u>\$ 8,803</u>

The environmental liability was classified in Other Current (\$6.4 million) and Other Long-Term Liabilities (\$5.8 million) and the insurance receivable was classified in Trade and Other Receivables (\$2.5 million) and Other Assets (\$0.5 million) at December 31, 2003.

We may experience future releases of crude oil into the environment or discover releases that were previously unidentified. While an inspection program is maintained on our pipelines to prevent and detect such releases, and operational safeguards and contingency plans are in place for the operation of our processing facilities, damages and liabilities incurred due to any future environmental releases could affect our business. We believe that our operations and facilities are in substantial compliance with applicable environmental laws and regulations and that there are no

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outstanding potential liabilities or claims relating to safety and environmental matters of which we are currently aware, the resolution of which, individually or in the aggregate, would have a materially adverse effect on our financial position or results of operations. However, we could be significantly adversely impacted by additional repair or remediation costs related to the pipeline assets we acquired from Tex-New Mex if the need for any additional repairs or remediation arises and we do not obtain reimbursement for any such costs as a result of the pending litigation concerning those assets. Our environmental expenditures include amounts spent on permitting, compliance and response plans, monitoring and spill cleanup and other remediation costs. In addition, we could be required to spend substantial sums to ensure the integrity of our pipeline systems, and in some cases, we may take pipelines out of service if we believe the costs of upgrades will exceed the value of the pipelines.

No assurance can be given as to the amount or timing of future expenditures for environmental remediation or compliance, and actual future expenditures may be different from the amounts currently estimated. In the event of future increases in costs, we may be unable to pass on those increases to our customers.

Tax Status

For information regarding our continued qualification as a partnership for federal income tax purposes, see Note 1.

16. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair Value. Fair value represents the amount at which a financial instrument could be exchanged in a current transaction between willing parties. We have determined the estimated fair value amounts using available market data and valuation methodologies. Judgment is required in interpreting market data and the use of different market assumptions or estimation methodologies may affect the estimated fair value amounts.

As of December 31, 2003 and 2002, the carrying amounts of items comprising current assets and current liabilities approximate fair value due to the short-term maturities of these instruments. The carrying amounts of the variable rate instruments in our credit facilities approximate fair value because the interest rates fluctuate with prevailing market rates. The carrying amount of our derivative instruments and energy trading activities approximate fair value as these contracts are recorded on the balance sheet at their fair value.

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The carrying amount and fair values of our financial instruments are as follows (in millions):

	SUCCESSOR COMPANY DECEMBER 31, 2003		PREDECESSOR COMPANY DECEMBER 31, 2002	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
NYMEX futures.....	\$ -	\$ -	\$ 0.2	\$ 0.2
Forward contracts.....	\$ 0.5	\$ 0.5	\$ (1.0)	\$ (1.0)
Short-term debt.....	\$ 45.0	\$ 45.0	\$ 125.0	\$ 125.0
Term loans.....	\$ 75.0	\$ 75.0	\$ 75.0	\$ 75.0
Enron Note.....	\$ 6.4	\$ 6.5	\$ 6.2	\$ 7.2
Long-term				
9% Notes.....	\$ 104.5	\$ 101.4	\$ 6.2	\$ 7.2
11% Notes.....	\$ -	\$ -	\$ 235.0	\$ N/A
Long-term debt - other.....	\$ 2.3	\$ 2.4	\$ 2.7	\$ 2.4

As of December 31, 2002, it was not practicable to determine the fair value of our 11% senior unsecured notes since we were not yet able to determine the fair value of the consideration the senior unsecured noteholders would receive under the Restructuring Plan. Under the terms of our Restructuring Plan, we cancelled our 11% senior notes and the former senior unsecured noteholders and holders of allowed general unsecured claims received a pro rata share of \$104 million of 9% senior unsecured notes and a pro rata share of 11,947,820 Link LLC units. Excluding amounts included in Liabilities Subject to Compromise at December 31, 2002, we believe that the carrying amounts of other financial instruments are a reasonable estimate of their fair value, unless otherwise noted.

Generally, as we purchase crude oil, we enter into corresponding sales transactions involving physical delivery of crude oil to third party users or corresponding sales transactions on the NYMEX. This process enables us to minimize our exposure to price risk until we take physical delivery of the crude oil. In 2002, substantially all of our crude oil marketing and trading operations are accounted for on a fair value basis pursuant to SFAS No. 133 or EITF Issue 98-10. Effective January 1, 2003, energy trading contracts that are not derivative instruments pursuant to SFAS No. 133 are no longer accounted for at fair value. See further discussion of our accounting policies in Note 2.

The following table indicates fair values and changes in fair value of our energy trading and derivative transactions (in thousands):

	SUCCESSOR COMPANY	PREDECESSOR COMPANY	
	TEN MONTHS ENDED DECEMBER 31, 2003	TWO MONTHS ENDED FEBRUARY 28, 2003	YEAR ENDED DECEMBER 31, 2002
Fair value of contracts at beginning of period.....	\$ 1,254	\$ (844)	\$ (5,597)
Cumulative effect of accounting change.....	-	(2,389)	-
Change in realized and unrealized value.....	(2,401)	4,114	3,814
Fair value of new contracts entered into during year.	1,673	373	939
Fair value of contracts at end of period.....	\$ 526	\$ 1,254	\$ (844)

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Fair Value of Contracts at December 31, 2003

SOURCE OF FAIR VALUE -----	MATURITY OF 90 DAYS OR LESS -----	MATURITY GREATER THAN 90 DAYS BUT LESS THAN ONE YEAR -----	TOTAL FAIR VALUE -----
Prices Actively Quoted.....	\$ 677	\$ (162)	\$ 515
*Prices Provided by Other External Source.....	13	(2)	11
	-----	-----	-----
Total.....	\$ 690	\$ (164)	\$ 526
	=====	=====	=====

*In determining the fair value of certain contracts, adjustments may be made to published posting data, for location differentials and quality basis adjustments.

Credit Risk. In the normal course of business, we extend credit to various companies in the energy industry. Within this industry, certain elements of credit risk exist and may, to varying degrees, exceed amounts recognized in the accompanying consolidated financial statements, which may be affected by changes in economic or other external conditions and may accordingly impact our overall exposure to credit risk. Our exposure to credit loss in the event of nonperformance is limited to the book value of the trade commitments included in the accompanying Consolidated Balance Sheets. We manage our exposure to credit risk through credit analysis, credit approvals, credit limits and monitoring procedures. Further, we believe that our portfolio of receivables is well diversified and that the allowance for doubtful accounts is adequate to absorb any potential losses. We require collateral in the form of letters of credit for certain of our receivables.

During the ten months ended December 31, 2003, the two months ended February 28, 2003 and the years ended December 31, 2002, and 2001 sales to Koch Supply & Trading L.P. accounted for approximately 19%, 19%, 17%, and 12% of our consolidated gross revenues, respectively.

Market Risk. Our trading and non-trading transactions give rise to market risk, which represents the potential loss that can be caused by a change in the market value of a particular commitment. We closely monitor and manage our exposure to market risk to ensure compliance with our stated risk management policies which are regularly assessed to ensure their appropriateness given our objectives, strategies and current market conditions.

We enter into forward, futures and other contracts to hedge the impact of market fluctuations on assets, lease crude oil purchases or other contractual commitments. Changes in the market value of transactions designated as energy trading activities (prior to the rescission of EITF Issue 98-10) or derivatives under SFAS 133 are recorded every period as mark-to-market gains or losses.

17. SUMMARY OF OUR SETTLEMENT AGREEMENT WITH ENRON

The General Partner and EOTT entered into a settlement agreement dated October 8, 2002 (the "Enron Settlement Agreement") with Enron, Enron North America Corp., Enron Energy Services, Inc., Enron Pipeline Services Company ("EPSC"), EGP Fuels Company ("EGP Fuels") and Enron Gas Liquids, Inc. ("EGLI") (collectively, the "Enron Parties"). As part of the Settlement Agreement, Enron consented to the filing of our bankruptcy in the Southern District of Texas, and Enron waived its rights of first refusal with respect to the sale of the Morgan's Point Facility, Mont Belvieu Facility and other assets we purchased pursuant to the Purchase and Sale Agreement dated June 29, 2001 between Enron and us. The EOTT Bankruptcy Court approved the Enron Settlement Agreement on November 22, 2002, and the Enron Bankruptcy Court approved the Enron Settlement Agreement on December 5, 2002. The Enron Settlement Agreement was consummated on December 31, 2002. The following is a summary of the significant terms of the settlement:

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- We entered into an Employee Transition Agreement with EPSC, which provided for the transfer to us of certain employees of subsidiaries of Enron which performed pipeline operations services for us, effective January 1, 2003.
- The Enron Parties and us entered into a Termination Agreement on October 8, 2002, which provided for the termination of various agreements among the parties.
- At December 31, 2002, we executed a promissory note payable to Enron in the initial principal amount of \$6.2 million that is guaranteed by our subsidiaries. The Enron Note is secured by an irrevocable letter of credit and bears interest at 10% per annum.
- As additional consideration and as a compromise of certain claims, we paid Enron \$1,250,000 (the "Cash Payment") on the effective date of our Restructuring Plan.
- We agreed, among other things, to assume obligations in our bankruptcy cases and cure defaults under the Operation and Service Agreement with EPSC whereby EPSC provided certain pipeline operation services to us. We also agreed to indemnify EPSC against claims arising from the General Partner's failure to perform its duties under the Operation and Services Agreement or the General Partner's refusal to approve EPSC recommended items or modifications in the budgets.
- We and the Enron Parties also mutually released each other for any and all claims except those expressly reserved in the Enron Settlement Agreement.

The following is a summary of the net Enron Settlement amount recorded in Reorganization Items in the Consolidated Statement of Operations (in millions) as discussed in Note 5:

Forgiveness of payable to Enron and affiliates.....	\$ 38.5
Forgiveness of performance collateral from Enron.....	15.8
Note issued to Enron.....	(6.2)
Cash Payment to Enron for certain claims.....	(1.2)
Final contribution to Enron Cash Balance Plan.....	(1.4)

Total.....	\$ 45.5
	=====

18. IMPACT OF ENRON BANKRUPTCY AND TRANSACTIONS WITH ENRON AND RELATED PARTIES

IMPACT OF ENRON BANKRUPTCY

Beginning on December 2, 2001, Enron, along with certain of its subsidiaries, filed bankruptcy proceedings under Chapter 11 of the Federal Bankruptcy Code. Because of our contractual relationships with Enron and certain of its subsidiaries, the bankruptcy significantly impacted us in various ways. In connection with the Enron Settlement Agreement discussed above, the following claims were released:

Rejection of Agreements; Claims Against Enron's Bankruptcy Estate. We were adversely impacted as a result of the inclusion of EGLI in Enron's bankruptcy. We had in place ten-year Toll Conversion and Storage Agreements with EGLI. As a result of EGLI's non-performance under these agreements, we recorded a \$29.1 million non-cash impairment, which was our remaining investment in these long-term contracts, at December 31, 2001. We had a monetary damage claim against EGLI and Enron as a result of the rejection of the agreements under the Stipulation. Accordingly, we filed claims against EGLI in the Enron Bankruptcy Court on May 12, 2002, resulting from EGLI's rejection of the Toll Conversion and Storage Agreements, in the amount of \$540.5 million. In addition, Enron guaranteed EGLI's performance under the EGLI agreements; however, its guarantee was limited to \$50 million under the

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Toll Conversion Agreement and \$25 million under the Storage Agreement. Accordingly, we filed a claim against Enron in the Enron Bankruptcy Court resulting from EGLI's rejection of the agreements in the amount of \$75 million. We filed additional claims against numerous Enron affiliates on October 15, 2002 totaling \$213.5 million. Under the terms of the Enron Settlement Agreement, we withdrew all claims filed by us in the Enron Bankruptcy Court upon the effective date of our Restructuring Plan.

Performance Collateral from Enron. As discussed above, Enron guaranteed payments under the Toll Conversion and Storage Agreements. In addition, EGLI owed us approximately \$9 million under the Toll Conversion and Storage Agreements prior to filing for bankruptcy. Pursuant to the Toll Conversion and Storage Agreements, if Enron's credit rating dropped below certain defined levels specified in these agreements, we could request within five days of this occurrence for EGLI to post letters of credit. The letters of credit could be drawn upon if EGLI failed to pay any amount owed to us under these agreements. The Toll Conversion Agreement provided that the letter of credit would be in an amount reasonably requested by us, not to exceed \$25 million. The Storage Agreement provided that the letter of credit would be in an amount as reasonably requested, but no amount is specified. In late November 2001, Enron's credit rating fell below the ratings specified in these agreements. Accordingly, on November 27, 2001, we requested that EGLI post two \$25 million letters of credit. In lieu of posting letters of credit, we received a \$25 million deposit/performance collateral from EGLI/Enron, against which we recouped the \$9 million of outstanding invoices. We applied the remaining sum, approximately \$16 million, to recoup or offset a portion of our damages as a result of EGLI's rejection of the Toll Conversion and Storage Agreements. Our Restructuring Plan resulted in a release by Enron of any claim to the \$25 million deposit/performance collateral.

Tax and Environmental Indemnities. We also had indemnities from Enron for certain ad valorem taxes, possible environmental expenditures and title defects relating to the Morgan's Point Facility and the Mont Belvieu Facility. The total indemnity amount provided for under the Purchase Agreement was \$25 million and we had made no claims under the indemnities through December 31, 2002. Under the terms of the Enron Settlement Agreement, we released Enron from these indemnities.

Pension Plan Underfunding Issues. The Enron Settlement Agreement provided that we withdraw from the defined benefit pension plan known as the Enron Corp. Cash Balance Plan (the "Cash Balance Plan") on December 31, 2002. The PBGC filed proofs of claim in our bankruptcy proceedings to address concerns about the Cash Balance Plan, and also an objection to our Restructuring Plan ("PBGC Claim").

To address the issues raised by the PBGC, as well as the objections we filed to the PBGC's proofs of claim, a Stipulation and Order Regarding EOTT Chapter 11 Proceedings and Settlement Among the Enron Parties, us and the PBGC (the "PBGC Stipulation") was executed and entered by the Enron Bankruptcy Court on February 27, 2003.

The PBGC Stipulation set forth that Enron will continue to hold, subject to the terms of the PBGC Stipulation, the Enron Note, the letter of credit securing the Enron Note, any payments thereunder, and the Cash Payment (collectively, the "Settlement Proceeds") on behalf of the Enron Parties. Any claim of the PBGC against us for liabilities (if any) arising from the Cash Balance Plan will attach to the Settlement Proceeds with the same effect (if any) that such claim (if any) now has as against us and such claim will be subject to the claims and defenses of the Enron Parties and the Enron Creditors' Committee with respect thereto. The PBGC's rights regarding the Settlement Proceeds will constitute the sole basis for the PBGC to seek to enforce its claims (if any) against us for the PBGC Claims.

TRANSACTIONS WITH ENRON AND RELATED PARTIES

At December 31, 2002, we had current payables to Enron of \$3.6 million, which was primarily comprised of certain amounts owed to Enron under the Enron Settlement Agreement. In addition, we had \$5.2 million of long-term liabilities

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owed to Enron at December 31, 2002, which is the long-term portion of the note issued in connection with the Enron Settlement Agreement.

The agreements described below were terminated and the amounts due under these agreements were forgiven effective December 31, 2002 under the terms of the Enron Settlement Agreement. See further discussion in Note 17.

Operations and General and Administrative Services. As is commonly the case with publicly traded partnerships, we did not directly employ any persons responsible for managing or operating EOTT or for providing services relating to day-to-day business affairs prior to January 1, 2003. The General Partner provided such services or obtained such services from third parties and we were responsible for reimbursing the General Partner for substantially all of its direct and indirect costs and expenses. The General Partner, through the MLP Partnership Agreement, provided services to us under a Corporate Services Agreement which included liability and casualty insurance and certain data processing services and employee benefits. Those costs were \$1.9 million, and \$2.5 million, for the years ended December 31, 2002 and 2001, respectively.

Operation and Services Agreement with EPSC. EPSC agreed to provide certain operating and administrative services to the General Partner, effective October 1, 2000 and the agreement provided that the General Partner would reimburse EPSC for its costs and expenses in rendering the services. The General Partner would in turn be reimbursed by us. EOTT LLC took over these services effective January 1, 2003. The costs incurred related to these services for the years ended December 31, 2002 and 2001 were \$24.6 million, and \$56.7 million respectively.

Transition Services Agreement with EGP Fuels. The General Partner entered into an agreement for EGP Fuels to provide transition services through December 31, 2001 for the processing of invoices and payments to third parties related to the Morgan's Point Facility and Mont Belvieu Facility. The agreement provided that the General Partner would reimburse EGP Fuels for these direct costs and we would reimburse the General Partner. Costs related to these services were \$12.3 million for the six months ended December 31, 2001.

Credit Facility. We had a credit facility with Enron to provide credit support in the form of guarantees, letters of credit and working capital loans through December 31, 2001.

Purchase and Sale Agreement. We acquired certain liquids processing, storage and transportation assets in June 2001 from Enron. See further discussion in Note 8.

Additional Partnership Interests. On May 14, 1999 and February 14, 2000, Enron paid \$2.5 million and \$6.8 million, respectively, in support of our first and fourth quarter 1999 distributions to our common unitholders and received APIs. APIs have no voting rights and do not receive distributions. In connection with the Restructuring Plan, the API's were cancelled.

19. EMPLOYEE BENEFIT AND RETIREMENT PLANS

Successor Company

We adopted welfare benefit plans providing medical, dental, life, accidental death and dismemberment and long-term disability coverage to employees, with all related premiums and costs not offset by employee contributions being incurred by us. Link Energy implemented a Savings Plan in March 2003 for all employees. Total benefit costs for the ten months ended December 31, 2003 were \$4.6 million, including \$4.3 million in costs attributable to health and welfare benefit plans.

In 2003, we adopted the Link Energy Annual Incentive Plan, a variable pay plan, based on our earnings before depreciation adjusted for restructuring costs. No bonuses were paid out under this plan for 2003.

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We provide no postretirement medical, life insurance and dental benefits to employees who retire. The Company provides unemployment, severance and disability-related benefits or continuation of benefits such as health care and life insurance and other postemployment benefits. SFAS No. 112 requires the cost of those benefits to be accrued over the service lives of the employees expected to receive such benefits. At December 31, 2003, the liability accrued was \$0.9 million.

The Compensation Committee recommended to the Board of Directors the adoption of the Link Energy Equity Incentive Plan ("Incentive Plan") effective June 2003. The Incentive Plan is designed to promote individual performance by relating executive compensation directly to the creation of unitholder wealth. Under the Incentive Plan, the Committee is authorized to grant awards of restricted units to executive officers and other key employees. In June 2003, 1.2 million restricted stock units were authorized to be issued to certain key employees and directors. The Incentive Plan has a ten-year term and restricted unit awards granted thereunder typically vest over a three-year period. Outstanding awards have a vesting schedule of 50% vested on June 1, 2004; 25% vested on June 1, 2005 and 25% vested on June 1, 2006. We have recorded compensation expense of \$2.3 million for the ten months ended December 31, 2003.

The following table sets forth the Equity Incentive Plan activity for the ten months ended December 31, 2003:

	Number of Restricted Units -----
Outstanding at March 1, 2003	-
Granted	875,000
Forfeited	(45,000)

Outstanding at December 31, 2003	830,000
	=====
Available for grant at December 31, 2003	370,000
	=====

Predecessor Company

We adopted welfare benefit plans providing medical, dental, life, accidental death and dismemberment and long-term disability coverage to employees, with all related premiums and costs not offset by employee contributions being incurred by us. Total benefit costs for the two months ended February 28, 2003 were \$1.3 million, including \$1.1 million in costs attributable to health and welfare benefit plans. Total benefit costs for 2002 were \$8.9 million, including \$6.3 million in costs attributable to health and welfare benefit plans. Total benefit costs for 2001 were \$6.7 million, including \$4.6 million in cost attributable to health and welfare benefit plans. Through December 31, 2002, employees of the Company were covered by various retirement, stock purchase and other benefit plans of Enron.

In 2002, we accrued \$2.1 million in connection with guaranteed bonuses and retention payments. In 2001, the Company maintained a variable pay plan based on our earnings before interest and depreciation and amortization pursuant to which \$3.6 million was recorded.

As discussed in Note 18, we were a participating employer in the Cash Balance Plan until the consummation of the Enron Settlement Agreement on December 31, 2002. See Note 18 for further discussion regarding issues raised by the PBGC concerning this plan and an agreed stipulation executed between the PBGC, the Enron Parties and us.

Prior to December 31, 2002, we provided certain postretirement medical, life insurance and dental benefits to eligible employees who retired after January 1, 1994. Benefits were provided under the provisions of contributory defined dollar benefit plans for eligible employees and their dependents. We terminated our participation in this plan effective December 31, 2002. These postretirement benefit costs were accrued over the service lives of employees expected to be eligible to receive such benefits. Enron retained liability for former employees of the Company who

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retired prior to January 1, 1994. In connection with the termination, curtailment and settlement gains of \$1.5 million were recorded in 2002.

The following table sets forth information related to changes in the benefit obligations, changes in plan assets, and components of the expense recognized related to postretirement benefits provided by the Company (in thousands):

		2002

CHANGE IN BENEFIT OBLIGATION		
Benefit obligation at January 1.....	\$	1,103
Service cost.....		144
Interest cost.....		137
Plan participants' contributions.....		76
Plan amendments.....		7
Actuarial loss (gain).....		895
Effect of curtailments.....		(1,815)
Effect of settlements.....		(380)
Benefits paid.....		(167)

Benefit obligation at December 31.....	\$	-
=====		
CHANGE IN PLAN ASSETS		
Fair value of plan assets at January 1.....	\$	-
Company contributions.....		91
Plan participants' contributions.....		76
Benefits paid.....		(167)

Fair value of plan assets at December 31.....	\$	-
=====		

	2002		2001

COMPONENTS OF NET PERIODIC BENEFIT COST			
Service cost.....	\$	144	\$ 99
Interest cost.....		137	73
Amortization of prior service cost.....		24	24
Recognized net actuarial gain.....		5	(29)

Net periodic postretirement benefit cost...		310	167
Effect of curtailments.....		(1,160)	-
Effect of settlements.....		(380)	-

Total benefit cost (credit).....	\$	(1,230)	\$ 167
=====			

We provided unemployment, severance and disability-related benefits or continuation of benefits such as health care and life insurance and other postemployment benefits. SFAS No. 112 requires the cost of those benefits to be accrued over the service lives of the employees expected to receive such benefits. At December 31, 2002, the liability accrued was \$1.2 million.

EOTT Energy Corp. Unit Option Plan. In February 1994, the Board of Directors adopted the 1994 EOTT Energy Corp. Unit Option Plan (the "Unit Option Plan"), which was a variable compensatory plan. To date, no compensation expense has been recognized under the Unit Option Plan. Under the Unit Option Plan, selected employees were granted options to purchase subordinate units at a price of \$15.00 per unit as determined by the Compensation Committee of the Board of Directors. Options granted under the Unit Option Plan vested to the employees over a five-year period and expired on the tenth anniversary of the date of grant. Under the Restructuring Plan, the Unit Option Plan was terminated on February 28, 2003.

Unit Option Plan activity for the years ended December 31, 2001 and 2002, and the two months ended February 28, 2003, consisted of forfeitures of 5,000 shares, 240,000 shares and 215,000 shares, respectively. No shares were outstanding or available for grant at February 28, 2003.

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EOTT Energy Corp. Long-Term Incentive Plan. In October 1997, the Board of Directors adopted the EOTT Energy Corp. Long-Term Incentive Plan ("Plan"), which was a variable compensatory plan. Under the Plan, selected key employees were awarded Phantom Appreciation Rights ("PAR"). Each PAR was a right to receive cash based on our performance prior to the time the PAR was redeemed. Our performance was measured primarily by calculating the change in the average of Earnings Before Interest on Debt related to acquisitions, Depreciation and Amortization ("EBIDA"), for each of the three consecutive fiscal years immediately preceding the grant date of the PAR and the exercise date of the PAR. The Plan had a five-year term beginning January 1, 1997, and PAR awards vested in 25% increments in the four-year period following the grant year. Under the Restructuring Plan, the Long-Term Incentive Plan was terminated on February 28, 2003.

The following table sets forth the Long-Term Incentive Plan activity for the two months ended February 28, 2003 and the years ended December 31, 2002 and 2001:

	NUMBER OF PARs		
	TWO MONTHS ENDED	YEAR ENDED DECEMBER 31,	
	FEBRUARY 28, 2003	2002	2001
Outstanding beginning of period.....	274,394	1,067,375	939,975
Granted.....	-	-	332,000
Exercised.....	-	684,831	106,250
Forfeited.....	274,394	108,150	98,350
Outstanding at end of period.....	-	274,394	1,067,375
Available for grant at end of period.....	-	-	-

Note: PARs were not available for grant after December 31, 2001 as the term of the plan expired December 31, 2001.

20. NEW ACCOUNTING STANDARDS

Accounting Standards Adopted

In June 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations." This statement requires entities to record the fair value of a liability for legal obligations associated with the retirement obligations of tangible long-lived assets in the period in which it is incurred. When the liability is initially recorded, a corresponding increase in the carrying value of the related long-lived asset would be recorded. Over time, accretion of the liability is recognized each period, and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, an entity either settles the obligation for its recorded amount or incurs a gain or loss on settlement. We adopted the accounting principle required by the new statement effective January 1, 2003. Determination of the fair value of the retirement obligation is based on numerous estimates and assumptions including estimated future third-party costs, future inflation rates and the future timing of settlement of the obligations.

At the time of adoption of the new standard, our long-lived assets consisted primarily of our crude oil gathering and transmission pipelines and associated field storage tanks, our liquids processing and handling facilities at Morgan's Point, our underground storage facility and associated pipeline grid system, and transportation facilities at Mont Belvieu and our gas processing and fractionation plant and related storage and distribution facilities on the West Coast. Since our initial adoption of this standard, a number of these assets have been sold.

We identified asset retirement obligations that are within the scope of the new statement, including contractual obligations included in certain right-of-way agreements, easements and surface leases associated with our crude oil

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gathering, transportation and storage assets and obligations pertaining to closure and/or removal of facilities and other assets associated with our Morgan's Point, Mont Belvieu and West Coast facilities. We have estimated the fair value of asset retirement obligations based on contractual requirements where the settlement date is reasonably determinable. We could not make reasonable estimates of the fair values of certain retirement obligations, principally those associated with certain right-of-way agreements and easements for our pipelines, our Morgan's Point, Mont Belvieu and West Coast facilities, because the settlement dates for the retirement obligations cannot be reasonably determined. We will record retirement obligations associated with these assets in the period in which sufficient information exists to reasonably estimate the settlement dates of the respective retirement obligations.

As a result of the adoption of SFAS 143 on January 1, 2003, we recorded a liability of \$1.7 million, property, plant and equipment, net of accumulated depreciation of \$0.1 million and a cumulative effect of a change in accounting principle of \$1.6 million. The effect of adoption of the new accounting principle was not material to the results of operations for the two months ended February 28, 2003, nor would it have had a material impact on our net income for the years ended December 31, 2002 or 2001. The asset retirement obligation as of January 1, 2002 was not material.

In September 2003, we recorded additional asset retirement obligations resulting from the planned reduction in our operations at the Morgan's Point Facility to phase out the production of MTBE. Such obligations have been settled at December 31, 2003. The following is a roll-forward of our asset retirement obligations for the two months ended February 28, 2003 and for the ten months ended December 31, 2003:

	SUCCESSOR COMPANY ----- TEN MONTHS ENDED DECEMBER 31, 2003 -----	PREDECESSOR COMPANY ----- TWO MONTHS ENDED FEBRUARY 28, 2003 -----
Balance at beginning of period.....	\$ 1,678	\$ -
Additions to liability.....	1,525	1,675
Accretion expense.....	13	3
Liabilities settled.....	(1,403)	-
Revisions to estimates.....	-	-
Balance at end of period.....	\$ 1,813 =====	\$ 1,678 =====

In October 2002, the EITF reached a consensus in EITF Issue 02-03 to rescind Issue EITF 98-10, and related interpretive guidance, and preclude mark to market accounting for energy trading contracts that are not derivative instruments pursuant to SFAS 133. The consensus requires that gains and losses (realized and unrealized) on all derivative instruments held for trading purposes be shown net in the income statement, whether or not the instrument is settled physically. The consensus to rescind EITF Issue 98-10 eliminated our basis for recognizing physical inventories at fair value. The consensus to rescind EITF Issue 98-10 was effective for all new contracts entered into (and physical inventory purchased) after October 25, 2002. For energy trading contracts and physical inventories that existed on or before October 25, 2002, that remained at December 31, 2002, the consensus was effective January 1, 2003 and was reported as a cumulative effect of a change in accounting principle. The cumulative effect of the accounting change on January 1, 2003 was a loss of \$2.4 million. With the rescission of EITF Issue 98-10, inventories purchased after October 25, 2002 have been valued at average cost.

In January 2003, the FASB issued FASB Interpretation No. 46, "Consolidation of Variable Interest Entities - an Interpretation of ARB No. 51" ("FIN 46"). FIN 46 is an interpretation of Accounting Research Bulletin 51, "Consolidated Financial Statements", and addresses consolidation by business enterprises of variable interest entities ("VIE"). FIN 46 requires an enterprise to consolidate a VIE if that enterprise has a variable interest that will absorb a majority of the entity's expected losses if they occur, receive a majority of the entity's expected residual returns if they occur, or both. This

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guidance applies immediately to VIE's created after January 31, 2003, and to VIE's in which an enterprise obtains an interest after that date. We implemented FIN 46 effective with the adoption of fresh start reporting on March 1, 2003. This statement did not have any impact on our financial statements.

In April 2003, the FASB issued SFAS 149, "Amendment of Statement 133 on Derivative Instrument and Hedging Activities." The statement amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS 133. The new statement is effective for contracts entered into or modified after June 30, 2003 (with certain exceptions) and for hedging relationships designated after June 30, 2003. The accounting guidance in the new statement is to be applied prospectively. We implemented SFAS 149 effective with the adoption of fresh start reporting on March 1, 2003. This statement did not have any impact on our financial statements.

In May 2003, the FASB issued SFAS 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity." This statement establishes standards for how a company classifies and measures certain financial instruments with characteristics of both liabilities and equity. This statement is effective for financial instruments entered into or modified after May 31, 2003 and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The statement will be implemented by reporting the cumulative effect of a change in accounting principle for financial instruments created before the issuance date of the statement and still existing at the beginning of the period of adoption. We implemented SFAS 150 effective with the adoption of fresh start reporting on March 1, 2003. The adoption of this statement did not have any impact on our financial statements.

Accounting Standards Not Yet Adopted

In December 2003, the FASB issued FASB Interpretation No. 46 (revised December 2003), "Consolidation of Variable Interest Entities - an Interpretation of ARB No. 51" ("FIN 46R"). FIN 46R replaces FIN 46 (discussed above) which we implemented effective with the adoption of fresh start reporting on March 1, 2003. FIN 46R is required to be implemented by the end of the first reporting period beginning after December 15, 2003. We plan to adopt FIN 46R effective January 1, 2004. Adoption of FIN 46R will not have an impact on our financial statements.

21. BUSINESS SEGMENT INFORMATION

We have two reportable segments, which management reviews in order to make decisions about resources to be allocated and assess performance: North American Crude Oil and Pipeline Operations. The North American Crude Oil segment primarily purchases, gathers, transports and markets crude oil. The Pipeline Operations segment operates approximately 6,900 miles of active common carrier pipelines in 12 states. Effective December 31, 2003, we sold our Liquids Operations and therefore the results of operations related to these assets have been reclassified to discontinued operations for all periods presented herein. Effective June 30, 2001, we sold our West Coast crude oil gathering and marketing operations. Effective June 1, 2002, we sold our West Coast refined products marketing operations. Effective June 25, 2003, we signed a definitive agreement to sell all of our natural gas liquids assets on the West Coast, which subsequently closed on October 1, 2003. The results of operations related to these assets previously included in the West Coast Operations segment have been reclassified to discontinued operations for all periods presented herein.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies as discussed in Note 2. We evaluate performance based on operating income (loss).

We account for intersegment revenue for our North American Crude Oil Operations as if the sales were to third parties, that is, at current market prices. Intersegment revenues for Pipeline Operations are based on published pipeline tariffs.

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FINANCIAL INFORMATION BY BUSINESS SEGMENT
(IN THOUSANDS)

	NORTH AMERICAN CRUDE OIL	PIPELINE OPERATIONS	CORPORATE AND OTHER (A)	CONSOLIDATED
TEN MONTHS ENDED DECEMBER 31, 2003 (SUCCESSOR COMPANY) (RESTATED)				
Revenue from external customers.....	\$ 136,268	\$ 16,765	\$ -	\$ 153,033
Intersegment revenue (b).....	(17,731)	71,605	(53,874)	-
Total operating revenue (c).....	118,537	88,370	(53,874)	153,033
Gross profit (loss).....	13,231	28,698	-	41,929
Operating income (loss).....	5,001	30,504	(25,690)	9,815
Other expenses, net	-	-	(32,516)	(32,516)
Income (loss) from continuing operations...	5,001	30,504	(58,206)	(22,701)
Long-lived assets of continuing operations..	62,530	199,719	261	262,510
Total assets.....	516,849	206,773	15,022	738,644
Additions to long-lived assets-continuing operations.	858	7,265	175	8,298
Depreciation and amortization.....	2,150	14,989	22	17,161

	NORTH AMERICAN CRUDE OIL	PIPELINE OPERATIONS	CORPORATE AND OTHER (A)	CONSOLIDATED
TWO MONTHS ENDED FEBRUARY 28, 2003 (PREDECESSOR COMPANY) (RESTATED)				
Revenue from external customers.....	\$ 27,213	\$ 4,422	\$ -	\$ 31,635
Intersegment revenue (b).....	(1,768)	11,828	(10,060)	-
Total operating revenue (c).....	25,445	16,250	(10,060)	31,635
Gross profit (loss)	3,752	6,219	-	9,971
Operating income (loss).....	2,365	4,261	(4,012)	2,614
Other income, net	-	-	(5,489)	(5,489)
Reorganization items, net gain on discharge of debt and fresh start adjustments (d).....	-	-	67,459	67,459
Income (loss) from continuing operations....	2,365	4,261	57,958	64,584
Long-lived assets of continuing operations..	75,046	209,476	476	284,998
Total assets.....	505,965	226,646	123,511	856,122
Additions to long-lived assets-continuing operations.....	8	108	-	116
Depreciation and amortization.....	837	3,286	519	4,642

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	NORTH AMERICAN CRUDE OIL	PIPELINE OPERATIONS	CORPORATE AND OTHER (A)	CONSOLIDATED
YEAR ENDED DECEMBER 31, 2002 (PREDECESSOR COMPANY) (RESTATED)				
Revenue from external customers	\$ 154,608	\$ 28,324	\$ -	\$ 182,932
Intersegment revenue (b)	(11,320)	79,008	(67,688)	-
Total operating revenue (c)	143,288	107,332	(67,688)	182,932
Gross profits	3,396	33,634	-	37,030
Operating income (loss)	(13,861)	14,797	(28,531)	(27,595)
Other expense	-	-	(45,793)	(45,793)
Reorganization items (d)	-	-	32,847	32,847
Income (loss) from continuing operations before cumulative effect of accounting changes (d)	(13,861)	14,797	(41,477)	(40,541)
Long-lived assets of continuing operations	71,282	261,975	7,802	341,059
Total assets	475,889	285,990	110,360	872,239
Additions to long-lived assets-continuing operations	1,158	15,494	136	16,788
Depreciation and amortization	5,740	20,881	3,267	29,888

	NORTH AMERICAN CRUDE OIL	PIPELINE OPERATIONS	CORPORATE AND OTHER (A)	CONSOLIDATED
YEAR ENDED DECEMBER 31, 2001 (PREDECESSOR COMPANY) (RESTATED)				
Revenue from external customers	\$ 226,564	\$ 24,007	\$ -	\$ 250,571
Intersegment revenue (b)	(15,673)	103,515	(87,842)	-
Total operating revenue (c)	210,891	127,522	(87,842)	250,571
Gross profits	25,213	56,438	-	81,651
Operating income (loss)	9,742	49,715	(24,848)	34,609
Other expense	-	-	(34,561)	(34,561)
Income (loss) from continuing operations before cumulative effect of accounting changes (d)	9,742	49,715	(59,409)	48
Long-lived assets of continuing operations ..	75,703	266,806	11,544	354,053
Total assets	629,199	295,793	180,506	1,105,498
Additions to long-lived assets-continuing operations	3,844	16,500	2,140	22,484
Depreciation and amortization	6,010	21,792	3,083	30,885

- (a) Corporate and Other also includes intersegment eliminations.
- (b) Intersegment sales for North American Crude Oil are made at prices comparable to those received from external customers. Intersegment sales for Pipeline Operations are based on published pipeline tariffs.
- (c) In connection with the adoption of EITF Issue 02-03, we have presented all purchase and sale transactions related to our crude oil marketing and trading activities on a net basis.
- (d) The two months ended February 28, 2003 include a gain from reorganization items of \$7.3 million, a gain on discharge of debt of \$131.6 million and a loss related to fresh start adjustments of \$56.8 million. See Notes 5 and 6. 2002 includes a net gain from reorganization items of \$32.8 million

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22. QUARTERLY FINANCIAL DATA (UNAUDITED)
(In Thousands, Except Per Unit Amounts)

As discussed in Note 10, the following quarterly financial data has been restated.

SUCCESSOR COMPANY -----	FIRST QUARTER(1) -----	SECOND QUARTER -----	THIRD QUARTER -----	FOURTH QUARTER -----	TOTAL -----
2003 (RESTATED)					
Operating revenue	\$ 17,733	\$ 44,477	\$ 44,759	\$ 46,064	\$ 153,033
Gross profit	8,068	15,804	7,316	10,741	41,929
Operating income (loss)	4,320	2,972	(4,609)	7,132	9,815
Net income (loss) from continuing operations.	1,043	(6,704)	(14,163)	(2,877)	(22,701)
Basic net income (loss) per Unit	0.09	(0.54)	(1.15)	(0.23)	(1.84)
Diluted net income (loss) per Unit	0.09	(0.54)	(1.15)	(0.23)	(1.84)
Cash distributions per Unit	-	-	-	-	-

SUCCESSOR COMPANY -----	FIRST QUARTER(1) -----	SECOND QUARTER -----	THIRD QUARTER -----	FOURTH QUARTER -----	TOTAL -----
2003 (REPORTED)					
Operating revenue	\$ 17,315	\$ 43,956	\$ 45,341	\$ 46,064	\$ 152,676
Gross profit	8,077	15,732	7,792	9,839	41,440
Operating income (loss)	4,329	2,900	(4,133)	6,230	9,326
Net income (loss) from continuing operations.	1,052	(6,776)	(13,687)	(3,779)	(23,190)
Basic net income (loss) per Unit	0.09	(0.55)	(1.11)	(0.31)	(1.88)
Diluted net income (loss) per Unit	0.09	(0.55)	(1.11)	(0.31)	(1.88)
Cash distributions per Unit	-	-	-	-	-

PREDECESSOR COMPANY -----	FIRST QUARTER(2) -----	SECOND QUARTER -----	THIRD QUARTER -----	FOURTH QUARTER -----	TOTAL -----
2003 (RESTATED)					
Operating revenue	\$ 31,635	\$ -	\$ -	\$ -	\$ 31,635
Gross profit	9,971	-	-	-	9,971
Operating income	2,614	-	-	-	2,614
Net income (loss) from continuing operations(3)	64,584	-	-	-	64,584
Basic net income (loss) per Unit (4)					
Common	0.11	-	-	-	0.11
Subordinated	-	-	-	-	-
Diluted net income (loss) per Unit	0.08	-	-	-	0.08
Cash distributions per Common Unit	-	-	-	-	-

PREDECESSOR COMPANY -----	FIRST QUARTER(2) -----	SECOND QUARTER -----	THIRD QUARTER -----	FOURTH QUARTER -----	TOTAL -----
2003 (REPORTED)					
Operating revenue	\$ 31,979	\$ -	\$ -	\$ -	\$ 31,979
Gross profit	9,681	-	-	-	9,681
Operating income	2,324	-	-	-	2,324
Net income (loss) from continuing operations(3)	64,294	-	-	-	64,294
Basic net income (loss) per Unit (4)					
Common	0.16	-	-	-	0.16
Subordinated	-	-	-	-	-
Diluted net income (loss) per Unit	0.11	-	-	-	0.11
Cash distributions per Common Unit	-	-	-	-	-

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	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER	TOTAL
2002 (RESTATED)					
Operating revenue	\$ 54,960	\$ 47,630	\$ 42,776	\$ 37,566	\$ 182,932
Gross profit	16,993	12,515	4,321	3,201	37,030
Operating income (loss)	5,293	(1,350)	(12,327)	(19,211)	(27,595)
Net income (loss) from continuing operations (3)	(5,856)	(13,579)	(25,372)	4,266	(40,541)
Basic net income (loss) per Unit (4)					
Common	(0.06)	-	-	-	(0.06)
Subordinated	(0.51)	(1.42)	(1.30)	-	(3.23)
Diluted net income (loss) per Unit	(0.20)	(0.46)	(0.44)	-	(1.10)
Cash distributions per Common Unit (5)	0.25	-	-	-	0.25

	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER	TOTAL
2002 (REPORTED)					
Operating revenue	\$ 54,960	\$ 47,630	\$ 42,814	\$ 37,538	\$ 182,942
Gross profit	17,131	12,484	3,579	4,364	37,558
Operating income (loss)	5,431	(1,381)	(13,069)	(18,048)	(27,067)
Net income (loss) from continuing operations (3)	(5,718)	(13,610)	(26,114)	5,429	(40,013)
Basic net income (loss) per Unit (4)					
Common	(0.05)	-	-	-	(0.05)
Subordinated	(0.49)	(1.43)	(1.32)	-	(3.24)
Diluted net income (loss) per Unit	(0.20)	(0.46)	(0.44)	-	(1.10)
Cash distributions per Common Unit (5)	0.25	-	-	-	0.25

(1) For the period March 1, 2003 through March 31, 2003.

(2) For the period January 1, 2003 through February 28, 2003.

(3) The two months ended February 28, 2003 include a \$7.3 million gain on reorganization items, a \$131.6 million gain on the discharge of debt and a \$56.8 million loss from fresh start adjustments. Fourth quarter 2002 amounts include a net gain on reorganization items of \$32.8 million.

(4) See Note 12 for discussion regarding the allocation of net income (loss) to unitholders.

(5) Cash distributions are shown in the quarter paid and are based on the prior quarter's earnings.

LINK ENERGY LLC
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SCHEDULE II
VALUATION AND QUALIFYING ACCOUNTS AND RESERVES
FOR THE TEN MONTHS ENDED DECEMBER 31, 2003, TWO MONTHS
ENDED FEBRUARY 28, 2003, AND
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001
(In Thousands)

	Balance at Beginning of Period	Charges to Costs and Expenses	Deductions and Other	Balance at End of Period
	-----	-----	-----	-----
Successor Company				
Ten Months Ended December 31, 2003				
Allowance for Doubtful Accounts ...	\$ 1,210	\$ -	\$ -	\$ 1,210
Litigation Provisions	\$ 1,605	\$ -	\$ (1,146)	\$ 459
Safety and Environmental	\$ 13,440	\$ 9,107	\$ (10,331)	\$ 12,216

Predecessor Company				
Two Months Ended February 28, 2003				
Allowance for Doubtful Accounts ...	\$ 1,210	\$ -	\$ -	\$ 1,210
Litigation Provisions	\$ 8,376	\$ -	\$ (6,771)	\$ 1,605
Safety and Environmental	\$ 13,440	\$ 1,979	\$ (1,979)	\$ 13,440
Year ended December 31, 2002				
Allowance for Doubtful Accounts ...	\$ 1,225	\$ -	\$ (15)	\$ 1,210
Litigation Provisions	\$ 315	\$ 8,163	\$ (102)	\$ 8,376
Safety and Environmental	\$ 12,075	\$ 14,819	\$ (13,454)	\$ 13,440
Year ended December 31, 2001				
Allowance for Doubtful Accounts ...	\$ 1,827	\$ -	\$ (602)	\$ 1,225
Litigation Provisions	\$ 1,000	\$ 315	\$ (1,000)	\$ 315
Safety and Environmental	\$ 6,412	\$ 25,372	\$ (19,709)	\$ 12,075

PLAINS ALL AMERICAN PIPELINE, L.P.

UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS

As of and for the Three Months Ended March 31, 2004 and for the Year Ended December 31, 2003

PLAINS ALL AMERICAN PIPELINE, L.P.

UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS

Plains All American Pipeline, L.P. ("PAA") is a publicly traded Delaware limited partnership engaged in interstate and intrastate crude oil transportation, and crude oil gathering, marketing, terminalling and storage, as well as the marketing and storage of liquefied petroleum gas and other petroleum products. The following unaudited pro forma financial statements are presented to give effect to the transaction described below:

The acquisition of the North American crude oil and pipeline operations (which accounts for substantially all of the historical consolidated operations) of Link Energy LLC ("Link Energy" and the "Link Energy acquisition"). The acquisition price of approximately \$331 million includes the assumption of liabilities and net working capital items and third-party transaction, integration and other costs. The acquisition closed and was effective on April 1, 2004 and will be accounted for using the purchase method of accounting.

The unaudited pro forma combined balance sheet as of March 31, 2004 and the unaudited pro forma combined statement of operations for the three months ended March 31, 2004 and the year ended December 31, 2003 are based upon the following, respectively:

(1) The historical balance sheet of PAA at March 31, 2004 and of Link Energy at March 31, 2004.

(2) The historical consolidated statements of operations of PAA for the three months ended March 31, 2004 and the year ended December 31, 2003 and the historical consolidated statements of operations of Link Energy for the same periods.

The unaudited pro forma combined financial statements are not necessarily indicative of the results of the actual or future operations or financial condition that would have been achieved had the transactions occurred at the dates assumed (as noted below). The unaudited pro forma combined financial statements should be read in conjunction with the notes thereto, the historical unaudited financial statements of PAA for the three months ended March 31, 2004 and the audited financial statements of PAA for the year ended December 31, 2003, as well as those of Link Energy for the same periods.

The following unaudited pro forma combined statements of operations for the three months ended March 31, 2004 and the year ended December 31, 2003 have been prepared as if the transaction described above had taken place on January 1, 2003. The unaudited pro forma combined balance sheet at March 31, 2004 assumes the transaction was consummated on that date.

PLAINS ALL AMERICAN PIPELINE, L.P. AND SUBSIDIARIES

UNAUDITED PRO FORMA COMBINED BALANCE SHEET

March 31, 2004

	Plains All American Historical	Link Energy Historical	Pro Forma Link Energy Acquisition Adjustments	Plains All American Pro Forma
(In thousands)				
CURRENT ASSETS				
Cash and cash equivalents	\$ 2,037	\$ 2,929	\$ (2,929)(a) 273,500(c)	\$ 2,037
Restricted cash	—	3,581	(3,581)(a)	—
Accounts receivable, net	554,405	406,512	(612)(a) (2,072)(e)	958,233
Inventory	73,843	7,838	800(d)	82,481
Other current assets	23,471	6,682	(4,859)(a)	25,294
Total current assets	653,756	427,542	(13,253)	1,068,045
PROPERTY AND EQUIPMENT, net	1,308,712	256,366	(31,741)(b) 37,216(d)	1,570,553
OTHER ASSETS				
Pipeline linefill	123,266	—	37,209(b) 17,256(d)	177,731
Other, net	79,339	5,907	(439)(a) (5,468)(b) 6,115(d)	85,454
Total assets	\$2,165,073	\$689,815	\$ 46,895	\$2,901,783
CURRENT LIABILITIES				
Accounts payable and accrued liabilities	\$ 645,322	\$435,562	\$ (6,167)(a) 17,300(d) (2,072)(e)	\$1,089,945
Due to related parties	26,539	—	—	26,539
Short-term debt	14,689	137,360	(137,360)(a)	14,689
Other current liabilities	39,726	24,668	(17,803)(a) 714(d)	47,305
Total current liabilities	726,276	597,590	(145,388)	1,178,478
LONG-TERM LIABILITIES				
Long-term debt under credit facilities	238,737	—	273,500(c)	512,237
Senior notes	449,017	110,052	(110,052)(a)	449,017
Other long-term liabilities and deferred credits	14,865	15,607	(6,151)(a) 1,552(d)	25,873
Total liabilities	1,428,895	723,249	13,461	2,165,605
COMMITMENTS AND CONTINGENCIES				
PARTNERS' CAPITAL	736,178	(33,434)	33,434(a)	736,178
Total Liabilities and Partners' Capital	\$2,165,073	\$689,815	\$ 46,895	\$2,901,783

See notes to unaudited pro forma combined financial statements

PLAINS ALL AMERICAN PIPELINE, L.P. AND SUBSIDIARIES

UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS

For the Three Months Ended March 31, 2004

	Plains All American Historical	Link Energy Historical	Pro Forma Link Energy Acquisition Adjustments	Plains All American Pro Forma
	(In thousands, except per unit data)			
REVENUES	\$3,804,644	\$ 40,682	\$ (465)(f)	\$3,844,861
COSTS AND EXPENSES				
Purchases and related costs	3,693,521	8,081	(465)(f)	3,701,137
Field Operating costs (excluding LTIP charge)	37,816	20,725	—	58,541
LTIP charge — field operating costs	567	—	—	567
General and administrative expenses (excluding LTIP charge)	15,478	18,514	—	33,992
LTIP charge — general and administrative	3,661	—	—	3,661
Depreciation and amortization	13,120	5,060	(5,060)(g)	15,028
			1,908(h)	
Total costs and expenses	3,764,163	52,380	(3,617)	3,812,926
Other, net	—	(20)	—	(20)
Gains on sales of assets	—	730(j)	—	730
OPERATING INCOME	40,481	(10,988)	3,152	32,645
OTHER INCOME/(EXPENSE)				
Interest expense	(9,532)	(11,531)	(2,120)(i)	(23,183)
Interest and other income (expense), net	41	(24)	—	17
NET INCOME (LOSS) FROM CONTINUING OPERATIONS	\$ 30,990	\$(22,543)	\$ 1,032	\$ 9,479
NET INCOME FROM CONTINUING OPERATIONS — LIMITED PARTNERS	\$ 28,759			\$ 7,678
NET INCOME FROM CONTINUING OPERATIONS — GENERAL PARTNER	\$ 2,231			\$ 1,801
BASIC NET INCOME FROM CONTINUING OPERATIONS PER LIMITED PARTNER UNIT	\$ 0.49			\$ 0.13
DILUTED NET INCOME FROM CONTINUING OPERATIONS PER LIMITED PARTNER UNIT	\$ 0.49			\$ 0.13
BASIC WEIGHTED AVERAGE UNITS OUTSTANDING	58,414			58,414
DILUTED WEIGHTED AVERAGE UNITS OUTSTANDING	59,017			59,017

See notes to unaudited pro forma combined financial statements

PLAINS ALL AMERICAN PIPELINE, L.P. AND SUBSIDIARIES

UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS

For the Twelve Months Ended December 31, 2003

	Link Energy Historical				Plains All American Pro Forma
	Plains All American Historical	Successor Company	Predecessor Company	Pro Forma Link Energy Acquisition Adjustments	
		Ten Months Ended December 31, 2003	Two Months Ended February 28, 2003		
			(In thousands, except per unit data)		
REVENUES	\$12,589,849	\$153,033	\$ 31,635	\$ (2,828)(f)	\$12,771,689
COSTS AND EXPENSES					
Purchases and related costs	12,232,536	23,863	4,521	(2,828)(f)	12,258,092
Field Operating costs (excluding LTIP charge)	134,177	70,102	13,020	—	217,299
LTIP charge — field operating costs	5,727	—	—	—	5,727
General and administrative expenses (excluding LTIP charge)	49,969	45,959	6,846	—	102,774
LTIP charge — general and administrative	23,063	—	—	—	23,063
Depreciation and amortization	46,821	17,161	4,642	(21,803)(g)	54,452
				7,631(h)	
Total costs and expenses	12,492,293	157,085	29,029	(17,000)	12,661,407
Other, net	—	1,982	8	—	1,990
Gains on sales of assets	648	11,885(j)	—	(11,700)(k)	833
OPERATING INCOME	98,204	9,815	2,614	2,472	113,105
OTHER INCOME/(EXPENSE)					
Interest expense	(35,226)	(32,708)	(5,645)	(8,479)(i)	(82,058)
Interest and other income (expense), net	(3,530)	192	156	—	(3,182)
Income (Loss) from Continuing Operations Before Reorganization Items, Net Gain on Discharge of Debt and Fresh Start Adjustments	59,448	(22,701)	(2,875)	(6,007)	27,865
Reorganization Items	—	—	(7,330)	—	(7,330)
Net Gain on Discharge of Debt	—	—	131,560	—	131,560
Fresh Start Adjustments	—	—	(56,771)	—	(56,771)
NET INCOME (LOSS) FROM CONTINUING OPERATIONS	\$ 59,448	\$ (22,701)	\$ 64,584	\$ (6,007)	\$ 95,324
NET INCOME FROM CONTINUING OPERATIONS — LIMITED PARTNERS	\$ 53,473				\$ 88,631
NET INCOME FROM CONTINUING OPERATIONS — GENERAL PARTNER	\$ 5,975				\$ 6,693
BASIC NET INCOME FROM CONTINUING OPERATIONS PER LIMITED PARTNER UNIT	\$ 1.01				\$ 1.68
DILUTED NET INCOME FROM CONTINUING OPERATIONS PER LIMITED PARTNER UNIT	\$ 1.00				\$ 1.66
BASIC WEIGHTED AVERAGE UNITS OUTSTANDING	52,743				52,743
DILUTED WEIGHTED AVERAGE UNITS OUTSTANDING	53,400				53,400

See notes to unaudited pro forma combined financial statements

PLAINS ALL AMERICAN PIPELINE, L.P. AND SUBSIDIARIES
NOTES TO UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS

Note 1 — Pro Forma Adjustments

The pro forma adjustments are as follows:

- a. Reflects the elimination of assets and liabilities of Link Energy that were not acquired, as described in the purchase and sale agreement. This relates primarily to corporate debt and equity and the assets and liabilities of the discontinued operations.
- b. Reflects the reclass of crude oil linefill to a separate balance sheet line to be consistent with PAA historical presentation.
- c. Reflects borrowings under our revolving credit facilities to fund the Link Energy acquisition at closing.
- d. Records the cash paid, additional obligations assumed and adjustments to fair value of the assets purchased and liabilities assumed in the Link Energy acquisition based on the purchase method of accounting. The purchase price consists of approximately \$331 million including the assumption of certain liabilities, net working capital and transaction and closing costs (See Note 2).
- e. Reflects the elimination of accounts receivable and accounts payable balances related to transactions between PAA and Link Energy.
- f. Reflects the elimination of purchases and sales related to transactions between PAA and Link Energy.
- g. To reverse historical depreciation as recorded by Link Energy.
- h. Reflects depreciation on the acquired assets based on the straight-line method of depreciation over average useful lives ranging from 5 to 50 years.
- i. Reflects the adjustment to interest expense for the increase in long-term debt of \$273.5 million from a draw down on our revolving credit facilities using an average interest rate of 3.1% for the periods ended December 31, 2003 and March 31, 2004. The impact to interest expense of a 1/8% change in interest rates would be approximately \$0.3 million per year.
- j. Gain on sale of assets has been reclassified from Other (Income) Expense as shown in Link Energy's historical financial statements to conform to PAA's presentation.
- k. Reflects the elimination of the gain on sale of asset in October 2003 from Link Energy to PAA, which is included in Link Energy's historical financial statements.

Note 2 — Purchase Price Allocation

The Link acquisition presented in these pro forma statements has been accounted for using the purchase method of accounting and the purchase price has been allocated in accordance with Statement of Financial Accounting Standards No. 141, "Business Combinations." The acquisition consists of the North American crude oil and pipeline operations (which accounts for substantially all of the historical consolidated operations) of Link Energy. The purchase price of approximately \$331 million includes (i) cash paid of approximately \$273.5 million, (ii) assumption of \$50.0 million of liabilities and net working capital items and (iii) third party transaction and closing costs of approximately \$7.5 million. The acquisition closed and was effective on April 1, 2004. The total purchase price and the related allocation are preliminary as the amount of inventory acquired, transaction costs, certain working capital balances and

other obligations are based on estimates at this time. The purchase price allocation is set forth in the table below (in thousands):

Description	Fair Value	Book Value(1)	Adjustment
Accounts receivable	\$ 405,900	\$ 405,900	\$ —
Inventory	8,638	7,838	800(2)
Other current assets	1,823	1,823	—
Property and equipment	261,841	224,625	37,216(2)
Crude oil linefill	54,465	37,209	17,256(2)
Goodwill	5,845	—	5,845(2)
Other	270	—	270(2)
Assets acquired	\$ 738,782	\$ 677,395	\$ 61,387
Accounts payable	\$(446,695)	\$(429,395)	\$(17,300)(3)
Other current liabilities	(7,579)	(6,865)	(714)(2)
Other long-term liabilities and deferred credits	(11,008)	(9,456)	(1,552)(2)
Liabilities assumed	\$(465,282)	\$(445,716)	\$(19,566)
Net cash paid	\$ 273,500		

(1) Book value subsequent to pro forma adjustments a and b as described in Note 1.

(2) Adjusted to fair value of assets acquired and liabilities assumed based on Statement of Financial Accounting Standards (“SFAS”) No. 141 “Business Combinations.”

(3) Accrued transaction costs recorded in accordance with SFAS No. 141 and acquisition related liabilities primarily associated with involuntary employee termination costs and exit costs for certain leases recorded in accordance with Emerging Issues Task Force Issue No. 95-03 “Recognition of Liabilities in Connection with a Purchase Business Combination.”