

Energy Transfer Partners, L.P.
Form PRE 14A
July 07, 2006
Table of Contents

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
 Definitive Proxy Statement
 Definitive Additional Materials
 Soliciting Material Pursuant to §240.14a-12
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

ENERGY TRANSFER PARTNERS, L.P.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

- 1) Title of each class of securities to which transaction applies:

- 2) Aggregate number of securities to which transaction applies:

- 3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

- 4) Proposed maximum aggregate value of transaction:

Edgar Filing: Energy Transfer Partners, L.P. - Form PRE 14A

5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

Table of Contents

[LOGO FOR ENERGY TRANSFER PARTNERS, L.P.]

2838 Woodside Street

Dallas, Texas 75204

, 2006

To our common unitholders:

You are cordially invited to attend a special meeting of the common unitholders of Energy Transfer Partners, L.P. to be held at the Hotel ZaZa, 2332 Leonard Street, Dallas, Texas 75201 on August 15, 2006, at 10:00 a.m. local time. The Board of Directors of Energy Transfer Partners, L.L.C., the general partner of Energy Transfer Partners GP, L.P., our general partner, has called the special meeting. At this important meeting, you will be asked to consider and vote upon a proposal to approve (a) a change in the terms of our class F units to provide that each class F unit is convertible into one of our common units and (b) the issuance of additional common units upon such conversion (the Listing Proposal). Upon approval of this proposal, all 2,570,150 outstanding class F units will convert into 2,570,150 common units upon the request of the holder of the class F units.

The board of directors of the general partner of our general partner unanimously recommends that the common unitholders approve the proposal.

We are submitting the Listing Proposal to you following our issuance of the class F units to Energy Transfer Equity, L.P. (ETE). In connection with the initial public offering of ETE in February 2006, ETE requested to purchase 3.64 million of the Partnership's limited partner units. Because ETE owns our general partner, ETE was not permitted under the rules of the New York Stock Exchange (NYSE) to purchase all 3.64 million limited partner units as common units, the Partnership's limited partner interest that is publicly traded on the NYSE. ETE purchased 1,069,850 common units and 2,570,150 class F units on February 8, 2006. The price paid by ETE for both the common units and the class F units was \$36.37 per unit, which was the closing price for the Partnership's common units on the NYSE on February 8, 2006, the same day the common units and class F units were issued and sold to ETE.

We chose to issue some of the units as class F units because to issue more than 1,069,860 common units to ETE would have required a common unitholder vote under the rules of the New York Stock Exchange. Because the Partnership was able to sell a substantially large block of equity in a single transaction, without incurring underwriter's fees, and at a price that was equal to the market value of the Partnership's common units, we issued class F units, which will not convert to common units until such conversion is approved by our common unitholders. We are now asking you to approve this conversion.

Your vote is important. Even if you plan to attend the special meeting, we urge you to mark, sign and date the enclosed proxy card and return it promptly. You will retain the option to revoke it at any time before the vote, or to vote your common units personally if you attend the special meeting. For the Listing Proposal to be approved, it must have the support of a majority of the common units voted at the special meeting. The class F units are not eligible to vote for the Listing Proposal.

We urge you to review carefully the attached proxy statement, which contains a detailed description of the proposals to be voted upon at the special meeting.

Sincerely,

Ray C. Davis

Co-Chairman and Co-Chief Executive Officer

Energy Transfer Partners, L.L.C.

Edgar Filing: Energy Transfer Partners, L.P. - Form PRE 14A

Kelcy L. Warren

Co-Chairman and Co-Chief Executive Officer

Energy Transfer Partners, L.L.C.

Table of Contents

ENERGY TRANSFER PARTNERS, L.P.

2838 Woodside Street

Dallas, Texas 75204

NOTICE OF SPECIAL MEETING OF COMMON UNITHOLDERS

To Be Held On August 15, 2006

To our common unitholders:

A special meeting of our common unitholders will be held at the Hotel ZaZa, 2332 Leonard Street, Dallas, Texas 75201 on August 15, 2006, at 10:00 a.m. local time, to consider and vote upon a proposal to approve (a) a change in the terms of our class F units to provide that each class F unit is convertible into one of our common units and (b) the issuance of additional common units upon such conversion.

We have set the close of business on _____, 2006 as the record date for determining which common unitholders are entitled to receive notice of and to vote at the special meeting. A list of common unitholders entitled to vote is on file at our offices located at 2838 Woodside Street, Dallas, Texas 75204, and will be available for inspection by any common unitholder during the meeting.

YOUR VOTE IS IMPORTANT. If you cannot attend the special meeting, you may vote by mailing the proxy card in the enclosed postage-prepaid envelope. Any common unitholder attending the meeting may vote in person, even though he or she already has returned a proxy card.

BY ORDER OF THE BOARD OF DIRECTORS

OF ENERGY TRANSFER PARTNERS, L.L.C.,

the general partner of

ENERGY TRANSFER PARTNERS GP, L.P.,

the general partner of

ENERGY TRANSFER PARTNERS, L.P.

Robert A. Burk

Secretary

Energy Transfer Partners, L.L.C.

Dallas, Texas

, 2006

Table of Contents

TABLE OF CONTENTS

<u>QUESTIONS AND ANSWERS</u>	1
<u>ENERGY TRANSFER PARTNERS, L.P.</u>	3
<u>OWNERSHIP STRUCTURE CHART PRIOR TO CONVERSION OF CLASS F UNITS</u>	4
<u>OWNERSHIP STRUCTURE CHART AFTER CONVERSION OF CLASS F UNITS</u>	5
<u>INTERESTS OF CERTAIN PERSONS</u>	6
<u>SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT</u>	7
<u>PRICE RANGE OF COMMON UNITS AND DISTRIBUTIONS</u>	9
<u>DESCRIPTION OF UNITS</u>	9
<u>THE LISTING PROPOSAL</u>	12
<u>BOARD RECOMMENDATION</u>	13
<u>THE SPECIAL MEETING</u>	14
<u>FORWARD-LOOKING STATEMENTS</u>	16
<u>WHERE YOU CAN FIND MORE INFORMATION ABOUT US</u>	17
<u>INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE</u>	17

Table of Contents

ENERGY TRANSFER PARTNERS, L.P.

2838 Woodside Street

Dallas, Texas 75204

PROXY STATEMENT

SPECIAL MEETING OF COMMON UNITHOLDERS

August 15, 2006

This proxy statement contains information related to the special meeting of common unitholders of Energy Transfer Partners, L.P. (Energy Transfer) and any postponements or adjournments thereof. This proxy statement and the accompanying form of proxy is first being mailed to Energy Transfer s common unitholders and the holders of any other units entitled to vote on or about , 2006.

QUESTIONS AND ANSWERS

The following is qualified in its entirety by the more detailed information contained in or incorporated by reference in this proxy statement. Common unitholders are urged to read carefully this proxy statement in its entirety. FOR ADDITIONAL COPIES OF THIS PROXY STATEMENT OR PROXY CARDS OR IF YOU HAVE ANY QUESTIONS ABOUT THE SPECIAL MEETING, CONTACT INNISFREE M&A INCORPORATED AT 1-888-750-5834 OR 501 Madison Avenue, 20th Floor, New York, New York 10022.

Q: WHO IS SOLICITING MY PROXY?

A: Energy Transfer Partners GP, L.P. (ETP GP), our general partner, is sending you this proxy statement in connection with its solicitation of proxies for use at our special meeting of common unitholders. Certain directors, officers and employees of Energy Transfer Partners, L.L.C., the general partner of ETP GP, and Innisfree M&A Incorporated (a proxy solicitor) may also solicit proxies on our behalf by mail, phone, fax or in person.

Q: WHEN AND WHERE IS THE SPECIAL MEETING?

A: The special meeting will be held on August 15, 2006 at 10:00 a.m. local time at the Hotel ZaZa, 2332 Leonard Street, Dallas, Texas 75201.

Q: WHAT IS THE PURPOSE OF THE SPECIAL MEETING?

A: At the special meeting, our common unitholders will act upon a proposal to approve (a) a change in the terms of our class F units to provide that each class F unit is convertible into one of our common units and (b) the issuance of additional common units upon such conversion (the Listing Proposal). Upon approval of this proposal, all 2,570,150 outstanding class F units will convert into 2,570,150 common units upon the request of the holder of the class F units.

Q: WHO IS ENTITLED TO VOTE AT THE SPECIAL MEETING?

A:

Edgar Filing: Energy Transfer Partners, L.P. - Form PRE 14A

All common unitholders who owned our common units at the close of business on the record date, _____, 2006, are entitled to receive notice of the special meeting and to vote the common units that they held on the record date at the special meeting, or any postponements or adjournments of the special meeting. The holders of our class F units are not eligible to vote on the Listing Proposal.

Q: HOW DO I VOTE?

A: Just mail your completed, signed and dated proxy card in the enclosed postage-paid return envelope as soon as possible so that your common units may be represented at the special meeting. You may also attend the

Table of Contents

special meeting and vote your common units in person. Even if you plan to attend the special meeting, your plans may change, so it is a good idea to complete, sign and return your proxy card in advance of the special meeting.

Q: WHAT DO I DO IF I WANT TO CHANGE MY VOTE?

A: To change your vote after you have submitted your proxy card, send in a later-dated, signed proxy card to us or attend the special meeting and vote in person. You may also revoke your proxy by sending in a notice of revocation to us at the address set forth in the notice. Please note that attendance at the special meeting will not by itself revoke a previously granted proxy.

Q: IF MY COMMON UNITS ARE HELD IN STREET NAME BY MY BROKER, WILL MY BROKER VOTE MY COMMON UNITS FOR ME?

A: Your broker will not vote your common units unless you provide instructions on how to vote. You should instruct your broker how to vote your common units upon receipt of your broker's request for voting instructions. Without your instructions, your common units will not be voted.

Q: WHAT IS THE RECOMMENDATION OF THE BOARD OF DIRECTORS OF THE GENERAL PARTNER OF THE PARTNERSHIP'S GENERAL PARTNER?

A: The Board of Directors of the general partner of our general partner recommends that you vote **FOR** the Listing Proposal.

Q: WHAT VOTE IS REQUIRED TO APPROVE THE PROPOSALS?

A: The Listing Proposal requires the approval of a majority of the common units cast by the common unitholders for the Listing Proposal, provided that the total votes cast represents a majority of the common units entitled to vote. A properly executed proxy submitted without instructions how to vote will be voted (except to the extent that the authority to vote has been withheld) **FOR** the Listing Proposal. A properly executed proxy marked **ABSTAIN** with respect to any matter will not be voted, although it will be counted for purposes of determining whether there is a quorum.

Q: WHAT HAPPENS IF THE LISTING PROPOSAL IS APPROVED?

A: Each outstanding class F unit will convert upon the request of the holder into one common unit upon approval of the proposal and those new common units will be listed on the New York Stock Exchange.

Q: WHAT HAPPENS IF THE LISTING PROPOSAL IS NOT APPROVED?

A: The class F units are currently entitled to receive the minimum quarterly distribution of \$0.50 per quarter only after the minimum quarterly distribution has been paid on the common units. The class F units and the common units share in any distributions over \$0.50 per quarter. If the Listing Proposal is not approved by August 8, 2006 (or after that date if approved pursuant to a proxy statement filed with the SEC prior to that date), the class F units will be entitled to receive 115% of the amount of distributions paid to the common units, with the class F units having the same order of priority as that of common units. This increased distribution on the class F units will reduce the amount of

Edgar Filing: Energy Transfer Partners, L.P. - Form PRE 14A

cash available to be distributed to the common unitholders. At the current distribution level, this amount is approximately \$1.4 million per year, including the general partner portion. The class F units will not convert into common units unless the conversion is approved by the common unitholders or there is a change in the rules of the New York Stock Exchange allowing such conversion without the approval of the common unitholders.

Table of Contents

ENERGY TRANSFER PARTNERS, L.P.

Who We Are

We are one of the three largest publicly traded master limited partnerships in the United States in terms of market capitalization. We are engaged in the natural gas midstream, transportation and storage business through our operating subsidiary, La Grange Acquisition, L.P. (ETC OLP), and are a retail marketer of propane in the United States through our operating subsidiaries, Heritage Operating, L.P. (HOLP) and Titan Propane LLC (Titan). We became a publicly traded master limited partnership in conjunction with an initial public offering as Heritage Propane Partners, L.P. in June of 1996. In January 2004, we combined the natural gas midstream and transportation operations of ETC OLP with the retail propane operations of the Partnership. In March 2004, we changed our name to Energy Transfer Partners, L.P.

ETC OLP's operations are divided into two business segments, consisting of the midstream segment and the transportation and storage segment. We own and/or operate approximately 11,700 miles of natural gas gathering and transportation pipelines, plus an additional 550 miles under construction, three natural gas processing plants, two of which are currently connected to our gathering systems, fourteen natural gas treating facilities and three natural gas storage facilities. Our midstream segment focuses on the gathering, compression, treating, blending, processing and marketing of natural gas and is currently concentrated in the Austin Chalk trend of southeast Texas, the Permian Basin of west Texas, the Barnett Shale in north Texas and the Bossier sands area in east Texas. Our transportation and storage segment focuses on the transportation of natural gas between major markets from various natural gas producing areas through connections with other pipeline systems as well as through our Oasis Pipeline, East Texas Pipeline System, the ET Fuel System, the HPL System and our Fort Worth Basin Pipeline. Our storage facilities consist of the Bammel Gas Storage Facility, the Bethel Storage Facility and the Bryson Storage Facility.

Through HOLP and Titan, we are one of the three largest retail propane marketers in the United States based upon gallons sold, serving more than 1,000,000 customers from approximately 440 customer service locations in 40 states. Our propane operations extend from coast to coast and Alaska, with concentrations in the western, upper midwestern, northeastern and southeastern regions of the United States.

Our Business Strategy

Our goal is to increase unitholder distributions and the value of our common units. We believe we have engaged, and will continue to engage, in a well-balanced plan for growth through acquisitions and through measures aimed at increasing the profitability of our existing assets.

We intend to continue to operate as a diversified, growth-oriented master limited partnership with a focus on increasing the amount of cash available for distribution on each common unit. We believe that by pursuing independent operating and growth strategies for our natural gas midstream, transportation and storage and propane businesses, we will be best positioned to achieve our objectives. We expect that midstream, transportation and storage acquisitions, such as our acquisition of the HPL System, will be the primary focus of our acquisition strategy going forward, although we will also continue to pursue complementary propane acquisitions. We also anticipate that our midstream, transportation and storage business will provide internal growth projects of greater scale compared to those available in our propane business.

The following charts depict our organization and ownership (i) prior to any conversion of class F units pursuant to the Listing Proposal (ii) after giving effect to the conversion of our class F units pursuant to the

Listing Proposal.

Table of Contents

**OWNERSHIP STRUCTURE CHART
PRIOR TO CONVERSION OF CLASS F UNITS**

4

Table of Contents

**OWNERSHIP STRUCTURE CHART
AFTER CONVERSION OF CLASS F UNITS**

5

Table of Contents

INTERESTS OF CERTAIN PERSONS

In considering the recommendation of the board of directors of the general partner of our general partner to approve the Listing Proposal, you should be aware that five directors (including John W. McReynolds, President and Chief Financial Officer of the general partner of ETE) who are recommending the proposal own also serve as directors of ETE, the holder of the class F units. None of these five directors participated in our general partner's decision to issue the class F units, nor did they determine the price per unit at which the class F units were issued. The decisions to issue to ETE a combination of common and class F units, and the price paid by ETE for both the class F units and the common units of \$36.37 per unit, which amount was equal to the closing price of our common units on the NYSE on the date such units were issued, were determined by a committee of independent directors.

In addition, please note the following:

Ray C. Davis and Kelcy L. Warren, each a Co-Chief Executive Officer and Co-Chairman of the Board of the general partner of our general partner, are members of the sole general partner of ETC Holdings, LP, a partnership that beneficially owns 68,492,489, or 49.91%, of the common units of ETE;

John W. McReynolds, a director of each of our general partner and the general partner of ETE, and President and Chief Financial Officer of ETE, is the owner of the general partner of FEM, L.P., a partnership that beneficially owns all of the class B units of ETE;

H. Michael Krimbill, a director and the President and Chief Financial Officer of the general partner of our general partner, is the sole manager of FHM Investments, L.L.C., an entity that owns 5,684,767, or 4.14%, of the common units of ETE; and

Each of Bradley K. Atkinson, Robert A. Burk, H. Michael Krimbill and Karen Z. Hicks, executive officers of the general partner of our general partner (and, with respect to Mr. Krimbill, a director of the general partner of our general partner), are members of FHM Investments, L.L.C., and may be deemed to beneficially own the limited partner interests of ETE held by FHM Investments, L.L.C. to the extent of their beneficial ownership of FHM.

If the Listing Proposal is approved, ETE will receive common units and the class F units will be cancelled. The common units will be listed on the NYSE and will therefore be a more liquid security than the class F units, but will be entitled to no greater distributions than those paid on our common units. Neither ETE nor our other unitholders will receive any additional securities or other consideration if the Listing Proposal is approved.

Table of Contents**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth certain information regarding the beneficial ownership by certain beneficial owners, all directors and named executive officers of the general partner of our general partner, each of the named executive officers and all directors and executive officers of the general partner of our general partner as a group, of our common units, class C units, class D units, class E units and class F units. The information is presented both as of June 30, 2006 and pro forma for the issuance of 2,570,150 common units in connection with the Listing Proposal. Our general partner knows of no other person beneficially owning more than 5% of our common units.

Title of Class	Name and Address of Beneficial Owner(1)	Beneficially Owned	Percent of Class	Pro Forma	
				Beneficially Owned	Percent of Class
Common Units	Ray C. Davis(3)	7,000	*	7,000	*
	Kelcy L. Warren(3)	6,000	*	6,000	*
	H. Michael Krimbill(4)(6)	727,784	*	722,118	*
	Bill W. Byrne	158,544	*	158,544	*
	David R. Albin(5)		*		*
	Kenneth A. Hersh(5)		*		*
	Paul E. Glaske	42,896	*	42,896	*
	Michael K. Grimm	1,536	*	1,536	*
	John D. Harkey, Jr.		*		*
	K. Rick Turner(5)	4,563	*	4,563	*
	Ted Collins, Jr.	20,563	*	20,563	*
	John W. McReynolds	4,748	*	4,748	*
	R.C. Mills(4)	695,018	*	695,018	*
	Mackie McCrea(3)	5,333	*	5,333	*
	Bradley K. Atkinson(6)	111,200	*	111,200	*
	Robert A. Burk(6)	3,333	*	3,333	*
	John Daigh(3)	1,000	*	1,000	*
	Karen Z. Hicks(6)	5,510	*	5,510	*
	All Directors and Executive Officers as a group (18 persons)	1,795,028	1.62%	1,795,028	1.62%
	ETE(7)	33,843,690	31.32%	36,413,840	32.92%
	FHM Investments, L.L.C.(3)(6)	1,308	*	1,308	*
Class C Units	FHS Investments, L.L.C.	1,000,000	100%	1,000,000	100%
Class E Units	Heritage Holdings, Inc.(8)	8,853,832	100%	8,853,832	100%
Class F Units	ETE(7)	2,570,150	100%		

* Less than one percent (1%)

- (1) The address for Messrs. Davis and Warren is 2838 Woodside Street, Dallas, Texas 75204. The address for Heritage Holdings and Messrs. Krimbill, Atkinson, Burk and Daigh is 8801 S. Yale Avenue, Suite 310, Tulsa, Oklahoma 74137. The address for Messrs. Albin and Hersh is 125 E. John Carpenter Freeway, Suit 600, Irving, Texas 75062. The address for Mr. McCrea is 800 E. Sonterra Blvd., San Antonio, Texas 78258. The address for Mr. Mills is 5000 Sawgrass Village Circle, Suite 4, Ponte Vedra Beach, Florida 32082. The address for ETE and Mr. McReynolds is 2828 Woodside Street, Dallas, Texas 75204. The address for Ms. Hicks is 754 River Rock Drive, Helena, Montana, 59602. The address for FHS Investments is 2215 B Renaissance Dr., Suite 5, Las Vegas, Nevada 89119. The address for FHM Investments is 7005 Quail Rock Lane, Reno, Nevada 89511. The address for Messrs. Byrne, Collins, Glaske, Grimm, Harkey and Turner is 2838 Woodside Street, Dallas, Texas 75204.
- (2) Beneficial ownership for the purposes of the foregoing table is defined by Rule 13-d-3 under the Securities Exchange Act of 1934. Under that rule, a person is generally considered to be the beneficial owner of a security if he has or shares the power to vote or direct the voting thereof (Voting Power) or to dispose or

Table of Contents

- direct the disposition thereof (Investment Power) or has the right to acquire either of those powers within sixty (60) days.
- (3) Due to the ownership of Messrs. Davis, Daigh, Warren, McCrea, and FHM Investments in ETE, they may be deemed to beneficially own the limited partnership interests held by ETE, to the extent of their respective interests therein. Any such deemed ownership is not reflected in the table.
 - (4) Each of Messrs. Mills and Krimbill shares Voting and Investment Power on a portion of their respective units with his/her spouse.
 - (5) Each of Messrs. Albin, Hersh, and Turner are representatives of or owners in entities owning interests in ETE and may be deemed to beneficially own the limited partnership interest held by ETE though such ownership is not depicted in the table.
 - (6) FHM Investments is owned by a group of our executive managers, including officers of our General Partner. Due to the ownership of Messrs. Atkinson, Burk and Krimbill and Ms. Hicks in FHM Investments, they may be deemed to beneficially own the limited partner interests held by FHM Investments to the extent of their respective interests therein and the limited partner interests held by ETE to the extent of FHM Investments' respective interests therein. Any such deemed ownership is not reflected in the table. Mr. Krimbill is the sole managing member of FHM Investments.
 - (7) ETE owns all of the member interests of Energy Transfer Partners, L.L.C. and all of the limited partner interests in Energy Transfer Partners GP, L.P. Energy Transfer Partners, L.L.C. is the general partner of Energy Transfer Partners, GP, L.P. with a .01% general partner interest. LE GP, LLC, the general partner of ETE may be deemed to beneficially own the common units owned of record by ETE. The sole members of LEGP, L.L.C. are Ray C. Davis, Kelcy L. Warren and Natural Gas Partners VI, L.P. (the NGP Fund). G.F.W. Energy VI L.P. is the sole general partner of the NGP Fund and G.F.W. VI, L.L.C. is the sole general partner of G.F.W. Energy VI L.P. Messrs. Hersh and Albin, who constitute a majority of the members of G.F.W. VI, L.L.C., may also be deemed to share power to vote or to direct the vote and to dispose or to direct the disposition of, the common units held by ETE.
 - (8) Energy Transfer Partners, L.P. indirectly owns 100% of the common stock of Heritage Holdings, Inc.

Table of Contents**PRICE RANGE OF COMMON UNITS AND DISTRIBUTIONS**

As of June 30, 2006, there were 118,056,894 common units outstanding, held by approximately 52,517 holders of record, including common units held in street name. The common units are traded on the New York Stock Exchange under the symbol ETP. We also have 1,000,000 class C units outstanding, all of which are held by FHS Investments, L.L.C., 8,853,832 class E units outstanding, all of which are held by Heritage Holdings, and 2,570,150 class F units, all of which are held by ETE. There is no established public trading market for our class C units, class E units and class F units.

The following table sets forth, for the periods indicated, the high and low sales prices for the common units, as reported on the New York Stock Exchange Transactions Tape, and quarterly distributions on the common units. Distributions are shown in the quarter with respect to which they were payable. The last reported sales price of common units on the New York Stock Exchange on June 30, 2006 was \$44.65 per common unit.

	Price Range		Cash Distributions per common unit
	High	Low	
2004 Fiscal Year			
First Quarter Ended November 30, 2003	\$ 38.70	\$ 31.02	\$ 0.6500
Second Quarter Ended February 29, 2004	42.66	37.56	0.7000
Third Quarter Ended May 31, 2004	40.13	35.75	0.7500
Fourth Quarter Ended August 31, 2004	43.38	38.45	0.8250
2005 Fiscal Year			
First Quarter Ended November 30, 2004	\$ 54.00	\$ 43.19	\$ 0.8750
Two-for-One Unit Split			n/a
Second Quarter Ended February 28, 2005	32.55	25.925	0.4625
Third Quarter Ended May 31, 2005	32.69	29.79	0.4875
Fourth Quarter Ended August 31, 2005	38.80	31.96	0.5000
2006 Fiscal Year			
First Quarter Ended November 30, 2005	\$ 37.59	\$ 31.36	\$ 0.5500
Second Quarter Ended February 28, 2006	37.98	33.73	0.5875
Third Quarter Ended May 31, 2006	45.85	35.31	0.6375

DESCRIPTION OF UNITS**Units**

We currently have outstanding common units, class C units, class E units and class F units. Set forth below is a description of the relative rights and preferences of holders of these classes of units as specified in our partnership agreement, a copy of which is filed as an exhibit to filings we have made with the Securities Exchange Commission. References in this Description of Units to we, us and our mean Energy Transfer Partners L.P. As of June 30, 2006, there were issued and outstanding 118,056,894 common units, 1,000,000 class C units, 8,853,832 class E units and 2,570,150 class F units.

No person is entitled to preemptive rights in respect of issuances of securities by us, except that Energy Transfer Partners GP, L.P., our general partner, has the right to purchase sufficient partnership securities to maintain its general partner equity interest in us.

Common Units

Our common units are registered under the Securities Exchange Act of 1934 and are listed for trading on the New York Stock Exchange (the NYSE). Each holder of a common unit is entitled to one vote per unit on all

Table of Contents

matters presented to the limited partners for a vote. In addition, if at any time any person or group (other than our general partner and its affiliates) owns beneficially 20% or more of all common units, any common units owned by that person or group may not be voted on any matter and are not considered to be outstanding when sending notices of a meeting of unitholders (unless otherwise required by law), calculating required votes, determining the presence of a quorum or for other similar purposes under our partnership agreement. The common units are entitled to distributions of available cash as described below under Cash Distribution Policy.

As of June 30, 2006, we had 118,056,894 common units outstanding, of which 72,305,962 were held by the public; 33,843,690 were held by ETE, the owner of our general partner; 1,308 were held by FHM Investments, L.L.C.; and 1,904,601 were held by our officers and directors. As of such date, the common units represent an aggregate 98.0% limited partner interest. Our general partner owns an aggregate 2.0% general partner interest in us.

Class C Units

As of June 30, 2006, we had 1,000,000 class C units outstanding, all of which are held by FHS Investments, L.L.C. In conjunction with a transaction involving a change of control of our general partner in August 2000, we issued 1,000,000 newly created class C units to Heritage Holdings in conversion of that portion of its incentive distribution rights that entitled it to receive any distribution attributable to the net amount received by us in connection with the settlement, judgment, award or other final nonappealable resolution of specified litigation filed by us prior to the transaction with our general partner, which we refer to as the SCANA litigation. The class C units have a zero initial capital account balance and were distributed by Heritage Holdings to its former stockholders in connection with the transaction with our general partner. Thus, our general partner will not receive any distributions made with respect to the SCANA litigation. The class C units do not have any rights to share in any of our assets or distributions upon dissolution and liquidation of our partnership, except to the extent that any such distributions consist of proceeds from the SCANA litigation to which the class C unitholders would have otherwise been entitled. The class C units do not have the privilege of conversion into any other unit and do not have any voting rights except to the extent provided by law, in which case the class C units will be entitled to one vote.

On October 21, 2004, we announced that we received a favorable jury verdict on all four claims against SCANA, and that SCANA had appealed the jury's decision. On June 1, 2006, we received net settlement proceeds of \$7,700,000. From this amount the Partnership was reimbursed for all SCANA litigation related expenses that had been incurred. On June 20, 2006, the Litigation Committee of the Board of Directors of the general partner of our general partner declared a special distribution of \$0.0325 per limited partner unit related to these proceeds. This one-time payment was approved and will be paid to the holders of record of the Partnership's common and class F units as of the close of business on June 30, 2006 on July 14, 2006. The distribution of the net distributable litigation proceeds also includes a payment to the holder of the class C units for that amount normally allocated to our general partner. The amounts of these distributions are deemed to be available cash and are being distributed as described below under Cash Distribution Policy. Upon making the payment to the holder of the class C units on July 14, 2006, all 1,000,000 outstanding class C units will be retired and canceled.

Class E Units

In conjunction with our purchase of the capital stock of Heritage Holdings in January 2004, the 4,426,916 common units held by Heritage Holdings were converted into 4,426,916 class E units. Pursuant to our two-for-one unit split completed on March 15, 2005, there are currently 8,853,832 class E Units outstanding, all of which are owned by Heritage Holdings. The class E units generally do not have any voting rights. These class E units are entitled to aggregate cash distributions equal to 11.1% of the total amount of cash distributed to all unitholders, including the class E unitholders, up to \$1.41 per unit per year. Management plans to leave the class E units in the form described here indefinitely. In the event of our termination and liquidation, the class E units will be allocated 1% of any gain upon liquidation and will be allocated any loss upon liquidation to the same.

Table of Contents

extent as the common units. After the allocation of such amounts, the class E units will be entitled to the balance in their capital accounts, as adjusted for such termination and liquidation. The terms of the class E units were determined in order to provide us with the opportunity to minimize the impact to us of our ownership of Heritage Holdings, including the deferred tax liabilities of Heritage Holdings that we inherited in connection with our purchase of Heritage Holdings. The class E units are treated as treasury stock for accounting purposes because they are owned by our wholly-owned subsidiary, Heritage Holdings. Due to the ownership of the class E units by this corporate subsidiary, the payment of distributions on the class E units will result in annual tax payments by Heritage Holdings at corporate federal income tax rates, which tax payments will reduce the amount of cash that would otherwise be available for distribution to us, as the owners of Heritage Holdings. Because distributions on the class E units will be available to us as the owner of Heritage Holdings, those funds will be available, after payment of taxes, for our general partnership purposes, including to satisfy working capital requirements, for the repayment of outstanding debt and to make distributions to our unitholders. Because the class E units are not entitled to receive any allocation of our income, gain, loss, deduction or credit that is attributable to our ownership of Heritage Holdings, such amounts will instead be allocated to our general partner in accordance with its respective interest and the remainder to all unitholders other than the holders of class E units pro rata. In the event that our distributions exceed \$1.41 per unit annually, all such amounts in excess thereof will be available for distribution to unitholders other than the holders of class E units in proportion to their respective interests.

Class F Units

At the time of ETE's initial public offering, we issued to ETE 2,570,150 class F units, constituting all of the class F units outstanding, for a price per unit equal to the closing price for our common units on the day the class F units were issued to ETE. Each class F unit is currently entitled to receive 100% of the quarterly cash distribution paid in respect of each of our common units; provided that the class F units are subordinated to our common units with respect to the payment of the minimum quarterly distribution for such quarter (in an amount equal to \$0.25 per quarter) and any arrearages with respect to the payment of the minimum quarterly distribution for all prior quarters subsequent to the issuance of the class F units. If the Listing Proposal is approved, the class F units will be convertible into our common units, on a one-for-one basis, immediately following the approval by our unitholders of such change in the terms of the class F units. Holders of the class F units are not entitled to vote upon the Listing Proposal, but otherwise are entitled to the same voting rights as our common units, and the class F units will vote with our common units as a single class on each other matter with respect to which our common units are entitled to vote. If the Listing Proposal is not approved by August 8, 2006 (or after that date if approved pursuant to a proxy statement filed with the SEC prior to that date), then each class F unit will be entitled to receive 115% of the quarterly amount distributed by us in respect of each of our common units on a *pari passu* basis with distributions on our common units.

Upon our dissolution and liquidation, each class F unit will initially be entitled to receive 100% of the amount distributed on each of our common units, but only after each of our common units has received an amount equal to its capital account, plus the minimum quarterly distribution for the quarter in which the liquidation occurs, plus any arrearages in the minimum quarterly distribution with respect to prior quarters. If, however, our unitholders do not approve the proposal to change the terms of the class F units to make them convertible into our common units, then each class F unit will be entitled upon liquidation to receive 115% of the amount distributed in respect of each of our common units on a *pari passu* basis with liquidating distributions on our common units.

Cash Distribution Policy

Our partnership agreement requires us to distribute all of our available cash to our unitholders and our General Partner within 45 days following the end of each fiscal quarter. The term available cash generally means, with respect to any fiscal quarter of our partnership, all of our cash on hand at the end of each quarter, plus working capital borrowings after the end of the quarter, less reserves established by our general partner in its

sole discretion to provide for the proper conduct of our business, to comply with applicable law or agreements, or to provide funds for future distributions to partners.

Table of Contents

We currently distribute at the end of each fiscal quarter available cash, excluding any available cash to be distributed to our class C unitholders, as follows:

First, 98% to the common, class E and class F unitholders in accordance with their percentage interests, and 2% to our general partner, until each common unit has received \$0.25 per unit for that quarter;

Second, 98% to all common, class E and class F unitholders in accordance with their percentage interests, and 2% to our general partner, until each common unit has received \$0.275 per unit for that quarter;

Third, 85% to all common, class E and class F unitholders in accordance with their percentage interests, 13% to the holders of incentive distribution rights, pro rata, and 2% to our general partner, until each common unit has received \$0.3175 per unit for that quarter;

Fourth, 75% to all common, class E and class F unitholders in accordance with their percentage interests, 23% to the holders of incentive distribution rights, pro rata, and 2% to our general partner, until each common unit has received \$0.4125 per unit for that quarter; and

Thereafter, 50% to all common, class E and class F unitholders in accordance with their percentage interests, 23% to the holders of incentive distribution rights, pro rata, and 2% to our general partner.

Notwithstanding the foregoing, any arrearage in the payment of the minimum quarterly distribution for all prior quarters and the distributions on each class E unit may not exceed \$1.41 per year.

The total amount of distributions for the 2005 fiscal year on common units, class E units, the general partner interests and the incentive distribution rights totaled \$190.440 million, \$12.484 million, \$4.926 million and \$38.455 million, respectively. All such distributions were made from available cash.

THE LISTING PROPOSAL

Background

On February 8, 2006, ETE completed its initial public offering of 24,150,000 common units at a price of \$21.00 per unit. The proceeds from this offering, net of the underwriters' discounts, commissions, and expenses of the offering, were used to repay a portion of the outstanding indebtedness of ETE, to fund the purchase of 3.64 million of our limited partner units, to redeem 6,650,000 common units from existing owners of ETE's common units in order to upsize the offering and for the exercise of the underwriters' option, an