

SECURITIES AND EXCHANGE COMMISSION

FORM PRE13E3/A

Preliminary information statement of going private transaction by certain issuers [amend]

Filing Date: **1994-01-11**
SEC Accession No. **0000950129-94-000015**

(HTML Version on secdatabase.com)

SUBJECT COMPANY

VALERO NATURAL GAS PARTNERS L P

CIK: **810021** | IRS No.: **742448118** | State of Incorporation: **DE** | Fiscal Year End: **1231**
Type: **PRE13E3/A** | Act: **34** | File No.: **005-42424** | Film No.: **94500997**
SIC: **1311** Crude petroleum & natural gas

Business Address
530 MCCULLOUGH AVE
SAN ANTONIO TX 78215
5122462000

FILED BY

VALERO NATURAL GAS PARTNERS L P

CIK: **810021** | IRS No.: **742448118** | State of Incorporation: **DE** | Fiscal Year End: **1231**
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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Rule 13e-3 Transaction Statement
(Pursuant to Section 13(e) of the Securities Exchange Act of 1934)
[Amendment No. 1]

Valero Natural Gas Partners, L.P.
(Name of Issuer)

Valero Natural Gas Partners, L.P. and Valero Natural Gas Company
(Name of Person(s) Filing Statement)

Common Units of Limited Partner Interests
(Title of Class of Securities)

918906 20 7
(CUSIP Number of Class of Securities)

Rand C. Schmidt, Esq.
Corporate Secretary
530 McCullough Avenue
San Antonio, Texas 78215
(210) 246-2000

(Name, Address and Telephone Number of Person Authorized to Receive Notices and Communications on Behalf of Person(s) Filing Statement)

This statement is filed in connection with (check the appropriate box):

- a. /X/ The filing of solicitation materials or an information statement subject to Regulation 14A, Regulation 14C or Rule 13e-3(c) under the Securities Exchange Act of 1934.
- b. / / The filing of a registration statement under the Securities Act of 1933.
- c. / / A tender offer.
- d. / / None of the above.

Check the following box if the soliciting materials or information statement referred to in checking box (a) are preliminary copies: /X/

Calculation of Filing Fee

Not applicable. The filing fee was paid with the filing of the original Schedule 13E-3 on December 30, 1993.

INTRODUCTION

This Schedule 13E-3 relates to the solicitation of proxies of the holders of the common units of limited partner interests ("Common Units") in Valero Natural Gas Partners, L.P. ("VNGP") by VNGP and Valero Natural Gas Company, the general partner of VNGP and a wholly owned subsidiary of Valero Energy Corporation ("VEC"), in connection with a proposed merger of VNGP with a limited partnership that is wholly owned by subsidiaries of VEC. The Schedule 13E-3 was filed on December 30, 1993. This Amendment No. 1 to Schedule 13E-3 is filed to amend Item 17 of the Schedule 13E-3.

SCHEDULE 13E-3

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Item 17. Material to Be Filed as Exhibits.

- (a) Not applicable.
- (b-1)+ Opinion of Financial Advisor to the Special Committee dated as of December 20, 1993, appears as Annex B to the Proxy Statement and is incorporated herein by reference.
- (b-2)* Report of Financial Advisor to the Special Committee dated as of December 10, 1993.
- (b-3)* Report of the Financial Advisor to Valero Energy Corporation dated October 1993.
- (c)+ Agreement of Merger dated December 20, 1993, among Valero Natural Gas Partners, L.P., Valero Merger Partnership, L.P., Valero Natural Gas Company and Valero Energy Corporation appears as Annex A to the Proxy Statement and is incorporated herein by reference.
- (d)+ Exhibit 17(d) hereto--Letter to Unitholders, Notice of Special

(e) Not applicable.

(f) Not applicable.

</TABLE>

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+Previously filed.

*Filed herewith.

SIGNATURE

After due inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

<TABLE>

<S>

Date: January 11, 1994

<C>

VALERO NATURAL GAS COMPANY

By: /s/ Don M. Heep

Name: Don M. Heep

Title: Vice President Finance

VALERO NATURAL GAS PARTNERS, L.P.

By: VALERO NATURAL GAS COMPANY,
GENERAL PARTNER

By: /s/ Don M. Heep

Name: Don M. Heep

Title: Vice President Finance

</TABLE>

CONFIDENTIAL

VALERO NATURAL GAS COMPANY

SPECIAL COMMITTEE OF THE BOARD OF DIRECTORS

December 10, 1993

Dillon, Read & Co. Inc.

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Dillon, Read & Co. Inc.

December 10, 1993

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Valero Natural Gas Company

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Dillon, Read & Co. Inc.

December 10, 1993

EXECUTIVE SUMMARY

Valero Natural Gas Company

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Dillon, Read & Co. Inc.

December 10, 1993

Executive Summary

- The following presentation reviews the factual information as presented to the Special Committee on December 3, 1993 and is followed by Dillon Read's valuation analysis.
- On October 14, 1993, Valero Energy Corporation ("VLO") announced its intent to acquire Valero Natural Gas Partners, LP ("VLP") by merger for \$11.00 per unit. This proposed offer represented a

premium of approximately 24% over the undisturbed market closing price one-month prior to the announcement date of \$8.875.

- On October 14, 1993, VLP units closed at \$11.00 per unit.
- On October 16, 1993, VLO obtained board approval for the transaction and presented its proposal to the Board of Valero Natural Gas Company on October 17.
- On November 9, 1993, Dillon Read met with and was subsequently hired by the Special Committee representing the public unit holders of VLP.
- Following this appointment, Dillon Read began an extensive review and analysis of VLP.

Valero Natural Gas Company A.1

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Dillon, Read & Co. Inc. December 10, 1993

Executive Summary

- On December 2, 1993, Dillon Read had a preliminary meeting with its own fairness committee to review its progress and methodologies to date, which was followed on December 3, 1993 with its presentation to the Special Committee of VLP.
- On December 9, 1993, Dillon Read met again with its fairness committee.
- This presentation is intended to discuss Dillon Read's efforts to date in evaluating VLP, including its methodologies, and the valuation discussion is intended to prepare the Special Committee for its meeting with VLO on December 11, 1993.

Valero Natural Gas Company A.2

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Dillon, Read & Co. Inc. December 10, 1993

Executive Summary

- Fundamental assumptions implicit in our valuation of VLP include the following:
 - The VLP plan dated November 10, 1993 is the basis for our analysis.
 - As represented by VLO, incremental compression expenditures above the VLP plan are not feasible (i.e., system capacity is at maximum throughput).
- Potential litigation liabilities are excluded from the analyses as presented herein.

Valero Natural Gas Company A.3

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Dillon, Read & Co. Inc. December 10, 1993

DILLON READ VALUATION EFFORT

Valero Natural Gas Company

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Dillon, Read & Co. Inc. December 10, 1993

Dillon Read Valuation Effort

- The following Dillon Read personnel are involved in the VLP evaluation:

| Name | Position |
|------|----------|
|------|----------|

| | |
|-------------------|-----------------------|
| ---- | ----- |
| James W. Hunt | Managing Director |
| Mark J. Salisbury | Senior Vice President |
| Jason D. Sweet | Senior Vice President |
| Jeffrey W. Miller | Associate |
| Jeffrey J. Singer | Financial Analyst |

- Wachtell, Lipton and Vinson & Elkins are conducting the legal review
- The Dillon Read and Wachtell, Lipton teams have interviewed the following VLO and VLP representatives:

Management

| Name ---- | Position ----- |
|--------------------------|--|
| William E. Greehey | Chairman of the Board and Chief Executive Officer |
| Edward C. Benninger, Jr. | President: Valero Natural Gas and Natural Gas Liquids Companies |
| Stan L. McLelland | Executive Vice President and General Counsel |
| Don M. Heep | Vice President - Finance |
| Rand C. Schmidt | Corporate Secretary |
| William H. Zesch | Assistant Controller |

Valero Natural Gas Company B.1

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Dillon, Read & Co. Inc. December 10, 1993

Dillon Read Valuation Effort (Continued)

- Interview list (continued):
Valero Natural Gas Company

- | Name
---- | Position
----- |
|---------------------|--|
| Terrence E. Ciliske | Senior Vice President Natural Gas Supply, Marketing and Transportation |
| Peter A. Fasullo | Senior Vice President Planning and Development |
| Mark Stavinoha | Controller - Natural Gas/Natural Gas Liquids Division |
- Dillon Read's efforts focused on industry conditions, VLP's competitive position, and a thorough understanding of the VLP plan and business opportunities
 - Identify operational constraints
 - Identify implicit assumptions within the VLP plan
 - The following documents and material were reviewed
 - Review of publicly available information on VLP including proxies, annual reports, forms 10K and 10Q and other SEC filings, news stories and trading data
 - Review of internally generated VLP operational and financial plans
 - Review of outstanding litigation, including take or pay exposure

Valero Natural Gas Company B.2

Dillon Read Valuation Effort (Continued)

- On December 7, 1993 the Dillon Read team and Wachtell, Lipton held a conference call with Salomon Brothers to discuss its own assumptions implicit in its analysis
- The Salomon Brothers team consisted of the following:

| Name | Position |
|-------------------|----------------|
| ---- | ----- |
| David J. Prend | Director |
| C. Scott Baxter | Vice President |
| Laurie Cowen | Vice President |
| Roy W. Jageman | Associate |
| D. Richard Dowdle | Analyst |
- The most sign-perceived differences between Dillon Read's and Salomon Brothers' analyses include the following:
 - Calculation of net debt
 - Discounted cash flow analysis methodology
 - Terminal multiples
 - Cash flow perpetuity analysis
 - Adjustments to reported twelve month VLP data
 - Selection of most relevant comparables

Valero Natural Gas Company

B.3

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Dillon, Read & Co. Inc.

December 10, 1993

VALUATION METHODOLOGY

Valero Natural Gas Company

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Dillon, Read & Co. Inc.

December 10, 1993

Valuation Methodology

- Comparison of VLP to selected publicly-traded Gas Gathering, Transportation and Marketing ("GTM") Companies. The industry group includes:
 - American Oil & Gas Corporation
 - Aquila Gas Pipeline Corporation
 - Associated Natural Gas Corporation
 - Tejas Gas Corporation
 - Tejas Power Corporation
 - Trident NGL Holdings, Inc.
 - USX - Delhi Group included by Salomon
 - Western Gas Resources, Inc.
- This industry group was narrowed to the following more comparable group:
 - Aquila Gas Pipeline Corporation included by Salomon
 - Associated Natural Gas Corporation excluded by Salomon
 - Trident NGL Holdings, Inc. included by Salomon

- Western Gas Resources, Inc. excluded by Salomon

- Pre-tax discounted cash flow analysis of VLP
- An analysis of market premiums paid for non-control stockholder positions
- Review of acquisitions within the sector

Valero Natural Gas Company C.1

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Dillon, Read & Co. Inc. December 10, 1993

VALUATION OVERVIEW

Valero Natural Gas Company

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Dillon, Read & Co. Inc. December 10, 1993

Valuation Overview

Pre-Tax Discounted Cash Flow

Base Case

<TABLE>
<CAPTION>

| Assumed Terminal EDITDA Multiple | Discount Rate | | | | |
|-------------------------------------|---------------|---------|---------|---------|---------|
| | 10.0% | 10.5% | 11.0% | 11.5% | 12.0% |
| <S> | <C> | <C> | <C> | <C> | <C> |
| 7.5x | \$11.47 | \$10.56 | \$ 9.68 | \$ 8.82 | \$ 7.98 |
| 8.0x | 13.14 | 12.19 | 11.27 | 10.37 | 9.49 |
| 8.5x | 14.81 | 13.82 | 12.86 | 11.92 | 11.01 |
| 9.0x | 16.48 | 15.45 | 14.45 | 13.47 | 12.52 |

</TABLE>
Annual O&M and G&A Savings \$5mm and Downward NGL Price Adjustments

<TABLE>
<CAPTION>

| Assumed Terminal EBITDA Multiple | Discount Rate | | | | |
|-------------------------------------|---------------|---------|---------|---------|---------|
| | 10.0% | 10.5% | 11.0% | 11.5% | 12.0% |
| <S> | <C> | <C> | <C> | <C> | <C> |
| 7.5x | \$11.59 | \$10.65 | \$ 9.74 | \$ 8.86 | \$ 8.00 |
| 8.0x | 13.33 | 12.36 | 11.41 | 10.48 | 9.58 |
| 8.5x | 15.08 | 14.06 | 13.07 | 12.10 | 11.16 |
| 9.0x | 16.83 | 15.77 | 14.73 | 13.73 | 12.75 |

</TABLE>

Valero Natural Gas Company D.1

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Dillon, Read & Co. Inc. December 10, 1993

Valuation Overview

Annual O&M and G&A Savings \$10mm and Base Case NGL Price Forecast

<TABLE>
<CAPTION>

| Assumed Terminal EBITDA Multiple | Discount Rate | | | | |
|-------------------------------------|---------------|---------|---------|---------|---------|
| | 10.0% | 10.5% | 11.0% | 11.5% | 12.0% |
| <S> | <C> | <C> | <C> | <C> | <C> |
| 7.5x | \$16.34 | \$15.34 | \$14.37 | \$13.42 | \$12.50 |
| 8.0x | 18.16 | 17.12 | 16.11 | 15.12 | 14.16 |
| 8.5x | 19.99 | 18.90 | 17.84 | 16.81 | 15.81 |
| 9.0x | 21.81 | 20.68 | 19.58 | 18.51 | 17.46 |

</TABLE>

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Dillon, Read & Co. Inc.

December 10, 1993

Valuation Overview

Annualized Adjustments to Reported LTM 9/30/93 Financials

<TABLE>

<CAPTION>

| | (\$MM) | <C> | <C> |
|--|--------|-----|-----------------------|
| - Favorable prior year adjustments | \$8.5 | | (non-cash adjustment) |
| - System gain and sales margin | 7.5 | | (cash adjustment) |
| - Unrecoverable affiliate gathering & transportation costs | 4.4 | | (cash adjustment) |
| | ----- | | |
| | \$20.4 | | |
| | ===== | | |

</TABLE>

<TABLE>

<CAPTION>

| | EBITDA | CFFO (a) | Net Income (a) |
|---------------------------|---------|----------|----------------|
| | ----- | ----- | ----- |
| <S> | <C> | <C> | <C> |
| As Reported (LTM 9/30/93) | \$115.9 | \$46.1 | \$12.2 |
| | (7.5) | (7.5) | (7.5) |
| | (4.4) | (4.4) | (4.4) |
| | --- | --- | (8.5) |
| | --- | 7.1 (b) | 7.1 (b) |
| | ----- | ----- | ----- |
| Adjusted (LTM 9/30/93) | \$104.0 | \$41.4 | (\$1.1) |
| | ===== | ===== | ===== |

</TABLE>

(a) Assumes a 35% tax rate and deferred tax component is zero.

(b) Tax shield of 35% associated with downward adjustments.

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Dillon, Read & Co. Inc.

December 10, 1993

Valuation Overview

Trading Company Analysis

Peer Group (a)

(Tax Rate = 35%)

<TABLE>

<CAPTION>

| Multiple Parameter | Indicated Value per Unit | | | |
|--|--------------------------|---------|----------|---------|
| | Actual | | Adjusted | |
| | Mean | Median | Mean | Median |
| | ----- | ----- | ----- | ----- |
| <S> | <C> | <C> | <C> | <C> |
| Net Income to Common (b) | | | | |
| LTM (9/30/93) | \$10.04 | \$10.30 | NM | NM |
| 1993 (c) | 12.98 | 12.98 | \$12.98 | \$12.98 |
| 1994 (c) | 12.45 | 12.45 | 12.45 | 12.45 |
| Cash Flow From Operations (b) | | | | |
| LTM (9/30/93) | \$16.15 | \$16.52 | \$14.48 | \$14.82 |
| 1994E | 13.38 | 13.38 | 13.38 | 13.38 |
| LTM Operating Cash Flow (EDITDA) (9/30/93) | \$17.60 | \$13.98 | \$12.41 | \$ 9.16 |

</TABLE>

(a) Peer group includes AQP, NGA, NGL, and WGR.

(b) Assumes a 35% tax rate and deferred tax component is zero.

(c) Based on IBES estimates.

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Dillon, Read & Co. Inc.

December 10, 1993

 VALUATION OVERVIEW

Trading Company Analysis
 Industry Group(a)
 (Tax Rate = 35%)

<TABLE>
 <CAPTION>

| Multiple Parameter | Indicated Value per Unit | | | |
|---|--------------------------|---------|----------|---------|
| | Actual | | Adjusted | |
| | Mean | Median | Mean | Median |
| <S> | <C> | <C> | <C> | <C> |
| Net Income to Common (b) | | | | |
| LTM (9/30/93) | \$13.92 | \$13.80 | NM | NM |
| 1993 (c) | 15.98 | 14.68 | \$15.98 | \$14.68 |
| 1994 (c) | 13.45 | 12.45 | 13.45 | 12.45 |
| Cash Flow From Operations (b) | | | | |
| LTM (9/30/93) | \$17.87 | \$20.18 | \$16.02 | \$18.10 |
| 1994E | 13.30 | 14.29 | 13.30 | 14.29 |
| LTM Operating Cash Flow (EDITDA) (9/30/93) | \$16.71 | \$19.74 | \$11.61 | \$14.33 |

</TABLE>

 (a) Industry group includes AOG, AQP, NGA, TEJ, TPC, NGL, DGP and WGR.
 (b) Assumes a 35% tax rate and deferred tax component is zero.
 (c) Based on IBES estimates.

Valero Natural Gas Company D.5

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 Dillon, Read & Co. Inc. December 10, 1993

 VALUATION OVERVIEW

Trading Company Analysis
 Peer Group(a)
 (Tax Rate = 0%)

<TABLE>
 <CAPTION>

| Multiple Parameter | Indicated Value per Unit | | | |
|---|--------------------------|---------|----------|---------|
| | Actual | | Adjusted | |
| | Mean | Median | Mean | Median |
| <S> | <C> | <C> | <C> | <C> |
| Net Income to Common (b) | | | | |
| LTM (9/30/93) | \$15.45 | \$15.84 | NM | NM |
| 1993 (c) | 19.97 | 19.97 | \$19.97 | \$19.97 |
| 1994 (c) | 19.15 | 19.15 | 19.15 | 19.15 |
| Cash Flow From Operations (b) | | | | |
| LTM (9/30/93) | \$18.44 | \$18.87 | \$14.28 | \$14.61 |
| 1994E | 13.19 | 13.19 | 13.19 | 13.19 |
| LTM Operating Cash Flow (EDITDA) (9/30/93) | \$17.60 | \$13.98 | \$12.41 | \$ 9.16 |

</TABLE>

 (a) Peer group includes AQP, NGA, NGL, and WGR.
 (b) Assumes a 0% tax rate.
 (c) Based on IBES estimates.

Valero Natural Gas Company D.6

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 Dillon, Read & Co. Inc. December 10, 1993

 VALUATION OVERVIEW

Trading Company Analysis
 Industry Group(a)
 (Tax Rate = 0%)

<TABLE>
<CAPTION>

| Multiple Parameter | Indicated Value per Unit | | | |
|---|--------------------------|---------|----------|---------|
| | Actual | | Adjusted | |
| | Mean | Median | Mean | Median |
| <S> | <C> | <C> | <C> | <C> |
| Net Income to Common (b) | | | | |
| LTM (9/30/93) | \$21.42 | \$21.23 | NM | NM |
| 1993 (c) | 24.58 | 22.58 | \$24.58 | \$22.58 |
| 1994 (c) | 20.69 | 19.55 | 20.69 | 19.15 |
| Cash Flow From Operations (b) | | | | |
| LTM (9/30/93) | \$20.41 | \$23.05 | \$15.80 | \$17.85 |
| 1994E | 13.12 | 14.08 | 13.12 | 14.08 |
| LTM Operating Cash Flow (EDITDA) (9/30/93) | \$16.71 | \$19.74 | \$11.61 | \$14.33 |

</TABLE>

- (a) Industry group includes AOG, AQP, NGA, TEJ, TPC, NGL, DGP and WGR.
(b) Assumes a 0% tax rate.
(c) Based on IBES estimates.

Valero Natural Gas Company D.7

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Dillion, Read & Co. Inc. December 10, 1993

VALUATION OVERVIEW

Comparable Company Acquisitions

- - An analysis of comparable company acquisitions yields a range of EBITDA multiples from 3.5x - 11.2x(a)

| | EBITDA Multiple | Implied Value Per Unit |
|--------|-----------------|---------------------------|
| Mean | 6.8x | \$8.43 |
| Median | 6.9x | \$9.04 |

Historical Premiums Paid In Non-Control Position Buyouts

- - An analysis of 137 buyouts of non-control positions yields a wide range of premiums paid over market prices. However 72% of the transactions fall within a range of 0 to 70% (b)

| | Premium | Implied Value Per Unit |
|--------|---------|---------------------------|
| Mean | 35.2% | \$12.00 |
| Median | 33.0% | \$11.80 |

- (a) See Appendix 3 for a tabulation of comparable company acquisitions.
(b) Based on the premium to market one-month prior to the announcement date. The closing price of VLP was \$8 7/8/unit on 9/14/93. Statistical data implicit in the analysis is based on the buyouts of 137 non-control positions since 1/1/86.

Valero Natural Gas Company D.8

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Dillon, Read & Co. Inc. December 10, 1993

PRE-TAX DISCOUNTED CASH FLOW ANALYSIS

Valero Natural Gas Company

[Confidential Treatment Has Been Requested]

COMPARABLE COMPANY TRADING ANALYSIS

VALERO NATURAL GAS COMPANY

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Dillon, Read & Co. Inc.

12/08/93

VALERO NATURAL GAS PARTNERS, L.P.

IMPLIED VALUATION RANGES BASED ON PEER GROUP TRADING MULTIPLES

Implied Valuation of Total Partners' Capital

| Valuation Criteria | Adj. VLP Results(a) | Comparable Company Trading Multiples (b) | | | | Implied Market Capitalization For VLP (c) | | Implied Equity Market Value For VLP (c) | |
|----------------------------------|---------------------|--|--------|-------|-------|---|---------|---|--------|
| | | Mean | Median | High | Low | Mean | Median | Mean | Median |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
| LTM Net Income to Common | \$ (1.7) | 15.9x | 16.4x | 19.9x | 11.0x | \$627.6 | \$627.6 | NA | NA |
| LTM Cash Flow From Operations | 41.4 | 6.7x | 6.8x | 8.4x | 4.6x | 903.5 | 909.9 | 275.9 | 282.3 |
| 1994E Cash Flow From Operations | 39.3 | 6.5x | 6.5x | 6.9x | 6.1x | 882.6 | 882.6 | 255.0 | 255.0 |
| 1993E Net Income | 13.6 | 18.2x | 18.2x | 18.8x | 17.5x | 874.9 | 874.9 | 247.3 | 247.3 |
| 1994E Net Income | 16.1 | 14.7x | 14.7x | 15.1x | 14.4x | 864.8 | 864.8 | 237.2 | 237.2 |
| LTM Operating Cash Flow / EBITDA | 104.0 | 8.3x | 7.7x | 11.3x | 6.5x | 863.9 | 802.2 | 236.4 | 174.6 |

Implied Value of Public Units Assuming 51.0% of Partners' Value is Represented

By Public Values

| Valuation Criteria | Total Value of Public Units | | | | Value Per Public Unit | | | |
|---------------------------------|-----------------------------|--------|-------|-------|-----------------------|--------|-------|-------|
| | Mean | Median | High | Low | Mean | Median | High | Low |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
| LTM Net Income to Common | NA | NA | NA | NA | NA | NA | NA | NA |
| LTM Cash Flow From Operations | 140.6 | 143.9 | 177.2 | 97.55 | 14.48 | 14.82 | 18.24 | 10.04 |
| 1994E Cash Flow From Operations | 130.0 | 130.0 | 138.8 | 121.2 | 13.38 | 13.38 | 14.29 | 12.48 |
| 1993E Net Income | 126.1 | 126.1 | 130.7 | 121.4 | 12.98 | 12.98 | 13.46 | 12.50 |
| 1994E Net Income | 120.9 | 120.9 | 123.6 | 118.2 | 12.45 | 12.45 | 12.73 | 12.17 |
| LTM Operating Cash Flow/EBITDA | 120.5 | 89.0 | 279.7 | 24.2 | 12.41 | 9.16 | 28.80 | 2.49 |

(a) Latest twelve months results for Valero Natural Gas Partners, L.P. are for period ended September 30, 1993. Results are tax affected at 0.0% to make comparative analysis relevant. Taxes are assumed to be current (i.e., Deferred = 0) Projected net income figures, also tax affected, represent the median earnings estimates made by Wall Street research analysts (as reported by I.B.E.S. as of 11/18/93). LTM based financials adjusted to reflect non-recurring items.

(b) Comparable companies used in analysis include Aquila Gas Pipeline, Associated Natural Gas, Trident NGL, and Western Gas Resources. Market

Resources. Market values are as of 12/07/93.
(c) Net debt = \$627.6 million.

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Dillon, Read & Co. Inc.

12/08/93

Valero Natural Gas Partners, L.P.
Implied Valuation Ranges Based on Industry Trading Multiples

Implied Valuation of Total Partners' Capital

<TABLE>

<CAPTION>

| Valuation Criteria | Adj. VLP Results(a) | Comparable Company Trading Multiples (b) | | | | Implied Market Capitalization For VLP (c) | | Implied Equity Market Value For VLP (c) | |
|---------------------------------|---------------------|--|--------|-------|-------|---|---------|---|--------|
| | | Mean | Median | High | Low | Mean | Median | Mean | Median |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
| LTM Net Income to Common | (\$1.1) | 21.8x | 21.6x | 36.7x | 10.7x | \$627.6 | \$627.6 | NA | NA |
| LTM Cash Flow From Operations | 41.4 | 7.4x | 8.3x | 9.7x | 4.6x | 932.9 | 972.5 | 305.3 | 344.9 |
| 1994E Cash Flow From Operations | 39.3 | 6.4x | 6.9x | 8.3x | 3.6x | 881.1 | 899.8 | 253.5 | 272.2 |
| 1993E Net Income | 13.6 | 22.3x | 20.5x | 32.9x | 12.3x | 932.0 | 907.2 | 304.4 | 279.6 |
| 1994E Net Income | 16.1 | 15.9x | 14.7x | 21.9x | 9.9x | 883.8 | 864.8 | 256.3 | 237.2 |
| LTM Operating Cash Flow/EBITDA | 104.0 | 8.2x | 8.7x | 11.3x | 4.5x | 848.9 | 900.6 | 221.3 | 273.1 |

</TABLE>

Implied Value of Public Units Assuming 51.0% of Partners' Value is Represented

By Public Units

<TABLE>

<CAPTION>

| Valuation Criteria | Total Value of Public Units | | | | Value Per Public Unit | | | |
|---------------------------------|-----------------------------|--------|-------|--------|-----------------------|--------|-------|--------|
| | Mean | Median | High | Low | Mean | Median | High | Low |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
| LTM Net Income to Common | NA | NA | NA | NA | NA | NA | NA | NA |
| LTM Cash Flow From Operations | 155.6 | 175.8 | 204.5 | 97.5 | 16.02 | 18.10 | 21.06 | 10.04 |
| 1994E Cash Flow From Operations | 129.2 | 138.8 | 167.0 | 72.5 | 13.30 | 14.29 | 17.19 | 7.47 |
| 1993E Net Income | 155.1 | 142.5 | 228.6 | 85.6 | 15.98 | 14.68 | 23.54 | 8.81 |
| 1994E Net Income | 130.6 | 120.9 | 180.1 | 80.9 | 13.45 | 12.45 | 18.54 | 8.33 |
| LTM Operating Cash Flow/EBITDA | 112.8 | 139.2 | 279.7 | (79.3) | 11.61 | 14.33 | 28.80 | (8.16) |

</TABLE>

(a) Latest twelve months results for Valero Natural Gas Partners, L.P. are for period ended September 30, 1993.

Results are tax affected at 35% to make comparative analysis relevant. Taxes are assumed to be current (i.e. Deferred = 0).

Projected net income figures, also tax affected, represent the median earnings estimates made by Wall Street research analysts (as reported by I.B.E.S. as of 11/18/93). LTM based financials adjusted to reflect non-recurring items.

(b) Comparable companies used in analysis include American Oil & Gas, Aquila Gas Pipeline, Associated Natural Gas, Tejas Natural Gas, Tejas Power Corp., Trident NGL, USX - Delhi Group, and Western Gas Resources. Market values are as of 12/07/93.

(c) Net debt = \$627.6 million.

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Dillon, Read & Co. Inc.

12/09/93

VALERO NATURAL GAS PARTNERS, L.P.
IMPLIED VALUATION RANGES BASED ON PEER GROUP TRADING MULTIPLES

IMPLIED VALUATION OF TOTAL PARTNERS' CAPITAL

<TABLE>

<CAPTION>

| Valuation Criteria | Act. VLP Results (a) | Comparable Company Trading Multiples (b) | | | | Implied Market Capitalization For VLP (c) | | Implied Equity Market Value For VLP (c) | |
|---------------------------------|----------------------|--|--------|-------|-------|---|---------|---|---------|
| | | Mean | Median | High | Low | Mean | Median | Mean | Median |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
| LTM Net Income to Common | \$ 12.2 | 15.7x | 16.1x | 19.9x | 10.7x | \$818.9 | \$823.8 | \$191.3 | \$196.2 |
| LTM Cash Flow From Operations | 46.1 | 6.7x | 6.8x | 8.4x | 4.6x | 935.2 | 942.4 | 307.6 | 314.8 |
| 1994E Cash Flow From Operations | 39.3 | 6.5x | 6.5x | 6.9x | 6.1x | 882.6 | 882.6 | 255.0 | 255.0 |
| 1993E Net Income | 13.6 | 18.2x | 18.2x | 18.8x | 17.5x | 874.9 | 874.9 | 247.3 | 247.3 |
| 1994E Net Income | 16.1 | 14.7x | 14.7x | 15.1x | 14.4x | 864.8 | 864.8 | 237.2 | 237.2 |
| LTM Operating Cash Flow/EBITDA | 115.9 | 8.3x | 7.7x | 11.3x | 6.5x | 962.8 | 894.0 | 335.3 | 266.4 |

IMPLIED VALUE OF PUBLIC UNITS ASSUMING 51.0% OF PARTNERS' VALUE IS REPRESENTED

BY PUBLIC UNITS

<TABLE>
<CAPTION>

| Valuation Criteria | Total Value of Public Units | | | | Value Per Public Unit | | | |
|---------------------------------|-----------------------------|---------|---------|---------|-----------------------|---------|---------|---------|
| | Mean | Median | High | Low | Mean | Median | High | Low |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
| LTM Net Income to Common | \$ 97.5 | \$100.0 | \$123.8 | \$ 66.2 | \$10.04 | \$10.30 | \$12.75 | \$ 6.82 |
| LTM Cash Flow From Operations | 156.8 | 160.5 | 197.6 | 108.7 | 16.15 | 16.52 | 20.24 | 11.20 |
| 1994E Cash Flow From Operations | 130.0 | 130.0 | 138.8 | 121.2 | 13.38 | 13.38 | 14.29 | 12.48 |
| 1993E Net Income | 126.1 | 126.1 | 130.7 | 121.4 | 12.98 | 12.98 | 13.46 | 12.50 |
| 1994E Net Income | 120.9 | 120.9 | 123.6 | 118.2 | 12.45 | 12.45 | 12.73 | 12.17 |
| LTM Operating Cash Flow/EBITDA | 170.9 | 135.8 | 348.4 | 63.6 | 17.60 | 1.98 | 35.87 | 6.55 |

- (a) Latest twelve months results for Valero Natural Gas Partners, L.P. are for period ended September 30, 1993. Results are tax affected at a 35% current rate, (deferred component not included), to make analysis relevant. Projected net income figures, also tax affected, represent the median earnings estimates made by Wall Street research analysts (as reported by I.B.E.S. as of 11/18/93).
- (b) Comparable companies used in analysis include Aquila Gas Pipeline, Associated Natural Gas, Trident NGL, and Western Gas Resources. Market values as of 12/07/93.
- (c) Net debt = \$627.6 million.

Dillon, Read & Co. Inc. 12/09/93

Valero Natural Gas Partners, L.P.
Implied Valuation Ranges Based on Industry Trading Multiples

Implied Valuation of Total Partners' Capital

<TABLE>
<CAPTION>

| Valuation Criteria | Adj. VLP Results (a) | Comparable Company Trading Multiples (b) | | | | Implied Market Capitalization For VLP (c) | | Implied Equity Market Value For VLP (c) | |
|---------------------------------|----------------------|--|--------|-------|-------|---|----------|---|---------|
| | | Mean | Median | High | Low | Mean | Median | Mean | Median |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
| LTM Net Income to Common | \$ 12.2 | 21.8x | 21.6x | 36.7x | 10.7x | \$892.8 | \$ 890.5 | \$265.2 | \$262.9 |
| LTM Cash Flow From Operations | 46.1 | 7.4x | 8.3x | 9.7x | 4.6x | 968.0 | 1,012.1 | 340.4 | 384.6 |
| 1994E Cash Flow From Operations | 39.3 | 6.4x | 6.9x | 8.3x | 3.6x | 881.1 | 899.8 | 253.5 | 272.2 |
| 1993E Net Income | 13.6 | 22.3x | 20.5x | 32.9x | 12.3x | 932.0 | 907.2 | 304.4 | 279.6 |
| 1994E Net Income | 16.1 | 15.9x | 14.7x | 21.9x | 9.9x | 883.8 | 864.2 | 256.3 | 237.2 |

| | | | | | | | | | |
|------------------------------------|-------|------|------|-------|------|-------|---------|-------|-------|
| LTM Operating Cash Flow/ EBITDA | 115.9 | 8.2x | 8.7x | 11.3x | 4.5x | 946.0 | 1,003.7 | 318.4 | 376.1 |
|------------------------------------|-------|------|------|-------|------|-------|---------|-------|-------|

Implied Value of Public Units Assuming 51.0% of Partners' Value is Represented
By Public Units

| Valuation Criteria | Total Value of Public Units | | | | Value Per Public Unit | | | | |
|------------------------------------|-----------------------------|---------|---------|---------|-----------------------|---------|---------|---------|-----|
| | Mean | Median | High | Low | Mean | Median | High | Low | |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
| LTM Net Income to Common | \$135.2 | \$134.0 | \$227.7 | \$ 66.2 | \$13.92 | \$13.80 | \$23.44 | \$ 6.82 | |
| LTM Cash Flow From Operations | 173.5 | 196.0 | 228.0 | 108.7 | 17.87 | 20.18 | 23.48 | 11.20 | |
| 1994E Cash Flow From Operations | 129.2 | 138.8 | 167.0 | 72.5 | 13.30 | 14.29 | 17.19 | 7.47 | |
| 1993E Net Income | 155.2 | 142.5 | 228.6 | 85.6 | 15.98 | 14.68 | 23.54 | 8.81 | |
| 1994E Net Income | 130.6 | 120.9 | 180.1 | 80.9 | 13.45 | 12.45 | 18.54 | 8.33 | |
| LTM Operating Cash Flow/ EBITDA | 162.3 | 191.7 | 348.4 | (51.7) | 16.71 | 19.74 | 35.87 | (5.33) | |

(a) Latest twelve months results for Valero Natural Gas Partners, L.P. are for period ended September 30, 1993. Results are tax affected at 35% current rate, (deferred component not included), to make comparative analysis relevant. Projected net income figures, also tax affected, represent the median earnings estimates made by Wall Street research analysts (as reported by I.B.E.S. as of 11/18/93).

(b) Comparable companies used in analysis include American Oil & Gas, Aquila Gas Pipeline, Associated Natural Gas, Tejas Natural Gas, Tejas Power Corp., Trident NGL, USX -- Delhi Group, and Western Gas Resources. Market values are as of 12/07/93.

(c) Net debt = \$627.6 million.

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Dillon, Read & Co. Inc. 12/09/93

Valero Natural Gas Partners, L.P.
Implied Valuation Ranges Based on Peer Group Trading Multiples

Implied Valuation of Total Partners' Capital

| Valuation Criteria | Adj. VLP Results(a) | Comparable Company Trading Multiples(b) | | | | Implied Market Capitalization For VLP(c) | | Implied Equity Market Value For VLP(c) | |
|-------------------------------------|------------------------|--|--------|-------|-------|--|----------|--|--------|
| | | Mean | Median | High | Low | Mean | Median | Mean | Median |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
| LTM Net Income to Common | (\$1.7) | 15.7x | 16.1x | 19.9x | 10.7x | \$ 627.6 | \$ 627.6 | NA | NA |
| LTM Cash Flow From Operations | 40.8 | 6.7x | 6.8x | 8.4x | 4.6x | 899.6 | 905.9 | 272.0 | 278.4 |
| 1994E Cash Flow From Operations | 38.7 | 6.5x | 6.5x | 6.9x | 6.1x | 879.0 | 879.0 | 251.4 | 251.4 |
| 1993E Net Income | 21.0 | 18.2x | 18.2x | 18.8x | 17.5x | 1,008.1 | 1,008.1 | 380.5 | 380.5 |
| 1994E Net Income | 24.8 | 14.7x | 14.7x | 15.1x | 14.4x | 992.5 | 992.5 | 364.9 | 364.9 |
| LTM Operating Cash Flow / EBITDA | 104.0 | 8.3x | 7.7x | 11.3x | 6.5x | 863.9 | 802.2 | 236.4 | 174.6 |

Implied Value of Public Units Assuming 51.0% of Partners' Value is Represented

By Public Units

<TABLE>
<CAPTION>

| Valuation Criteria | Total Value of Public Units | | | | Value Per Public Unit | | | |
|----------------------------------|-----------------------------|--------|-------|-------|-----------------------|--------|-------|-------|
| | Mean | Median | High | Low | Mean | Median | High | Low |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
| LTM Net Income to Common | NA | NA | NA | NA | NA | NA | NA | NA |
| LTM Cash Flow From Operations | 137.7 | 141.9 | 174.7 | 96.1 | 14.28 | 14.61 | 17.99 | 9.90 |
| 1994E Cash Flow From Operations | 128.1 | 128.1 | 136.8 | 119.5 | 13.19 | 13.19 | 14.08 | 12.30 |
| 1993E Net Income | 194.0 | 194.0 | 201.1 | 186.8 | 19.97 | 19.97 | 20.71 | 19.23 |
| 1994E Net Income | 186.0 | 186.0 | 190.2 | 181.9 | 19.15 | 19.15 | 19.58 | 18.73 |
| LTM Operating Cash Flow / EBITDA | 120.5 | 89.0 | 279.7 | 24.2 | 12.41 | 9.16 | 28.80 | 2.49 |

</TABLE>

- (a) Latest twelve months results for Valero Natural Gas Partners, L.P. are for period ended September 30, 1993. LTM and projected figures are not tax affected. LTM based financials adjusted to reflect non-recurring items.
- (b) Comparable companies used in analysis include Aquila Gas Pipeline, Associated Natural Gas, Trident NGL, and Western Gas Resources. Market values are as of 12/07/93.
- (c) Net debt = \$627.6 million.

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Dillon, Read & Co. Inc.

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Valero Natural Gas Partners, L.P.
Implied Valuation Ranges Based on Industry Trading Multiples

Implied Valuation of Total Partners' Capital

<TABLE>
<CAPTION>

| Valuation Criteria | Adj. VLP Results (a) | Comparable Company Trading Multiples (b) | | | | Implied Market Capitalization For VLP (c) | | Implied Equity Market Value For VLP (c) | |
|---------------------------------|----------------------|--|--------|-------|-------|---|---------|---|--------|
| | | Mean | Median | High | Low | Mean | Median | Mean | Median |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
| LTM Net Income to Common | (\$1.7) | 21.8x | 21.6x | 36.7x | 10.7x | \$627.6 | \$627.6 | NA | NA |
| LTM Cash Flow From Operations | 40.8 | 7.4x | 8.3x | 9.7x | 4.6x | 928.6 | 967.6 | 301.0 | 340.0 |
| 1994E Cash Flow From Operations | 38.7 | 6.4x | 6.9x | 8.3x | 3.6x | 877.5 | 895.9 | 249.9 | 268.3 |
| 1993E Net Income | 21.0 | 22.3x | 20.5x | 32.9x | 12.3x | 1,095.9 | 1,057.7 | 468.3 | 430.2 |
| 1994E Net Income | 24.8 | 15.9x | 14.7x | 21.9x | 9.9x | 1,021.8 | 992.5 | 394.3 | 364.9 |
| LTM Operating Cash Flow/EBITDA | 104.0 | 8.2x | 8.7x | 11.3x | 4.5x | 848.9 | 900.6 | 221.3 | 273.1 |

</TABLE>

Implied Value of Public Units Assuming 51.0% of Partners' Value is Represented

By Public Units

<TABLE>
<CAPTION>

| Valuation Criteria | Total Value of Public Units | | | | Value Per Public Unit | | | |
|--------------------------|-----------------------------|--------|------|-----|-----------------------|--------|------|-----|
| | Mean | Median | High | Low | Mean | Median | High | Low |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
| LTM Net Income to Common | NA | NA | NA | NA | NA | NA | NA | NA |

| | | | | | | | | |
|---------------------------------|-------|-------|-------|--------|-------|-------|-------|--------|
| LTM Cash Flow From Operations | 153.4 | 173.3 | 201.6 | 96.1 | 15.80 | 17.85 | 20.76 | 9.90 |
| 1994E Cash Flow From Operations | 127.4 | 136.8 | 164.6 | 71.5 | 13.12 | 14.08 | 16.95 | 7.36 |
| 1993E Net Income | 238.7 | 219.3 | 351.7 | 131.6 | 24.58 | 22.58 | 36.21 | 13.55 |
| 1994E Net Income | 201.0 | 186.0 | 277.1 | 124.5 | 20.69 | 19.15 | 28.53 | 12.81 |
| LTM Operating Cash Flow/EBITDA | 112.8 | 139.2 | 279.7 | (79.3) | 11.61 | 14.33 | 28.80 | (8.16) |

-
- (a) Latest twelve months results for Valero Natural Gas Partners, L.P. are for period ended September 30, 1993.
LTM and projected figures are not tax affected.
LTM based financials adjusted to reflect non-recurring items.
- (b) Comparable companies used in analysis include American Oil & Gas, Aquila Gas Pipeline, Associated Natural Gas, Tejas Natural Gas, Tejas Power Corp., Trident NGL, USX, Delhi Group, and Western Gas Resources. Market values are as of 12/07/93.
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Dillon, Read & Co. Inc. 12/09/93

Valero Natural Gas Partners, L.P.
Implied Valuation Ranges Based on Peer Group Trading Multiples

Implied Valuation of Total Partners' Capital

<TABLE>
<CAPTION>

| Valuation Criteria | Adj. VLP Results(a) | Comparable Company Trading Multiples (b) | | | | Implied Market Capitalization For VLP (c) | | Implied Equity Market Value For VLP (c) | |
|---------------------------------|---------------------|--|--------|-------|-------|---|---------|---|---------|
| | | Mean | Median | High | Low | Mean | Median | Mean | Median |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
| LTM Net Income to Common | \$18.7 | 15.7x | 16.1x | 19.9x | 10.7x | \$ 921.9 | 929.4 | \$294.4 | \$301.9 |
| LTM Cash Flow From Operations | 52.7 | 6.7x | 6.8x | 8.4x | 4.6x | 978.9 | 987.1 | 351.4 | 359.6 |
| 1994E Cash Flow From Operations | 38.7 | 6.5x | 6.5x | 6.9x | 6.1x | 879.0 | 879.0 | 251.4 | 251.4 |
| 1993E Net Income | 21.0 | 18.2x | 18.2x | 18.8x | 17.5x | 1,008.1 | 1,008.1 | 380.5 | 380.5 |
| 1994E Net Income | 24.8 | 14.7x | 14.7x | 15.1x | 14.4x | 992.5 | 992.5 | 364.9 | 364.9 |
| LTM Operating Cash Flow/EBITDA | 115.9 | 8.3x | 7.7x | 11.3x | 6.5x | 962.8 | 894.0 | 335.3 | 266.4 |

</TABLE>

Implied Value of Public Units Assuming 51.0% of Partners' Value is Represented By Public Units

<TABLE>
<CAPTION>

| Valuation Criteria | Total Value of Public Units | | | | Value Per Public Unit | | | |
|---------------------------------|-----------------------------|---------|---------|---------|-----------------------|---------|---------|---------|
| | Mean | Median | High | Low | Mean | Median | High | Low |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
| LTM Net Income to Common | \$150.6 | \$153.9 | \$190.5 | \$101.9 | \$15.45 | \$15.84 | \$19.62 | \$10.49 |
| LTM Cash Flow From Operations | 179.1 | 183.3 | 225.7 | 124.2 | 18.44 | 18.87 | 23.23 | 12.79 |
| 1994E Cash Flow From Operations | 128.1 | 128.1 | 136.8 | 119.5 | 13.19 | 13.19 | 14.08 | 12.30 |
| 1993E Net Income | 194.0 | 194.0 | 201.1 | 186.8 | 19.97 | 19.97 | 20.71 | 19.23 |
| 1994E Net Income | 186.0 | 186.0 | 190.2 | 181.9 | 19.15 | 19.15 | 19.58 | 18.73 |
| LTM Operating Cash Flow/EBITDA | 170.9 | 135.8 | 348.4 | 63.6 | 17.60 | 13.98 | 35.87 | 6.55 |

</TABLE>

-
- (a) Latest twelve months results for Valero Natural Gas Partners, L.P. are for period ended September 30, 1993.
LTM and projected figures are not tax affected
- (b) Comparable companies used in analysis include Aquila Gas Pipeline, Associated Natural Gas, Trident NGL, and Western Gas Resources. Market values are as of 12/07/93.
- (c) Net debt = \$627.6 million.

Dillon, Read & Co. Inc.

12/09/93

Valero Natural Gas Partners, L.P.
Implied Valuation Ranges Based on Industry Trading Multiples

Implied Valuation of Total Partners' Capital

| Valuation Criteria | Adj. VLP Results (a) | Comparable Company Trading Multiples (b) | | | | Implied Market Capitalization For VLP (c) | | Implied Equity Market Value For VLP (c) | |
|---------------------------------|----------------------|--|--------|-------|-------|---|-----------|---|---------|
| | | Mean | Median | High | Low | Mean | Median | Mean | Median |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
| LTM Net Income to Common | \$ 18.7 | 21.8x | 21.6x | 36.7x | 10.7x | \$1,035.6 | \$1,032.0 | \$408.0 | \$404.4 |
| LTM Cash Flow From Operations | 52.7 | 7.4x | 8.3x | 9.7x | 4.6x | 1,016.4 | 1,066.8 | 388.8 | 439.2 |
| 1994E Cash Flow From Operations | 38.7 | 6.4x | 6.9x | 8.3x | 3.6x | 877.5 | 895.9 | 249.9 | 268.3 |
| 1993E Net Income | 21.0 | 22.3x | 20.5x | 32.9x | 12.3x | 1,095.9 | 1,057.7 | 468.3 | 430.2 |
| 1994E Net Income | 24.8 | 15.9x | 14.7x | 21.9x | 9.9x | 1,021.8 | 992.5 | 394.3 | 364.9 |
| LTM Operating Cash Flow/EBITDA | 115.9 | 8.2x | 8.7x | 11.3x | 4.5x | 946.0 | 1,003.7 | 318.4 | 376.1 |

Implied Value of Public Units Assuming 51.0% of Partners' Value is Represented By Public Units

| Valuation Criteria | Total Value of Public Units | | | | Value Per Public Unit | | | |
|---------------------------------|-----------------------------|---------|---------|---------|-----------------------|---------|---------|---------|
| | Mean | Median | High | Low | Mean | Median | High | Low |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
| LTM Net Income to Common | \$208.0 | \$206.2 | \$350.3 | \$101.9 | \$21.42 | \$21.23 | \$36.07 | \$10.49 |
| LTM Cash Flow From Operations | 198.2 | 223.9 | 260.5 | 124.2 | 20.41 | 23.05 | 26.82 | 12.79 |
| 1994E Cash Flow From Operations | 127.4 | 136.8 | 164.6 | 71.5 | 13.12 | 14.08 | 16.95 | 7.36 |
| 1993E Net Income | 238.7 | 219.3 | 351.7 | 131.6 | 24.58 | 22.58 | 36.21 | 13.55 |
| 1994E Net Income | 201.0 | 186.0 | 277.1 | 124.5 | 20.69 | 19.15 | 28.53 | 12.81 |
| LTM Operating Cash Flow/EBITDA | 162.3 | 191.7 | 348.4 | (51.7) | 16.71 | 19.74 | 35.87 | (5.33) |

(a) Latest twelve months results for Valero Natural Gas Partners, L.P. are for period ended September 30, 1993.

LTM and projected figures are not tax affected.

(b) Comparable companies used in analysis include American Oil & Gas, Aquila Gas Pipeline, Associated Natural Gas, Tejas Natural Gas, Tejas Power Corp., Trident NGL, USX - Delhi Group, and Western Gas Resources. Market values are as of 12/07/93.

(c) Net debt = \$627.6 million.

DILLON, READ & CO. INC.

12/09/93

SUMMARY VALUATION ANALYSIS OF SELECTED NATURAL GAS GATHERING AND PROCESSING COMPANIES

PAGE 1

| | Valero Natural Gas (m) | American Oil & Gas (g) | Aquila Gas Pipeline (l) | Associated Natural Gas (b) | Tejas Gas (i) | Tejas Power (g) |
|---------------------------------|------------------------|------------------------|-------------------------|----------------------------|---------------|-----------------|
| <S> | <C> | <C> | <C> | <C> | <C> | <C> |
| MARKET DATA: | | | | | | |
| Ticker Symbol | VLP | AOG | AQP | NGA | TEJ | TPC |
| Stock Exchange | NYSE | NYSE | NYSE | NYSE | NYSE | ASE |
| Latest Annual Financial Results | 12/31/92 | 12/31/92 | 12/31/92 | 12/31/92 | 12/31/92 | 12/31/92 |
| Latest Quarterly Financial | | | | | | |

| Results | 09/30/93 | 09/30/93 | 09/30/93 | 09/30/93 | 09/30/93 | 09/30/93 |
|------------------------------------|----------|----------|----------|----------|----------|----------|
| Common Stock Price as of 12/08/93 | \$11.000 | \$9.750 | \$11.250 | \$31.000 | \$49.750 | \$9.875 |
| Common Shares Outstanding | 19.1 | 25.7 | 29.4 | 13.3 | 10.7 | 14.0 |
| 52-Week High Price | \$11.375 | \$14.500 | \$16.375 | \$41.000 | \$61.000 | \$10.875 |
| 52-Week Low Price | 7.375 | 9.500 | 10.625 | 25.500 | 21.500 | 6.875 |
| Current Price As % of 52-Week High | 96.7% | 67.2% | 68.7% | 75.6% | 81.6% | 90.8% |
| Total Equity Market Value | \$209.6 | \$250.9 | \$330.8 | \$412.5 | \$530.8 | \$138.5 |
| Net Market Capitalization (a) | 837.2 | 329.0 | 443.0 | 584.0 | 977.6 | 145.5 |

FINANCIAL PERFORMANCE DATA:

| | | | | | | |
|---|-----------|---------|---------|-----------|---------|---------|
| LTM Total Operating Revenues | \$1,335.1 | \$531.2 | \$260.9 | \$1,313.3 | \$987.5 | \$245.2 |
| LTM Operating Cash Flow / EBITDA (b) | 104.0 | 38.9 | 65.2 | 65.0 | 96.0 | 16.7 |
| LTM Operating Income / EBIT (c) | 63.6 | 22.1 | 49.6 | 43.8 | 66.5 | 7.6 |
| LTM Net Income to Common (d) | (1.7) | 9.3 | 24.5 | 19.5 | 22.8 | 4.1 |
| LTM Cash Flow From Operations (c) | 41.4 | 29.8 | 59.5 | 47.7 | 58.4 | 14.3 |
| Earnings Per Share Latest Twelve Months | (\$0.06) | \$0.36 | \$1.02 | \$1.61 | \$2.14 | \$0.27 |
| 1993E EPS (f) | \$0.72 | \$0.45 | NA | \$1.60 | \$1.65 | \$0.30 |
| 1994E EPS (f) | 0.85 | 0.80 | NA | 2.00 | 2.30 | 0.45 |
| Cash Flow Per Share Projection | | | | | | |
| 1993E CFPS (o) | \$2.68 | NA | NA | \$3.70 | \$4.25 | \$1.15 |
| 1994E CFPS (o) | 2.06 | NA | NA | 4.35 | 6.00 | 1.35 |
| Indicated Annual Dividend Per Share | \$0.50 | \$0.00 | \$0.05 | \$0.12 | \$0.00 | \$0.00 |

BALANCE SHEET DATA:

| | | | | | | |
|------------------------------------|--------|--------|--------|--------|--------|--------|
| Cash and Equivalents | \$20.6 | \$13.9 | \$18.8 | \$20.5 | \$10.7 | \$15.9 |
| Net Property, Plant & Equipment | 741.5 | 274.7 | 296.4 | 385.8 | 586.2 | 72.2 |
| S-T Debt (Includes Current I Debt) | 37.9 | 21.9 | 0.0 | 4.0 | 0.0 | 4.8 |
| Long-Term Debt | 610.3 | 74.6 | 131.0 | 188.0 | 369.2 | 18.0 |
| Total Preferred Stock | 0.0 | 0.0 | 0.0 | 0.0 | 0.5 | 1.2 |
| Book Value of Common Equity | 164.7 | 189.7 | 138.3 | 201.1 | 245.1 | 60.4 |
| Net Book Capitalization | 792.2 | 272.3 | 250.5 | 372.6 | 603.8 | 67.3 |
| Total Debt | 648.1 | 96.5 | 131.0 | 192.0 | 369.2 | 22.8 |

</TABLE>

<TABLE>

<CAPTION>

| | Trident NGL Holding, Inc. (m) | USX - Delhi Group | Western Gas Resources (k) | Corporate Analysis (p) | | | |
|-----|-------------------------------|-------------------|---------------------------|------------------------|--------|------|-----|
| | | | | Mean | Median | High | Low |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |

MARKET DATA:

| Ticker Symbol | NGL | DGP | WGR | | | | |
|------------------------------------|----------|----------|----------|---------|---------|---------|-------|
| Stock Exchange | NYSE | NYSE | NYSE | | | | |
| Latest Annual Financial Results | 12/31/92 | 12/31/92 | 12/31/92 | | | | |
| Latest Quarterly Financial Results | 06/30/93 | 09/30/93 | 09/30/93 | | | | |
| Common Stock Price as of 12/08/93 | \$10.875 | \$16.875 | \$30.125 | | | | |
| Common Shares Outstanding | 27.7 | 14.0 | 25.6 | | | | |
| 52-Week High Price | \$13.125 | \$24.750 | \$45.125 | | | | |
| 52-Week Low Price | 10.750 | 15.250 | 23.500 | | | | |
| Current Price As % of 52-Week High | 82.9% | 68.2% | 66.8% | 75.2% | 72.2% | 90.8% | 66.8% |
| Total Equity Market Value | \$301.7 | \$236.3 | \$772.3 | \$371.7 | \$316.2 | \$722.3 | 138.5 |
| Net Market Capitalization (a) | 674.7 | 337.6 | 1,334.1 | 603.2 | 513.5 | 1,334.1 | 145.5 |

FINANCIAL PERFORMANCE DATA:

| | | | |
|------------------------------|---------|---------|---------|
| LTM Total Operating Revenues | \$611.0 | \$528.2 | \$816.2 |
|------------------------------|---------|---------|---------|

| | | | |
|---|--------|--------|--------|
| LTM Operating Cash Flow / EBITDA (b) | 103.9 | 75.5 | 118.2 |
| LTM Operating Income / EBIT (c) | 71.0 | 37.1 | 72.6 |
| LTM Net Income to Common (d) | 22.3 | 10.4 | 38.8 |
| LTM Cash Flow From Operations (c) | 65.2 | 49.2 | 93.8 |
| Earnings Per Share Latest Twelve Months | \$0.80 | \$0.74 | \$1.52 |
| 1993E EPS (f) | NA | \$1.40 | \$1.73 |
| 1994E EPS (f) | NA | 1.75 | 2.10 |
| Cash Flow Per Share Projection | | | |
| 1993E CFPS (o) | NA | \$3.88 | \$4.00 |
| 1994E CFPS (o) | NA | \$4.76 | 5.00 |

| | | | |
|-------------------------------------|--------|--------|--------|
| Indicated Annual Dividend Per Share | \$0.05 | \$0.20 | \$0.20 |
|-------------------------------------|--------|--------|--------|

BALANCE SHEET DATA:

| | | | |
|------------------------------------|--------|-------|-------|
| Cash and Equivalents | \$11.8 | \$2.2 | \$9.7 |
| Net Property, Plant & Equipment | 0.0 | 508.9 | 755.3 |
| S-T Debt (Includes Current I Debt) | 10.0 | 0.6 | 0.0 |
| Long-Term Debt | 374.9 | 100.4 | 493.0 |
| Total Preferred Stock | 0.0 | 2.5 | 0.2 |
| Book Value of Common Equity | 229.3 | 201.7 | 305.5 |
| Net Book Capitalization | 602.4 | 303.0 | 789.0 |
| Total Debt | 384.9 | 101.0 | 493.0 |

</TABLE>

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DILLON, READ & CO. INC.

10/09/93

SUMMARY VALUATION ANALYSIS OF SELECTED NATURAL GAS GATHERING AND PROCESSING COMPANIES

Page 2

<TABLE>

<CAPTION>

| | Valero Natural Gas (m) | American Oil & Gas | Aquila Gas Pipeline (l) | Associated Natural Gas (b) | Tejas Gas (l) | Tejas Power (g) |
|-----|---------------------------|-----------------------|----------------------------|-------------------------------|---------------|-----------------|
| <S> | <C> | <C> | <C> | <C> | <C> | <C> |

VALUATION INFORMATION:

Equity Market Value to:

| | | | | | | |
|-------------------------------|--------|--------|--------|--------|--------|--------|
| LTM Net Income to Common | NA x | 27.4 x | 11.0 x | 19.2 x | 23.2 x | 36.7 x |
| LTM Cash Flow From Operations | 5.1 x | 8.4 x | 5.6 x | 8.6 x | 9.1 x | 9.7 x |
| Book Value of Common Equity | 1.27 x | 1.32 x | 2.39 x | 2.05 x | 2.17 x | 2.29 x |
| 1993E Net Income (f) | 15.4 x | 21.7 x | NA x | 19.4 x | 30.2 x | 32.9 x |
| 1994E Net Income (f) | 13.0 x | 12.2 x | NA x | 15.5 x | 21.6 x | 21.9 x |
| 1993E Cash Flow Per Share (o) | 4.1 x | NA x | NA x | 8.4 x | 11.7 x | 8.6 x |
| 1994E Cash Flow Per Share (o) | 5.3 x | NA x | NA x | 7.1 x | 8.3 x | 7.3 x |

Net Market Capitalization to:

| | | | | | | |
|----------------------------------|--------|--------|-------|--------|--------|--------|
| LTM Operating Revenues | 0.6 x | 0.6 x | 1.7 x | 0.4 x | 1.0 x | 0.6 x |
| LTM Operating Cash Flow / EBITDA | 8.1 x | 8.5 x | 6.8 x | 9.0 x | 10.2 x | 8.7 x |
| LTM Operating Income / EBIT | 13.2 x | 14.9 x | 8.9 x | 13.3 x | 14.7 x | 19.1 x |
| Indicated Dividend Yield | 4.5% | 0.0% | 0.4% | 0.4% | 0.0% | 0.0% |

OTHER INFORMATION:

| | | | | | | |
|--------------------------------------|--------|--------|--------|--------|--------|---------|
| Net Debt / Net Book Capitalization | 79.2% | 30.3% | 44.8% | 46.0% | 59.4% | 10.3% |
| Net Debt / Net Market Capitalization | 75.0% | 25.1% | 25.3% | 29.4% | 36.7% | 4.8% |
| Payout Ratio (Using LTM EPS) | NM | 0.0% | 4.9% | 7.4% | 0.0% | 0.0% |
| EBITDA / Interest Expense | 1.54 x | 4.43 x | 6.26 x | 5.18 x | 3.70 x | 10.72 x |
| Cash Flow From Ops. / Net Debt | 6.5% | 36.1% | 53.0% | 27.8% | 16.3% | 206.0% |

| | | | | | | |
|-------------------------------------|--------|--------|--------|--------|--------|--------|
| Cash Flow From Ops. / Interest Exp. | 0.61 x | 3.40 x | 5.71 x | 3.80 x | 2.25 x | 9.16 x |
| Net Working Capital / Total Sales | -3.2% | 2.9% | 3.4% | 0.7% | -0.2% | 0.2% |
| Capital Expenditures / Total Sales | 2.5% | 6.9% | 18.5% | 5.7% | 1.8% | 6.1% |
| % G&A/Total Sales | 3.0% | 3.5% | 4.1% | 1.1% | 2.0% | 3.6% |
| % O&M/Total Sales | 5.7% | 4.2% | 5.3% | 2.4% | 3.6% | 1.8% |
| % (G&A and O&M)/Total Sales | 8.7% | 7.7% | 9.4% | 3.5% | 5.6% | 5.4% |
| % G&A/Gross Margin | 16.5% | 22.5% | 12.0% | 13.3% | 13.0% | 27.7% |
| % O&M/Gross Margin | 31.9% | 26.9% | 15.3% | 28.4% | 23.6% | 14.2% |
| % (G&A and O&M)/Gross Margin | 48.4% | 49.4% | 27.3% | 41.7% | 36.6% | 41.9% |

</TABLE>

<TABLE>

<CAPTION>

| | Trident NGL Holding, Inc. (m) | USX - Delhi Group (j) | Western Gas Resources (k) | Comparative Analysis (p) | | | |
|--|----------------------------------|--------------------------|------------------------------|--------------------------|--------|------|-----|
| | | | | Mean | Median | High | Low |

<S>

VALUATION INFORMATION:

Equity Market Value to:

| | | | | | | | |
|-------------------------------|--------|--------|--------|--------|--------|--------|--------|
| LTM Net Income to Common | 13.5 x | 22.7 x | 19.9 x | 21.7 x | 21.3 x | 36.7 x | 11.0 x |
| LTM Cash Flow From Operations | 4.6 x | 4.8 x | 8.2 x | 7.4 x | 8.3 x | 9.7 x | 4.6 x |
| Book Value of Common Equity | 1.32 x | 1.17 x | 2.53 x | 1.91 x | 2.11 x | 2.53 x | 1.17 x |
| 1993E Net Income (f) | NA x | 12.1 x | 17.4 x | 22.3 x | 20.5 x | 32.9 x | 12.1 x |
| 1994E Net Income (f) | NA x | 9.6 x | 14.3 x | 15.9 x | 14.9 x | 21.9 x | 9.6 x |
| 1993E Cash Flow Per Share (o) | NA x | 4.4 x | 7.5 x | 8.1 x | 8.4 x | 11.7 x | 4.4 x |
| 1994E Cash Flow Per Share (o) | NA x | 3.5 x | 6.0 x | 6.5 x | 7.1 x | 8.3 x | 3.5 x |

Net Market Capitalization to:

| | | | | | | | |
|----------------------------------|-------|-------|--------|--------|--------|--------|-------|
| LTM Operating Revenues | 1.1 x | 0.6 x | 1.6 x | 1.0 x | 0.8 x | 1.7 x | 0.4 x |
| LTM Operating Cash Flow / EBITDA | 6.5 x | 4.5 x | 11.3 x | 8.2 x | 8.6 x | 11.3 x | 4.5 x |
| LTM Operating Income / EBIT | 9.5 x | 9.1 x | 18.4 x | 13.5 x | 14.0 x | 19.1 x | 8.9 x |
| Indicated Dividend Yield | 0.5% | 1.2% | 0.7% | 0.4% | 0.4% | 1.2% | 0.0% |

OTHER INFORMATION:

| | | | | | | | |
|--------------------------------------|--------|--------|--------|--------|--------|---------|--------|
| Net Debt / Net Book Capitalization | 61.9% | 32.6% | 61.3% | 43.3% | 45.4% | 61.9% | 10.3% |
| Net Debt / Net Market Capitalization | 55.3% | 29.3% | 36.2% | 30.3% | 29.3% | 55.3% | 4.8% |
| Payout Ratio (Using LTM EPS) | 6.2% | 26.9% | 13.2% | 7.3% | 5.6% | 26.9% | 0.0% |
| EBITDA / Interest Expense | 2.65 x | 7.33 x | 8.39 x | 6.08 x | 5.72 x | 10.72 x | 2.65 x |
| Cash Flow From Ops. / Net Debt | 17.5% | 49.8% | 19.4% | 53.2% | 32.0% | 206.0% | 16.3% |
| Cash Flow From Ops. / Interest Exp. | 1.66 x | 4.78 x | 6.66 x | 4.68 x | 4.29 x | 9.16 x | 1.66 x |
| Net Working Capital / Total Sales | 1.7% | -11.9% | -0.4% | -0.5% | 0.4% | 3.4% | -11.9% |
| Capital Expenditures / Total Sales | 7.9% | 6.5% | 10.3% | 8.0% | 6.7% | 18.5% | 1.8% |
| % G&A/Total Sales | 2.7% | 5.6% | 3.0% | 3.2% | 3.3% | 5.6% | 1.1% |
| % O&M/Total Sales | NA | NA | 7.4% | 4.1% | 3.9% | 7.4% | 1.8% |
| % (G&Aand O&M)/Total Sales | NA | NA | 10.4% | 7.0% | 6.7% | 10.4% | 3.5% |
| % G&A/Gross Margin | 13.6% | 26.4% | 12.0% | 17.6% | 13.4% | 27.7% | 12.0% |
| % O&M/Gross Margin | NA | NA | 29.3% | 23.0% | 25.3% | 29.3% | 14.2% |
| % (G&Aand O&M)/Gross Margin | NA | NA | 41.4% | 39.7% | 41.6% | 49.4% | 27.3% |

</TABLE>

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DILLON, READ & CO. INC.

12/09/93

SUMMARY VALUATION ANALYSIS OF SELECTED NATURAL GAS GATHERING AND PROCESSING COMPANIES

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<TABLE>

<CAPTION>

| | VALERO NATURAL GAS (M) | AMERICAN OIL & GAS (G) | AQUILA GAS PIPELINE (L) | ASSOCIATED NATURAL GAS (H) | TEJAS GAS (I) | TEJAS POWER (G) |
|--|---------------------------|---------------------------|----------------------------|-------------------------------|---------------|-----------------|
|--|---------------------------|---------------------------|----------------------------|-------------------------------|---------------|-----------------|

<S>

OPERATING INFORMATION : (r)

| | | | | | | |
|---------------------|-------|-----------------------|-------------------|---------------------------|-----------------------------|-----------------------|
| Areas of Operations | Texas | West & South Texas | S TX, W TX, OK | TX, OK, CO, LA, KS, AL | S. TX, E. TX, LA, WV, OK | TX & LA Gulf Coast |
| Miles of Pipeline | 7,200 | 5,935 | 2,152 | 5,817 | 5,200 | NA |

| | 10 | 9 | 4 | 12(+4 fract.) | 8(+2 treat.) | |
|----------------------------------|---------|-------|----------|---------------|--------------|-------|
| Number of Gas Plants | | | | | | |
| Average Daily Throughput (Bcf/d) | 1.933 | 0.859 | 0.313 | 0.929 | 3.157 | 0.560 |
| Average Daily Capacity (Bcf/d) | NA | 2.000 | 0.643 | NA | NA | 0.750 |
| Daily NGL Production (mgal/d) | 2,409.8 | NA | 33.0 (s) | 869.0 (t) | 223.0 | NA |
| Daily NGL Sales (mgal/d) | 3,943.9 | 394.0 | NA | NA | NA | NA |
| Breakdown of Throughput | | | | | | |
| Sales | 40.6% | 65.0% | 64.0% | NA | 35.0% | 42.0% |
| Transmission | 59.4% | 35.0% | 36.0% | NA | 65.0% | 58.0% |
| Other | 0.0% | 0.0% | 0.0% | NA | 0.0% | 0.0% |
| Revenue Breakdown By % | | | | | | |
| Sales | 57.0% | 84.0% | 67.0% | NA | NA | 86.0% |
| Transmission | 4.5% | 2.0% | 0.0% | NA | NA | 11.7% |
| NGL Processing | 38.5% | 13.0% | 33.0% | NA | NA | 0.0% |
| Breakdown of Gross Profits | | | | | | |
| Sales | 36.0% | NA | NA | NA | NA | NA |
| Transmission | 0.0% | NA | NA | NA | NA | NA |
| NGL Processing | 64.0% | NA | NA | 32.5% (u) | NA | NA |

</TABLE>

<TABLE>
<CAPTION>

| | TRIDENT NGL HOLDING, INC. (N) | USX - DELHI GROUP (J) | WESTERN GAS RESOURCES (K) |
|-----|----------------------------------|--------------------------|------------------------------|
| <S> | <C> | <C> | <C> |

OPERATING INFORMATION : (r)

| Areas of Operations | TX, LA, OK, KS | | |
|----------------------------------|-------------------|----------------|-------|
| Miles of Pipeline | 8,000 | 8,379 | NA |
| Number of Gas Plants | 32(+3 fract.) | 21(11 partial) | |
| Average Daily Throughput (Bcf/d) | NA | 0.856 | NA |
| Average Daily Capacity (Bcf/d) | NA | NA | NA |
| Daily NGL Production (mgal/d) | 2,511.0 | NA | NA |
| Daily NGL Sales (mgal/d) | 3,684.0 | 714.2 | NA |
| Breakdown of Throughput | | | |
| Sales | 62.0% | 63.8% | NA |
| Transmission | 38.0% | 33.0% | NA |
| Other | 0.0% | 3.2% | NA |
| Revenue Breakdown By % | | | |
| Sales | 49.0% | 81.4% | 55.0% |
| Transmission | 3.0% | 3.2% | 3.0% |
| NGL Processing | 48.0% | 15.4% | 42.0% |
| Breakdown of Gross Profits | | | |
| Sales | 16.0% | 70.2% | NA |
| Transmission | 2.0% | 10.8% | NA |
| NGL Processing | 82.0% | 19.0% | NA |

</TABLE>

<TABLE>
<CAPTION>

| | COMPARATIVE ANALYSIS (P) | | | |
|-----|--------------------------|--------|------|-----|
| | MEAN | MEDIAN | HIGH | LOW |
| <S> | <C> | <C> | <C> | <C> |

OPERATING INFORMATION : (r)

| Areas of Operations | | | | |
|----------------------------------|---------|-------|---------|-------|
| Miles of Pipeline | 5,914 | 5,876 | 8,379 | 2,152 |
| Number of Gas Plants | | | | |
| Average Daily Throughput (Bcf/d) | 1.112 | 0.858 | 3.157 | 0.313 |
| Average Daily Capacity (Bcf/d) | 1.131 | 0.697 | 2.000 | 0.643 |
| Daily NGL Production (mgal/d) | 909.0 | 546.0 | 2,511.0 | 33.0 |
| Daily NGL Sales (mgal/d) | 1,597.4 | 714.2 | 3,684.0 | 394.0 |
| Breakdown of Throughput | | | | |
| Sales | 55.3% | 62.9% | 65.0% | 35.0% |
| Transmission | 44.2% | 37.0% | 65.0% | 33.0% |
| Other | 0.5% | 0.0% | 3.2% | 0.0% |
| Revenue Breakdown By % | | | | |
| Sales | 70.4% | 67.0% | 86.0% | 49.0% |
| Transmission | 3.8% | 3.0% | 11.7% | 0.0% |
| NGL Processing | 25.2% | 15.4% | 48.0% | 0.0% |

| Breakdown of Gross Profits | | | | |
|----------------------------|-------|-------|-------|-------|
| Sales | 43.1% | 0.0% | 70.2% | 16.0% |
| Transmission | 6.4% | 0.0% | 10.8% | 2.0% |
| NGL Processing | 44.5% | 32.5% | 82.0% | 19.0% |

</TABLE>

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Dillon, Read & Co. Inc.

12/09/93

Summary Valuation Analysis of Selected Natural Gas
Gathering and Process Companies

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<TABLE>
<CAPTION>

| | Valero Natural Gas (m) | American Oil & Gas (g) | Aquila Gas Pipeline(l) | Associated Natural Gas(h) |
|--------------------------------------|---------------------------|---------------------------|---------------------------|------------------------------|
| <S> | <C> | <C> | <C> | <C> |
| Historical Operating Trends: | | | | |
| Revenue Growth From Prior Periods | | | | |
| FY 1991 vs. FY 1990 | 4.8% | -13.7% | 489.2% | 59.7% |
| FY 1992 vs. FY 1991 | 4.6% | 13.2% | 189.9% | 47.2% |
| LTM vs. FY 1992 | 11.5% | 23.3% | 23.5% | 41.4% |
| LTM vs. FY 1990 | 22.3% | 20.4% | 2009.1% | 232.6% |
| EBITDA Growth From Prior Periods | | | | |
| FY 1991 vs. FY 1990 | -3.0% | 29.8% | 826.0% | 41.0% |
| FY 1992 vs. FY 1991 | -10.7% | 16.0% | 172.2% | 32.3% |
| LTM vs. FY 1992 | -16.3% | -16.9% | 15.6% | 23.9% |
| LTM vs. FY 1990 | -27.5% | 25.1% | 2814.2% | 130.9% |
| EBIT Growth From Prior Periods | | | | |
| FY 1991 vs. FY 1990 | -5.1% | 34.7% | 1010.9% | 30.8% |
| FY 1992 vs. FY 1991 | -10.0% | 7.9% | 178.6% | 38.9% |
| LTM vs. FY 1992 | -29.2% | -31.9% | 18.8% | 40.5% |
| LTM vs. FY 1990 | -39.5% | -1.0% | 3576.4% | 155.4% |
| Net Income Growth From Prior Periods | | | | |
| FY 1991 vs. FY 1990 | -27.0% | 3.1% | 180.0% | 38.1% |
| FY 1992 vs. FY 1991 | -32.5% | 22.5% | 55.9% | 15.1% |
| LTM vs. FY 1992 | -104.3% | -37.2% | 33.9% | 67.5% |
| LTM vs. FY 1990 | -102.1% | -20.7% | 484.4% | 166.3% |
| CFFO Growth From Prior Periods | | | | |
| FY 1991 vs. FY 1990 | -14.7% | -14.0% | 318.6% | 37.7% |
| FY 1992 vs. FY 1991 | -20.7% | 8.8% | 95.6% | 24.1% |
| LTM vs. FY 1992 | -34.2% | 5.3% | 10.1% | 23.6% |
| LTM vs. FY 1990 | -55.1% | -1.5% | 801.0% | 111.1% |

</TABLE>

<TABLE>
<CAPTION>

| | Tejas Gas(l) | Tejas Power(g) | Trident NGL Holding, Inc. (n) | USX- Delhi Group (l) | Western Gas Resources (k) |
|--------------------------------------|--------------|----------------|----------------------------------|-------------------------|------------------------------|
| <S> | <C> | <C> | <C> | <C> | <C> |
| Historical Operating Trends: | | | | | |
| Revenue Growth From Prior Periods | | | | | |
| FY 1991 vs. FY 1990 | 79.8% | 23.0% | NA | 4.4% | 40.1% |
| FY 1992 vs. FY 1991 | 15.4% | 27.5% | 85.9% | 8.2% | 67.5% |
| LTM vs. FY 1992 | 88.3% | 33.1% | 1.6% | 15.4% | 36.0% |
| LTM vs. FY 1990 | 290.5% | 108.7% | NA | 30.4% | 219.3% |
| EBITDA Growth From Prior Periods | | | | | |
| FY 1991 vs. FY 1990 | 45.1% | -25.8% | NA | 10.5% | 53.5% |
| FY 1992 vs. FY 1991 | 0.6% | 100.5% | 61.6% | 4.4% | 48.3% |
| LTM vs. FY 1992 | 81.6% | 5.5% | 4.9% | 3.7% | 23.9% |
| LTM vs. FY 1990 | 164.9% | 57.1% | NA | 19.7% | 182.1% |
| EBIT Growth From Prior Periods | | | | | |
| FY 1991 vs. FY 1990 | 38.5% | -69.7% | NA | 23.5% | 42.3% |
| FY 1992 vs. FY 1991 | 0.2% | 313.6% | 47.6% | 5.2% | 50.4% |
| LTM vs. FY 1992 | 95.9% | 29.0% | 5.7% | 13.8% | 5.4% |
| LTM vs. FY 1990 | 171.9% | 61.6% | NA | 47.8% | 125.7% |
| Net Income Growth From Prior Periods | | | | | |
| FY 1991 vs. FY 1990 | -19.3% | -169.5% | NA | -52.6% | 19.2% |

| | | | | | |
|---------------------|--------|---------|-------|--------|--------|
| FY 1992 vs. FY 1991 | 39.4% | -505.0% | 31.1% | 158.3% | 90.4% |
| LTM vs. FY 1992 | 91.7% | 32.4% | 9.8% | -44.1% | -2.4% |
| LTM vs. FY 1990 | 115.7% | 272.8% | NA | -31.6% | 121.5% |

CFFO Growth From Prior Periods

| | | | | | |
|---------------------|--------|--------|-------|--------|--------|
| FY 1991 vs. FY 1990 | 35.1% | -30.7% | NA | 10.1% | 34.3% |
| FY 1992 vs. FY 1991 | 2.7% | 147.8% | 84.8% | 3.6% | 47.6% |
| LTM vs. FY 1992 | 73.2% | 7.6% | 0.2% | -14.9% | 41.7% |
| LTM vs. FY 1990 | 140.2% | 84.6% | NA | -3.0% | 181.0% |

</TABLE>

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<CAPTION>

Comparative Analysis (p)

| | Mean | Median | High | Low |
|--------------------------------------|--------|--------|---------|---------|
| | ----- | ----- | ----- | ----- |
| <S> | <C> | <C> | <C> | <C> |
| Historical Operating Trends: | | | | |
| Revenue Growth From Prior Periods | | | | |
| FY 1991 vs. FY 1990 | 97.5% | 41.4% | 489.2% | -13.7% |
| FY 1992 vs. FY 1991 | 56.9% | 27.5% | 189.9% | 8.2% |
| LTM vs. FY 1992 | 32.8% | 23.5% | 88.3% | 1.6% |
| LTM vs. FY 1990 | 415.9% | 170.7% | 2009.1% | 20.4% |
| EBITDA Growth From Prior Periods | | | | |
| FY 1991 vs. FY 1990 | 140.0% | 35.4% | 826.0% | -25.8% |
| FY 1992 vs. FY 1991 | 54.5% | 32.3% | 172.2% | 0.6% |
| LTM vs. FY 1992 | 17.8% | 5.5% | 81.6% | -16.9% |
| LTM vs. FY 1990 | 484.9% | 94.0% | 2814.2% | 19.7% |
| EBIT Growth From Prior Periods | | | | |
| FY 1991 vs. FY 1990 | 158.7% | 32.8% | 1010.9% | -69.7% |
| FY 1992 vs. FY 1991 | 80.3% | 38.9% | 313.6% | 0.2% |
| LTM vs. FY 1992 | 22.2% | 18.8% | 95.9% | -31.9% |
| LTM vs. FY 1990 | 591.1% | 108.5% | 3576.4% | -1.0% |
| Net Income Growth From Prior Periods | | | | |
| FY 1991 vs. FY 1990 | -0.1% | -8.1% | 180.0% | -169.5% |
| FY 1992 vs. FY 1991 | -11.5% | 31.1% | 158.3% | -505.0% |
| LTM vs. FY 1992 | 18.9% | 32.4% | 91.7% | -44.1% |
| LTM vs. FY 1990 | 158.3% | 141.0% | 484.4% | -31.6% |
| CFFO Growth From Prior Periods | | | | |
| FY 1991 vs. FY 1990 | 55.8% | 22.6% | 318.6% | -30.7% |
| FY 1992 vs. FY 1991 | 51.9% | 24.1% | 147.8% | 2.7% |
| LTM vs. FY 1992 | 18.3% | 7.6% | 73.2% | -14.9% |
| LTM vs. FY 1990 | 187.6% | 97.9% | 801.0% | -3.0% |

</TABLE>

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DILLON, READ & CO. INC.

12/09/93

SUMMARY VALUATION ANALYSIS OF SELECTED NATURAL GAS GATHERING AND PROCESSING COMPANIES

Page 5

FOOTNOTES TO ANALYSIS:

- Defined as equity market value plus long-term and short-term debt, capital leases, minority interests and redeemable preferred stock, less cash & cash equivalents and long-term investments.
- Defined as operating income plus depreciation, depletion and amortization.
- Defined as income from operations before other (non-operating) income, extraordinary items, interest charges, minority interests and income taxes.
- Net income to common shareholders. Excludes extraordinary items.
- Before changes in working capital.
- Median EPS estimates as reported in the Institutional Brokers Estimate System report, as of 11/18/93.
- Balance sheet is not proforma asset sales/purchased subsequent to 9/30/93. Amounts not disclosed in 8K.
- Balance sheet is proforma acquisition of four pipeline systems from Endeveco, Inc. Purchased with \$20.5 MM cash (debt) and 0.264 MM common shares. Transaction closed 11/03/93. Balance sheet is also proforma Dean Pipeline acquisition for \$22.5 MM cash. Transaction closed 11/8/93.
- Proforma the 11/02/93 common stock and 5.25% Convertible Preferred stock Offerings. Also Proforma EGSI Acquisition. Financials LTM 6/30/93. Balance sheet as of date of final prospectus.
- Balance sheet not proforma 10/05/93 acquisition of Tonkawa Gas Processing Company (30 MM/D processing capacity)

- (k) Proforma acquisitions of Mountain Gas Resources (\$164.6 MM) and Black Lake Processing and related reserves (\$134 MM). Both transactions were effective 1/01/93, therefore 9/30/93 10Q was proforma. Form 8K was used for 1992 "stub" period for LTM data.
- (l) Financials based on IPO prospectus dated October 26, 1993. Financials LTM June 30, 1993.
- (m) Valero Natural Gas Partnership L.P. is tax affected at 35% to make comparative analysis relevant. Taxes are assumed to be current (i.e. Deferred = 0). G&A expense based on VLO provided schedule. VLP units outstanding include effective GP units of 0.5658 million units. VLP G&A and O&M analysis adjusts LTM 9/30/93 O&M expenses by \$7.7 MM for non-recurring O&M expenses (\$4.4 MM early retirement, \$2.0 MM unusual bad debt expense & \$1.3 MM incremental product transport expenses)
- (n) Trident Financial data obtained from proforma prospectus dated November 10, 1993. LTM financial data is for the period ended 6/30/93.
- (o) Cash flow per share estimates obtained from Dillon Read, except USX-Delhi which is based on Morgan Stanley report dated 8/16/93. VLP based on Company's plan.
- (p) Comparative analysis does not include Valero Natural Gas Partners in its computations.
- (q) Number of common shares outstanding and book equity account adjusted for conversion of preferred issue into 4.2 MM additional common shares.
- (r) Based on fiscal year 1992 results.
- (s) Gross NGLs produced includes third party processing. Net figures are not available.
- (t) Total NGLs handled. Actual net production and sales information are not available.
- (u) Obtained from NGA investor relations department.

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Dillon, Read & Co. Inc.

12/09/93

Summary Valuation Analysis of Selected Pipeline Master Limited Partnerships

Draft - Subject to Change

Page 1

<TABLE>

<CAPTION>

| | Valero Natural Gas | Buckeye Partners | Enron Liquids | Kaneb Pipe Line(a) | Lakehead Pipe Line | Santa Fe Pipeline | TEPPCO Partners |
|--|-----------------------|---------------------|------------------|-----------------------|-----------------------|----------------------|--------------------|
| <S> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
| MARKET DATA: | | | | | | | |
| Ticker Symbol | VLP | BPL | ENP | KPP | LHP | SFL | TP |
| Fiscal Year End | 12/31/92 | 12/31/92 | 12/31/92 | 12/31/92 | 12/31/92 | 12/31/92 | 12/31/92 |
| Latest Quarter Reported | 9/30/93 | 9/30/93 | 9/30/93 | 9/30/93 | 9/30/93 | 9/30/93 | 9/30/93 |
| Preferred Unit Price as of 12/08/93 | \$ 11.000 | \$ 38.250 | \$ 29.625 | \$ 27.000 | \$ 32.375 | \$ 38.500 | \$ 27.875 |
| Total Units Outstanding | 18.5 | 12.0 | 6.5 | 16.1 | 21.8 | 19.1 | 14.5 |
| Public Units As % of Total Captial | 49.9% | 98.0% | 85.1% | 44.2% | 80.4% | 56.3% | 89.6% |
| GP-Held Units / DPIs As % of Total Captial | 47.2% | 0.0% | 12.9% | 53.8% | 17.6% | 41.7% | 8.4% |
| General Partners' Interest in Partnership | 3.0% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% |
| 52-Week High Price | \$ 11.375 | \$ 41.625 | \$ 32.750 | \$ 28.125 | \$ 33.250 | \$ 40.750 | \$ 29.500 |
| 52-Week Low Price | \$ 7.375 | \$ 28.500 | \$ 24.875 | \$ 20.750 | \$ 23.750 | \$ 33.250 | \$ 20.500 |
| Current Price As % Of 52-Week High | 96.7% | 91.9% | 90.5% | 96.0% | 97.4% | 94.5% | 94.5% |
| Total Equity Market Value of Partnership(b) | \$ 209.6 | \$ 468.4 | \$ 171.3 | \$ 357.1 | \$ 720.3 | \$ 752.2 | \$ 377.6 |
| Net Market Capitalization(c) | 837.2 | 687.9 | 270.0 | 388.2 | 954.3 | 1,064.4 | 697.6 |
| FINANCIAL PERFORMANCE DATA: | | | | | | | |
| LTM Total Operating Revenues | \$1,335.2 | \$ 172.1 | \$ 49.3 | \$ 62.0 | \$ 237.2 | \$ 215.4 | \$ 176.5 |
| LTM Operating Cash Flow(d) | 115.9 | 72.4 | 22.8 | 33.2 | 108.9 | 121.2 | 91.7 |
| LTM Operating Income(e) | 84.0 | 61.4 | 15.9 | 27.4 | 80.2 | 102.3 | 68.1 |
| LTM Net Income Before GP Interest(f) | 18.8 | 35.4 | 8.3 | 25.1 | 53.0 | 41.5 | 35.6 |
| LTM Cash Flow From Operations(g) | 51.3 | 45.8 | 17.8 | 31.1 | 92.7 | 82.0 | 58.7 |
| Earnings Per Share | | | | | | | |
| Latest Twelve Month EPS | \$ 0.94 | \$ 2.90 | \$ 1.46 | \$ 2.20 | \$ 2.37 | \$ 4.32 | \$ 2.27 |
| 1993 Estimate (h) | 1.10 | 3.46 | 1.55 | 1.82 | 2.40 | 3.45 | 2.25 |

| | | | | | | | |
|---|---------|---------|---------|---------|---------|---------|---------|
| 1994 Estimate (h) | 1.30 | 3.55 | 1.78 | NA | 2.45 | 3.58 | 2.30 |
| Indicated Annual Distribution Per Unit | \$ 0.50 | \$ 2.60 | \$ 2.20 | \$ 2.20 | \$ 2.36 | \$ 2.80 | \$ 2.28 |
| BALANCE SHEET DATA: | | | | | | | |
| Cash and Cash Equivalent | 20.6 | 12.4 | 11.1 | 5.5 | 89.7 | 44.0 | 44.1 |
| Net Utility Property, Plant and Equipment | 741.5 | 497.6 | 228.1 | 132.2 | 615.0 | 621.6 | 545.9 |
| Short-Term Debt (Includes Current L-T Debt) | 37.9 | 16.4 | 1.5 | 7.0 | 3.1 | 0.0 | 5.0 |
| Long-Term Debt | 610.3 | 213.0 | 138.5 | 28.5 | 320.0 | 355.0 | 356.5 |
| Total Preferred Stock | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Book Value of Partners Capital | 164.7 | 232.4 | 130.8 | 100.1 | 367.0 | 262.8 | 250.8 |
| Net Book Capitalization(i) | 792.2 | 451.9 | 229.5 | 131.1 | 601.0 | 574.9 | 570.7 |

</TABLE>

<TABLE>

<CAPTION>

| | Comparable Analysis | | | |
|---|---------------------|----------|----------|----------|
| | Mean | Median | High | Low |
| | ---- | ----- | ---- | --- |
| <S> | <C> | <C> | <C> | <C> |
| MARKET DATA: | | | | |
| Ticker Symbol | | | | |
| Fiscal Year End | | | | |
| Latest Quarter Reported | | | | |
| Preferred Unit Price as of 12/08/93 | | | | |
| Total Units Outstanding | | | | |
| Public Units As % of Total Captial | | | | |
| GP-Held Units / DPIs As % of Total Captial | | | | |
| General Partners' Interest in Partnership | | | | |
| 52-Week High Price | | | | |
| 52-Week Low Price | | | | |
| Current Price As % Of 52-Week High | | | | |
| | 94.1% | 94.5% | 97.4% | 90.5% |
| Total Equity Market Value of Partnership(b) | \$ 474.5 | \$ 423.0 | \$ 752.2 | \$ 171.3 |
| Net Market Capitalization(c) | 677.0 | 692.7 | 1,064.4 | 270.0 |

FINANCIAL PERFORMANCE DATA:

LTM Total Operating Revenues
LTM Operating Cash Flow(d)
LTM Operating Income(e)
LTM Net Income Before GP Interest(f)
LTM Cash Flow From Operations(g)

Earnings Per Share

Latest Twelve Month EPS
1993 Estimate (h)
1994 Estimate (h)

Indicated Annual Distribution Per Unit

BALANCE SHEET DATA:

Cash and Cash Equivalent
Net Utility Property, Plant and Equipment
Short-Term Debt (Includes Current LT Debt)
Long-Term Debt
Total Preferred Stock
Book Value of Partners Capital
Net Book Capitalization(i)

</TABLE>

-
- (a) Kaneb's results are not adjusted for its March, 1993 acquisition of Support Terminal Services, Inc. due to lack of public disclosure regarding financial results.
- (b) Equity market value of total partnership units (excluding DPIs / DPUs), adjusted for general partner's interest. Assumes price of company-held units equals price of publicly-traded units.
- (c) Net market capitalization is defined as the equity market value of partners'

- interests plus total debt, preferred stock and minority interests, less cash & equivalents, discontinued operations and L-T investments.
- (d) Operating cash flow is defined as earnings before interest, taxes, depreciation and amortization (EBITDA). Excludes extraordinary items.
- (e) Operating income is defined as earnings from operations before interest and taxes (EBIT). Excludes extraordinary items.
- (f) Net income before allocation of minority and / or general partner interests. Also, amount is shown before changes in accounting methods and any extraordinary credits or charges.
- (g) Cash flow from operations is defined as cash flow from operations before changes in working capital (CFFO).
- (h) Median earnings estimates of Wall Street research analysts as reported in the Institutional Brokers Estimate System report dated 11/18/93.
- (i) Net book capitalization defined as book value of partners capital plus total debt, preferred stock and minority interests, less cash & equivalents, discontinued operations and L-T investments.

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DILLON, READ & CO. INC.

12/09/93

SUMMARY VALUATION ANALYSIS OF SELECTED PIPELINE MASTER LIMITED PARTNERSHIPS

DRAFT - SUBJECT TO CHANGE

PAGE 2

<TABLE>
<CAPTION>

| | Valero Natural Gas | Buckeye Partners | Enron Liquids | Kaneb Pipe Line (a) | Lakehead Pipe Line | Santa Fe Pipeline | TEPPCO Partners |
|--|-----------------------|---------------------|------------------|------------------------|-----------------------|----------------------|--------------------|
| <S> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
| VALUATION INFORMATION: | | | | | | | |
| Equity Market Value of Limited Partners' Capital to: | | | | | | | |
| LTM Net Income to All Partners | 10.8 x | 12.9 x | 20.1 x | 7.8 x | 10.9 x | 10.2 x | 10.4 x |
| LTM Cash Flow Flow from Operations | 4.0 x | 10.0 x | 9.4 x | 6.3 x | 6.2 x | 5.2 x | 6.3 x |
| Book Value of Partner's Capital | 1.2 x | 2.0 x | 1.3 x | 2.0 x | 1.6 x | 1.6 x | 1.5 x |
| 1993E Net Income | 10.0 x | 11.1 x | 19.1 x | 14.8 x | 13.5 x | 11.2 x | 12.4 x |
| 1994E Net Income | 8.5 x | 10.8 x | 16.6 x | NA x | 13.2 x | 10.8 x | 12.1 x |
| Net Market Capitalization to: | | | | | | | |
| LTM Total Operations | 0.6 x | 4.0 x | 5.5 x | 6.3 x | 4.0 x | 4.9 x | 4.0 x |
| LTM Operating Cash Flow / EBITDA | 7.2 x | 9.5 x | 11.8 x | 11.7 x | 8.8 x | 8.8 x | 7.6 x |
| LTM Operating Income / EBIT | 10.0 x | 11.2 x | 17.0 x | 14.2 x | 11.9 x | 10.4 x | 10.2 x |
| Indicated Dividend Yield | 4.5% | 6.8% | 7.4% | 8.1% | 7.3% | 7.3% | 8.2% |
| OTHER INFORMATION: | | | | | | | |
| Net Debt / Net Book Capitalization (b) | 79.2% | 48.6% | 43.0% | 23.6% | 38.9% | 54.3% | 56.1% |
| Net Debt / Net Market Capitalization (b) | 75.0% | 31.9% | 36.5% | 8.0% | 24.5% | 29.3% | 45.9% |
| Payout Ratio (Using LTM EPS) | 53.2% | 89.7% | 150.8% | 100.0% | 99.7% | 64.9% | 100.3% |
| EBITDA / Interest Expense | 1.7 x | 2.76 x | 2.37 x | 10.58 x | 3.59 x | 3.27 x | 2.47 x |
| Cash Flow From Operations / Net Debt (b) | 8.2% | 20.9% | 18.0% | 100.2% | 39.6% | 26.3% | 18.3% |
| Cash Flow From Operations / Interest Expense | 0.8 x | 1.75 x | 1.85 x | 9.89 x | 3.06 x | 2.21 x | 1.58 x |
| Total Capital Expenditures / Net P.P.& E. | 4.6% | 2.5% | 3.3% | 4.8% | 5.0% | 3.9% | 3.6% |
| Maintenance Capital Exp. / Net P.P.& E. | 4.6% | 2.5% | 1.2% | 4.8% | 1.9% | 1.1% | 1.7% |
| D.D.&A. / Net P.P.&E. | 4.3% | 2.2% | 3.0% | 4.4% | 4.7% | 3.0% | 4.3% |
| Ownership Profile | | | | | | | |
| Publicly-Held Preferred / Common Units | 49.9% | 98.0% | 85.1% | 44.2% | 80.4% | 56.3% | 89.6% |
| Company-Held Preferred / Common Units | 47.2% | 0.0% | 0.0% | 34.5% | 17.6% | 41.7% | 0.0% |
| Company-Held DPIs/DPUs | 0.0% | 0.0% | 12.9% | 19.3% | 0.0% | 0.0% | 8.4% |
| General Partnership Interests | 3.0% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% |
| Partnership Distribution Coverage Ratios | | | | | | | |
| Free Operating Cash Flow Over: (c) | | | | | | | |
| Total Distributions (d) | 8.6 x | 1.9 x | 1.4 x | 0.7 x | 1.9 x | 2.1 x | 2.4 x |
| Preferred Distributions Only | 8.9 x | 1.9 x | 1.6 x | 1.7 x | 2.3 x | 3.7 x | 2.7 x |
| Free Cash Flow From Operations Over: (e) | | | | | | | |
| Total Distributions (d) | 1.8 x | 1.0 x | 1.0 x | 0.7 x | 1.5 x | 1.4 x | 1.5 x |
| Preferred Distributions Only | 1.9 x | 1.1 x | 1.2 x | 1.6 x | 1.9 x | 2.5 x | 1.6 x |

</TABLE>
<TABLE>

<CAPTION>

| | Mean | Median | High | Low |
|--|--------|--------|---------|--------|
| | ---- | ----- | ---- | --- |
| <S> | <C> | <C> | <C> | <C> |
| VALUATION INFORMATION: | | | | |
| Equity Market Value of Limited Partners' Capital to: | | | | |
| LTM Net Income to All Partners | 12.1 x | 10.7 x | 20.1 x | 7.8 x |
| LTM Cash Flow Flow from Operations | 7.2 x | 6.3 x | 10.0 x | 5.2 x |
| Book Value of Partner's Capital | 1.6 x | 1.6 x | 2.0 x | 1.3 x |
| 1993E Net Income | 13.7 x | 12.9 x | 19.1 x | 11.1 x |
| 1994E Net Income | 12.7 x | 12.1 x | 16.6 x | 10.8 x |
| Net Market Capitalization to: | | | | |
| LTM Total Operations | 4.8 x | 4.0 x | 6.3 x | 4.0 x |
| LTM Operating Cash Flow / EBITDA | 9.7 x | 9.1 x | 11.8 x | 7.6 x |
| LTM Operating Income / EBIT | 12.5 x | 11.5 x | 17.0 x | 10.2 x |
| Indicated Dividend Yield | 7.5% | 7.4% | 8.2% | 6.8% |
| OTHER INFORMATION: | | | | |
| Net Debt / Net Book Capitalization (b) | 44.1% | 45.8% | 56.1% | 23.6% |
| Net Debt / Net Market Capitalization (b) | 29.4% | 30.6% | 45.9% | 8.0% |
| Payout Ratio (Using LTM EPS) | 100.9% | 99.9% | 150.8% | 64.9% |
| EBITDA / Interest Expense | 4.17 x | 3.02 x | 10.58 x | 2.37 x |
| Cash Flow From Operations / Net Debt (b) | 37.2% | 23.6% | 100.2% | 18.0% |
| Cash Flow From Operations / Interest Expense | 3.39 x | 2.03 x | 9.89 x | 1.58 x |
| Total Capital Expenditures / Net P.P.& E. | 3.9% | 3.7% | 5.0% | 2.5% |
| Maintenance Capital Exp. / Net P.P.& E. | 2.2% | 1.8% | 4.8% | 1.1% |
| D.D.&A. / Net P.P.&E. | 3.6% | 3.7% | 4.7% | 2.2% |
| Ownership Profile | | | | |
| Publicly-Held Preferred / Common Units | 75.6% | 82.8% | 98.0% | 44.2% |
| Company-Held Preferred / Common Units | 15.6% | 8.8% | 41.7% | 0.0% |
| Company-Held DPis/DPUs | 6.8% | 4.2% | 19.3% | 0.0% |
| General Partnership Interests | 2.0% | 2.0% | 2.0% | 2.0% |
| Partnership Distribution Coverage Ratios | | | | |
| Free Operating Cash Flow Over: (c) | | | | |
| Total Distributions (d) | 1.7 x | 1.9 x | 2.4 x | 0.7 x |
| Preferred Distributions Only | 2.3 x | 2.3 x | 3.7 x | 1.6 x |
| Free Cash Flow From Operations Over: (e) | | | | |
| Total Distribution (d) | 1.2 x | 1.4 x | 1.5 x | 0.7 x |
| Preferred Distributions Only | 1.6 x | 1.6 x | 2.5 x | 1.1 x |

</TABLE>

-
- (a) Kaneb's results are not adjusted for its March, 1993 acquisition of Support Terminal Services, Inc. due to lack of public disclosure regarding financial results.
- (b) Net debt is defined as total debt, plus redeemable preferred stock and minority interests, less cash & equivalents, long-term investments and discontinued operations
- (c) Free operating cash flow is defined as operating cash flow (EBITDA) less maintenance capital expenditures.
- (d) Total distributions include distributions to common / deferred units at same rate as preferred units, inclusive of the general partner's distribution.
- (e) Free cash flow from operations is defined as cash flow from operations (CFFO) less maintenance capital expenditures.

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DILLON, READ & CO. INC.

DECEMBER 10, 1993

SELECTED COMPARABLE COMPANY ACQUISITIONS

Valero Natural Gas Partners, L.P.

Summary of Selected Mergers and Acquisitions in Gas Gathering and Processing Industry

<TABLE>

<CAPTION>

| Date | Acquiror / Target | Description of Transaction | Value of Equity | Net Debt | Value of Assets | Latest Annual Results (\$mm) | |
|----------|---|---|-----------------|----------|-----------------|------------------------------|--------|
| | | | | | | Revenues | EBITDA |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
| 10/11/93 | Associated Natural Gas Dean Pipeline Co. | Includes 264 miles of liquids pipeline and 54 miles of supply laterals (21,000 b/d). | 22.5 | 0.0 | 22.5 | NA | NA |
| 10/05/93 | USX - Delhi Group Pettus Gas | Purchase of 30 mmcf/d cryogenic plant in Bee County, TX. | 3.0 | 0.0 | 3.0 | NA | NA |
| 9/27/93 | Western Gas Resources Black Lake Gas Plant (from NERCO) | Purchase of gas plant and 68.9% working interest in Black Lake field. | 137.6 | 0.0 | 137.6 | 57.6 | NA |
| 9/15/93 | Tejas Gas Corporation Exxon Corp. | Substantially all of Exxon's TX and LA intrastate gathering systems and West Clear Lake storage facility. | 380.0 | 0.0 | 380.0 | 384.2 | 47.1 |
| 9/15/93 | Associated Natural Gas Endeveco | Purchase of pipeline (547 miles total) and Hattiesburg gas storage facility (300,000 mmbtu capacity). | 32.5 | 0.0 | 32.5 | NA | NA |
| 7/29/93 | Patrick Petroleum Company American National Petroleum Co. | Purchase of ANP's stock for \$3.40 in cash and \$2.60 in stock | 28.0 | 0.0 | 28.0 | 11.7 | 5.5 |
| 6/29/93 | Western Gas Resources (a) Mountain Gas Resources | Former gathering assets of Presidio Oil | 77.3 | 13.8 | 91.1 | 98.0 | 11.0 |
| 3/17/93 | El Paso Natural Gas (b) Mojave Pipeline | Purchased remaining 50% interest in company from Enron Corp. | 40.0 | 70.0 | 110.0 | 27.3 | NA |
| 12/1/92 | Associated Natural Gas GPM Gas Corp.'s Osage System | Includes 15,000 mcf/d gas plant and approx. 900 miles of pipeline connected to 300 wells in OK. | NA | 0.0 | NA | NA | NA |
| 10/1/92 | Associated Natural Gas GPM Gas Corp.'s Glenpool System | Includes 25,000 mcf/d gas plant and approx. 1,000 miles of pipeline connected to 525 wells in OK. | NA | 0.0 | NA | NA | NA |
| 5/1/92 | Associated Natural Gas Finlay Energy, Inc. | Peavine and West Edmond gas plants and associated gathering systems in OK. | 15.9 | 0.0 | 15.9 | NA | NA |
| 4/1/92 | Associated Natural Gas Triumph Oklahoma LP | West Guthrie gas plant and associated gathering system located in OK. | NA | 0.0 | NA | NA | NA |
| 4/1/92 | American Oil & Gas Corp. Maple Gas Corp. | Includes 1,056 miles of pipeline and 10 gas plants. | 11.0 | 75.0 | 86.0 | 71.7 | NA |
| 10/31/91 | Associated Natural Gas Spindle Facility (from Apache) | Includes gas plant and associated gathering assets (\$ shown is net of sale of acquired oil and gas properties for \$16.5 mm) | 17.7 | 0.0 | 17.7 | NA | 2.3 |
| 9/18/91 | Western Gas Resources (c) Union Texas Petroleum | 12 gas processing plants and 5,260 miles of gas gathering systems in TX, OK & LA. | 135.0 | 7.7 | 142.7 | 249.8 | 26.9 |
| 7/26/91 | Transok (Central & South- | 1,400 miles of pipeline consisting | 250.0 | 0.0 | 250.0 | NA | NA |

west Corp.)
TEX / CON

of

| | | | | | | | |
|---------|---|--|------|------|------|----|------|
| 3/22/91 | Associated Natural Gas Mega Natural Gas Corp. | Purchased company with ops in OK, TX, NM and KS. Owns 1,000 miles of pipe and 166 cf/d of system throughput | 43.0 | 38.0 | 81.0 | NA | 10.5 |
| 1/91 | Western Gas Resources Amoco Production Company | 65 mmcf/d edgewood gas plant in E. Texas. Also a 350 ton/d sulfur recovery unit | 36.0 | 0.0 | 36.0 | NA | 6.3 |

</TABLE>

<TABLE>

<CAPTION>

| Date | Acquiror / Target | Description of Transaction | Asset Value As Multiple of | |
|----------|---|--|----------------------------|--------|
| | | | Revenues | EBITDA |
| ---- | ----- | ----- | ----- | ----- |
| <S> | <C> | <C> | <C> | <C> |
| 10/11/93 | Associated Natural Gas Dean Pipeline Co. | Includes 264 miles of liquids pipeline and 54 miles of supply laterals (21,000 b/d). | NA x | NA x |
| 10/05/93 | USX - Delhi Group Pettus Gas | Purchase of 30 mmcf/d cryogenic plant in Bee County, TX. | NA x | NA x |
| 9/27/93 | Western Gas Resources Black Lake Gas Plant (from NERCO) | Purchase of gas plant and 68.9% working interest in Black Lake field. | 2.4 x | NA x |
| 9/15/93 | Tejas Gas Corporation Exxon Corp. | Substantially all of Exxon's TX and LA intrastate gathering systems and West Clear Lake storage facility. | 1.0 x | 8.1 x |
| 9/15/93 | Associated Natural Gas Endevco | Purchase of pipeline (547 miles total) and Hattiesburg gas storage facility (300,000 mmbtu capacity). | NA x | NA x |
| 7/29/93 | Patrick Petroleum Company American National Petroleum Co. | Purchase of ANP's stock for \$3.40 in cash and \$2.60 in stock | 2.4 x | 5.1 x |
| 6/29/93 | Western Gas Resources (a) Mountain Gas Resources | Former gathering assets of Presidio Oil | 0.9 x | 8.3 x |
| 3/17/93 | El Paso Natural Gas (b) Mojave Pipeline | Purchased remaining 50% interest in company from Enron Corp. | 4.0 x | NA x |
| 12/1/92 | Associated Natural Gas GPM Gas Corp.'s Osage System | Includes 15,000 mcf/d gas plant and approx. 900 miles of pipeline connected to 300 wells in OK. | NA x | NA x |
| 10/1/92 | Associated Natural Gas GPM Gas Corp.'s Glenpool System | Includes 25,000 mcf/d gas plant and approx. 1,000 miles of pipeline connected to 525 wells in OK. | NA x | NA x |
| 5/1/92 | Associated Natural Gas Finlay Energy, Inc. | Peavine and West Edmond gas plants and associated gathering systems in OK. | NA x | NA x |
| 4/1/92 | Associated Natural Gas Triumph Oklahoma LP | West Guthrie gas plant and associated gathering system located in OK. | NA x | NA x |
| 4/1/92 | American Oil & Gas Corp. Maple Gas Corp. | Includes 1,056 miles of pipeline and and 10 gas plants. | 1.2 x | NA x |
| 10/31/91 | Associated Natural Gas Spindle Facility (from Apache) | Includes gas plant and associated gathering assets (\$ shown is net of sale of acquired oil and gas properties for \$16.5 mm) | NA x | 7.7 x |
| 9/18/91 | Western Gas Resources (c) Union Texas Petroleum | 12 gas processing plants and 5,260 miles of gas gathering systems in TX, OK & LA. | 0.6 x | 5.3 x |
| 7/26/91 | Transok (Central & South- west Corp.) TEX / CON | 1,400 miles of pipeline consisting of | NA x | NA x |

| | | | | |
|---------|---|--|------|-------|
| 3/22/91 | Associated Natural Gas Mega Natural Gas Corp. | Purchased company with ops in OK, TX, NM and KS. Owns 1,000 miles of pipe and 166 cf/d of system throughput | NA x | 7.7 x |
| 1/91 | Western Gas Resources Amoco Production Company | 65 mmcf/d edgewood gas plant in E. Texas. Also a 350 ton/d sulfur recovery unit | NA x | 5.7 x |

</TABLE>

41
Dillon, Read & Co. Inc. 12/01/93

Valero Natural Gas Partners, L.P.
Summary of Selected Mergers and Acquisitions in Gas Gathering and Processing
Industry

<TABLE>
<CAPTION>

| Date | Acquiror / Target | Description of Transaction | Value of Equity | Net Debt | Value of Assets |
|---------|---|---|--------------------|----------|--------------------|
| ---- | ----- | ----- | ----- | ----- | ----- |
| <S> | <C> | <C> | <C> | <C> | <C> |
| 12/4/90 | Tejas Gas Corporation Acadian Gas Group | Unit purchases, gathers, transports and markets natural gas along LA & TX gulf coasts through 400 miles of pipe (600 mmcf/d) | 175.0 | (15.1) | 159.9 |
| 7/26/90 | Western Gas Resources Parker Drilling Company | Gathering assets in LA, AR & TX. Incl. 75% of Giddings system of 475 miles of pipe (65 mmcf/d). Also gas treating bus. | 24.6 | 0.4 | 25.0 |
| 5/24/90 | UtiliCorp United Inc. Clajon Holdings LP | Company owns & operates 6 intrastate gas pipelline systems and 2 gas plants in SE TX. | 65.0 | 160.0 | 225.0 |
| 1/24/89 | American Oil & Gas Corp. Cabot Corporation | Incl. gathering and transmission ops: 3,500 miles of pipeline in W. TX and TX panhandle. | 120.6 | (0.1) | 120.5 |
| 6/16/88 | Tejas Gas Corporation (Hamilton Oil) Gulf Energy Dev. Corp. (Penn Cent.) | Gathers & transports gas in TX, OK, CO, WV and LA | 140.0 | 15.0 | 155.0 |
| 8/1/87 | Enerfin Partners 1 LP Farmland Industries (Gas Plant Div.) | Includes 5 gas plants and 892 miles of pipeline in West Texas and Wyoming. | 62.0 | 0.0 | 62.0 |

</TABLE>
<TABLE>
<CAPTION>

| Date | Acquiror / Target | Description of Transaction | Latest Annual Results (\$mm) | | Asset Value As Multiple of | |
|---------|---|---|---------------------------------|--------|-------------------------------|--------|
| | | | Revenues | EBITDA | Revenues | EBITDA |
| ---- | ----- | ----- | ----- | ----- | ----- | ----- |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> |
| 12/4/90 | Tejas Gas Corporation Acadian Gas Group | Unit purchases, gathers, transports and markets natural gas along LA & TX gulf coasts through 400 miles of pipe (600 mmcf/d) | NA | 21.0 | NA x | 7.6 x |
| 7/26/90 | Western Gas Resources Parker Drilling Company | Gathering assets in LA, AR & TX. Incl. 75% of Giddings system of 475 miles of pipe (65 mmcf/d). Also gas treating bus | NA | 7.1 | NA x | 3.5 x |
| 5/24/90 | UtiliCorp United Inc. Clajon Holdings LP | Company owns & operates 6 intrastate gas pipelline systems and 2 gas plants in SE TX. | NA | 32.6 | NA x | 6.9 x |
| 1/24/89 | American Oil & Gas Corp. Cabot Corporation | Incl. gathering and transmission ops: 3,500 miles of pipeline in W. TX and TX panhandle. | NA | 10.8 | NA x | 11.2 x |
| 6/16/88 | Tejas Gas Corporation (Hamilton Oil) Gulf Energy Dev. Corp. (Penn Cent.) | Gathers & transports gas in TX, OK, CO, WV and LA | NA | 22.8 | NA x | 6.8 x |
| 8/1/87 | Enerfin Partners 1 LP Farmland Industries (Gas Plant Div.) | Includes 5 gas plants and 892 miles of pipeline in West Texas and Wyoming. | NA | 13.8 | NA x | 4.5 x |
| Mean | | | | | 1.8 x | 6.8 x |

</TABLE>

- (a) Operating results for Mountain Gas cover the period 7/16/92 to 6/30/93.
- (b) Annualized change in results for six month period ending 6/30/93.
- (c) Annualized nine months results.

42
DILLON, READ & CO. INC

DECEMBER 10, 1993

HISTORICAL PREMIUMS OF NON-CONTROL
POSITION BUYOUTS

VALERO NATURAL GAS COMPANY

43
SUMMARY OF SELECTED CONTROLLING SHAREHOLDER BUYOUTS
COMPLETED/PENDING SINCE 1986

(Figures in Millions, Except per Share Data)

<TABLE>
<CAPTION>

| | TOTAL EQUITY VALUE (100%) (\$MM) | VALUE OF TARGET'S HOLDINGS (\$MM) | TOTAL SHARES OUT (MM) | PRIOR TO ANNOUNCEMENT | | | |
|------------------------------|---|--|-----------------------------|-------------------------------|-----------------------------|-------------------------------|-----------------------------|
| | | | | ACQUIROR'S HOLDINGS | | TARGET'S HOLDINGS | |
| | | | | NUMBER SHARES HELD (MM) | PERCENT OWNERSHIP (%) | NUMBER SHARES HELD (MM) | PERCENT OWNERSHIP (%) |
| <S> SUMMARY STATISTICS | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
| 1986-1993 | | | | | | | |
| Number | 147.0 | 153.0 | -- | -- | 146.0 | -- | 130.0 |
| Mean | \$525.0 | \$150.4 | -- | -- | 70.7 | -- | 26.6 |
| 1986 | | | | | | | |
| Number | 8.0 | 9.0 | -- | -- | 8.0 | -- | 9.0 |
| Mean | \$73.3 | \$20.8 | -- | -- | 66.2 | -- | 33.7 |
| 1987 | | | | | | | |
| Number | 21.0 | 22.0 | -- | -- | 18.0 | -- | 23.0 |
| Mean | \$1,193.5 | \$461.2 | -- | -- | 73.7 | -- | 27.0 |
| 1988 | | | | | | | |
| Number | 23.0 | 24.0 | -- | -- | 23.0 | -- | 19.0 |
| Mean | \$293.1 | \$461.2 | -- | -- | 67.9 | -- | 29.1 |
| 1989 | | | | | | | |
| Number | 28.0 | 30.0 | -- | -- | 32.0 | -- | 26.0 |
| Mean | \$547.4 | \$135.1 | -- | -- | 70.1 | -- | 30.5 |
| 1990 | | | | | | | |
| Number | 25.0 | 25.0 | -- | -- | 23.0 | -- | 23.0 |
| Mean | \$238.8 | \$59.0 | -- | -- | 72.6 | -- | 28.0 |
| 1991 | | | | | | | |
| Number | 17.0 | 17.0 | -- | -- | 17.0 | -- | 17.0 |
| Mean | \$915.1 | \$240.7 | -- | -- | 70.0 | -- | 28.6 |
| 1992 | | | | | | | |
| Number | 14.0 | 14.0 | -- | -- | 13.0 | -- | 9.0 |

| | | | | | | | |
|--------------|---------|--------|----|----|------|----|------|
| Mean | \$366.5 | \$53.4 | -- | -- | 73.6 | -- | 22.5 |
| 1993 To Date | | | | | | | |
| Number | 11.0 | 12.0 | -- | -- | 12.0 | -- | 4.0 |
| Mean | \$254.3 | \$40.3 | -- | -- | 69.8 | -- | 27.7 |

</TABLE>

<TABLE>
<CAPTION>

| <S> SUMMARY STATISTICS | ACQUIROR'S OWNERSHIP AFTER TRANSACTION (%) | PREMIUM TO MARKET (%) | | | |
|------------------------------|--|---------------------------|--------------------------|-------------------------|-----|
| | | ONE MONTH BEFORE OFFER | ONE WEEK BEFORE OFFER | ONE DAY BEFORE OFFER | |
| | | <C> | <C> | <C> | <C> |
| 1986-1993 | | | | | |
| Number | 159.0 | 137.0 | 137.0 | 137.0 | |
| Mean | 89.4 | 35.2 | 33.3 | 30.2 | |
| 1986 | | | | | |
| Number | 10.0 | 7.0 | 7.0 | 7.0 | |
| Mean | 90.0 | 39.3 | 45.0 | 41.2 | |
| 1987 | | | | | |
| Number | 24.0 | 21.0 | 21.0 | 21.0 | |
| Mean | 83.0 | 31.3 | 30.0 | 30.8 | |
| 1988 | | | | | |
| Number | 23.0 | 23.0 | 23.0 | 23.0 | |
| Mean | 92.5 | 49.8 | 42.2 | 38.1 | |
| 1989 | | | | | |
| Number | 33.0 | 28.0 | 28.0 | 28.0 | |
| Mean | 92.0 | 38.0 | 33.6 | 31.8 | |
| 1990 | | | | | |
| Number | 25.0 | 21.0 | 21.0 | 21.0 | |
| Mean | 92.1 | 36.3 | 38.1 | 29.7 | |
| 1991 | | | | | |
| Number | 18.0 | 14.0 | 14.0 | 14.0 | |
| Mean | 96.9 | 25.4 | 27.3 | 25.0 | |
| 1992 | | | | | |
| Number | 13.0 | 14.0 | 14.0 | 14.0 | |
| Mean | 89.1 | 18.4 | 16.3 | 14.9 | |
| 1993 To Date | | | | | |
| Number | 13.0 | 9.0 | 9.0 | 9.0 | |
| Mean | 73.0 | 35.3 | 33.3 | 27.9 | |

</TABLE>

Source: Securities Data Corporation

44

SUMMARY OF SELECTED CONTROLLING SHAREHOLDER BUYOUTS COMPLETED/PENDING SINCE 1986
(Figures in Millions, Except per Share Data)

<TABLE>
<CAPTION>

| Date | Announced Acquiror Name | Target Name | Consideration | Total Equity Value (100%) (\$MM) | Value of Target's Holdings (\$MM) |
|----------|-------------------------------|---------------------------------|---|----------------------------------|-----------------------------------|
| <S> | <C> | <C> | <C> | <C> | <C> |
| 05/09/86 | WR Grace & Co | El Torito Restaurants Inc | \$20.50 cash/sh com | \$228.1 | \$62.5 |
| 05/19/86 | Konica Corp | Fotomat (Konishiroku Photo) | \$1.70 cash/sh com | \$42.5 | \$16.7 |
| 05/30/86 | Equity-DQSB Inc | Delta Queen Steamboat Co | \$4.3 mil/29.5% remaining interest | - | \$4.3 |
| 06/03/86 | Investor | Bayswater Realty & Capital | \$11/sh com | \$9.9 | \$1.6 |
| 06/24/86 | Bally Manufacturing Corp | Bally's Park Place Inc | - | - | - |
| 07/03/86 | Laurentian Capital Corp | Founders Financial Corp | 0.3575 sh com/sh com and 14.3 shs com/sh pfd | \$15.5 | \$18.2 |
| 08/19/86 | British Car Auction Group PLC | Sandgate Corp | \$18.75 cash/sh com | \$82.5 | \$22.5 |
| 10/02/86 | Newell Co | William E Wright Co (Newell Co) | \$14.25 cash/sh com, plus an additional \$0.875 cash/sh com paid to shareholders that held shares on 10/24/85 | \$31.7 | \$13.0 |
| 11/05/86 | PS Group Inc | Statex Petroleum Inc (PS Group) | \$9.00 cash/sh com and \$18.50 cash/\$2.55 cumulative convertible | \$26.4 | \$10.1 |

| Date | Acquiror Name | Target Name | Offer Description | Offer Price | Market Price |
|----------|-------------------------------|---------------------------------|--|-------------|--------------|
| 11/19/86 | General Felt Industries | Knoll International Inc | preferred stock, Series A, \$20.00 par value | | |
| 01/12/87 | AEGON NV | Life Investors Inc | \$12 cash/sh com, plus options | \$149.6 | \$38.0 |
| | | | \$51.61 cash/sh com for 225,416 shs purchased through tender offer and 154,168 shs purchased through merger (estimated) and \$50.75 cash/sh com for 242,849 shs purchased from Ownership Participation Trust | \$456.5 | \$32.9 |
| 01/20/87 | Collins Foods International | Naugles Inc (Collins Foods) | 0.2326 sh com/sh com | \$124.0 | \$10.0 |
| 01/23/87 | Fiat Trattori SpA | Hesston Corp (Fiat Trattori) | \$4 cash/sh com and \$12.50/sh convertible pfd | - | \$9.6 |
| 03/03/87 | Kebo AB(Investment AB Beijer) | Calmar Inc (Kebo/Beijer Inv AB) | \$32 cash/sh com plus \$1.14 mil cash to cancel outstanding options | \$161.3 | \$59.8 |
| 03/13/87 | E-B Acquisition Co | Elder-Beerman Stores Corp | \$33 cash/sh com | \$108.9 | \$33.0 |
| 03/26/87 | BP America(British Petroleum) | Standard Oil Co (British Petro) | \$71.50 cash plus 0.2 war/sh com plus \$73.50 less exercise price/options plus \$100 cash/sh cumulative pfd stock | \$17,459.6 | \$7,857.7 |
| 04/28/87 | Life Investors Inc | Life Investors Inc | \$51.61 cash/sh com for 225,416 shs purchased through tender offer and \$50.75 cash/sh com for 242,848 shs purchased from Ownership Participation Trust | \$456.5 | \$23.9 |
| 05/13/87 | La Cadena Invts,Craig Corp | Stater Brothers Inc | \$25.50 cash/sh com | \$106.6 | \$8.3 |
| 06/22/87 | Pearson Inc(Pearson PLC) | Camco Inc | \$29 cash/sh com plus \$29 cash minus \$14.12 exercise price/com stock options | \$220.0 | \$77.8 |
| 06/30/87 | Berry Petroleum Company | Norris Oil Co | - | - | - |
| 07/15/87 | Hongkong & Shanghai Banking | Marine Midland Banks Inc | \$83 cash/sh com | \$1,577.0 | \$752.0 |
| 07/28/87 | PI Acquisition Corp | Parisian Inc | \$30.65/sh com | \$496.5 | \$229.8 |
| 07/29/87 | Lexicon Corp | SCOPE Inc(Lexicon Corp) | - | - | - |

<TABLE>
<CAPTION>

| Date Announced | Acquiror Name | Prior to Announcement | | | | | |
|----------------|-------------------------------|-----------------------|---------------------------------|---|-------------------------------|---|--|
| | | Total Shares Out (MM) | Acquiror's Holdings Number (MM) | Acquiror's Holdings Percent Ownership (%) | Target's Holdings Number (MM) | Target's Holdings Percent Ownership (%) | Acquiror's Ownership After Transaction (%) |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> | |
| 05/09/86 | WR Grace & Co | 11.1 | 8.1 | 72.6 | 3.1 | 27.5 | 100.0 |
| 05/19/86 | Konica Corp | 25.0 | 15.2 | 60.6 | 9.8 | 42.0 | 99.8 |
| 05/30/86 | Equity-DQSB Inc | - | - | - | - | 29.5 | 100.0 |
| 06/03/86 | Investor | 0.9 | 0.8 | 84.0 | - | - | 84.0 |
| 06/24/86 | Bally Manufacturing Corp | - | - | - | - | 16.0 | 16.0 |
| 07/03/86 | Laurentian Capital Corp | 5.8 | 3.0 | 51.7 | 2.8 | 48.5 | 100.0 |
| 08/19/86 | British Car Auction Group PLC | 4.4 | 3.2 | 72.7 | 1.2 | 27.0 | 100.0 |
| 10/02/86 | Newell Co | 2.1 | 1.2 | 59.3 | 0.9 | 41.0 | 100.0 |
| 11/05/86 | PS Group Inc | 2.9 | 2.0 | 68.4 | 0.9 | 31.5 | 100.0 |
| 11/19/86 | General Felt Industries | 12.5 | 7.5 | 60.2 | 5.0 | 40.0 | 100.0 |
| 01/12/87 | AEGON NV | 8.9 | 7.7 | 87.3 | 0.6 | 7.0 | 94.3 |
| 01/20/87 | Collins Foods International | 27.2 | 25.0 | 91.9 | 2.2 | 8.1 | 100.0 |
| 01/23/87 | Fiat Trattori SpA | - | - | - | 2.0 | 47.5 | 55.4 |
| 03/03/87 | Kebo AB(Investment AB Beijer) | 5.0 | 3.2 | 63.7 | 1.8 | 36.3 | 100.0 |
| 03/13/87 | E-B Acquisition Co | 3.3 | - | - | 2.3 | 30.0 | 69.7 |
| 03/26/87 | BP America(British Petroleum) | 237.6 | 130.2 | 54.8 | 107.4 | 45.0 | 100.0 |
| 04/28/87 | Life Investors Inc | 8.9 | - | - | 0.7 | 7.6 | 7.6 |
| 05/13/87 | La Cadena Invts,Craig Corp | 4.2 | 3.9 | 92.2 | 0.3 | 7.8 | 100.0 |
| 06/22/87 | Pearson Inc(Pearson PLC) | 7.6 | 4.8 | 63.1 | 2.8 | 37.1 | 99.9 |
| 06/30/87 | Berry Petroleum Company | - | - | - | - | 20.0 | 20.0 |
| 07/15/87 | Hongkong & Shanghai Banking | 19.0 | - | - | 9.2 | 48.0 | 48.4 |
| 07/28/87 | PI Acquisition Corp | 16.2 | 8.7 | 53.7 | 7.5 | 46.0 | 100.0 |
| 07/29/87 | Lexicon Corp | - | - | - | - | 50.0 | 50.0 |

<TABLE>
<CAPTION>

| Date Announced | Acquiror Name | Premium to Market (%) | | |
|----------------|-----------------|------------------------|-----------------------|----------------------|
| | | One Month Before Offer | One Week Before Offer | One Day Before Offer |
| <S> | <C> | <C> | <C> | <C> |
| 05/09/86 | WR Grace & Co | 18.8 | 19.7 | 9.3 |
| 05/19/86 | Konica Corp | 36.0 | 70.0 | 70.0 |
| 05/30/86 | Equity-DQSB Inc | - | - | - |

| | | | | |
|----------|-------------------------------|-------|-------|-------|
| 06/03/86 | Investor | 131.6 | 131.6 | 131.6 |
| 06/24/86 | Bally Manufacturing Corp | | | |
| 07/03/86 | Laurentian Capital Corp | 42.9 | 42.9 | 42.9 |
| 08/19/86 | British Car Auction Group PLC | 4.9 | 2.8 | 0.7 |
| 10/02/86 | Newell Co | - | - | - |
| 11/05/86 | PS Group Inc | 16.1 | 18.0 | 4.3 |
| 11/19/86 | General Felt Industries | 24.7 | 29.7 | 29.7 |
| 01/12/87 | AEGON NV | 5.3 | 4.3 | 3.2 |
| 01/20/87 | Collins Foods International | - | - | - |
| 01/23/87 | Fiat Trattori SpA | 14.3 | 28.0 | 23.1 |
| 03/03/87 | Kebo AB(Investment AB Beijer) | 54.2 | 43.8 | 45.5 |
| 03/13/87 | E-B Acquisition Co | 55.3 | 51.7 | 46.7 |
| 03/26/87 | BP America(British Petroleum) | 33.3 | 14.4 | 13.3 |
| 04/28/87 | Life Investors Inc | 1.2 | 0.7 | 0.7 |
| 05/13/87 | La Cadena Invt's,Craig Corp | 45.7 | 50.0 | 25.9 |
| 06/22/87 | Pearson Inc(Pearson PLC) | 19.6 | 26.8 | 20.8 |
| 06/30/87 | Berry Petroleum Company | - | - | - |
| 07/15/87 | Hongkong & Shanghai Banking | 60.0 | 38.9 | 38.3 |
| 07/28/87 | PI Acquisition Corp | 71.5 | 72.7 | 77.7 |
| 07/29/87 | Lexicon Corp | - | - | - |

Source: Securities Data Corporation

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SUMMARY OF SELECTED CONTROLLING SHAREHOLDER BUYOUTS COMPLETED/PENDING SINCE 1986

(Figures in Millions, Except per Share Data)

<TABLE>

<CAPTION>

| Date | Announced Acquiror Name | Target Name | Consideration | Total Equity Value (100%) (\$MM) |
|----------|--------------------------------|--------------------------------|---|----------------------------------|
| <S> | <C> | <C> | <C> | <C> |
| 08/17/87 | Philips Gloeilampenfabrieken | North American Philips Corp | \$56 cash/sh com and \$56-\$12.97 (low exercise price)/option sh com/sh com | \$1,715.0 |
| 09/09/87 | Kinder-Care Inc | Sylvan Learning Corp | \$80 cash/sh com | \$82.8 |
| 10/09/87 | Sugar Acquisition Corp | US Sugar Corp | \$22.50 cash/sh com | \$200.8 |
| 10/29/87 | SDA Acquisition Corp | Thompson Medical Co Inc | \$8.25 cash/sh com | \$167.5 |
| 11/06/87 | Sithe Energies Group | Energy Factors Inc | \$17 cash/sh com | \$83.3 |
| 11/24/87 | Dallhold Investments Pty Ltd | St Joe Gold Corp(Fluor Corp) | 1 Magma Power sh com/1.9 Magma Energy sh com | \$528.7 |
| 12/02/87 | Magma Power Co | Magma Energy Inc(Magma Power) | \$12.00 cash/sh com | \$33.6 |
| 12/10/87 | Brentwood Associates IV LP | Ideal School Supply Corp | \$42.2 mil cash/4.8 mil units | \$50.4 |
| 12/11/87 | Freeport-McMoRan Energy | American Royalty Trust | \$27/sh com | \$383.2 |
| 12/17/87 | AGFA-Gevaert Graphics Inc | Compugraphic(AGFA-Gevaert) | \$22.75 cash/sh coma | \$232.9 |
| 12/21/87 | Rogers Communications Inc | Rogers Cablesystems of America | \$3.125 cash plus \$5.60 principal amount of 7% subordinated debenture/sh com | \$418.1 |
| 01/20/88 | Investor | Chariot Group Inc(Chariot) | \$12.00/sh com | \$20.8 |
| 02/16/88 | Paul Kalmanovitz Testamentary | Falstaff Brewing Corp | \$12.50 cash/sh com and \$920 cash/ \$1,000 principal amount of Genmar's 7% senior convertible debentures due 2006 | \$56.0 |
| 02/17/88 | Minstar Inc | Genmar Industries Inc(Minstar) | \$47.50 cash/sh com; \$47.50 minus exercise prices ranging from \$17 to \$34.75/option | \$404.1 |
| 02/25/88 | Cie de Saint-Gobain SA | CertainTeed Corp(Saint-Gobain) | \$1.50 cash/sh com | \$909.0 |
| 03/03/88 | First Texas Savings Assn | Gemcraft(First TX Svgs Assn) | \$60 cash/sh com | \$7.6 |
| 03/16/88 | Investor Group | Arthur D Little Inc | \$16.50/sh com | \$151.8 |
| 03/17/88 | Curtis Squire Inc | Regis Corp(Curtis Squire Inc) | \$19.35/sh com | \$29.7 |
| 03/18/88 | Dyson-Kissner-Moran Corp | Kearney National Inc | \$28 cash/sh com | \$110.3 |
| 03/18/88 | Investor Group | Meyers Parking System Inc | \$5.50 com/sh com and 1 option to acquire J&J com/option to acquire ICEE-USA com with the same terms and conditions | \$75.6 |
| 03/23/88 | J&J Snack Foods Corp | ICEE-USA Corp | \$11.75 cash/sh com + \$2.52 mil cash to cancel outstanding options | \$9.2 |
| 04/11/88 | SH Holdings Inc | Gruen Marketing Corp(Jewelcor) | \$20 cash plus \$30 face value of junior subordinated debentures/sh com not already held by Icahn | \$106.4 |
| 04/22/88 | Investor | Trans World Airlines Inc | \$7 cash plus one-fifth of a share in the new Braniff/sh com \$12.546 mil cash and stock/preferred shares | \$1,525.0 |
| 06/10/88 | BIA-COR Holdings Inc | Braniff Inc(BIA-COR Holdings) | \$28 cash/sh com | \$125.1 |
| 06/22/88 | Westminister Investment Corp | BF Saul Real Estate Invt Tr | 108% face amount/12% senior notes, plus 78% face value/15% subordinated discount | \$164.3 |
| 07/01/88 | Diversified Services Group Inc | Nutri/System Inc | | - |

debentures, plus \$15.625
cash/warrant to purchase common stock
1 sh com/sh com \$23.8

07/14/88 Starrett Housing Corp Levitt Corp
</TABLE>

<TABLE>
<CAPTION>

| Date Announced | Acquiror Name | Value of Target's Holdings (\$MM) | Prior to Announcement | | | | | Acquiror's Ownership After Transaction (%) |
|----------------|--------------------------------|-----------------------------------|-----------------------|-----------------------|-------------------------|-----------------------|------|--|
| | | | Total Shares Out (MM) | Acquiror's Holdings | | Target's Holdings | | |
| | | | Shares Held (MM) | Percent Ownership (%) | Number Shares Held (MM) | Percent Ownership (%) | | |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
| 08/17/87 | Philips Gloeilampenfabrieken | \$758.0 | 30.6 | 16.8 | 54.9 | 13.8 | 45.0 | 100.0 |
| 09/09/87 | Kinder-Care Inc | \$27.6 | 7.2 | 4.8 | 66.7 | 2.4 | 33.3 | 100.0 |
| 10/09/87 | Sugar Acquisition Corp | \$8.8 | 2.5 | 2.4 | 95.6 | 0.1 | 4.0 | 100.0 |
| 10/29/87 | SDA Acquisition Corp | \$56.3 | 7.5 | 5.0 | 67.1 | 2.5 | 33.3 | 100.0 |
| 11/06/87 | Sithe Energies Group | \$34.7 | 10.1 | 5.1 | 50.6 | 4.2 | 45.0 | 92.2 |
| 11/24/87 | Dallhold Investments Pty Ltd | \$51.0 | 31.1 | 28.0 | 90.0 | 3.0 | 9.7 | 99.7 |
| 12/02/87 | Magma Power Co | \$11.1 | 8.5 | 5.7 | 67.1 | 2.8 | 33.0 | 100.0 |
| 12/10/87 | Brentwood Associates IV LP | \$22.8 | 4.2 | 2.3 | 54.8 | - | - | 54.8 |
| 12/11/87 | Freeport-McMoRan Energy | \$42.2 | 43.6 | 38.8 | 89.0 | 4.8 | 11.0 | 100.0 |
| 12/17/87 | AGFA-Gevaert Graphics Inc | \$37.8 | 8.6 | 7.2 | 83.6 | 1.4 | 17.0 | 100.0 |
| 12/21/87 | Rogers Communications Inc | \$1.3 | 18.4 | 18.3 | 99.7 | 0.1 | 0.3 | 100.0 |
| 01/20/88 | Investor | \$5.6 | 2.4 | 1.7 | 72.8 | - | - | 72.8 |
| 02/16/88 | Paul Kalmanovitz Testamentary | \$27.6 | 4.7 | 2.4 | 50.7 | 2.3 | 34.0 | 100.0 |
| 02/17/88 | Minstar Inc | \$98.0 | 32.3 | 24.2 | 74.9 | 4.8 | 16.5 | 89.7 |
| 02/25/88 | Cie de Saint-Gobain SA | \$391.3 | 19.1 | 10.9 | 56.7 | - | - | 56.7 |
| 03/03/88 | First Texas Savings Assn | \$3.7 | 5.1 | 2.5 | 49.1 | 2.4 | 48.9 | 96.2 |
| 03/16/88 | Investor Group | \$38.5 | 2.5 | 1.9 | 74.6 | 0.6 | 25.4 | 100.0 |
| 03/17/88 | Curtis Squire Inc | \$0.9 | 1.8 | 1.3 | 69.4 | - | - | 69.4 |
| 03/18/88 | Dyson-Kissner-Moran Corp | \$50.3 | 5.7 | 3.1 | 54.4 | 2.6 | 46.0 | 100.0 |
| 03/18/88 | Investor Group | \$15.1 | 2.7 | 2.2 | 80.0 | 0.5 | 20.0 | 100.0 |
| 03/23/88 | J&J Snack Foods Corp | \$2.4 | 1.7 | 1.1 | 66.8 | 0.6 | 33.2 | 100.0 |
| 04/11/88 | SH Holdings Inc | \$24.8 | 9.1 | 6.2 | 68.4 | 2.9 | 31.6 | 100.0 |
| 04/22/88 | Investor | \$355.0 | 30.5 | 23.4 | 76.7 | 7.1 | 23.0 | 100.0 |
| 06/10/88 | BIA-COR Holdings Inc | \$45.4 | 15.6 | 6.8 | 43.4 | - | - | 43.4 |
| 06/22/88 | Westminister Investment Corp | \$29.2 | 5.9 | 4.8 | 82.2 | 1.0 | 17.8 | 100.0 |
| 07/01/88 | Diversified Services Group Inc | \$121.0 | - | - | - | - | - | - |
| 07/14/88 | Starrett Housing Corp | \$4.8 | 3.4 | 2.7 | 80.0 | 0.7 | 20.0 | 100.0 |

<TABLE>
<CAPTION>

| Date Announced | Acquiror Name | Premium to Market (%) | | |
|----------------|--------------------------------|------------------------|-----------------------|----------------------|
| | | One Month Before Offer | One Week Before Offer | One Day Before Offer |
| <S> | <C> | <C> | <C> | <C> |
| 08/17/87 | Philips Gloeilampenfabrieken | 33.3 | 30.2 | 33.3 |
| 09/09/87 | Kinder-Care Inc | -8.0 | -11.5 | -9.8 |
| 10/09/87 | Sugar Acquisition Corp | 22.1 | 22.1 | 22.1 |
| 10/29/87 | SDA Acquisition Corp | 35.0 | 60.7 | 125.0 |
| 11/06/87 | Sithe Energies Group | -1.5 | 40.4 | 50.0 |
| 11/24/87 | Dallhold Investments Pty Ltd | 138.6 | 54.5 | 29.5 |
| 12/02/87 | Magma Power Co | -4.2 | 1.9 | 9.0 |
| 12/10/87 | Brentwood Associates IV LP | 33.3 | 37.1 | 37.1 |
| 12/11/87 | Freeport-McMoRan Energy | 13.4 | 19.2 | 27.9 |
| 12/17/87 | AGFA-Gevaert Graphics Inc | 28.6 | 42.1 | 27.8 |
| 12/21/87 | Rogers Communications Inc | 5.8 | 2.8 | 0.6 |
| 01/20/88 | Investor | 158.5 | 118.1 | 111.5 |
| 02/16/88 | Paul Kalmanovitz Testamentary | 33.3 | 33.3 | 33.3 |
| 02/17/88 | Minstar Inc | 51.5 | 37.0 | 37.0 |
| 02/25/88 | Cie de Saint-Gobain SA | 87.2 | 60.3 | 50.2 |
| 03/03/88 | First Texas Savings Assn | 33.3 | 50.0 | 50.0 |
| 03/16/88 | Investor Group | 76.5 | 81.8 | 81.8 |
| 03/17/88 | Curtis Squire Inc | 20.0 | 10.0 | 11.9 |
| 03/18/88 | Dyson-Kissner-Moran Corp | 56.4 | 54.8 | 50.3 |
| 03/18/88 | Investor Group | 64.7 | 64.7 | 60.0 |
| 03/23/88 | J&J Snack Foods Corp | 29.4 | 25.7 | 29.4 |
| 04/11/88 | SH Holdings Inc | 14.6 | 14.6 | 17.5 |
| 04/22/88 | Investor | 86.9 | 75.4 | 77.8 |
| 06/10/88 | BIA-COR Holdings Inc | 78.2 | 52.8 | 56.5 |
| 06/22/88 | Westminister Investment Corp | 76.4 | 61.2 | 27.3 |
| 07/01/88 | Diversified Services Group Inc | | | |
| 07/14/88 | Starrett Housing Corp | 43.6 | 33.3 | 27.3 |

Source: Securities Data Corporation

SUMMARY OF SELECTED CONTROLLING SHAREHOLDER BUYOUTS COMPLETED/PENDING SINCE 1986

(Figures in Millions, Except per Share Data)

<TABLE>

<CAPTION>

| Date Announced | Acquiror Name | Target Name | Consideration | Total Equity Value (100%) (\$MM) |
|----------------|-------------------------------|-------------------------------|---|----------------------------------|
| <S> | <C> | <C> | <C> | <C> |
| 07/20/88 | Home Owners Fed Svgs,Boston | Knutson Mortgage Corp | \$10.1 cash/sh com | \$141.5 |
| 10/05/88 | MBS Associates | MBS Textbook Exchange Inc | \$10 cash/sh com | \$52.0 |
| 10/13/88 | Industrial Equity(Pacific)Ltd | Associated Hosts Inc | \$11/sh com | \$49.5 |
| 10/25/88 | Chyron Corp | CMX Corp(Chyron Corp) | 1 sh com/4.75 shs com | \$10.5 |
| 11/15/88 | Qintex Resorts BV | Princeville Corp(Quintex AU) | \$15.50 cash/sh com | \$154.3 |
| 12/05/88 | Zayre Corp | TJX Cos(Zayre Corp) | 1.45 shs Zayre com/sh com | \$2,436.0 |
| 12/06/88 | Investor | Sage Energy Co | \$6.50 cash/sh com | \$71.5 |
| 12/14/88 | Ingram Industries Inc | Micro D Inc(Ingram Inds) | \$14.75 cash/sh com | \$106.5 |
| 01/27/89 | United Meridian Corp | Ensourc Inc(United Meridian) | \$10.50 cash/sh com plus \$31.67 cash/sh cvt pfd convertible into 3 common shares, plus assumption of liabilities | \$66.3 |
| 02/06/89 | S & A Acquisition Corp | Seligman & Associates Inc | \$6.50 cash/sh com | \$10.1 |
| 02/15/89 | ENSERCH Corp | Enserch Exploration Partners | 0.5 sh of Enserch com and \$1 cash/sh com of Enserch Exploration Partners | \$1,386.3 |
| 02/21/89 | Investor Group | Security American Finl Entps | \$9.77 cash/sh com, and assumption of \$880,000 of acquisition-related payments payable by Security American, and \$204,080 to cancel stock options | \$41.8 |
| 03/08/89 | Commonwealth Mortgage Co Inc | Commonwealth Mortgage Co Inc | \$8/sh com | \$47.2 |
| 03/10/89 | Collins Foods International | Sizzler Restaurants Intl Inc | 1.25 shs com/sh com | \$359.9 |
| 03/15/89 | Standard Shares Inc | Pittway Corp | 3 shs of a new issue Class A stock/sh com | \$153.8 |
| 03/21/89 | Centel Corp | Centel Cable Television Co | \$45.625 cash/sh com | \$1,144.4 |
| 03/31/89 | MAXXAM Inc | Horizon Corp(MAXXAM Inc) | \$2.50/sh com | \$18.1 |
| 04/18/89 | Primerica Corp | American Capital Management | \$11.50 cash or .32 sh com/sh | \$280.5 |
| 05/12/89 | Spie Group Inc | Comstock Group Inc | \$2.25 cash/sh com | \$21.4 |
| 05/19/89 | Carlson Hospitality Group Inc | TGI Friday's Inc(Carlson Cos) | \$14.875/sh com, plus \$.238 mil to cancel all options to purchase additional common shares | \$266.5 |
| 05/24/89 | Tele-Communications Inc | WestMarc Communications Inc | \$32.25 cash/sh com, \$32.25 pfd sh/sh com for 1000 shares and \$6.17 mil/sh issuable upon exercise of options | \$819.0 |
| 06/08/89 | Wheelabrator Group Inc | Fisher Scientific Grp(Henley) | \$22.25 cash/sh com and \$22.25 cash less exercise price of \$16.13/option to acquire common shares | \$815.0 |
| 06/09/89 | Primerica Corp | AL Williams Corp(Primerica) | .82 shs com/sh com | \$1,503.0 |
| 06/14/89 | MacAndrews & Forbes Holdings | Andrews Group Inc | \$7.25 principal amount of Andrews Group 10% subordinated debentures due 1999/sh com | \$66.0 |
| 06/15/89 | Wheelabrator Group Inc | Wheelabrator Group Inc | 0.845 shs of the surviving Wheelabrator Technologies after a one-for-four reverse stock split/sh of the old Wheelabrator | \$1,227.4 |
| 06/19/89 | Investor Group | Allied Security Inc | \$62 cash/sh com | \$30.2 |
| 06/20/89 | RLI Corp | American Capacity Group Inc | \$18 cash/sh com and \$18 cash less exercise price of \$14.40/ each of the 30,000 shares | \$36.4 |

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| Date Announced | Acquiror Name | Value of Target's Holdings (\$MM) | Prior to Announcement | | | | Acquiror's Ownership After Transaction (%) | |
|----------------|-------------------------------|-----------------------------------|-----------------------|---|---|---|--|---|
| | | | Total Shares Out (MM) | Acquiror's Holdings Number Shares Held (MM) | Acquiror's Holdings Percent Ownership (%) | Target's Holdings Number Shares Held (MM) | | Target's Holdings Percent Ownership (%) |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | |
| 07/20/88 | Home Owners Fed Svgs,Boston | \$25.6 | 14.0 | 11.5 | 81.9 | 2.5 | 17.0 | 100.0 |
| 10/05/88 | MBS Associates | \$9.6 | 5.2 | 4.2 | 81.6 | 1.0 | 18.4 | 100.0 |
| 10/13/88 | Industrial Equity(Pacific)Ltd | \$22.0 | 4.5 | 2.5 | 55.6 | 2.0 | 44.4 | 100.0 |
| 10/25/88 | Chyron Corp | \$2.1 | 11.8 | 9.5 | 80.5 | 2.3 | 19.4 | 100.0 |
| 11/15/88 | Qintex Resorts BV | \$70.0 | 10.0 | 5.2 | 51.9 | 4.8 | 48.1 | 100.0 |
| 12/05/88 | Zayre Corp | \$414.0 | 70.0 | 58.1 | 83.0 | 11.9 | 17.0 | 100.0 |
| 12/06/88 | Investor | \$22.2 | 11.0 | 7.6 | 69.0 | 3.4 | 31.0 | 100.0 |
| 12/14/88 | Ingram Industries Inc | \$43.9 | 7.2 | 4.3 | 58.8 | 3.0 | 41.2 | 100.0 |

| | | | | | | | | |
|----------|-------------------------------|---------|-------|------|------|------|------|-------|
| 01/27/89 | United Meridian Corp | \$28.0 | 6.3 | 3.8 | 60.2 | - | - | 60.2 |
| 02/06/89 | S & A Acquisition Corp | \$1.2 | 1.6 | 1.4 | 88.1 | 0.2 | 15.0 | 100.0 |
| 02/15/89 | ENSERCH Corp | \$162.3 | 102.5 | 89.6 | 87.4 | 12.0 | 11.7 | 99.1 |
| 02/21/89 | Investor Group | \$18.3 | 4.3 | 2.5 | 58.7 | - | - | 58.7 |
| 03/08/89 | Commonwealth Mortgage Co Inc | \$6.0 | 5.9 | 5.2 | 87.4 | - | - | 87.4 |
| 03/10/89 | Collins Foods International | \$122.0 | 16.3 | 10.8 | 66.1 | 5.5 | 34.0 | 100.0 |
| 03/15/89 | Standard Shares Inc | \$76.8 | 4.6 | 2.3 | 50.1 | 2.3 | 49.0 | 100.0 |
| 03/21/89 | Centel Corp | \$211.9 | 25.1 | 20.4 | 81.3 | 4.6 | 18.3 | 99.7 |
| 03/31/89 | MAXXAM Inc | \$6.9 | 7.2 | 4.5 | 61.8 | 2.8 | 38.0 | 100.0 |
| 04/18/89 | Primerica Corp | \$48.3 | 24.4 | 20.2 | 82.6 | 4.2 | 17.4 | 100.0 |
| 05/12/89 | Spie Group Inc | \$7.7 | 9.5 | 6.1 | 64.2 | 3.4 | 35.8 | 100.0 |
| 05/19/89 | Carlson Hospitality Group Inc | \$52.7 | 17.9 | 14.4 | 80.2 | 3.5 | 19.8 | 100.0 |
| 05/24/89 | Tele-Communications Inc | \$185.4 | 25.4 | 18.4 | 72.6 | 7.0 | 26.5 | 100.0 |
| 06/08/89 | Wheelabrator Group Inc | \$140.0 | 36.6 | 29.4 | 80.2 | 7.2 | 19.0 | 100.0 |
| 06/09/89 | Primerica Corp | \$453.9 | 67.6 | 47.2 | 69.8 | 20.4 | 29.2 | 100.0 |
| 06/14/89 | MacAndrews & Forbes Holdings | \$28.3 | 9.1 | 5.2 | 57.2 | 3.9 | 43.0 | 100.0 |
| 06/15/89 | Wheelabrator Group Inc | \$490.1 | 47.6 | 28.6 | 60.0 | 19.1 | 40.0 | 100.0 |
| 06/19/89 | Investor Group | \$14.4 | 0.5 | 0.3 | 52.3 | 0.2 | 46.0 | 100.0 |
| 06/20/89 | RLI Corp | \$7.1 | 2.0 | 1.6 | 79.5 | 0.4 | 20.5 | 100.0 |

<TABLE>
<CAPTION>

| Date Announced | Acquiror Name | Premium to Market (%) | | |
|-------------------|-------------------------------|---------------------------|--------------------------|-------------------------|
| | | One Month Before Offer | One Week Before Offer | One Day Before Offer |
| <S> | <C> | <C> | <C> | <C> |
| 07/20/88 | Home Owners Fed Svgs,Boston | 34.7 | 17.1 | 13.8 |
| 10/05/88 | MBS Associates | 63.3 | 56.9 | 9.6 |
| 10/13/88 | Industrial Equity(Pacific)Ltd | 1.1 | 2.3 | 23.9 |
| 10/25/88 | Chyron Corp | 18.7 | 29.5 | 18.7 |
| 11/15/88 | Qintex Resorts BV | 3.3 | 6.0 | 3.3 |
| 12/05/88 | Zayre Corp | 47.3 | 43.5 | 42.0 |
| 12/06/88 | Investor | 4.0 | 6.1 | 2.0 |
| 12/14/88 | Ingram Industries Inc | 57.3 | 37.2 | 40.5 |
| 01/27/89 | United Meridian Corp | 82.6 | 78.7 | 71.4 |
| 02/06/89 | S & A Acquisition Corp | 33.3 | 33.3 | 33.3 |
| 02/15/89 | ENSERCH Corp | 40.5 | 21.6 | 20.2 |
| 02/21/89 | Investor Group | 34.8 | 22.1 | 18.4 |
| 03/08/89 | Commonwealth Mortgage Co Inc | 146.2 | 82.9 | 82.9 |
| 03/10/89 | Collins Foods International | 22.4 | 19.1 | 24.1 |
| 03/15/89 | Standard Shares Inc | -66.6 | -67.2 | -67.0 |
| 03/21/89 | Centel Corp | 1.1 | 0.8 | 0.1 |
| 03/31/89 | MAXXAM Inc | 42.9 | 5.3 | 11.1 |
| 04/18/89 | Primerica Corp | 7.0 | 16.5 | 17.9 |
| 05/12/89 | Spie Group Inc | 28.6 | 5.9 | 20.0 |
| 05/19/89 | Carlson Hospitality Group Inc | 14.4 | 13.3 | 12.3 |
| 05/24/89 | Tele-Communications Inc | 33.0 | 22.9 | 19.4 |
| 06/08/89 | Wheelabrator Group Inc | 12.7 | 14.1 | 15.6 |
| 06/09/89 | Primerica Corp | 44.7 | 40.1 | 24.4 |
| 06/14/89 | MacAndrews & Forbes Holdings | 28.9 | 23.4 | 3.6 |
| 06/15/89 | Wheelabrator Group Inc | 217.2 | 227.2 | 227.2 |
| 06/19/89 | Investor Group | 24.0 | 21.6 | 21.6 |
| 06/20/89 | RLI Corp | 71.4 | 71.4 | 53.2 |

Source: Securities Data Corporation

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SUMMARY OF SELECTED CONTROLLING SHAREHOLDER BUYOUTS COMPLETED/PENDING SINCE 1986

(Figures in Millions, Except per Share Data)

<TABLE>
<CAPTION>

| Date Announced | Acquiror Name | Target Name | Consideration | Total Equity Value (100%) (\$MM) |
|-------------------|------------------------|-------------------------------|---|---|
| <S> | <C> | <C> | <C> | <C> |
| | | | reserved for issuance upon exercise of outstanding warrants | |
| 06/23/89 | Investor Group | Connelly Containers Inc | \$20/sh com | \$23.8 |
| 07/31/89 | Montedison SpA | HIMONT Inc(Montedison SpA) | \$51 cash/sh com and \$51 cash less exercise price/option | \$3,332.7 |
| 08/11/89 | Merrill Lynch & Co Inc | Fine Homes International LP | \$18 cash/sh pfd limited partnership unit | - |
| 08/18/89 | Raycomm Industries Inc | Mainstream Engineering Co Inc | Series B preferred stock plus warrants/com | - |
| 09/21/89 | Dow Jones & Co Inc | Telerate Inc(Dow Jones & Co) | \$21 cash/sh com | \$2,017.7 |
| 09/22/89 | Empire of Carolina Inc | Clabir Corp | 0.3 shs com/Ambrit sh com, | - |

| Date | Acquiror Name | Target Name | Value of Target's Holdings (\$MM) | Total Shares Out (MM) | Acquiror's Holdings (MM) | Percent Ownership (%) | Target's Holdings (MM) | Percent Ownership (%) | Acquiror's Ownership After Transaction (%) |
|----------|--------------------------------|--------------------------------|-----------------------------------|-----------------------|--------------------------|-----------------------|------------------------|-----------------------|--|
| 10/03/89 | Esselte AB | Esselte Business Systems Inc | \$47.64 | | 0.6 | 52.0 | 0.6 | 48.0 | 100.0 |
| 10/06/89 | Investor Group | M/I Schottenstein Homes Inc | \$7.50 | 65.4 | 52.5 | 80.4 | 12.8 | 19.6 | 100.0 |
| 10/19/89 | Canadian Pacific Ltd | Soo Line(Canadian Pacific LTD) | \$21.50 | 9.5 | 5.3 | 55.8 | 4.2 | 44.2 | 100.0 |
| 10/20/89 | Lep Group PLC | Profit Systems Inc(LEP Group) | \$11.75 | 5.5 | 3.2 | 57.5 | - | - | 57.5 |
| 11/01/89 | Heritage Media Corp | POP Radio Corp(Heritage Media) | \$21.10 | 3.6 | 2.1 | 57.0 | 1.5 | 43.0 | 100.0 |
| 11/27/89 | Investor Group | Transtector Systems Inc | - | - | - | - | - | - | - |
| 11/28/89 | Corporate Data Sciences Inc | Consolidated Packaging Corp | - | - | - | - | - | - | - |
| 12/18/89 | Dundee Cement Co,St Lawrence | Ideal Basic Industries Inc | - | - | - | - | - | - | - |
| 12/18/89 | Holnam(Holderbank) | Ideal Basic Industries Inc | \$100.6 | 176.3 | 118.7 | 67.3 | 57.6 | 32.7 | 100.0 |
| 12/22/89 | McKesson Corp | PCS Inc(McKesson Corp) | \$40.7 | 14.5 | 12.4 | 85.3 | 2.0 | 14.0 | 99.3 |
| 01/08/90 | Southmark Corp | MGF Oil Corp(Southmark Corp) | \$1.7 | 353.3 | 332.5 | 94.1 | 20.8 | 5.9 | 100.0 |
| 01/24/90 | Imetal SA | Copperweld Corp(Imetal SA) | \$78.0 | 10.4 | 5.8 | 55.6 | 4.6 | 44.4 | 100.0 |
| 02/09/90 | Leucadia National Corp | BRAE Corp(Leucadia National) | \$23.0 | 8.3 | 4.7 | 56.0 | - | - | 56.0 |
| 02/09/90 | WR Grace & Co | Del Taco Restaurants Inc | \$5.1 | 8.5 | - | - | 1.6 | 11.0 | 18.2 |
| 02/16/90 | Anderson Mavor Investments Ltd | National Mines Service Co | \$21.6 | 4.9 | 2.5 | 50.5 | 2.4 | 49.5 | 100.0 |
| 03/02/90 | American Express Co | Shearson Lehman Brothers Hldgs | \$360.0 | 88.4 | 60.5 | 68.4 | 27.9 | 39.0 | 100.0 |
| 03/22/90 | Phoenix Advanced Technology | Nutri-Products Inc | \$2.0 | 8.8 | 6.0 | 69.0 | 2.7 | 31.0 | 100.0 |
| 05/08/90 | ISS-International Service A/S | ISS International Service Sys | \$15.4 | 3.8 | 2.6 | 66.5 | 1.3 | 34.0 | 100.0 |
| 05/14/90 | Valhi Inc | Sybra Inc(Valhi Inc) | \$4.1 | 5.6 | 5.4 | 97.0 | 0.2 | 3.0 | 100.0 |
| 05/17/90 | Kansas City Southern Inds Inc | DST Systems Inc | \$39.1 | 19.0 | 16.6 | 87.1 | 2.2 | 11.5 | 98.6 |
| 05/18/90 | OCP International Inc | Ketchum & Co | \$1.9 | 2.4 | 1.6 | 66.7 | 0.8 | 33.3 | 99.4 |
| 05/30/90 | Tyco Toys Inc | Nasta International Inc | \$1.7 | 5.1 | 3.8 | 74.2 | 1.3 | 25.8 | 100.0 |
| 06/29/90 | Investor Group | CR-PL | - | - | - | - | - | - | - |
| 07/06/90 | Renault Vehicules Industriels | Mack Trucks Inc | \$103.7 | 41.9 | 25.3 | 60.4 | 16.6 | 40.0 | 100.0 |
| 07/12/90 | Paramount Communications | TVX Broadcast Group Inc | \$61.4 | 30.8 | 24.3 | 79.0 | 6.5 | 21.0 | 100.0 |
| 07/19/90 | Caesars World Inc | Caesars New Jersey Inc | \$48.4 | 16.3 | 14.1 | 86.6 | 2.2 | 13.4 | 100.0 |

</TABLE>

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| | | Prior to Announcement | | | | | | |
|----------------|--------------------------------|-----------------------------------|-----------------|-------------------------|-----------------------|-------------------------|-----------------------|--|
| | | Value of Target's Holdings (\$MM) | | Acquiror's Holdings | | Target's Holdings | | Acquiror's Ownership After Transaction (%) |
| Date Announced | Acquiror Name | Holdings (\$MM) | Shares Out (MM) | Number Shares Held (MM) | Percent Ownership (%) | Number Shares Held (MM) | Percent Ownership (%) | |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
| 06/23/89 | Investor Group | \$11.4 | 1.2 | 0.6 | 52.0 | 0.6 | 48.0 | 100.0 |
| 07/31/89 | Montedison SpA | \$639.0 | 65.4 | 52.5 | 80.4 | 12.8 | 19.6 | 100.0 |
| 08/11/89 | Merrill Lynch & Co Inc | \$140.0 | 29.4 | 21.6 | 73.5 | - | - | 73.5 |
| 08/18/89 | Raycomm Industries Inc | - | 1.0 | 0.8 | 84.0 | - | - | 84.0 |
| 09/21/89 | Dow Jones & Co Inc | \$681.9 | 96.1 | 63.6 | 66.2 | 32.5 | 33.8 | 100.0 |
| 09/22/89 | Empire of Carolina Inc | - | 44.3 | 28.8 | 65.0 | 15.5 | 40.0 | 100.0 |
| 10/03/89 | Esselte AB | \$217.4 | 20.6 | 16.0 | 77.8 | 4.6 | 22.0 | 100.0 |
| 10/06/89 | Investor Group | \$7.5 | 5.9 | 4.9 | 83.0 | - | - | 83.0 |
| 10/19/89 | Canadian Pacific Ltd | \$89.8 | 9.5 | 5.3 | 55.8 | 4.2 | 44.2 | 100.0 |
| 10/20/89 | Lep Group PLC | \$25.2 | 5.5 | 3.2 | 57.5 | - | - | 57.5 |
| 11/01/89 | Heritage Media Corp | \$39.0 | 3.6 | 2.1 | 57.0 | 1.5 | 43.0 | 100.0 |
| 11/27/89 | Investor Group | - | - | - | - | - | - | - |
| 11/28/89 | Corporate Data Sciences Inc | - | - | - | - | - | - | - |
| 12/18/89 | Dundee Cement Co,St Lawrence | - | - | - | - | - | - | - |
| 12/18/89 | Holnam(Holderbank) | \$100.6 | 176.3 | 118.7 | 67.3 | 57.6 | 32.7 | 100.0 |
| 12/22/89 | McKesson Corp | \$40.7 | 14.5 | 12.4 | 85.3 | 2.0 | 14.0 | 99.3 |
| 01/08/90 | Southmark Corp | \$1.7 | 353.3 | 332.5 | 94.1 | 20.8 | 5.9 | 100.0 |
| 01/24/90 | Imetal SA | \$78.0 | 10.4 | 5.8 | 55.6 | 4.6 | 44.4 | 100.0 |
| 02/09/90 | Leucadia National Corp | \$23.0 | 8.3 | 4.7 | 56.0 | - | - | 56.0 |
| 02/09/90 | WR Grace & Co | \$5.1 | 8.5 | - | - | 1.6 | 11.0 | 18.2 |
| 02/16/90 | Anderson Mavor Investments Ltd | \$21.6 | 4.9 | 2.5 | 50.5 | 2.4 | 49.5 | 100.0 |
| 03/02/90 | American Express Co | \$360.0 | 88.4 | 60.5 | 68.4 | 27.9 | 39.0 | 100.0 |
| 03/22/90 | Phoenix Advanced Technology | \$2.0 | 8.8 | 6.0 | 69.0 | 2.7 | 31.0 | 100.0 |
| 05/08/90 | ISS-International Service A/S | \$15.4 | 3.8 | 2.6 | 66.5 | 1.3 | 34.0 | 100.0 |
| 05/14/90 | Valhi Inc | \$4.1 | 5.6 | 5.4 | 97.0 | 0.2 | 3.0 | 100.0 |
| 05/17/90 | Kansas City Southern Inds Inc | \$39.1 | 19.0 | 16.6 | 87.1 | 2.2 | 11.5 | 98.6 |
| 05/18/90 | OCP International Inc | \$1.9 | 2.4 | 1.6 | 66.7 | 0.8 | 33.3 | 99.4 |
| 05/30/90 | Tyco Toys Inc | \$1.7 | 5.1 | 3.8 | 74.2 | 1.3 | 25.8 | 100.0 |
| 06/29/90 | Investor Group | - | - | - | - | - | - | - |
| 07/06/90 | Renault Vehicules Industriels | \$103.7 | 41.9 | 25.3 | 60.4 | 16.6 | 40.0 | 100.0 |
| 07/12/90 | Paramount Communications | \$61.4 | 30.8 | 24.3 | 79.0 | 6.5 | 21.0 | 100.0 |
| 07/19/90 | Caesars World Inc | \$48.4 | 16.3 | 14.1 | 86.6 | 2.2 | 13.4 | 100.0 |

</TABLE>

<TABLE>
<CAPTION>

| Date Announced | Acquiror Name | Premium to Market (%) | | |
|----------------|--------------------------------|------------------------|-----------------------|----------------------|
| | | One Month Before Offer | One Week Before Offer | One Day Before Offer |
| <S> | <C> | <C> | <C> | <C> |
| 06/23/89 | Investor Group | 6.7 | 8.8 | 9.6 |
| 07/31/89 | Montedison SpA | 30.8 | 26.3 | 15.6 |
| 08/11/89 | Merrill Lynch & Co Inc | - | - | - |
| 08/18/89 | Raycomm Industries Inc | - | - | - |
| 09/21/89 | Dow Jones & Co Inc | 29.2 | 36.6 | 38.8 |
| 09/22/89 | Empire of Carolina Inc | - | - | - |
| 10/03/89 | Esselte AB | 44.9 | 39.6 | 27.9 |
| 10/06/89 | Investor Group | 42.9 | 50.0 | 46.3 |
| 10/19/89 | Canadian Pacific Ltd | 24.6 | 14.7 | 22.9 |
| 10/20/89 | Lep Group PLC | 56.7 | 74.1 | 80.8 |
| 11/01/89 | Heritage Media Corp | -9.2 | 4.2 | 12.5 |
| 11/27/89 | Investor Group | - | - | - |
| 11/28/89 | Corporate Data Sciences Inc | - | - | - |
| 12/18/89 | Dundee Cement Co,St Lawrence | - | - | - |
| 12/18/89 | Holnam(Holderbank) | - | - | - |
| 12/22/89 | McKesson Corp | 17.6 | 34.5 | 27.0 |
| 01/08/90 | Southmark Corp | - | - | - |
| 01/24/90 | Imetal SA | 33.3 | 41.7 | 47.8 |
| 02/09/90 | Leucadia National Corp | 38.9 | 38.9 | 33.3 |
| 02/09/90 | WR Grace & Co | 73.3 | 73.3 | 30.0 |
| 02/16/90 | Anderson Mavor Investments Ltd | 9.2 | 12.7 | 20.3 |
| 03/02/90 | American Express Co | 7.5 | 18.6 | -0.8 |
| 03/22/90 | Phoenix Advanced Technology | -46.9 | -49.2 | -43.0 |
| 05/08/90 | ISS-International Service A/S | 60.0 | 60.0 | 54.8 |
| 05/14/90 | Valhi Inc | - | - | - |
| 05/17/90 | Kansas City Southern Inds Inc | 51.0 | 40.9 | 24.3 |
| 05/18/90 | OCP International Inc | 21.3 | 29.3 | 14.1 |
| 05/30/90 | Tyco Toys Inc | -16.7 | 11.1 | 25.0 |
| 06/29/90 | Investor Group | - | - | - |
| 07/06/90 | Renault Vehicules Industriels | 22.0 | 19.0 | 19.0 |
| 07/12/90 | Paramount Communications | 85.4 | 90.0 | 26.7 |
| 07/19/90 | Caesars World Inc | 44.5 | 49.3 | 40.0 |

</TABLE>

Source: Securities Data Corporation

48

Summary of Selected Controlling Shareholder Buyouts Completed/Pending Since 1986

(Figures in Millions, Except per Share Data)

<TABLE>
<CAPTION>

| Date Announced | Acquiror Name | Target Name | Consideration | Total Equity Value (100%) (\$MM) |
|----------------|-------------------------------|------------------------------|---|----------------------------------|
| <S> | <C> | <C> | <C> | <C> |
| 07/23/90 | Investor Group | Avery Inc | the remaining 146,718 shs \$0.43 cash/sh com, up from an initial offer of \$0.35 cash/sh com | \$ 23.8 |
| 07/24/90 | Corkin Co | Entwistle Co | \$46.40 cash/sh com | - |
| 07/31/90 | Freeport-McMoRan Inc | Freeport-McMoRan Oil and Gas | .3119461 shs com/sh com | \$ 249.9 |
| 08/10/90 | Diversicare Ltd(Counsel Corp) | Diversicare Corp of America | \$2.40 cash/sh com | \$ 27.4 |
| 08/16/90 | Academy Mergerco Inc | Academy Insurance Group Inc | \$1.325 cash/sh com | \$ 93.5 |
| 10/02/90 | Torch Energy Advisors Inc | Energy Assets Intl Corp | \$.5 cash/sh com | \$ 14.0 |
| 10/02/90 | Phoenix Affiliates Intl Inc | Phoenix American Inc | \$5 cash/sh com | \$ 22.7 |
| 10/08/90 | Western Gas Resources Inc | Western Gas Processors Ltd | 1 sh com/com limited partnership unit. The limited partnership unit consisted of \$1.80 Cumulative Participating Units and non-preference limited partner interests | \$ 269.4 |
| 10/23/90 | Ogden Corp | ERC Environmental and Energy | \$15.13 cash/sh com | \$ 86.5 |
| 11/11/90 | US WEST Inc | US WEST NewVector Group Inc | 1.14 shs com/sh com Class A | \$ 2,290.5 |
| 12/07/90 | Oxford Consolidated Inc | Premier Resources Ltd | 1 sh com Oxford Consolidated/32 shs com Premier Resources | \$ 1.7 |
| 01/03/91 | Murphy Oil Corp | Ocean Drilling & Exploration | .55 shs com/sh com | \$ 1,001.9 |

| | | | | | | | | | |
|----------|-----------------------------------|-------------------------------|--|--|--|--|--|--|------------|
| 01/04/91 | Moore Business Forms (Moore) | KCR Technology Inc | | | | | | | - |
| 01/25/91 | Investor Group | Medical Management of America | | | | | | | \$ 54.5 |
| 02/05/91 | Stoneridge Resources Inc | Major Group Inc | | | | | | | \$ 2.0 |
| 02/06/91 | BHP Hldgs (USA) Inc (Broken Hill) | Hamilton Oil Corp | | | | | | | \$ 1,085.9 |
| 03/01/91 | Air & Water Technologies Corp | Metcalf & Eddy Cos Inc | | | | | | | \$ 283.3 |
| 05/01/91 | Tele-Communications Inc | United Artists Entertainment | | | | | | | \$ 2,315.7 |
| 06/13/91 | Staveley Industries PLC | Weigh-Tronix (Staveley Indus) | | | | | | | \$ 60.1 |
| 06/28/91 | BMG Equities Corp | United Capital Corp | | | | | | | - |
| 07/12/91 | Helm Resources Inc | Interpak Holdings Inc | | | | | | | \$ 4.5 |
| 07/25/91 | Land O' Lakes Inc | Country Lake Foods Inc | | | | | | | \$ 70.1 |
| 07/26/91 | Bristol Holdings Inc | Sports-Tech International Inc | | | | | | | \$ 2.0 |
| 07/30/91 | Pennzoil Co | Jiffy Lube International Inc | | | | | | | \$ 53.2 |
| 07/30/91 | Norfolk and Western Railway Co | Wabash Railroad Co | | | | | | | \$ 388.8 |

</TABLE>

<TABLE>

<CAPTION>

| | | Prior to Announcement | | | | | | |
|----------------|-----------------------------------|----------------------------|-----------------------|-------------------------|-----------------------|-------------------------|-----------------------|-----------------------|
| | | Value of Target's Holdings | | Acquiror's Holdings | | Target's Holdings | | Acquiror's Ownership |
| Date Announced | Acquiror Name | (\$MM) | Total Shares Out (MM) | Number Shares Held (MM) | Percent Ownership (%) | Number Shares Held (MM) | Percent Ownership (%) | After Transaction (%) |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
| 07/23/90 | Investor Group | \$ 4.0 | 55.4 | 46.0 | 83.0 | 9.4 | 17.0 | 100.0 |
| 07/24/90 | Corkin Co | - | - | - | - | - | 14.0 | - |
| 07/31/90 | Freeport-McMoRan Inc | \$ 46.2 | 23.0 | 18.7 | 81.5 | 4.3 | 18.5 | 100.0 |
| 08/10/90 | Diversicare Ltd (Counsel Corp) | \$ 1.3 | 11.4 | 10.9 | 95.4 | - | - | 95.4 |
| 08/16/90 | Academy Mergerco Inc | \$ 46.8 | 70.6 | - | - | 35.3 | 50.0 | 50.0 |
| 10/02/90 | Torch Energy Advisors Inc | \$ 2.0 | 28.0 | 24.0 | 85.7 | - | - | 85.7 |
| 10/02/90 | Phoenix Affiliates Intl Inc | \$ 6.3 | 4.5 | 3.3 | 72.4 | 1.3 | 27.6 | 100.0 |
| 10/08/90 | Western Gas Resources Inc | \$ 130.3 | 21.1 | 10.9 | 51.6 | 10.2 | 48.0 | 100.0 |
| 10/23/90 | Ogden Corp | \$ 33.6 | 5.7 | 3.5 | 61.2 | 2.2 | 38.8 | 100.0 |
| 11/11/90 | US WEST Inc | \$ 437.5 | 50.9 | 41.2 | 80.9 | 9.7 | 19.0 | 100.0 |
| 12/07/90 | Oxford Consolidated Inc | \$ 0.8 | 11.1 | 5.7 | 51.0 | 5.4 | 49.0 | 100.0 |
| 01/03/91 | Murphy Oil Corp | \$ 391.8 | 51.7 | 31.6 | 61.1 | 20.1 | 39.0 | 100.0 |
| 01/04/91 | Moore Business Forms (Moore) | - | - | - | - | - | - | - |
| 01/25/91 | Investor Group | \$ 12.9 | 6.6 | 5.0 | 76.3 | 1.6 | 23.7 | 100.0 |
| 02/05/91 | Stoneridge Resources Inc | \$ 1.5 | 10.5 | 5.3 | 50.7 | 5.2 | 49.3 | 100.0 |
| 02/06/91 | BHP Hldgs (USA) Inc (Broken Hill) | \$ 524.3 | 27.2 | 14.0 | 51.7 | 13.1 | 48.3 | 100.0 |
| 03/01/91 | Air & Water Technologies Corp | \$ 51.0 | 14.7 | 12.1 | 82.0 | 2.7 | 18.0 | 100.0 |
| 05/01/91 | Tele-Communications Inc | \$ 1,189.0 | 143.0 | 76.1 | 53.2 | 64.0 | 46.0 | 97.9 |
| 06/13/91 | Staveley Industries PLC | \$ 25.3 | 2.7 | 1.5 | 55.8 | 1.1 | 40.4 | 96.2 |
| 06/28/91 | BMG Equities Corp | - | - | - | - | - | 35.0 | 100.0 |
| 07/12/91 | Helm Resources Inc | \$ 0.7 | 3.0 | 2.5 | 84.0 | 0.5 | 16.0 | 100.0 |
| 07/25/91 | Land O' Lakes Inc | \$ 22.6 | 4.6 | 3.0 | 65.5 | 1.6 | 34.5 | 100.0 |
| 07/26/91 | Bristol Holdings Inc | \$ 0.6 | 1.1 | 0.8 | 67.7 | 0.4 | 33.3 | 100.0 |
| 07/30/91 | Pennzoil Co | \$ 9.2 | 8.9 | 7.2 | 81.0 | 1.5 | 17.6 | 98.3 |
| 07/30/91 | Norfolk and Western Railway Co | \$ 8.5 | 0.6 | 0.6 | 99.8 | - | 1.0 | 100.0 |

<TABLE>

<CAPTION>

| | | Premium to Market (%) | | |
|----------------|--------------------------------|------------------------|-----------------------|----------------------|
| Date Announced | Acquiror Name | One Month Before Offer | One Week Before Offer | One Day Before Offer |
| <S> | <C> | <C> | <C> | <C> |
| 07/23/90 | Investor Group | -40.2 | -31.2 | -23.6 |
| 07/24/90 | Corkin Co | - | - | - |
| 07/31/90 | Freeport-McMoRan Inc | 47.5 | 42.7 | 36.0 |
| 08/10/90 | Diversicare Ltd (Counsel Corp) | 102.1 | 125.9 | 125.9 |
| 08/16/90 | Academy Mergerco Inc | 21.1 | 24.7 | 21.1 |
| 10/02/90 | Torch Energy Advisors Inc | 77.8 | 33.3 | 33.3 |
| 10/02/90 | Phoenix Affiliates Intl Inc | 42.9 | 66.7 | 53.8 |

| | | | | |
|----------|--------------------------------|-------|------|------|
| 10/08/90 | Western Gas Resources Inc | - | - | - |
| 10/23/90 | Ogden Corp | 44.1 | 44.1 | 37.5 |
| 11/11/90 | US WEST Inc | 83.8 | 58.0 | 47.6 |
| 12/07/90 | Oxford Consolidated Inc | - | - | - |
| 01/03/91 | Murphy Oil Corp | 9.2 | 24.1 | 14.0 |
| 01/04/91 | Moore Business Forms(Moore) | - | - | - |
| 01/25/91 | Investor Group | 65.0 | 65.0 | 65.0 |
| 02/05/91 | Stoneridge Resources Inc | 21.6 | 21.6 | 10.5 |
| 02/06/91 | BHP Hldgs(USA)Inc(Broken Hill) | 31.1 | 21.2 | 18.5 |
| 03/01/91 | Air & Water Technologies Corp | 24.2 | 16.7 | 22.2 |
| 05/01/91 | Tele-Communications Inc | 25.7 | 22.2 | 19.9 |
| 06/13/91 | Staveley Industries PLC | 44.3 | 41.9 | 41.9 |
| 06/28/91 | BMG Equities Corp | - | - | - |
| 07/12/91 | Helm Resources Inc | - | - | - |
| 07/25/91 | Land O' Lakes Inc | 53.0 | 45.7 | 39.1 |
| 07/26/91 | Bristol Holdings Inc | -40.0 | 10.8 | 10.8 |
| 07/30/91 | Pennzoil Co | 20.0 | 20.0 | 20.0 |
| 07/30/91 | Norfolk and Western Railway Co | - | - | - |

Source: Securities Data Corporation

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SUMMARY OF SELECTED CONTROLLING SHAREHOLDER BUYOUTS COMPLETED/PENDING SINCE 1986

(Figures in Millions, Except per Share Data)

<TABLE>
<CAPTION>

| Date | Acquiror Name | Target Name | Consideration | Total Equity Value (100%) (\$MM) |
|----------|--------------------------------|--------------------------------|--|----------------------------------|
| <S> | <C> | <C> | <C> | <C> |
| 08/02/91 | EnviroSource Inc | Envirosafe Services Inc | 4.25 shs com/sh com | \$44.9 |
| 09/06/91 | Penn Traffic Co | P&C Food Markets Inc | \$34 cash or 1.225 shs com; holders may elect to receive stock or cash or some mixture subject to proration; \$18.8 mil cash plus 900,000 shs com/com plus pfd | \$267.1 |
| 09/18/91 | Arkla Inc | Arkla Exploration Co | .95 sh com/sh com | \$514.5 |
| 09/24/91 | MCEN Corp | Magic Circle Energy Corp | \$.24 cash/sh com | \$3.6 |
| 10/16/91 | Time Warner | American Television & Commun | \$82.50 of redeemable reset notes redeemable on Aug 15, 2002/sh com | \$9,405.0 |
| 02/06/92 | Charter Co(American Financial) | Spelling Entertainment Inc | 1 sh com/sh com | \$239.3 |
| 02/24/92 | Unocal Corp | Unocal Exploration Corp | .54 sh com/sh com | \$2,937.3 |
| 03/02/92 | WR Grace & Co | Grace Energy Corp | \$19 cash/sh com | \$465.8 |
| 03/20/92 | BLV Acquisition Corp | Belvedere Corp | \$6.30 cash/sh com | \$37.4 |
| 05/07/92 | Credit Lyonnais Bank Nederland | Pathe Communications Corp | \$1.50 cash/sh com | \$89.6 |
| 06/02/92 | Investor | Newport Electronics Inc | \$4 cash/sh com | \$4.6 |
| 06/25/92 | Katy Holdings | Katy Industries Inc | \$25.75 cash/sh com | \$232.3 |
| 07/02/92 | Preferred Equities Corp | Vacation Spa Resorts Inc | 1 Mego Financial sh com/4 shs com | \$5.7 |
| 07/06/92 | Simshares Inc(Simetco Inc) | Simetco Inc | \$1.9493 cash/sh pfd Class A | \$0.4 |
| 07/24/92 | Reliance Group Holdings Inc | Frank B Hall & Co | .625 sh com/sh com, for remaining 13.269 mil shs | \$264.5 |
| 08/17/92 | Leucadia National Corp | PHLCORP Inc | 0.406 sh com/sh com | \$379.3 |
| 08/25/92 | Union Planters Corp | Bank of East Tennessee | \$13 8%-cumulative convertible pfd Series E/sh com | - |
| 10/09/92 | Dundee Bancorp International | Avalon Corp(Corona Corp) | \$3.75 cash/sh com and pfd | \$47.1 |
| 11/13/92 | Rust International Inc | Brand Cos Inc | Choice of \$18.75 cash or 1 sh com/sh | \$422.2 |
| 12/17/92 | Investor Group | Ambulatory Medical Care Inc | \$5.5 cash/sh com | \$5.8 |
| 01/04/93 | Investor Group | United Medical Corp | \$9.50 cash/sh com | \$24.6 |
| 02/18/93 | Sahara Resorts | Sahara Casino Partners LP | 1 new Sahara Gaming sh com/4.6 units plus 1 new Sahara Gaming exchangeable redeemable sh prd/unit | \$53.7 |
| 02/19/93 | National Mutual Insurance Co | Celina Financial Corp | \$5.80 cash/sh com Class A | \$9.7 |
| 04/14/93 | Vertex Industries Inc | Computer Transceiver Sys Inc | \$393,240 com plus \$1,206,760 debt reduction/42.9% remaining interest | - |
| 04/26/93 | DWG Corp | Southeastern Public Service Co | .8 shs com/sh com | \$297.0 |
| 05/24/93 | USTrails Inc | Thousand Trails Inc | \$1.55 cash/sh com | \$35.5 |
| 05/25/93 | Newport Capital Inc | American Medicare Corp | - | - |
| 06/17/93 | Apache Corp | Hadson Energy Resources Corp | Choice of \$15 cash or \$15 com/sh com | \$102.8 |
| 06/23/93 | Comcast Corp | Comcast Cablevision of Phila | \$90 cash/sh com | \$145.4 |
| 07/01/93 | Quartex Corp | CMS/DATA Corp(Quartex Corp) | 5.6 shs com in the newly structured entity/sh com | - |
| 07/27/93 | Investor Group | Forum Group Inc | \$3.62 cash/sh com | \$64.4 |
| 07/30/93 | State Mutual Life Assurance Co | Allmerica Property & Casualty | - | - |
| 09/20/93 | Valley Fashions Corp | West Point-Pepperell Inc | \$46 cash/1.476 mil shs com | \$1,357.9 |

| | | | | |
|----------|--------------------------------|-----------------------------|---------------------|---------|
| 10/13/93 | Medco Containment Services Inc | Medical Marketing Group Inc | \$27.25 cash/sh com | \$313.7 |
| 10/19/93 | Trigen Energy Corp | United Thermal Corp | \$4.50/sh com | \$392.7 |

<TABLE>
<CAPTION>

| | | Prior to Announcement | | | | | | |
|----------|--------------------------------|-----------------------------------|-----------------------|-------------------------|-----------------------|-------------------------|-----------------------|---------------------------------|
| | | Acquiror's Holdings | | | Target's Holdings | | Acquiror's | |
| Date | Acquiror Name | Value of Target's Holdings (\$MM) | Total Shares Out (MM) | Number Shares Held (MM) | Percent Ownership (%) | Number Shares Held (MM) | Percent Ownership (%) | Ownership After Transaction (%) |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
| 08/02/91 | EnviroSource Inc | \$16.8 | 3.8 | 2.4 | 62.5 | 1.4 | 37.4 | 100.0 |
| 09/06/91 | Penn Traffic Co | \$43.9 | 7.9 | 6.6 | 83.6 | 1.3 | 10.0 | 100.0 |
| 09/18/91 | Arkla Inc | \$92.6 | 33.3 | 27.3 | 82.0 | 6.0 | 18.0 | 100.0 |
| 09/24/91 | MCEN Corp | \$1.7 | 14.9 | 7.7 | 51.9 | - | - | 51.9 |
| 10/16/91 | Time Warner | \$1,699.5 | 114.0 | 93.4 | 81.9 | 20.6 | 18.0 | 100.0 |
| 02/06/92 | Charter Co(American Financial) | \$43.0 | 33.0 | 27.2 | 82.3 | 5.8 | 18.0 | 100.0 |
| 02/24/92 | Unocal Corp | \$117.5 | 251.5 | 241.4 | 96.0 | 10.1 | 4.0 | 100.0 |
| 03/02/92 | WR Grace & Co | \$77.3 | 24.5 | 20.5 | 83.4 | 4.1 | 16.6 | 100.0 |
| 03/20/92 | BLV Acquisition Corp | \$16.9 | 5.9 | 3.3 | 54.8 | 2.7 | 44.8 | 99.5 |
| 05/07/92 | Credit Lyonnais Bank Nederland | \$4.2 | 59.8 | 53.4 | 89.3 | 2.8 | 4.8 | 94.0 |
| 06/02/92 | Investor | \$1.3 | 1.2 | 0.8 | 71.5 | - | - | 71.5 |
| 06/25/92 | Katy Holdings | \$111.8 | 9.0 | 4.7 | 51.9 | - | - | 51.9 |
| 07/02/92 | Preferred Equities Corp | \$1.2 | 17.4 | 13.9 | 80.0 | 3.5 | 20.0 | 100.0 |
| 07/06/92 | Simshares Inc(Simetco Inc) | \$0.1 | 0.2 | - | - | - | - | - |
| 07/24/92 | Reliance Group Holdings Inc | \$39.4 | 89.1 | 75.8 | 85.1 | - | - | 85.1 |
| 08/17/92 | Leucadia National Corp | \$139.9 | 14.7 | 9.3 | 63.1 | 5.4 | 36.9 | 100.0 |
| 08/25/92 | Union Planters Corp | - | - | - | - | - | - | - |
| 10/09/92 | Dundee Bancorp International | \$7.8 | 12.6 | 10.5 | 83.5 | 1.7 | 13.4 | 96.8 |
| 11/13/92 | Rust International Inc | \$185.0 | 22.5 | 12.6 | 55.8 | 9.9 | 44.0 | 100.0 |
| 12/17/92 | Investor Group | \$2.3 | 1.1 | 0.6 | 60.0 | - | - | 60.0 |
| 01/04/93 | Investor Group | \$11.8 | 2.6 | 1.4 | 52.0 | 1.2 | 48.0 | 100.0 |
| 02/18/93 | Sahara Resorts | \$19.4 | 19.4 | 12.4 | 64.0 | - | - | 64.0 |
| 02/19/93 | National Mutual Insurance Co | \$4.4 | 1.7 | - | - | 0.6 | 35.8 | 35.8 |
| 04/14/93 | Vertex Industries Inc | \$0.4 | - | - | - | - | - | - |
| 04/26/93 | DWG Corp | \$86.1 | 11.6 | 8.2 | 71.0 | - | - | 71.0 |
| 05/24/93 | USTrails Inc | \$7.1 | 22.9 | 18.3 | 80.0 | - | - | 80.0 |
| 05/25/93 | Newport Capital Inc | - | 35.7 | 28.7 | 80.2 | 7.1 | 19.8 | 100.0 |
| 06/17/93 | Apache Corp | \$31.9 | 6.9 | 4.2 | 61.8 | - | - | 61.8 |
| 06/23/93 | Comcast Corp | \$11.6 | 1.6 | 1.5 | 92.0 | - | - | 92.0 |
| 07/01/93 | Quartex Corp | - | 6.2 | 4.1 | 66.2 | - | - | 66.2 |
| 07/27/93 | Investor Group | \$23.0 | 17.8 | 11.5 | 64.3 | 1.3 | 7.3 | 71.6 |
| 07/30/93 | State Mutual Life Assurance Co | - | 20.9 | 12.0 | 57.4 | - | - | 57.4 |
| 09/20/93 | Valley Fashions Corp | \$64.4 | 29.5 | 28.0 | 95.0 | - | - | 95.0 |
| 10/13/93 | Medco Containment Services Inc | \$157.0 | 12.6 | 6.8 | 54.2 | - | - | 54.2 |
| 10/19/93 | Trigen Energy Corp | \$66.8 | 87.3 | - | - | - | - | - |

<TABLE>
<CAPTION>

| | | Premium to Market (%) | | |
|----------|--------------------------------|------------------------|-----------------------|----------------------|
| Date | Acquiror Name | One Month Before Offer | One Week Before Offer | One Day Before Offer |
| <S> | <C> | <C> | <C> | <C> |
| 08/02/91 | EnviroSource Inc | -2.6 | 11.3 | 16.9 |
| 09/06/91 | Penn Traffic Co | - | - | - |
| 09/18/91 | Arkla Inc | 30.0 | 28.6 | 8.3 |
| 09/24/91 | MCEN Corp | -14.7 | -14.7 | -4.0 |
| 10/16/91 | Time Warner | 88.6 | 67.5 | 66.7 |
| 02/06/92 | Charter Co(American Financial) | 45.0 | 45.0 | 52.6 |
| 02/24/92 | Unocal Corp | 22.9 | 18.3 | 18.3 |
| 03/02/92 | WR Grace & Co | 7.8 | 21.6 | 24.6 |
| 03/20/92 | BLV Acquisition Corp | 40.0 | 57.5 | 44.0 |
| 05/07/92 | Credit Lyonnais Bank Nederland | - | - | - |
| 06/02/92 | Investor | -5.9 | -5.9 | -5.9 |
| 06/25/92 | Katy Holdings | 46.1 | 51.5 | 53.7 |
| 07/02/92 | Preferred Equities Corp | -34.0 | -34.0 | -34.0 |
| 07/06/92 | Simshares Inc(Simetco Inc) | 41.8 | 20.0 | 20.0 |
| 07/24/92 | Reliance Group Holdings Inc | -18.1 | -25.8 | -34.0 |
| 08/17/92 | Leucadia National Corp | 28.9 | 15.2 | 12.1 |
| 08/25/92 | Union Planters Corp | 36.8 | 20.9 | 20.9 |
| 10/09/92 | Dundee Bancorp International | 50.0 | 42.9 | 42.9 |
| 11/13/92 | Rust International Inc | 4.9 | 13.6 | 4.9 |
| 12/17/92 | Investor Group | -8.3 | -12.0 | -12.0 |
| 01/04/93 | Investor Group | 49.0 | 52.0 | 49.0 |
| 02/18/93 | Sahara Resorts | 5.1 | -8.0 | -4.0 |
| 02/19/93 | National Mutual Insurance Co | 36.5 | 36.5 | 16.0 |

| | | | | |
|----------|--------------------------------|-------|-------|-------|
| 04/14/93 | Vertex Industries Inc | - | - | - |
| 04/26/93 | DWG Corp | | | |
| 05/24/93 | USTRails Inc | 106.7 | 65.3 | 45.9 |
| 05/25/93 | Newport Capital Inc | - | - | - |
| 06/17/93 | Apache Corp | 25.0 | 27.7 | 26.3 |
| 06/23/93 | Comcast Corp | 9.8 | 9.8 | 28.6 |
| 07/01/93 | Quartex Corp | - | - | - |
| 07/27/93 | Investor Group | 106.9 | 141.3 | 122.8 |
| 07/30/93 | State Mutual Life Assurance Co | - | - | - |
| 09/20/93 | Valley Fashions Corp | -6.1 | -7.1 | -7.8 |
| 10/13/93 | Medco Containment Services Inc | -15.3 | -18.0 | -25.9 |
| 10/19/93 | Trigen Energy Corp | | | |

Source: Securities Data Corporation

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Dillon, Read & Co. Inc. December 3, 1993

HISTORICAL PREMIUM ON MINORITY CLOSE-OUTS
ONE MONTH BEFORE OFFER*

{GRAPH}
{COPY TO COME}
Premiums

Mean: 35.2%

Median: 33.0%

Range: -66.6-217.2%

* Includes 137 transactions from 1/1/86-11/22/93

VALERO NATURAL GAS COMPANY

51

Dillon, Read & Co. Inc. December 3, 1993

HISTORICAL PREMIUM ON MINORITY CLOSE-OUTS
ONE WEEK BEFORE OFFER*

[GRAPH]
[COPY TO COME]
Premiums

Mean: 33.3%

Median: 28.6%

Range: -672 -227.2%

* Includes 137 transactions from 1/1/86-11/22/93

VALERO NATURAL GAS COMPANY

52

Dillon, Read & Co. Inc. December 3, 1993

HISTORICAL PREMIUMS ON MINORITY CLOSE-OUTS
ONE DAY BEFORE OFFER*

[GRAPH]
[COPY TO COME]
Premiums

Mean: 30.2%

Median: 24.4%

VALERO NATURAL GAS COMPANY

53

Dillon, Read & Co. Inc.

December 10, 1993
-----WEIGHTED AVERAGE COST OF CAPITAL ANALYSIS

Valero Natural Gas Company

54

Dillon, Read & Co. Inc.

Page 1 12/09/93

Valero Natural Gas Partners, L.P.
Weighted Average Cost of Capital Analysis
(\$ in millions)
-----<TABLE>
<CAPTION>

| Company | Levered Beta (a) | Cost of Equity (b) | Unlevered Beta (a) | Pretax Cost of Debt (c) | Market Value of Equity 12/08/93 | Book Value of Debt | Pretax W.A.C.C. (d) |
|---------------------------------|------------------|--------------------|--------------------|-------------------------|---------------------------------|--------------------|---------------------|
| <S> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
| Gas Gathering Companies | | | | | | | |
| American Oil & Gas | 0.80 | 12.04% | 0.58 | 6.42% | \$250.9 | \$ 96.5 | 10.48% |
| Associated Natural Gas | 1.00 | 13.50% | 0.73 | 8.72% | \$412.5 | \$149.0 | 12.23% |
| Tejas Gas Corp. | 0.65 | 10.95% | 0.36 | 6.28% | \$530.8 | \$416.5 | 8.89% |
| Tejas Power Corp. | 0.44 | 9.41% | 0.38 | 5.82% | \$138.5 | \$ 22.8 | 8.90% |
| Western Gas Resources | 0.78 | 11.89% | 0.48 | 4.43% | \$772.3 | \$493.0 | 8.98% |
| Mean | 0.73 | 11.56% | 0.51 | 6.33% | \$421.0 | \$235.6 | 9.90% |
| Median | 0.78 | 11.89% | 0.48 | 6.28% | 412.5 | 149.0 | 8.98% |
| Pipeline MLPs | | | | | | | |
| Buckeye Partners | 0.45 | 9.49% | 0.30 | 10.92% | \$468.4 | \$229.4 | 9.96% |
| Kaneb Pipe Line | 0.37 | 8.90% | 0.34 | 11.94% | \$357.1 | \$ 35.5 | 9.18% |
| Lakehead Pipeline | 0.39 | 9.05% | 0.27 | 9.49% | \$720.3 | \$323.1 | 9.18% |
| Santa Fe Pacific Pipeline | 0.65 | 10.95% | 0.44 | 10.41% | \$752.2 | \$355.0 | 10.77% |
| TEPPCO Partners | 0.30 | 8.39% | 0.15 | 10.18% | \$377.6 | \$361.5 | 9.26% |
| Mean | 0.43 | 9.35% | 0.30 | 10.59% | \$535.1 | \$260.9 | 9.67% |
| Median | 0.39 | 9.05% | 0.30 | 10.41% | 468.4 | 323.1 | 9.26% |
| Valero Natural Gas Partners, LP | 0.78 | 11.89% | 0.19 | 9.75% | \$209.6 | \$648.2 | 10.27% |

</TABLE>

Risk Free Rate = 6.20% (Yield on 20-Yr Treasury Bonds as of 11/26/93)

Market Risk Premium = 7.3% (Average over last 70 years)

Long-term expected equity risk premium (common stock returns versus long-term gov't bond returns), from Ibbotson Associates, Inc. (1993 Edition)

- (a) Adjusted Levered Betas obtained from Bloomberg Financial Markets System and cover the period from 5/1/91 to 10/13/93. Valero's Beta assumed to be equal to median Levered Beta of gas gathering companies (0.78). Unlevered Beta = (Levered Beta) x (Equity / Total Market Capitalization). Assumed Debt Beta = 0.
- (b) Cost of Equity = Risk Free Rate + [Predicted Beta] x (Market Risk Premium)
- (c) Average interest cost over the latest stub period. See Page 2 for details. For Valero, figure represents estimated current market rates.
- (d) Pretax W.A.C.C. = (Debt / Total Market Capitalization) x (Pretax Cost of Debt) + (Equity / Total Market Capitalization) x (Cost of

Valero Natural Gas Partners, L.P.
Weighted Average Cost of Capital Analysis
(\$ in millions)

<TABLE>

<CAPTION>

| Company | Levered Beta (a) | Cost of Equity (b) | Unlevered Beta (a) | Pretax Cost of Debt (c) | Market Value of Equity 12/08/93 | Book Value of Debt | Pretax W.A.C.C. (d) |
|--------------------------------|------------------------|--------------------------|--------------------------|-------------------------------|--|--------------------------|---------------------------|
| ----- | ----- | ----- | ----- | ----- | ----- | ----- | ----- |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
| Gas Gathering Companies | | | | | | | |
| American Oil & Gas | 0.80 | 12.04% | 0.58 | 6.42% | \$250.9 | \$ 96.5 | 10.48% |
| Associated Natural Gas | 1.00 | 13.50% | 0.73 | 8.72% | \$412.5 | \$149.0 | 12.23% |
| Tejas Gas Corp. | 0.65 | 10.95% | 0.36 | 6.28% | \$530.8 | \$416.5 | 8.89% |
| Tejas Power Corp. | 0.44 | 9.41% | 0.38 | 5.82% | \$138.5 | \$ 22.8 | 8.90% |
| Western Gas Resources | 0.78 | 11.89% | 0.48 | 4.43% | \$772.3 | \$493.0 | 8.98% |
| Mean | 0.73 | 11.56% | 0.51 | 6.33% | \$421.0 | \$235.6 | 9.90% |
| Median | 0.78 | 11.89% | 0.48 | 6.28% | 412.5 | 149.0 | 8.98% |
| Pipeline MLPs | | | | | | | |
| Buckeye Partners | 0.45 | 9.49% | 0.30 | 10.92% | \$468.4 | \$229.4 | 9.96% |
| Kaneb Pipe Line | 0.37 | 8.90% | 0.34 | 11.94% | \$357.1 | \$ 35.5 | 9.18% |
| Lakehead Pipeline | 0.39 | 9.05% | 0.27 | 9.49% | \$720.3 | \$323.1 | 9.18% |
| Santa Fe Pacific Pipeline | 0.65 | 10.95% | 0.44 | 10.41% | \$752.2 | \$355.0 | 10.77% |
| TEPPCO Partners | 0.30 | 8.39% | 0.15 | 10.18% | \$377.6 | \$361.5 | 9.26% |
| Mean | 0.43 | 9.35% | 0.30 | 10.59% | \$535.1 | \$260.9 | 9.67% |
| Median | 0.39 | 9.05% | 0.30 | 10.41% | 468.4 | 323.1 | 9.26% |
| Valero Natural Gas Patners, LP | 1.95 | 20.42% | 0.48 | 9.75% | \$209.6 | \$648.2 | 12.36% |

</TABLE>

Risk Free Rate = 6.20% (Yield on 20-Yr Treasury Bonds as of 11/26/93)

Market Risk Premium = 7.3% (Average over last 70 years)

Long-term expected equity risk premium (common stock returns versus long-term gov't bond returns), from Ibbotson Associates, Inc. (1993 Edition)

- (a) Adjusted Levered Betas obtained from Bloomberg Financial Markets System and cover the period from 5/1/91 to 10/13/93. Valero's Beta assumed to be equal to medium Levered Beta of gas gathering companies (0.78). Unlevered Beta = (Levered Beta) x (Equity / Total Market Capitalization). Assumed Debt Beta = 0.
- (b) Cost of Equity = Risk Free Rate + (Predicted Beta) x (Market Risk Premium)
- (c) Average interest cost over the latest stub period. See Page 2 for details. For Valero, figure represents estimated current market rates.
- (d) Pretax W.A.C.C. = (Debt / Total Market Capitalization) x (Pretax Cost of Debt) + (Equity / Total Market Capitalization) x (Cost of Equity)

G&A AND O&M SAVINGS ANALYSIS

Valero Natural Gas Company

G&A AND O&M SAVINGS ANALYSIS

* The Dillon Read team analyzed VLP's expenditures as a percentage of revenue relative to its peer group. This analysis was performed to identify any potential synergetic savings which may/should be implicit in the price paid to the public unitholders of VLP.

<TABLE>
<CAPTION>

| Time Period | (% G&A and O&M)/Gross Margin | | | | |
|-----------------------------------|------------------------------|----------------------|--------|----------------------------|--------|
| | VLP | Broad Peer Group (a) | | Stand-Alone Peer Group (b) | |
| | | Mean | Median | Mean | Median |
| <S> | <C> | <C> | <C> | <C> | <C> |
| 1990 | 44.1% | 43.9% | 44.1% | 41.2% | 43.6% |
| 1991 | 43.9% | 39.9% | 40.9% | 41.5% | 40.9% |
| 1992 | 48.8% | 39.1% | 41.1% | 40.8% | 41.1% |
| Three-Year Average (1990-1992) | 45.6% | 41.0% | 41.0% | 41.2% | 41.0% |
| LTM (9/30/93) | 48.4% (c) | 39.7% | 41.6% | 42.2% | 41.7% |

</TABLE>

(a) Broad peer group included AOG, AQP, NGA, TEJ, TPC, NGL, DGP and WGR.

(b) Stand-alone peer group includes AOG, NGA, TEJ, TPC, NGL and WGR.

(c) Adjusted for nonrecurring items present in LTM 9/30/93 financials.

Valero Natural Gas Company

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Operational Comparison for Selected Comparable Companies
Selected Natural Gas Gathering, Marketing and Distribution Companies
(Figures in \$ Millions)

<TABLE>
<CAPTION>

| | Valero Natural Gas Ptnshp. (a) | American Oil & Gas | Aquila Gas Pipeline | Associated Natural Gas | Tejas Gas (b) | Tejas Power |
|----------------------------|--------------------------------|--------------------|---------------------|------------------------|---------------|-------------|
| <S> | <C> | <C> | <C> | <C> | <C> | <C> |
| 1990 | | | | | | |
| Total Revenues | \$1,091.5 | \$441.2 | \$12.4 | \$394.8 | \$252.9 | \$117.5 |
| Gross Margin | 256.3 | 59.8 | 5.2 | 50.4 | 52.2 | 18.7 |
| General & Administrative | 42.6 | 14.5 | 1.6 | 6.5 | 7.9 | 4.7 |
| Operation & Maintenance | 70.4 | 11.5 | 1.4 | 15.8 | 8.1 | 3.4 |
| % G & A/Revenues | 3.9% | 3.3% | 13.2% | 1.6% | 3.1% | 4.0% |
| % O & M/Revenues | 6.5% | 2.6% | 10.9% | 4.0% | 3.2% | 2.9% |
| % (G&A & O&M) Revenues | 10.4% | 5.9% | 24.1% | 5.6% | 6.3% | 6.9% |
| % G & A/Gross Margin | 16.6% | 24.3% | 31.3% | 12.9% | 15.1% | 25.0% |
| % O & M/Gross Margin | 27.5% | 19.3% | 25.9% | 31.3% | 15.5% | 18.2% |
| % (G&A & O&M) Gross Margin | 44.1% | 43.6% | 57.2% | 44.1% | 30.6% | 43.2% |
| 1991 | | | | | | |
| Total Revenues | \$1,144.0 | \$380.7 | \$72.9 | \$630.7 | \$454.5 | \$144.5 |
| Gross Margin | 247.7 | 69.4 | 28.8 | 70.0 | 78.6 | 16.8 |
| General & Administrative | 34.8 | 15.4 | 3.1 | 9.0 | 12.9 | 5.3 |
| Operation & Maintenance | 73.9 | 10.7 | 5.0 | 21.2 | 13.2 | 3.5 |
| % G & A/Revenues | 3.0% | 4.0% | 4.2% | 1.4% | 2.8% | 3.7% |
| % O & M/Revenues | 6.5% | 2.8% | 6.9% | 3.4% | 2.9% | 2.4% |
| % (G&A & O&M) Revenues | 9.5% | 6.8% | 11.1% | 4.8% | 5.7% | 6.1% |
| % G & A/Gross Margin | 14.0% | 22.2% | 10.7% | 12.9% | 16.4% | 31.7% |
| % O & M/Gross Margin | 29.8% | 15.4% | 17.4% | 30.4% | 16.7% | 21.1% |
| % (G&A & O&M)/Gross Margin | 43.9% | 37.6% | 28.1% | 43.3% | 33.1% | 52.8% |
| 1992 | | | | | | |

| | | | | | | |
|----------------------------|-----------|---------|---------|---------|---------|---------|
| Total Revenues | \$1,197.1 | \$430.9 | \$211.3 | \$928.4 | \$883.2 | \$184.2 |
| Gross Margin | 242.5 | 84.9 | 78.4 | 89.5 | 143.0 | 29.0 |
| General & Administrative | 37.9 | 16.7 | 9.4 | 11.9 | 18.0 | 7.8 |
| Operation & Maintenance | 80.4 | 18.2 | 12.6 | 25.2 | 36.8 | 5.4 |
| % G & A/Revenues | 3.2% | 3.9% | 4.5% | 1.3% | 2.0% | 4.2% |
| % O & M/Revenues | 6.7% | 4.2% | 5.9% | 2.7% | 4.2% | 2.9% |
| % (G&A & O&M)/Revenues | 9.9% | 8.1% | 10.4% | 4.0% | 6.2% | 7.2% |
| % G & A/Gross Margin | 15.6% | 19.7% | 12.0% | 13.2% | 12.6% | 26.9% |
| % O & M/Gross Margin | 33.2% | 21.4% | 16.0% | 28.1% | 25.7% | 18.6% |
| % (G&A & O&M)/Gross Margin | 48.8% | 41.1% | 28.1% | 41.4% | 38.3% | 45.5% |

Three-Year Average (1990-1992)

| | | | | | | |
|----------------------------|-------|-------|-------|-------|-------|-------|
| % G & A/Revenues | 3.4% | 3.7% | 7.3% | 1.5% | 2.7% | 4.0% |
| % O & M/Revenues | 6.5% | 3.2% | 7.9% | 3.4% | 3.4% | 2.8% |
| % (G&A & O&M)/Revenues | 9.9% | 7.0% | 15.2% | 4.8% | 6.1% | 6.7% |
| % G & A/Gross Margin | 15.4% | 22.1% | 18.0% | 13.0% | 14.7% | 27.9% |
| % O & M/Gross Margin | 30.2% | 18.7% | 19.8% | 29.9% | 19.3% | 19.3% |
| % (G&A & O&M)/Gross Margin | 45.6% | 40.7% | 37.8% | 42.9% | 34.0% | 47.2% |

</TABLE>

<TABLE>

<CAPTION>

| | Excludes VLP | | | | | | |
|--------------------------------|----------------------------------|----------------------|------------------------------|------------------|--------|-----------------------|--------|
| | Trident NGL Holding, Inc. (d) | USX - Delhi Group | Western Gas Resources (c) | Broad Peer Group | | Stand-alone Group (e) | |
| | | | | Mean | Median | Mean | Median |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
| 1990 | | | | | | | |
| Total Revenues | \$669.9 | \$405.2 | \$255.7 | | | | |
| Gross Margin | NA | 127.9 | 76.6 | | | | |
| General & Administrative | 18.1 | 31.5 | 13.5 | | | | |
| Operation & Maintenance | NA | 25.2 | 20.4 | | | | |
| % G & A/Revenues | 2.7% | 7.8% | 5.3% | 5.1% | 3.6% | 3.3% | 3.2% |
| % O & M/Revenues | NA | 6.2% | 8.0% | 5.4% | 4.0% | 4.1% | 3.2% |
| % (G&A & O&M) Revenues | NA | 14.0% | 13.3% | 10.9% | 6.9% | 7.6% | 6.3% |
| % G & A/Gross Margin | NA | 24.6% | 17.6% | 21.5% | 24.3% | 10.0% | 17.6% |
| % O & M/Gross Margin | NA | 19.7% | 26.7% | 22.4% | 19.7% | 22.2% | 19.3% |
| % (G&A & O&M) Gross Margin | NA | 44.3% | 44.3% | 43.9% | 44.1% | 41.2% | 43.6% |
| 1991 | | | | | | | |
| Total Revenues | \$575.3 | \$423.2 | \$358.2 | | | | |
| Gross Margin | NA | 139.3 | 114.5 | | | | |
| General & Administrative | 16.3 | 29.3 | 14.7 | | | | |
| Operation & Maintenance | NA | 31.0 | 32.1 | | | | |
| % G & A/Revenues | 2.8% | 6.9% | 4.1% | 3.8% | 3.9% | 3.2% | 3.3% |
| % O & M/Revenues | NA | 7.3% | 9.0% | 5.0% | 3.4% | 4.1% | 2.9% |
| % (G&A & O&M) Revenues | NA | 14.2% | 13.1% | 8.8% | 6.8% | 7.3% | 6.1% |
| % G & A/Gross Margin | NA | 21.0% | 12.8% | 18.3% | 16.4% | 19.2% | 16.4% |
| % O & M/Gross Margin | NA | 22.3% | 28.1% | 21.6% | 21.1% | 22.3% | 21.1% |
| % (G&A & O&M)/Gross Margin | NA | 43.3% | 40.9% | 39.9% | 40.9% | 41.5% | 40.9% |
| 1992 | | | | | | | |
| Total Revenues | \$601.6 | \$457.8 | \$741.8 | | | | |
| Gross Margin | NA | 137.9 | 256.4 | | | | |
| General & Administrative | 15.6 | 28.8 | 23.9 | | | | |
| Operation & Maintenance | NA | 29.1 | 72.6 | | | | |
| % G & A/Revenues | 2.6% | 6.3% | 3.2% | 3.5% | 3.6% | 2.9% | 2.9% |
| % O & M/Revenues | NA | 6.4% | 9.8% | 5.2% | 4.2% | 4.8% | 4.2% |
| % (G&A & O&M)/Revenues | NA | 12.6% | 13.0% | 8.8% | 8.1% | 7.7% | 7.2% |
| % G & A/Gross Margin | NA | 20.9% | 9.3% | 16.4% | 13.2% | 16.4% | 13.2% |
| % O & M/Gross Margin | NA | 21.1% | 28.3% | 24.8% | 21.4% | 24.4% | 25.7% |
| % (G&A & O&M)/Gross Margin | NA | 42.0% | 37.6% | 39.1% | 41.1% | 40.8% | 41.1% |
| Three-Year Average (1990-1992) | | | | | | | |
| % G & A/Revenues | 2.7% | 7.0% | 4.2% | 4.1% | 3.9% | 3.1% | 3.2% |

| | | | | | | | |
|----------------------------|----|-------|-------|-------|-------|-------|-------|
| % O & M/Revenues | NA | 6.6% | 8.9% | 5.2% | 3.4% | 4.3% | 3.4% |
| % (G&A & O&M)/Revenues | NA | 13.6% | 13.1% | 9.5% | 7.0% | 7.5% | 6.7% |
| % G & A/Gross Margin | NA | 22.2% | 13.3% | 18.7% | 18.0% | 18.2% | 14.7% |
| % O & M/Gross Margin | NA | 21.0% | 27.7% | 22.2% | 22.2% | 23.0% | 19.3% |
| % (G&A & O&M)/Gross Margin | NA | 43.2% | 41.0% | 41.0% | 41.0% | 41.2% | 41.0% |

</TABLE>

Note: Gross Margin defined as Total Revenues less gas/product purchases

- (a) G&A was provided from a schedule prepared by the Company and reflects the percentage (32%) of reported operating expenses which is attributable.
(b) 1992 - Pro forma EGSI acquisition
(c) 1992 - Pro forma for Mountain Gas and Black Lake Acquisitions
(d) 1991 and 1992 - Based on Pro forma financials for the acquisition of the NGL business of OXY USA. Gross Margin as defined is not disclosed (i.e., separate line items for O&M and COGS).
(e) Excludes AQP and DGP from broad peer group.

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Operational Comparison for Selected Comparable Companies

Selected Pipeline Master Limited Partnerships

(Figures in \$ Millions)

<TABLE>

<CAPTION>

| <S> | Valero | Buckeye | Enron | Kaneb | Lake- | Santa | TEPPCO | Excludes VLP | | | | |
|--------------------------|-------------------------|----------|--------------|-----------|----------------|-----------|---------|--------------|-------|--------|-------|-----|
| | Natural Gas Partnership | Partners | Liq-uids (b) | Pipe Line | head Pipe Line | Pipe Line | | Partners (c) | Mean | Median | High | Low |
| <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
| 1990 | | | | | | | | | | | | |
| Total Revenues | \$1,091.5 | \$159.3 | \$47.6 | \$37.6 | \$205.7 | \$192.9 | \$140.8 | | | | | |
| Gross Margin | 256.3 | 85.0 | 19.8 | 25.0 | NA | 129.6 | 73.0 | | | | | |
| General & Administration | 42.6 | 10.9 | 7.4 | 2.9 | NA | 16.6 | NA | | | | | |
| Operation & Maintenance | 70.4 | 74.5 | 27.8 | 12.6 | NA | 63.3 | 67.8 | | | | | |
| % G & A/Revenues | 3.9% | 6.8% | 15.6% | 7.8% | NA | 8.6% | NA | 9.7% | 8.2% | 15.6% | 6.8% | |
| % O & M/Revenues | 6.5% | 46.8% | 58.5% | 33.5% | NA | 32.8% | 48.2% | 43.9% | 46.8% | 58.5% | 32.8% | |
| % (G&A & O&M)/Revenues | 10.4% | 53.6% | 74.0% | 41.2% | NA | 41.4% | 48.2% | 51.7% | 48.2% | 74.0% | 41.2% | |
| % G & A/Gross Margin | 16.6% | 12.8% | 37.4% | 11.7% | NA | 12.8% | NA | 18.7% | 12.8% | 37.4% | 11.7% | |
| 1991 | | | | | | | | | | | | |
| Total Revenues | \$1,144.0 | \$151.8 | \$25.6 | \$39.4 | \$199.3 | \$193.4 | \$163.3 | | | | | |
| Gross Margin | 247.7 | 78.9 | 16.9 | 25.1 | NA | 127.8 | 82.2 | | | | | |
| General & Administration | 34.8 | 10.3 | 2.8 | 2.9 | NA | 18.2 | NA | | | | | |
| Operation & Maintenance | 73.9 | 73.0 | 16.9 | 14.3 | NA | 65.7 | 81.1 | | | | | |
| % G & A/Revenues | 3.0% | 6.8% | 11.1% | 7.3% | NA | 9.4% | NA | 8.6% | 8.3% | 11.1% | 6.8% | |
| % O & M/Revenues | 6.5% | 48.1% | 66.1% | 36.4% | NA | 33.9% | 49.7% | 46.8% | 48.1% | 66.1% | 33.9% | |
| % (G&A & O&M)/Revenues | 9.5% | 54.9% | 77.2% | 43.6% | NA | 43.3% | 49.7% | 53.7% | 49.7% | 77.2% | 43.3% | |
| % G & A/Gross Margin | 14.0% | 13.1% | 16.8% | 11.4% | NA | 14.2% | NA | 13.9% | 13.7% | 16.8% | 11.4% | |
| 1992 | | | | | | | | | | | | |
| Total Revenues | \$1,197.1 | \$163.1 | \$23.4 | \$42.2 | \$222.2 | \$205.0 | \$166.2 | | | | | |
| Gross Margin | 242.5 | 84.0 | 14.4 | 27.7 | NA | 136.7 | 90.9 | | | | | |
| General & Administration | 37.9 | 10.0 | 2.7 | 2.8 | NA | 19.4 | NA | | | | | |
| Operation & Maintenance | 80.4 | 79.1 | 9.0 | 14.5 | NA | 68.3 | 75.3 | | | | | |
| % G & A/Revenues | 3.2% | 6.1% | 11.7% | 6.5% | NA | 9.5% | NA | 8.4% | 8.0% | 11.7% | 6.1% | |
| % O & M/Revenues | 6.7% | 48.5% | 38.4% | 34.4% | NA | 33.3% | 45.3% | 40.0% | 38.4% | 48.5% | 33.3% | |
| % (G&A & O&M)/Revenues | 9.9% | 54.6% | 50.1% | 40.9% | NA | 42.8% | 45.3% | 46.7% | 45.3% | 54.6% | 40.9% | |
| % G & A/Gross Margin | 15.6% | 11.9% | 18.9% | 9.9% | NA | 14.2% | NA | 13.7% | 13.0% | 18.9% | 9.9% | |

Three-Year Average

(1990-1992)

| | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 |
|--------------------------|-------|-------|-------|-------|------|-------|-------|-------|-------|-------|-------|
| % G & A/Revenues | 3.4% | 6.6% | 12.8% | 7.2% | NA | 9.2% | NA | 8.9% | 8.2% | 12.8% | 6.6% |
| % O & M/Revenues | 6.5% | 47.8% | 54.3% | 34.7% | NA | 33.4% | 47.7% | 43.6% | 47.7% | 54.3% | 33.4% |
| % (G&A & O&M) / Revenues | 9.9% | 54.4% | 67.1% | 41.9% | NA | 42.5% | 47.7% | 50.7% | 47.7% | 67.1% | 41.9% |
| % G & A/Gross Margin | 15.4% | 12.6% | 24.4% | 11.0% | NA | 13.7% | NA | 15.4% | 13.2% | 24.4% | 11.0% |

Note: Gross Margin defined as Total Revenues less O&M Expenses

- (a) G&A was provided from a schedule prepared by the Company and reflects the percentage (32%) of reported operating expenses which is attributable.
- (b) 1991 and 1992 figures are for 5 months only. 1990 data based on corporate form financials (Partnership is not available).
- (c) 1990 figures for the period beginning March 7, 1990, (Inception date)
- (d) G&A figures are not itemized, only aggregate operating expenses.

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Dillon, Read & Co. Inc. December 3, 1993

COMPARISON OF CURRENT AND HISTORICAL VLP PROJECTIONS

(CONFIDENTIAL TREATMENT HAS BEEN REQUESTED)

61

Dillon, Read & Co. Inc. December 10, 1993

VLP OPERATING STATISTICS

(CONFIDENTIAL TREATMENT HAS BEEN REQUESTED)

62

Dillon, Read & Co. Inc. December 10, 1993

STOCK PRICE PERFORMANCE OF PEER GROUP

Valero Natural Gas Company

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VALERO NATURAL GAS PARTNERS, L.P.
STOCK PRICES PERFORMANCE
For the Period: 10/23/92 - 12/08/93

<TABLE>
<CAPTION>

| | VLP | S&P 400 | Peers* | Industry** | MLPs*** |
|----------|----------|----------|----------|------------|----------|
| <S> | <C> | <C> | <C> | <C> | <C> |
| 10/23/92 | 1 | 1 | 1 | 1 | 1 |
| 11/10/92 | 0.936709 | 1.023996 | 1.059192 | 1.04856 | 0.969542 |
| 11/26/92 | 0.911392 | 1.026213 | 0.931244 | 0.94548 | 0.934043 |
| 12/14/92 | 0.860759 | 1.052426 | 0.985861 | 0.984951 | 0.943515 |
| 12/30/92 | 0.822785 | 1.073748 | 0.959993 | 0.958114 | 0.923006 |
| 01/15/93 | 0.873418 | 1.054969 | 0.942104 | 0.946829 | 0.944563 |
| 02/02/93 | 0.873418 | 1.052491 | 0.90133 | 0.91536 | 0.982783 |
| 02/18/93 | 0.848101 | 1.072966 | 0.984862 | 0.996892 | 0.993642 |
| 03/08/93 | 0.860759 | 1.059207 | 1.078251 | 1.093568 | 1.028676 |
| 03/24/93 | 0.873418 | 1.084703 | 1.130838 | 1.148871 | 1.032327 |
| 04/09/93 | 0.848101 | 1.080203 | 1.246076 | 1.259517 | 1.03453 |
| 04/27/93 | 0.810127 | 1.060968 | 1.217648 | 1.270559 | 1.071762 |
| 05/13/93 | 0.860759 | 1.062141 | 1.188398 | 1.27754 | 1.017296 |

| | | | | | |
|----------|----------|----------|----------|----------|----------|
| 05/31/93 | 0.810127 | 1.08868 | 1.201912 | 1.309643 | 1.00997 |
| 06/16/93 | 0.822785 | 1.081377 | 1.283488 | 1.395191 | 1.016276 |
| 07/02/93 | 0.835443 | 1.058751 | 1.264418 | 1.428642 | 1.023958 |
| 07/20/93 | 0.835443 | 1.063054 | 1.300116 | 1.477261 | 1.038015 |
| 08/05/93 | 0.835443 | 1.060576 | 1.26581 | 1.411721 | 1.033891 |
| 08/23/93 | 0.911392 | 1.056599 | 1.308966 | 1.500397 | 1.053279 |
| 09/08/93 | 0.936709 | 1.091158 | 1.47332 | 1.707904 | 1.075232 |
| 09/24/93 | 0.898734 | 1.084181 | 1.414353 | 1.671953 | 1.081458 |
| 10/12/93 | 0.936709 | 1.084116 | 1.536779 | 1.760843 | 1.100873 |
| 10/28/93 | 1.101266 | 1.108829 | 1.462285 | 1.69714 | 1.142811 |
| 11/15/93 | 1.101266 | 1.101461 | 1.175143 | 1.463409 | 1.101997 |
| 12/01/93 | 1.101266 | 1.112415 | 0.914725 | 1.242504 | 1.109423 |

</TABLE>

* Companies included are AQP, NGA, NGL, and WGR.

** Companies included are AOG, AQP, NGA, TEJ, TPC, NGL, DGP, and WGR.

*** MLPs included are BPL, ENP, KPP, LHP, SFL, and TPP.

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VALERO NATURAL GAS PARTNERS, L.P.
STOCK PRICE PERFORMANCE
For the Period: 10/12/90 - 12/08/93

<TABLE>
<CAPTION>

| | VLP | S&P 400 | Peers * | Industry ** | MLPs *** |
|----------|----------|----------|----------|-------------|----------|
| | --- | ----- | ----- | ----- | ----- |
| <S> | <C> | <C> | <C> | <C> | <C> |
| 10/12/90 | 1 | 1 | 1 | 1 | 1 |
| 11/28/90 | 0.969466 | 1.060628 | 1.033436 | 0.98739 | 1.069781 |
| 01/14/91 | 0.877863 | 1.042937 | 0.892214 | 0.851806 | 1.050462 |
| 02/28/91 | 0.908397 | 1.237443 | 0.979673 | 0.97413 | 1.184152 |
| 04/16/91 | 0.916031 | 1.308205 | 1.146117 | 1.053174 | 1.191095 |
| 05/31/91 | 0.664122 | 1.322695 | 1.119215 | 1.056128 | 1.20906 |
| 07/17/91 | 0.70229 | 1.293448 | 1.072506 | 0.985771 | 1.181802 |
| 09/02/91 | 0.725191 | 1.338608 | 1.249605 | 1.113483 | 1.243743 |
| 10/17/91 | 0.732824 | 1.320384 | 1.299455 | 1.162923 | 1.358097 |
| 12/03/91 | 0.671756 | 1.277358 | 1.285463 | 1.147021 | 1.283528 |
| 01/17/92 | 0.633588 | 1.417104 | 1.296832 | 1.159647 | 1.252117 |
| 03/04/92 | 0.59542 | 1.385901 | 1.06284 | 1.024348 | 1.245208 |
| 04/20/92 | 0.564885 | 1.386968 | 1.029366 | 0.975812 | 1.263904 |
| 06/04/92 | 0.519084 | 1.392657 | 1.268932 | 1.201403 | 1.309685 |
| 07/21/92 | 0.48855 | 1.381456 | 1.341882 | 1.247678 | 1.365571 |
| 09/04/92 | 0.534351 | 1.396746 | 1.594871 | 1.452554 | 1.397206 |
| 10/21/92 | 0.572519 | 1.385812 | 1.699551 | 1.491976 | 1.436755 |
| 12/07/92 | 0.519084 | 1.453285 | 1.610238 | 1.438518 | 1.364123 |
| 01/21/93 | 0.503817 | 1.432572 | 1.492016 | 1.342056 | 1.402197 |
| 03/09/93 | 0.519084 | 1.487066 | 1.888595 | 1.687994 | 1.496106 |
| 04/23/93 | 0.496183 | 1.419415 | 1.873314 | 1.726266 | 1.531586 |
| 06/09/93 | 0.480916 | 1.465019 | 2.068359 | 2.020038 | 1.472424 |
| 07/26/93 | 0.503817 | 1.449018 | 2.077981 | 2.057571 | 1.508866 |
| 09/09/93 | 0.564885 | 1.465464 | 2.411254 | 2.467116 | 1.561498 |
| 10/25/93 | 0.656489 | 1.509912 | 1.935552 | 2.177457 | 1.641056 |

</TABLE>

* Companies included are AQP, NGA, NGL, and WGR.

** Companies included are AOG, AQP, NGA, TEJ, TPC, NGL, DGP, and WGR.

*** MLPs included are BPL, ENP, KPP, LHP, SFL, and TPP.

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VALERO NATURAL GAS PARTNERS, L.P.
STOCK PRICE PERFORMANCE
For the Period: 9/30/88 - 12/08/93

<TABLE>
<CAPTION>

| | VLP | S&P 400 | Peers * | Industry ** | MLPs *** |
|----------|----------|----------|----------|-------------|----------|
| | --- | ----- | ----- | ----- | ----- |
| <S> | <C> | <C> | <C> | <C> | <C> |
| 09/30/88 | 1 | 1 | 1 | 1 | 1 |
| 12/16/88 | 0.890511 | 1.022561 | 1.0875 | 0.970093 | 0.986552 |
| 03/03/89 | 1.080292 | 1.079214 | 0.9625 | 1.116814 | 1.101541 |
| 05/19/89 | 1.080292 | 1.183195 | 1.3875 | 1.381779 | 1.070939 |
| 08/04/89 | 1.080292 | 1.261406 | 1.8 | 1.679114 | 1.158955 |
| 10/20/89 | 0.970803 | 1.271633 | 1.65 | 1.58475 | 1.115134 |
| 01/05/90 | 1.021898 | 1.296902 | 1.538926 | 1.701113 | 1.227915 |
| 03/23/90 | 0.89781 | 1.25569 | 1.343305 | 1.515271 | 1.100374 |
| 06/08/90 | 0.839416 | 1.339416 | 1.51845 | 1.653577 | 1.059441 |
| 08/24/90 | 0.963504 | 1.183195 | 1.678329 | 1.84673 | 1.07633 |
| 11/09/90 | 0.970803 | 1.177981 | 1.814385 | 1.968865 | 1.02305 |
| 01/25/91 | 0.927007 | 1.272536 | 1.455402 | 1.549658 | 1.0666 |
| 04/12/91 | 0.868613 | 1.447508 | 1.923598 | 1.928409 | 1.143876 |
| 06/28/91 | 0.635036 | 1.41843 | 1.664228 | 1.735987 | 1.174892 |

| | | | | | |
|----------|----------|----------|----------|----------|----------|
| 09/13/91 | 0.671533 | 1.458839 | 2.06927 | 2.044154 | 1.280516 |
| 11/29/91 | 0.635036 | 1.419533 | 2.172711 | 2.142627 | 1.286218 |
| 02/14/92 | 0.576642 | 1.575454 | 2.029547 | 2.065627 | 1.229072 |
| 05/01/92 | 0.525547 | 1.569437 | 1.925941 | 1.975822 | 1.253995 |
| 07/17/92 | 0.467153 | 1.56673 | 2.296608 | 2.332987 | 1.354395 |
| 10/02/92 | 0.489051 | 1.542866 | 2.891619 | 2.814437 | 1.42303 |
| 12/18/92 | 0.481752 | 1.654868 | 2.728085 | 2.656323 | 1.330492 |
| 03/05/93 | 0.49635 | 1.646947 | 3.194961 | 3.133054 | 1.486856 |
| 05/21/93 | 0.467153 | 1.656874 | 3.349397 | 3.550843 | 1.4617 |
| 08/06/93 | 0.540146 | 1.628296 | 3.567015 | 3.997985 | 1.509272 |
| 10/22/93 | 0.627737 | 1.696681 | 3.404723 | 4.139219 | 1.648601 |

</TABLE>

* Companies included are AQP, NGA, NGL, and WGR.

** Companies included are AOG, AQP, NGA, TEJ, TPC, NGL, DGP, and WGR.

*** MLPs included are BPL, ENP, KPP, LHP, SFL, and TPP.

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VALERO NATURAL GAS PARTNERS, L.P.
STOCK PRICE PERFORMANCE
For the Period: 3/18/87 - 12/08/93

<TABLE>
<CAPTION>

| | VLP | S&P 400 | Industry * | MLPs ** |
|----------|----------|----------|------------|----------|
| | --- | ----- | ----- | ----- |
| <S> | <C> | <C> | <C> | <C> |
| 03/18/87 | 1 | 1 | 1 | 1 |
| 06/25/87 | 0.978022 | 1.067797 | 1.263158 | 0.945355 |
| 10/02/87 | 1.131868 | 1.142205 | 1.438596 | 1.076503 |
| 01/11/88 | 0.901099 | 0.852486 | 0.947368 | 0.928962 |
| 04/19/88 | 0.862637 | 0.895511 | 0.964912 | 0.961749 |
| 07/27/88 | 0.807692 | 0.903427 | 1.122807 | 0.918033 |
| 11/03/88 | 0.71978 | 0.958093 | 1.107738 | 0.934426 |
| 02/10/89 | 0.774725 | 1.005029 | 1.220818 | 0.98282 |
| 05/22/89 | 0.802198 | 1.099925 | 1.687633 | 0.963032 |
| 08/29/89 | 0.78022 | 1.195195 | 1.932749 | 1.038251 |
| 12/06/89 | 0.675824 | 1.18821 | 2.065725 | 1.042762 |
| 03/15/90 | 0.686813 | 1.165953 | 1.881918 | 1.010886 |
| 06/22/90 | 0.637363 | 1.242969 | 1.910756 | 0.982835 |
| 10/01/90 | 0.708791 | 1.104209 | 2.378487 | 0.983344 |
| 01/08/91 | 0.642857 | 1.100112 | 1.950587 | 0.952459 |
| 04/17/91 | 0.653846 | 1.380145 | 2.37566 | 1.078573 |
| 07/25/91 | 0.532967 | 1.352952 | 2.223315 | 1.077275 |
| 11/01/91 | 0.56044 | 1.37521 | 2.562297 | 1.192186 |
| 02/10/92 | 0.43956 | 1.467685 | 2.417933 | 1.119252 |
| 05/19/92 | 0.379121 | 1.465543 | 2.349315 | 1.154066 |
| 08/26/92 | 0.357143 | 1.448314 | 3.000706 | 1.262025 |
| 12/03/92 | 0.373626 | 1.503073 | 3.152851 | 1.230044 |
| 03/12/93 | 0.368132 | 1.54228 | 3.69734 | 1.349789 |
| 06/21/93 | 0.340659 | 1.527752 | 4.485644 | 1.33075 |
| 09/28/93 | 0.395604 | 1.546843 | 5.52025 | 1.41375 |

</TABLE>

* Companies included are AOG, AQP, NGA, TEJ, TPC, NGL, DGP, and WGR.

** MLPs included are BPL, ENP, KPP, LHP, SFL, and TPP.

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VALERO NATURAL GAS PARTNERS, L.P.
ANALYSIS OF HISTORICAL P/E RATIOS

<TABLE>
<CAPTION>

| | VLP | AOG | NGA | TEJ | TPC | WGR |
|-------|--------------------------------|------|------|------|------|------|
| | --- | --- | --- | --- | --- | --- |
| | (price/LTM earnings per share) | | | | | |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> |
| 12/90 | 5.5 | | 21.6 | 15.8 | | |
| 3/91 | 5.5 | 21.5 | 24 | 21.4 | | |
| 6/91 | 4 | 12.9 | 20.7 | 21.7 | | |
| 9/91 | 5.7 | 17.8 | 29.9 | 22.1 | | 15.4 |
| 12/91 | 4.9 | 15.3 | 37.7 | 17.1 | | 21.1 |
| 3/92 | 5.5 | 16.2 | 30.2 | 20.8 | | 16.5 |
| 6/92 | 4.6 | 15 | 28.6 | 21.6 | 30.4 | 18.2 |
| 9/92 | 4.2 | 20 | 31.2 | 22.1 | 29.6 | 23.8 |
| 12/92 | 6.5 | 17 | 24.7 | 19.3 | 28.2 | 18.2 |
| 3/93 | 6 | 19.8 | 25.6 | 27.8 | 26.3 | 23.6 |
| 6/93 | 5.7 | 24.3 | 23 | 37.4 | 28.4 | 23.5 |
| 9/93 | 9.8 | 33.2 | 23.7 | 42.2 | 32.3 | 31.8 |

</TABLE>

 HISTORICAL PRODUCT PRICE PERFORMANCE

Valero Natural Gas Company

COMMODITY PRICE MOVEMENTS
 FOR PERIOD: JULY, 1985 - OCTOBER, 1993

<TABLE>
 <CAPTION>

| | VLP Slate | West Texas Intermediate Crude | Natural Gas |
|--------|-----------|-------------------------------------|-------------|
| <S> | <C> | <C> | <C> |
| Jul-85 | 1 | 1 | 1 |
| Nov-85 | 1.382694 | 1 | 0.845528 |
| Mar-86 | 0.707553 | 0.669643 | 0.792683 |
| Jul-86 | 0.619724 | 0.5 | 0.597561 |
| Nov-86 | 0.658934 | 0.508929 | 0.577236 |
| Mar-87 | 0.73037 | 0.625 | 0.605691 |
| Jul-87 | 0.732703 | 0.660714 | 0.544715 |
| Nov-87 | 0.707392 | 0.678571 | 0.581301 |
| Mar-88 | 0.704875 | 0.571429 | 0.691057 |
| Jul-88 | 0.666447 | 0.544643 | 0.565041 |
| Nov-88 | 0.742609 | 0.455357 | 0.719512 |
| Mar-89 | 0.695427 | 0.616071 | 0.565041 |
| Jul-89 | 0.6156 | 0.696429 | 0.617886 |
| Nov-89 | 0.61379 | 0.678571 | 0.666667 |
| Mar-90 | 0.680832 | 0.75 | 0.577236 |
| Jul-90 | 0.738747 | 0.580357 | 0.54878 |
| Nov-90 | 1.506909 | 1.214286 | 0.784553 |
| Mar-91 | 0.693992 | 0.633929 | 0.512195 |
| Jul-91 | 0.914767 | 0.696429 | 0.434959 |
| Nov-91 | 1.22383 | 0.776786 | 0.682927 |
| Mar-92 | 0.88218 | 0.616071 | 0.47561 |
| Jul-92 | 1.053504 | 0.75 | 0.577236 |
| Nov-92 | 1.014443 | 0.705357 | 0.894309 |
| Mar-93 | 1.014539 | 0.714286 | 0.747967 |
| Jul-93 | 0.888488 | 0.642857 | 0.756098 |

</TABLE>

COMMODITY PRICE MOVEMENTS
 FOR PERIOD: JULY, 1985 - OCTOBER, 1993

<TABLE>
 <CAPTION>

| | VLP Slate |
|--------|-----------|
| <S> | <C> |
| Jul-85 | 33.8905 |
| Nov-85 | 45.842 |
| Mar-86 | 23.024 |
| Jul-86 | 19.6215 |
| Nov-86 | 20.963 |
| Mar-87 | 24.596 |
| Jul-87 | 25.3285 |
| Nov-87 | 24.4025 |
| Mar-88 | 23.593 |
| Jul-88 | 21.4985 |
| Nov-88 | 22.711 |
| Mar-89 | 23.2365 |
| Jul-89 | 21.096 |
| Nov-89 | 21.076 |
| Mar-90 | 23.7855 |
| Jul-90 | 24.6215 |
| Nov-90 | 48.696 |
| Mar-91 | 24.352 |

Jul-91 30.383
 Nov-91 38.879
 Mar-92 28.8515
 Jul-92 33.93
 Nov-92 32.316
 Mar-93 32.559
 Jul-93 28.7535
 </TABLE>

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COMMODITY PRICE MOVEMENTS
 FOR PERIOD: JULY, 1985 - OCTOBER, 1993

<TABLE>
 <CAPTION>

| | C2 | C3 | N-C4 | I-C4 | C5+ |
|--------|-------|-------|-------|-------|-------|
| <S> | <C> | <C> | <C> | <C> | <C> |
| Jul-85 | 21.5 | 34.25 | 47.25 | 52.75 | 59.5 |
| Nov-85 | 31.25 | 46.25 | 67.5 | 73 | 69 |
| Mar-86 | 16.25 | 25.5 | 28.75 | 32.5 | 33 |
| Jul-86 | 15.5 | 20.25 | 23.25 | 28.75 | 25.25 |
| Nov-86 | 17 | 19 | 26.5 | 29 | 32 |
| Mar-87 | 16.25 | 23.25 | 38.25 | 40.75 | 40.5 |
| Jul-87 | 15 | 25 | 37.5 | 45.25 | 44.5 |
| Nov-87 | 14.25 | 25.25 | 38 | 41.25 | 41.5 |
| Mar-88 | 15.5 | 24.25 | 33.5 | 36.75 | 38 |
| Jul-88 | 16.75 | 19.5 | 25.75 | 30.75 | 35.5 |
| Nov-88 | 21 | 19.5 | 24.75 | 26.75 | 33 |
| Mar-89 | 16.25 | 21 | 26.75 | 35.75 | 44.5 |
| Jul-89 | 13.25 | 20 | 26.5 | 34.75 | 41 |
| Nov-89 | 12.75 | 21.25 | 29.75 | 34.25 | 38.25 |
| Mar-90 | 13.5 | 23.75 | 31.25 | 46.75 | 42.5 |
| Jul-90 | 16 | 27.25 | 31 | 37.5 | 38.5 |
| Nov-90 | 36.75 | 47.75 | 63.75 | 65.25 | 76.5 |
| Mar-91 | 13 | 27 | 32 | 40 | 46 |
| Jul-91 | 20.5 | 31.5 | 40.25 | 45.75 | 49 |
| Nov-91 | 29.75 | 43 | 46.5 | 49.25 | 52.25 |
| Mar-92 | 20.75 | 29 | 36 | 44.5 | 44.25 |
| Jul-92 | 25.75 | 33.75 | 40 | 52 | 49.25 |
| Nov-92 | 25.25 | 32.75 | 40 | 42.5 | 46.75 |
| Mar-93 | 24.5 | 34.25 | 41 | 45.25 | 45.5 |
| Jul-93 | 20.75 | 31.5 | 36.5 | 39.5 | 40.75 |

</TABLE>

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COMMODITY PRICE MOVEMENTS
 FOR PERIOD: JULY, 1985 - OCTOBER, 1993

<TABLE>
 <CAPTION>

| | C2 | C3 | N-C4 | I-C4 | C5+ |
|--------|----------|----------|----------|----------|----------|
| <S> | <C> | <C> | <C> | <C> | <C> |
| Jul-85 | 1 | 1 | 1 | 1 | 1 |
| Nov-85 | 1.453488 | 1.350365 | 1.428571 | 1.383886 | 1.159664 |
| Mar-86 | 0.755814 | 0.744526 | 0.608466 | 0.616114 | 0.554622 |
| Jul-86 | 0.72093 | 0.591241 | 0.492063 | 0.545024 | 0.42437 |
| Nov-86 | 0.790698 | 0.554745 | 0.560847 | 0.549763 | 0.537815 |
| Mar-87 | 0.755814 | 0.678832 | 0.809524 | 0.772512 | 0.680672 |
| Jul-87 | 0.697674 | 0.729927 | 0.793651 | 0.85782 | 0.747899 |
| Nov-87 | 0.662791 | 0.737226 | 0.804233 | 0.781991 | 0.697479 |
| Mar-88 | 0.72093 | 0.708029 | 0.708995 | 0.696682 | 0.638655 |
| Jul-88 | 0.77907 | 0.569343 | 0.544974 | 0.582938 | 0.596639 |
| Nov-88 | 0.976744 | 0.569343 | 0.52381 | 0.507109 | 0.554622 |
| Mar-89 | 0.755814 | 0.613139 | 0.566138 | 0.677725 | 0.747899 |
| Jul-89 | 0.616279 | 0.583942 | 0.560847 | 0.658768 | 0.689076 |
| Nov-89 | 0.593023 | 0.620438 | 0.62963 | 0.649289 | 0.642857 |
| Mar-90 | 0.627907 | 0.693431 | 0.661376 | 0.886256 | 0.714286 |
| Jul-90 | 0.744186 | 0.79562 | 0.656085 | 0.7109 | 0.647059 |
| Nov-90 | 1.709302 | 1.394161 | 1.349206 | 1.236967 | 1.285714 |
| Mar-91 | 0.604651 | 0.788321 | 0.677249 | 0.758294 | 0.773109 |
| Jul-91 | 0.953488 | 0.919708 | 0.851852 | 0.867299 | 0.823529 |
| Nov-91 | 1.383721 | 1.255474 | 0.984127 | 0.933649 | 0.878151 |
| Mar-92 | 0.965116 | 0.846715 | 0.761905 | 0.843602 | 0.743697 |
| Jul-92 | 1.197674 | 0.985401 | 0.846561 | 0.985782 | 0.827731 |
| Nov-92 | 1.174419 | 0.956204 | 0.846561 | 0.805687 | 0.785714 |
| Mar-93 | 1.139535 | 1 | 0.867725 | 0.85782 | 0.764706 |
| Jul-93 | 0.965116 | 0.919708 | 0.772487 | 0.748815 | 0.684874 |

</TABLE>

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Valero Natural Gas Company

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Dillon, Read & Co. Inc.

12/10/93
-----Valero Natural Gas Partners, L.P.
Merger Effects on Valero Energy (a)

<TABLE>

<CAPTION>

| | VEC | VLP | Adjustments | Pro Forma |
|--------------------------------------|-----------|-----------|-------------|-----------|
| <S> | <C> | <C> | <C> | <C> |
| Balance Sheet: | | | | |
| Cash and Equivalents | 39.783 | 20.571 | 0.000 | 60.354 |
| Other Current Assets | 295.734 | 194.605 | (51.957) | 438.382 |
| Total Current Assets | 335.517 | 215.176 | (51.957) | 498.736 |
| Net Property, Plant & Equipment | 1,258,348 | 741.472 | 9.935 | 2,009.755 |
| Investment in VLP | 26.555 | 0.000 | (26.555) | 0.000 |
| Investment in Leases | 105.439 | 0.000 | (105.439) | 0.000 |
| Other Investments | 28.438 | 0.000 | 0.000 | 28.438 |
| Other Assets | 65.043 | 79.834 | (25.277) | 119.600 |
| L-T Assets | 1,483.823 | 821.306 | (147.336) | 2,157.793 |
| Total Assets | 1,819.340 | 1,036.482 | (199.293) | 2,656.529 |
| Short-Term Debt | 10.000 | 9.000 | 0.000 | 19.000 |
| Current Maturities of L-T Debt | 16.452 | 28.885 | 0.000 | 45.337 |
| Current Lease Payments | 0.000 | 0.000 | 0.000 | 0.000 |
| Other Current Liabilities | 145.247 | 219.573 | (52.910) | 311.910 |
| Total Current Liabilities | 171.699 | 257.458 | (52.910) | 376.247 |
| Deferred Income Taxes | 251.074 | 0.000 | 0.000 | 251.074 |
| Other Deferred Credits | 39.043 | 4.105 | 9.901 | 53.049 |
| Other Liabilities | 290.117 | 4.105 | 9.901 | 304.123 |
| Long-Term Debt | 488.406 | 506.429 | (9.669) | 985.166 |
| Capital Lease Obligations | 0.000 | 103.832 | (103.832) | 0.000 |
| Redeemable Preferred Stock | 13.800 | 0.000 | 0.000 | 13.800 |
| Non-Redeemable Preferred Stock | 0.000 | 0.000 | 121.875 | 121.875 |
| Common Equity | 855.318 | 164.658 | (164.658) | 855.318 |
| Total L-T Capitalization | 1,357.524 | 774.919 | (156.284) | 1,976.159 |
| Total Liabilities & Equity | 1,819.340 | 1,036.482 | (199.293) | 2,656.529 |
| Total Debt (b) | 528.658 | 648.146 | | 1,063.303 |
| Tot. Debt / Tot. L-T Cap. + S-T Debt | 38.2% | 79.7% | | 52.1% |
| EBITDA / Interest Incurred | 4.1x | 1.8x | | 3.0x |
| CFFO / Interest Incurred | 3.2x | 0.9x | | 1.9x |
| CFFO / Total Debt | 23.0% | 7.0% | | 14.2% |

</TABLE>

(a) Assumes a price per share of \$11.00.

(b) Total Debt includes all debt, capital leases and redeemable preferred stock.

Valero Natural Gas Partners, L.P.
Merger Effects on Valero Energy (a)

<TABLE>
<CAPTION>

| | Nine Months Ended 9/30/93 | | | |
|---|---------------------------|----------|-------------|-----------|
| | VEC | VLP | Adjustments | Pro Forma |
| <S> | <C> | <C> | <C> | <C> |
| Income Statement: | | | | |
| Operating Revenues | 940.223 | 994.636 | (213.914) | 1,720.945 |
| Equity Investments | 20.528 | 0.000 | (20.528) | 0.000 |
| Total Revenues | 960.751 | 994.636 | (234.442) | 1,720.945 |
| Cost of Goods Sold | 712.481 | 811.603 | (156.510) | 1,367.574 |
| Operating Expenses | 92.649 | 90.788 | (62.228) | 121.209 |
| General & Administrative Expenses | 0.000 | 0.000 | 0.000 | 0.000 |
| Operating Cash Flow/EBITDA | 155.621 | 92.245 | (15.704) | 232.162 |
| Depreciation & Amortization | 41.859 | 27.190 | (0.742) | 68.307 |
| Operating Income/EBIT | 113.762 | 65.055 | (14.962) | 163.855 |
| Other Income | 0.000 | 1.029 | 0.000 | 1.029 |
| Extraordinary Gains / (Losses) | 7.245 | 0.000 | 0.220 | 7.465 |
| Capital Lease Interest Incurred | 0.000 | (9.629) | 9.629 | 0.000 |
| Other Interest Incurred(b) | (37.640) | (41.208) | 0.369 | (78.479) |
| Interest Capitalized | 11.915 | 1.206 | 0.000 | 13.121 |
| Income Before Taxes | 95.282 | 16.453 | (4.744) | 106.991 |
| Income Tax Expense(c) | 43.700 | 0.000 | 4.100 | 47.800 |
| Net Income | 51.582 | 16.453 | (8.845) | 59.190 |
| Preferred Dividends | 0.953 | 0.000 | 6.094 | 7.047 |
| Net Income to Common | 50.629 | 16.453 | (14.938) | 52.144 |
| Earnings Per Share | \$1.18 | \$0.86 | | \$1.21 |
| Weighted Average # of Shares | 43.074 | 19.052 | | 43.074 |
| Cash Flow Statement: | | | | |
| Net Income | 50.629 | 16.453 | (14.938) | 52.144 |
| Depreciation and Amortization | 41.859 | 27.190 | (0.742) | 68.307 |
| Deferred Income Taxes | 26.600 | 0.000 | 0.000 | 26.600 |
| Amortization of Deferred Charges | 16.735 | 1.953 | 0.000 | 18.688 |
| Net (Gains) / Losses | (7.842) | 0.000 | (0.220) | (8.062) |
| Other Items | (6.478) | 0.000 | 0.000 | (6.478) |
| Cash Flow From Operations/CFFO | 121.503 | 45.596 | (15.900) | 151.199 |
| Changes in Current Assets & Liabilities | (14.993) | (7.481) | 0.000 | (22.474) |
| Changes in Other Assets & Liabilities | (6.273) | 7.079 | 0.000 | 0.806 |
| Cash Provided By Operations | 100.237 | 45.194 | (15.900) | 129.531 |
| CFFO Less Preferred Dividends | 120.550 | 45.596 | | 144.152 |
| Cash Flow Per Share | \$2.80 | \$2.39 | | \$3.35 |

</TABLE>

- (a) Assumes a price per share of \$11.00.
(b) Assumes an effective interest rate of 5.1%.
(c) Assumes a tax rate of 35.0%.

Valero Natural Gas Partners, L.P.
Merger Effects on Valero Energy(a)

<TABLE>
<CAPTION>

| | Nine Months Ended 9/30/93 | | | |
|---|---------------------------|----------------|------------------|------------------|
| | VEC | VLP | Adjustments | Pro Forma |
| <S> | <C> | <C> | <C> | <C> |
| Income Statement: | | | | |
| Operating Revenues | 940.223 | 994.636 | (213.914) | 1,720.945 |
| Equity Investments | 20.528 | 0.000 | (20.528) | 0.000 |
| Total Revenues | 960.751 | 994.636 | (234.442) | 1,720.945 |
| Cost of Goods Sold | 712.481 | 811.603 | (156.510) | 1,367.574 |
| Operating Expenses | 92.649 | 90.788 | (62.228) | 121.209 |
| General & Administrative Expenses | 0.000 | 0.000 | 0.000 | 0.000 |
| Operating Cash Flow/EBITDA | 155.621 | 92.245 | (15.704) | 232.162 |
| Depreciation & Amortization | 41.859 | 27.190 | (0.256) | 68.793 |
| Operating Income/EBIT | 113.762 | 65.055 | (15.448) | 163.369 |
| Other Income | 0.000 | 1.029 | 0.000 | 1.029 |
| Extraordinary Gains/(Loss) | 7.245 | 0.000 | 0.220 | 7.465 |
| Capital Lease Interest Incurred | 0.000 | (9.629) | 9.629 | 0.000 |
| Other Interest Incurred(b) | (37.640) | (41.208) | (0.372) | (79.220) |
| Interest Capitalized | 11.915 | 1.206 | 0.000 | 13.121 |
| Income Before Taxes | 95.282 | 16.453 | (5.971) | 105.764 |
| Income Tax Expense (c) | 43.700 | 0.000 | 3.671 | 47.371 |
| Net Income | 51.582 | 16.453 | (9.642) | 58.393 |
| Preferred Dividends | 0.953 | 0.000 | 6.094 | 7.047 |
| Net Income to Common | 50.629 | 16.453 | (15.736) | 51.346 |
| Earnings Per Share | \$1.18 | \$0.86 | | \$1.19 |
| Weighted Average # of Shares | 43.074 | 19.052 | | 43.074 |
| Cash Flow Statement: | | | | |
| Net Income | 50.629 | 16.453 | (15.736) | 51.346 |
| Depreciation and Amortization | 41.859 | 27.190 | (0.256) | 68.793 |
| Deferred Income Taxes | 26.600 | 0.000 | 0.000 | 26.600 |
| Amortization of Deferred Charges | 16.735 | 1.953 | 0.000 | 18.688 |
| Net (Gain)/Losses | (7.842) | 0.000 | (0.220) | (8.062) |
| Other Items | (6.478) | 0.000 | 0.000 | (6.478) |
| Cash Flow From Operation/CFFO | 121.503 | 45.596 | (16.212) | 150.887 |
| Changes in Current Assets & Liabilities | (14.993) | (7.481) | 0.000 | (22.474) |
| Changes in Other Assets & Liabilities | (6.273) | 7.079 | 0.000 | 0.806 |
| Cash Provided By Operations | 100.237 | 45.194 | (16.212) | 129.219 |
| CFFO Less Preferred Dividends | 120.550 | 45.596 | | 143.840 |
| Cash Flow Per Share | \$2.80 | \$2.39 | | \$3.34 |

</TABLE>

- (a) Assumes a price per share of \$13.00.
(b) Assumes an effective interest rate of 5.1%.
(c) Assumes a tax rate of 35.0%.

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Dillon, Read & Co. Inc.

12/10/93

Valero Natural Gas Partners, L.P.
Merger Effects on Valero Energy(a)

<TABLE>
<CAPTION>

| VEC | VLP | Adjustments | Pro Forma |
|-----|-----|-------------|-----------|
|-----|-----|-------------|-----------|

| <S> | <C> | <C> | <C> | <C> |
|---------------------------------------|-----------|-----------|-----------|-----------|
| Balance Sheet: | | | | |
| Cash and Equivalents | 39.783 | 20.571 | 0.000 | 60.354 |
| Other Current Assets | 295.734 | 194.605 | (51.957) | 438.382 |
| Total Current Assets | 335.517 | 215.176 | (51.957) | 498.736 |
| Net Property, Plant & Equipment | 1,258.348 | 741.472 | 9.935 | 2,009.775 |
| Investment in VLP | 26.555 | 0.000 | (26.555) | 0.000 |
| Investment in Leases | 105.439 | 0.000 | (105.439) | 0.000 |
| Other Investments | 28.438 | 0.000 | 0.000 | 28.438 |
| Other Assets | 65.043 | 79.834 | (5.853) | 139.024 |
| L-T Assets | 1,483.823 | 821.306 | (127.912) | 2,177.217 |
| Total Assets | 1,819.340 | 1,036.482 | (179.869) | 2,675.953 |
| Short-Term Debt | 10.000 | 9.000 | 0.000 | 19.000 |
| Current Maturities of L-T Debt | 16.452 | 28.885 | 0.000 | 45.337 |
| Current Lease Payments | 0.000 | 0.000 | 0.000 | 0.000 |
| Other Current Liabilities | 145.247 | 219.573 | (52.910) | 311.910 |
| Total Current Liabilities | 171.699 | 257.458 | (52.910) | 376.247 |
| Deferred Income Taxes | 251.074 | 0.000 | 0.000 | 251.074 |
| Other Deferred Credits | 39.043 | 4.105 | 9.901 | 53.049 |
| Other Liabilities | 290.117 | 4.105 | 9.901 | 304.123 |
| Long-Term Debt | 488.406 | 506.429 | 9.755 | 1,004,590 |
| Capital Lease Obligations | 0.000 | 103.832 | (103.832) | 0.000 |
| Redeemable Preferred Stock | 13.800 | 0.000 | 0.000 | 13.800 |
| Non-Redeemable Preferred Stock | 0.000 | 0.000 | 121.875 | 121.875 |
| Common Equity | 855.318 | 164.658 | (164.658) | 855.318 |
| Total L-T Capitalization | 1,357.524 | 774.919 | (136.860) | 1,995.583 |
| Total Liabilities & Equity | 1,819.340 | 1,036.482 | (179.869) | 2,675.953 |
| Total Debt (b) | 528.658 | 648.146 | | 1,082.727 |
| Tot. Debt/Tot. L-T Cap. + S-T Debt | 38.2% | 79.7% | | 52.6% |
| EBITDA/Interest Incurred | 4.1x | 1.8x | | 2.9x |
| CFFO/Interest Incurred | 3.2x | 0.9x | | 1.9x |
| CFFO/Total Debt | 23.0% | 7.0% | | 13.9% |

</TABLE>

(a) Assumes a price per share of \$13.00.

(b) Total Debt includes all debt, capital leases and redeemable preferred stock.

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Dillon, Read & Co. Inc.

12/10/93

Valero Natural Gas Partners, L.P.
Merger Effects on Valero Energy (a)

<TABLE>

<CAPTION>

| | VEC | VLP | Adjustments | Pro Forma |
|---------------------------------|-----------|---------|-------------|-----------|
| <S> | <C> | <C> | <C> | <C> |
| Balance Sheet: | | | | |
| Cash and Equivalents | 39.783 | 20.571 | 0.000 | 60.354 |
| Other Current Assets | 295.734 | 194.605 | (51.957) | 438.382 |
| Total Current Assets | 335.517 | 215.176 | (51.957) | 498.736 |
| Net Property, Plant & Equipment | 1,258.348 | 741.472 | 9.935 | 2,009.755 |
| Investment in VLP | 26.555 | 0.000 | (26.555) | 0.000 |
| Investment in Leases | 105.439 | 0.000 | (105.439) | 0.000 |
| Other Investments | 28.438 | 0.000 | 0.000 | 28.438 |
| Other Assets | 65.043 | 79.834 | 11.143 | 156.020 |
| L-T Assets | 1,483.823 | 821.306 | (110.916) | 2,194.213 |

| | | | | |
|------------------------------------|-----------|-----------|-----------|-----------|
| Total Assets | 1,819,340 | 1,036,482 | (162.873) | 2,692,949 |
| Short-Term Debt | 10.000 | 9.000 | 0.000 | 19.000 |
| Current Maturities of L-T Debt | 16.452 | 28.885 | 0.000 | 45.337 |
| Current Lease Payments | 0.000 | 0.000 | 0.000 | 0.000 |
| Other Current Liabilities | 145.247 | 219.573 | (52.910) | 311.910 |
| Total Current Liabilities | 171.699 | 257.458 | (52.910) | 376.247 |
| Deferred Income Taxes | 251.074 | 0.000 | 0.000 | 251.074 |
| Other Deferred Credits | 39.043 | 4.105 | 9.901 | 53.049 |
| Other Liabilities | 290.117 | 4.105 | 9.901 | 304.123 |
| Long-Term Debt | 488.406 | 506.429 | 26.751 | 1,021.586 |
| Capital Lease Obligations | 0.000 | 103.832 | (103.832) | 0.000 |
| Redeemable Preferred Stock | 13.800 | 0.000 | 0.000 | 13.800 |
| Non-Redeemable Preferred Stock | 0.000 | 0.000 | 121.875 | 121.875 |
| Common Equity | 855.318 | 164.658 | (164.658) | 855.318 |
| Total L-T Capitalization | 1,357.524 | 774.919 | (119.864) | 2,012.569 |
| Total Liabilities & Equity | 1,819.340 | 1,036.482 | (162.873) | 2,692.579 |
| Total Debt(b) | 528.658 | 648.146 | | 1,099,723 |
| Tot. Debt/Tot. L-T Cap. + S-T Debt | 38.2% | 79.7% | | 52.9% |
| EBITDA/Interest Incurred | 4.1x | 1.8x | | 2.9x |
| CFFO/Interest Incurred | 3.2x | 0.9x | | 1.9x |
| CFFO/Total Debt | 23.0% | 7.0% | | 13.7% |

</TABLE>

- (a) Assumes a price per share of \$14.75.
(b) Total Debt includes all debt, capital leases and redeemable preferred stock.

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Dillon, Read & Co. Inc. 12/10/93

Valero Natural Gas Partners, L.P.
Merger Effects on Valero Energy (a)

<TABLE>
<CAPTION>

| | Nine Months Ended 9/30/93 | | | |
|-----------------------------------|---------------------------|----------|-------------|-----------|
| | VEC | VLP | Adjustments | Pro Forma |
| <S> | <C> | <C> | <C> | <C> |
| Income Statement: | | | | |
| Operating Revenues | 940.223 | 994.636 | (213.914) | 1,720.945 |
| Equity Investments | 20.528 | 0.000 | (20.528) | 0.000 |
| Total Revenues | 960.751 | 994.636 | (234.442) | 1,720.945 |
| Cost of Goods Sold | 712.481 | 811.603 | (156.510) | 1,367.574 |
| Operating Expenses | 92.649 | 90.788 | (62.228) | 121.209 |
| General & Administrative Expenses | 0.000 | 0.000 | 0.000 | 0.000 |
| Operating Cash Flow/EBITDA | 155.621 | 92.245 | (15.704) | 232.162 |
| Depreciation & Amortization | 41.859 | 27.190 | 0.169 | 69.218 |
| Operating Income/EBIT | 113.762 | 65.055 | (15.873) | 162.944 |
| Other Income | 0.000 | 1.029 | 0.000 | 1.029 |
| Extraordinary Gains/(Loss) | 7.245 | 0.000 | 0.220 | 7.465 |
| Capital Lease Interest Incurred | 0.000 | (9.629) | 9.629 | 0.000 |
| Other Interest Incurred(b) | (37.640) | (41.208) | (1.021) | (79.869) |
| Interest Capitalized | 11.915 | 1.206 | 0.000 | 13.121 |
| Income Before Taxes | 95.282 | 16.453 | (7.045) | 104.690 |

| | | | | |
|------------------------------|--------|--------|----------|--------|
| Income Tax Expense(c) | 43.700 | 0.000 | 3.295 | 46.995 |
| Net Income | 51.582 | 16.453 | (10.340) | 57.695 |
| Preferred Dividends | 0.953 | 0.000 | 6.094 | 7.047 |
| Net Income to Common | 50.629 | 16.453 | (16.433) | 50.649 |
| Earnings Per Share | \$1.18 | \$0.86 | | \$1.18 |
| Weighted Average # of Shares | 43.074 | 19.052 | | 43.074 |

Cash Flow Statement:

| | | | | |
|---|----------|---------|----------|----------|
| Net Income | 50.629 | 16.453 | (16.433) | 50.649 |
| Depreciation and Amortization | 41.859 | 27.190 | 0.169 | 69.218 |
| Deferred Income Taxes | 26.600 | 0.000 | 0.000 | 26.600 |
| Amortization of Deferred Charges | 16.735 | 1.953 | 0.000 | 18.688 |
| Net (Gains)/Losses | (7.842) | 0.000 | (0.220) | (8.062) |
| Other Items | (6.478) | 0.000 | 0.000 | (6.478) |
| Cash Flow From Operations/CFFO | 121.503 | 45.596 | (16.485) | 150.614 |
| Changes in Current Assets & Liabilities | (14.993) | (7.481) | 0.000 | (22.474) |
| Changes in Other Assets & Liabilities | (6.273) | 7.079 | 0.000 | 0.806 |
| Cash Provided By Operations | 100.237 | 45.194 | (16.485) | 128.946 |
| CFFO Less Preferred Dividends | 120.550 | 45.596 | | 143.568 |
| Cash Flow Per Share | \$2.80 | \$2.39 | | \$3.33 |

</TABLE>

- (a) Assumes a price per share of \$14.75.
- (b) Assumes an effective interest rate of 5.1%.
- (c) Assumes a tax rate of 35.0%.

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Dillon, Read & Co. Inc.

12/10/93

Valero Natural Gas Partners, L.P.
Merger Effects on Valero Energy(a)

<TABLE>
<CAPTION>

| | VEC | VLP | Adjustments | Pro Forma |
|---------------------------------|-----------|-----------|-------------|-----------|
| <S> | <C> | <C> | <C> | <C> |
| Balance Sheet: | | | | |
| Cash and Equivalents | 39.783 | 20.571 | 0.000 | 60.354 |
| Other Current Assets | 295.734 | 194.605 | (51.957) | 438.382 |
| Total Current Assets | 335.517 | 215.176 | (51.957) | 498.736 |
| Net Property, Plant & Equipment | 1,258.348 | 741.472 | 9.935 | 2,009.755 |
| Investment in VLP | 26.555 | 0.000 | (26.555) | 0.000 |
| Investment in Leases | 105.439 | 0.000 | (105.439) | 0.000 |
| Other Investments | 28.438 | 0.000 | 0.000 | 28.438 |
| Other Assets | 65.043 | 79.834 | 23.283 | 168.160 |
| L-T Assets | 1,483.823 | 821.306 | (98.776) | 2,206.353 |
| Total Assets | 1,819.340 | 1,036.482 | (150.733) | 2,705.089 |
| Short-Term Debt | 10.000 | 9.000 | 0.000 | 19.000 |
| Current Maturities of L-T Debt | 16.452 | 28.885 | 0.000 | 45.337 |
| Current Lease Payments | 0.000 | 0.000 | 0.000 | 0.000 |
| Other Current Liabilities | 145.247 | 219.573 | (52.910) | 311.910 |
| Total Current Liabilities | 171.699 | 257.458 | (52.910) | 376.247 |
| Deferred Income Taxes | 251.074 | 0.000 | 0.000 | 251.074 |
| Other Deferred Credits | 39.043 | 4.105 | 9.901 | 53.049 |
| Other Liabilities | 290.117 | 4.105 | 9.901 | 304.123 |
| Long-Term Debt | 488.406 | 506.429 | 38.891 | 1,033.726 |
| Capital Lease Obligations | 0.000 | 103.832 | (103.832) | 0.000 |
| Redeemable Preferred Stock | 13.800 | 0.000 | 0.000 | 13.800 |
| Non-Redeemable Preferred Stock | 0.000 | 0.000 | 121.875 | 121.875 |
| Common Equity | 855.318 | 164.658 | (164.658) | 855.318 |

| | | | | |
|-------------------------------------|-----------|-----------|-----------|-----------|
| Total L-T Capitalization | 1,357.524 | 774.919 | (107.724) | 2,024.719 |
| Total Liabilities & Equity | 1,819.340 | 1,036.482 | (150.733) | 2,705.089 |
| Total Debt(b) | 528.658 | 648.146 | | 1,111.863 |
| Tot. Debt/Tot. L-T Cap. + S-T Debt. | 38.2% | 79.7% | | 53.2% |
| EBITDA/Interest Incurred | 4.1x | 1.8x | | 2.9x |
| CFFO/Interest Incurred | 3.2x | 0.9x | | 1.9x |
| CFFO/Total Debt | 23.0% | 7.0% | | 13.5% |

</TABLE>

(a) Assumes a price per share of \$16.00.

(b) Total Debt includes all debt, capital leases and redeemable preferred stock.

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Dillon, Read & Co. Inc.

12/10/93

Valero Natural Gas Partners, L.P.
Merger Effects on Valero Energy (a)

<TABLE>
<CAPTION>

| | Nine Months Ended 9/30/93 | | | |
|-----------------------------------|---------------------------|----------|-------------|-----------|
| | VEC | VLP | Adjustments | Pro Forma |
| <S> | <C> | <C> | <C> | <C> |
| Income Statement: | | | | |
| Operating Revenues | 940.223 | 994.636 | (213.914) | 1,720.945 |
| Equity Investments | 20.528 | 0.000 | (20.528) | 0.000 |
| Total Revenues | 960.751 | 994.636 | (234.442) | 1,720.945 |
| Cost of Goods Sold | 712.481 | 811.603 | (156.510) | 1,367.574 |
| Operating Expenses | 92.649 | 90.788 | (62.228) | 121.209 |
| General & Administrative Expenses | 0.000 | 0.000 | 0.000 | 0.000 |
| Operating Cash Flow/EBITDA | 155.621 | 92.245 | (15.704) | 232.162 |
| Depreciation & Amortization | 41.859 | 27.190 | 0.472 | 69.521 |
| Operating Income/EBIT | 113.762 | 65.055 | (16.176) | 162.641 |
| Other Income | 0.000 | 1.029 | 0.000 | 1.029 |
| Extraordinary Gains/(Losses) | 7.245 | 0.000 | 0.220 | 7.465 |
| Capital Lease Interest Incurred | 0.000 | (9.629) | 9.629 | 0.000 |
| Other Interest Incurred(b) | (37.640) | (41.208) | (1.485) | (80.333) |
| Interest Capitalized | 11.915 | 1.206 | 0.000 | 13.121 |
| Income Before Taxes | 95.282 | 16.453 | (7.812) | 103.923 |
| Income Tax Expense (c) | 43.700 | 0.000 | 3.026 | 46.726 |
| Net Income | 51.582 | 16.453 | (10.838) | 57.197 |
| Preferred Dividends | 0.953 | 0.000 | 6.094 | 7.047 |
| Net Income to Common | 50.629 | 16.453 | (16.932) | 50.150 |
| Earnings Per Share | \$1.18 | \$0.86 | | \$1.16 |
| Weighted Average # of Shares | 43.074 | 19.052 | | 43.074 |
| Cash Flow Statement: | | | | |
| Net Income | 50.629 | 16.453 | (16.932) | 50.150 |
| Depreciation and Amortization | 41.859 | 27.190 | 0.472 | 69.521 |
| Deferred Income Taxes | 26.600 | 0.000 | 0.000 | 26.600 |
| Amortization of Deferred Charges | 16.735 | 1.953 | 0.000 | 18.688 |
| Net (Gains)/Losses | (7.842) | 0.000 | (0.220) | (8.062) |
| Other Items | (6.478) | 0.000 | 0.000 | (6.478) |

| | | | | |
|---|----------|---------|----------|----------|
| Cash Flow From Operations/CFFO | 121.503 | 45.596 | (16.680) | 150.419 |
| Changes in Current Assets & Liabilities | (14.993) | (7.481) | 0.000 | (22.474) |
| Changes in Other Assets & Liabilities | (6.273) | 7.079 | 0.000 | 0.806 |
| Cash Provided By Operations | 100.237 | 45.194 | (16.680) | 128.751 |
| CFFO Less Preferred Dividends | 120.550 | 45.596 | | 143.373 |
| Cash Flow Per Share | \$2.80 | \$2.39 | | \$3.33 |

</TABLE>

-
- (a) Assumes a price per share of \$16.00.
(b) Assumes an effective interest rate of 5.1%.
(c) Assumes a tax rate of 35.0%.

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APPENDIX 12

PRESENTATION OF GRAPHIC MATERIAL IN EDGAR FORMAT

1. The graph having the title EBITDA Results/Projections appearing at page 9 of appendix 7 was omitted. In its stead, a chart providing data points and describing the data has been presented. (CONFIDENTIAL TREATMENT HAS BEEN REQUESTED FOR THE INFORMATION APPEARING IN SUCH CHART.)
2. The graph having the title CFFO Results/Projections appearing at page 10 of appendix 7 was omitted. In its stead, a chart providing data points and describing the data has been presented. (CONFIDENTIAL TREATMENT HAS BEEN REQUESTED FOR THE INFORMATION APPEARING IN SUCH CHART.)
3. The graph having the title Net Income Results/Projections appearing at page 11 of appendix 7 was omitted. In its stead, a chart providing data points and describing the data has been presented. (CONFIDENTIAL TREATMENT HAS BEEN REQUESTED FOR THE INFORMATION APPEARING IN SUCH CHART.)
4. The graph having the title Liquids: OP Income Results/Projections appearing at page 12 of appendix 7 was omitted. In its stead, a chart providing data points and describing the data has been presented. (CONFIDENTIAL TREATMENT HAS BEEN REQUESTED FOR THE INFORMATION APPEARING IN SUCH CHART.)
5. The graph having the title NGL Plant Production Results/Projections appearing at page 13 of appendix 7 was omitted. In its stead, a chart providing data points and describing the data has been presented. (CONFIDENTIAL TREATMENT HAS BEEN REQUESTED FOR THE INFORMATION APPEARING IN SUCH CHART.)
6. The graph having the title Actual/Projected NGL Market Prices appearing at page 14 of appendix 7 was omitted. In its stead, a chart providing data points and describing the data has been presented. (CONFIDENTIAL TREATMENT HAS BEEN REQUESTED FOR THE INFORMATION APPEARING IN SUCH CHART.)
7. The graph having the title Actual/Project NGL Gross Margins appearing at page 15 of appendix 7 was omitted. In its stead, a chart providing data points and describing the data has been presented. (CONFIDENTIAL TREATMENT HAS BEEN REQUESTED FOR THE INFORMATION APPEARING IN SUCH CHART.)
8. The graph having the title Pipeline: OP Income Results/Projections appearing at page 16 of appendix 7 was omitted. In its stead, a chart providing data points and describing the data has been presented. (CONFIDENTIAL TREATMENT HAS BEEN REQUESTED FOR THE INFORMATION APPEARING IN SUCH CHART.)
9. The graph having the title Total Throughput Projections appearing at page 17 of appendix 7 was omitted. In its stead, a chart providing data points and describing the data has been presented. (CONFIDENTIAL TREATMENT HAS BEEN REQUESTED FOR THE INFORMATION APPEARING IN SUCH CHART.)
10. The graph having the title Actual/Projected Transportation Fees

appearing at page 18 of appendix 7 was omitted. In its stead, a chart providing data points and describing the data has been presented.
(CONFIDENTIAL TREATMENT HAS BEEN REQUESTED FOR THE INFORMATION APPEARING IN SUCH CHART.)

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11. The graph having the title Operating Results/Projections: 1988-1994 appearing at page 2 of appendix 8 was omitted. In its stead, a chart providing data points and describing the data has been presented.
(CONFIDENTIAL TREATMENT HAS BEEN REQUESTED FOR THE INFORMATION APPEARING IN SUCH CHART.)
12. The graph having the title Liquids Segment: NGL Volumes appearing at page 3 of appendix 8 was omitted. In its stead, a chart providing data points and describing the data has been presented.
(CONFIDENTIAL TREATMENT HAS BEEN REQUESTED FOR THE INFORMATION APPEARING IN SUCH CHART.)
13. The graph having the title Liquids Segment: NGL Prices appearing at page 4 of appendix 8 was omitted. In its stead, a chart providing data points and describing the data has been presented.
(CONFIDENTIAL TREATMENT HAS BEEN REQUESTED FOR THE INFORMATION APPEARING IN SUCH CHART.)
14. The graph having the title Pipeline Segment: Throughput Volumes appearing at page 5 of appendix 8 was omitted. In its stead, a chart providing data points and describing the data has been presented.
(CONFIDENTIAL TREATMENT HAS BEEN REQUESTED FOR THE INFORMATION APPEARING IN SUCH CHART.)
15. The graph having the title Pipeline Segment: Natural Gas Sales appearing at page 6 of appendix 8 was omitted. In its stead, a chart providing data points and describing the data has been presented.
(CONFIDENTIAL TREATMENT HAS BEEN REQUESTED FOR THE INFORMATION APPEARING IN SUCH CHART.)
16. The graph having the title Stock Price Performance for Period: 10/23/93 - 12/08/93 appearing at page 2 of appendix 9 was omitted. In its stead, a chart providing data points and describing the data has been presented.
17. The graph having the title Stock Price Performance for the Period: 10/12/90 - 12/08/93 appearing at page 3 of appendix 9 was omitted. In its stead, a chart providing data points and describing the data has been presented.
18. The graph having the title Stock Price Performance for the Period: 9/30/88 - 12/08/93 appearing at page 4 of appendix 9 was omitted. In its stead, a chart providing data points and describing the data has been presented.
19. The graph having the title Stock Price Performance for the Period: 3/18/87 - 12/08/93 appearing at page 5 of appendix 9 was omitted. In its stead, a chart providing data points and describing the data has been presented.
20. The graph having the title Analysis of Historical P/E Ratios appearing at page 6 of appendix 9 was omitted. In its stead, a chart providing data points and describing the data has been presented.
21. The graph having the title Commodity Price Movements for the Period: 7/1985 - 10/1993 appearing at page 2 of appendix 10 was omitted. In its stead, a chart providing data points and describing the data has been presented.
22. The graph having the title Commodity Price Movements for the Period: 7/1985 - 10/1993 appearing at page 3 of appendix 10 was omitted. In its stead, a chart providing data points and describing the data has been presented.

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23. The graph having the title Commodity Price Movements for the Period: 7/1985 - 10/1993 appearing at page 4 of appendix 10 was omitted. In its stead, a chart providing data points and describing the data has been presented.
24. The graph having the title Commodity Price Movements for the Period: 7/1985 - 10/1993 appearing at page 5 of appendix 10 was omitted. In its stead, a chart providing data points and describing the data has been presented.
25. The graph appearing at page 16 of Appendix 4, and having the following heading was omitted:

HISTORICAL PREMIUMS ON
MINORITY CLOSE-OUTS
ONE MONTH BEFORE OFFER

The omitted material presented in graph form the percentages of premiums paid in 137 selected transactions involving the purchase of minority interests from 1/1/86 through 11/22/93.

<TABLE>
<CAPTION>

| PREMIUM % | NO. OF TRANSACTIONS |
|-----------|------------------------|
| ----- | ----- |
| <S> | <C> |
| -10 - 0% | 17 |
| 0 - 10% | 17 |
| 10 - 20% | 12 |
| 20 - 30% | 20 |
| 30 - 40% | 18 |
| 40 - 50% | 19 |
| 50 - 60% | 10 |
| 60 - 70% | 3 |
| 70 - 80% | 7 |
| 80 + % | 14 |
| | --- |
| TOTAL | 137 |

</TABLE>

26. The graph appearing at page 17 of Appendix 4, and having the following heading was omitted:

HISTORICAL PREMIUMS ON
MINORITY CLOSE-OUTS
ONE WEEK BEFORE OFFER

The omitted material presented in graph form the percentages of premiums paid in 137 selected transactions involving the purchase of minority interests from 1/1/86 through 11/22/93.

<TABLE>
<CAPTION>

| PREMIUM % | NO. OF TRANSACTIONS |
|-----------|------------------------|
| ----- | ----- |
| <S> | <C> |
| -10 - 0% | 12 |
| 0 - 10% | 15 |
| 10 - 20% | 24 |
| 20 - 30% | 23 |

</TABLE>

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<TABLE>

| | |
|----------|-----|
| <S> | <C> |
| 30 - 40% | 14 |
| 40 - 50% | 17 |
| 50 - 60% | 10 |
| 60 - 70% | 9 |
| 70 - 80% | 6 |
| 80 + % | 7 |
| | --- |
| TOTAL | 137 |

</TABLE>

27. The graph appearing at page 18 of Appendix 4, and having the following heading was omitted:

HISTORICAL PREMIUMS ON
MINORITY CLOSE-OUTS
ONE DAY BEFORE OFFER

The omitted material presented in graph form the percentages of premiums paid in 137 selected transactions involving the purchase of minority interests from 1/1/86 through 11/22/93.

<TABLE>
<CAPTION>

| PREMIUM % | NO. OF TRANSACTIONS |
|-----------|------------------------|
| ----- | ----- |
| <S> | <C> |
| -10 - 0% | 12 |
| 0 - 10% | 15 |

| | |
|----------|-----|
| 10 - 20% | 27 |
| 20 - 30% | 30 |
| 30 - 40% | 12 |
| 40 - 50% | 15 |
| 50 - 60% | 10 |
| 60 - 70% | 3 |
| 70 - 80% | 3 |
| 80 + % | 10 |
| | --- |
| TOTAL | 137 |

</TABLE>

PROJECT MAINE

OCTOBER 1993
SALOMON BROTHERS INC

2
SALOMON BROTHERS INC

<TABLE>
<CAPTION>

Outline of Presentation

| | |
|--|-----|
| | TAB |
| | --- |
| <S> | <C> |
| INTRODUCTION | A |
| VALUATION SUMMARY | B |
| REVIEW OF TRANSACTION STRUCTURE | C |
| PRO FORMA ANALYSIS | D |
| APPENDICES | E |
| DETAILED DCF MODEL | 1 |
| Detailed Pro Forma Combination Model | 2 |
| Stock Price Performance Graphs | 3 |
| Gathering, Transmission and Processing Comparables | 4 |
| Refining and Marketing Comparables | 5 |

</TABLE>

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SALOMON BROTHERS INC

INTRODUCTION

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SALOMON BROTHERS INC

Introduction

Issues associated with the repurchase of the 51% of VLP owned by the public:

- o Valuation of VLP
- o Precedent transactions (MLP buy-ins and minority squeeze outs)
- o Alternative transaction forms (cash tender, cash merger, exchange offer)
- o Convertible Preferred Stock ("Convert") as a means of financing the transaction
- o Transaction mechanics and timing
- o Potential impact of transaction on VLO stock price and credit rating

SALOMON BROTHERS INC

The Salomon Transaction Team

ENERGY CORPORATE FINANCE

Garfield Miller, Managing Director, Head of the Energy Group
 David Prend, Director
 Scott Baxter, Vice President
 Nick Leone, Associate
 Roy Jageman, Associate
 Rick Dowdle, Analyst

MERGERS AND ACQUISITIONS

David Wittig, Managing Director, Co-Head of Mergers and Acquisitions
 Laurie Coben, Vice President

EQUITY CAPITAL MARKETS

Peter Blanton, Vice President
 Kevin Swanson, Vice President

OTHER

Don Dufresne, Equity Research
 Roger Taylor, Fixed Income Research
 Mark Hallock, Private Placements
 Moctar Fall, Investment Grade Debt
 Sean Crowley, High Yield Debt

SALOMON BROTHERS INC

VALUATION SUMMARY

SALOMON BROTHERS INC

Key Issues Regarding Valuation of VLP

- o Current unit price of \$9.375
- o Very high leverage (80% Debt/Book Capitalization) impacts value
 - Debt is effectively non-redeemable
 - Highly leveraged equities tend to be valued at a discount due to financial risk
 - Small variations in value of business are amplified by leverage into large variations in equity value
- o Low historical and projected growth relative to comparable public companies
- o MLP structure/impact on tax treatment

SALOMON BROTHERS INC

Price and Volume Profile of VLP

[GRAPH A]

Valero Natural Gas Partners, LP: Price (left axis)
Valero Natural Gas Partners, LP: Volume (right axis)

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SALOMON BROTHERS INC

Dividend Yield Profile of VLP

VALERO NATURAL GAS PARTNERS, LP
DAILY DATA - 12/30/88 THROUGH 10/1/93

[GRAPH B]

Valero Natural Gas Partners, LP

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SALOMON BROTHERS INC

Publicly Traded MLPs

- o No publicly traded MLPs in the natural gas/processing business.

MLP PUBLIC COMPANIES

<TABLE>
<CAPTION>

| PIPELINE MLP'S | UNIT PRICE (a) | YIELD LTM | DEBT/BOOK CAPITALIZATION | FIRM VALUE/LTM EBDIAT (b) | MARKET EQUITY VALUE (MILLIONS) | FIRM VALUE (MILLIONS) |
|--|----------------|-----------|--------------------------|---------------------------|--------------------------------|-----------------------|
| VALERO NATURAL GAS PARTNERS, L.P. | \$ 9.125 | 5.5% | 79.6% | 6.1X | \$174 | \$ 784 |
| Buckeye Partners, L.P. | 37.375 | 7.0 | 50.5 | 8.5 | 453 | 667 |
| Kaneb Pipe Line Partners, L.P. | 27.750 | 7.9 | 24.6 | 6.5 | 201 | 229 |
| TEPPCO Partners, L.P. | 28.125 | 7.8 | 58.8 | 7.9 | 408 | 712 |
| Lakehead Pipe Line Partners, L.P. | 31.750 | 7.4 | 46.6 | 8.8 | 692 | 931 |
| Enron Liquids Pipeline, L.P. | 31.000 | 7.1 | 45.2 | 7.8 | 175 | 275 |
| Santa Fe Pacific Pipeline Partners, L.P. | 39.000 | 7.2 | 55.6 | 8.9 | 747 | 1,075 |

(a) Prices as of October 6, 1993
(b) Financials as of June 1993

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SALOMON BROTHERS INC

Premium Analysis

STARTING POINT FOR VALUATION IS THE CURRENT MARKET PRICE. PRICE @ 10/7/93 = \$9.375

<TABLE>
<CAPTION>

(\$ in millions, except per share)

| | VLP LTM DATA | CURRENT MARKET | ASSUMED OFFER PRICE PER UNIT | | | | | |
|---------------------------------------|--------------------|-------------------|------------------------------|---------|---------|---------|---------|---------|
| | | | \$9.00 | \$10.00 | \$11.00 | \$12.00 | \$13.00 | \$14.00 |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
| Implied Total Equity Value (\$mm) (a) | | 178.6 | 171.5 | 190.5 | 209.6 | 228.6 | 247.7 | 266.7 |
| Implied Total Firm Value (\$mm) (a) | | 807.1 | 800.0 | 819.0 | 838.1 | 857.1 | 876.2 | 895.2 |
| PREMIUM TO MARKET: | | | | | | | | |
| October 7 | \$9.38 | 0.0% | -4.0% | 6.7% | 17.3% | 28.0% | 38.7% | 49.3% |
| LTM High | \$9.88 | -5.1% | -8.9% | 1.3% | 11.4% | 21.5% | 31.6% | 41.8% |
| LTM Low | \$7.75 | 21.0% | 16.1% | 29.0% | 41.9% | 54.8% | 65.7% | 80.6% |
| OFFER PRICE TO: | | | | | | | | |
| LTM Earnings per Share (b) | \$0.96 | 9.8x | 9.4x | 10.4x | 11.4x | 12.5x | 13.5x | 14.6x |
| 1994E Earnings per Share (b) | \$0.19 | 48.3x | 46.4x | 51.5x | 56.7x | 61.9x | 67.0x | 72.2x |
| Book Value (6/30/93) | \$8.50 | 110.3% | 105.9% | 117.7% | 129.4% | 141.2% | 153.0% | 164.7% |
| LTM Cash Flow per Share (b) | \$2.89 | 3.2x | 3.1x | 3.5x | 3.8x | 4.2x | 4.5x | 4.8x |
| TOTAL FIRM VALUE TO: | | | | | | | | |
| LTM EBITDA | \$126.7 | 6.4x | 6.3x | 6.5x | 6.6x | 6.8x | 6.9x | 7.1x |
| LTM EBIT | 94.2 | 8.6x | 8.5x | 8.7x | 8.9x | 9.1x | 9.3x | 9.5x |

</TABLE>

(a) Assuming net debt and capitalized lease obligations of \$628.501 million and 19.05 million units outstanding.

(b) Assuming a 35% book tax rate and a 15% cash tax rate.

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SALOMON BROTHERS INC

Recent MLP Buy-Ins

| ANNOUNCEMENT DATE | ACQUIROR | LIMITED PARTNERSHIP/TARGET | PRE-TRANSACTION OWNERSHIP | PREMIUM PAID (a) |
|----------------------|--|-------------------------------------|------------------------------|---------------------|
| <S> | <C> | <C> | <C> | <C> |
| 2/15/89 | ENSERCH Corp. | ENSERCH Exploration Partners, Ltd. | 87% | 7% |
| 12/20/89 | National Intergroup, Inc. | Permian Partners, L.P. | 44% | 34% |
| 8/15/88 | Apache Corp. | Apache Petroleum Co. L.P. | 7% | 7% |
| 7/31/90 | Freeport-McMoRan Inc. | Freeport-McMoRan Oil & Gas Co. | 81.5% | 44% |
| 11/1/89 | Freeport-McMoRan Oil & Gas Co. | Freeport-McMoRan Energy Partners | 81.5% | None |
| 6/11/90 | Unocal Exploration Corporation | Union Exploration Partners, Limited | 95% | None |
| 9/10/93 | Santa Fe Energy Resources, Inc. | Santa Fe Energy Partners L.P. | 91% | 31% |
| 8/12/93 | Southland Royalty Co./ Burlington Resources Inc. | Permian Basin Royalty Trust | 33% | 25% |

</TABLE>

| ANNOUNCEMENT DATE | TYPE OF CONSIDERATION | TRANSACTION VALUE | % YIELD (PRE/POST) |
|----------------------|--------------------------|----------------------|-----------------------|
|----------------------|--------------------------|----------------------|-----------------------|

| <S> | <C> | (\$ in millions) | <C> |
|----------|----------------------------------|------------------|--------------|
| 2/15/89 | Common Stock & Cash | \$153.2 | 10.8% / 3.7% |
| 12/20/89 | Cash | 62.8 | 32% / NM |
| 8/15/88 | Common Stock | 138.1 | --% / 3.5% |
| 7/31/90 | Common Stock | 251.9 | 1.3% / 3.6% |
| 11/1/89 | Conversion to Corp. Common Stock | 207.8 | 24.1% / 1.0% |
| 6/11/90 | Conversion to Corp. Common Stock | 216.5 | 10.9%/2.2% |
| 9/10/93 | Cash | 28.3 | 10.7% / NM |
| 8/12/93 | Cash | 151.4 | 9.3% / NM |
| </TABLE> | | | |
| | MEDIAN PREMIUM PAID | 28% | |

(a) Premium calculated live trading days prior to announcement.

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SALOMON BROTHERS INC

Summary of Minority Squeeze Outs
CASH TRANSACTIONS (a)

| <TABLE> | <CAPTION> | | | | | |
|-------------------------------------|---|----------|-----------|-----------------------------------|---------------------------------|--|
| ACQUIRORS HOLDINGS AT TIME OF OFFER | ACQUIROR/TARGET | DATE | % HOLDING | 1 MONTH PRIOR TO ANNOUNCEMENT (b) | 1 DAY PRIOR TO ANNOUNCEMENT (b) | |
| <S> | <C> | <C> | <C> | <C> | <C> | |
| Below 50% | General Host Corp./Sunbelt Nursery Group Inc. | 7/28/93 | 49.5% | 16.0% | 1.3% | |
| | Lelakis Group/Regency Cruises Inc. | 6/12/91 | 37.0 | 32.7 | 48.6 | |
| | Investor Group/Stanley Interiors Corp. | 8/16/88 | 47.0 | 46.7 | 49.2 | |
| | MEAN | | | 31.8% | 33.0% | |
| 50% to 60% | Carroll Family/Katy Industries | 9/2/92 | 51.7 | 30.6 | (4.2) | |
| | Stavelly Industries/Weigh-Tronix | 6/13/91 | 57.0 | 50.2 | 51.5 | |
| | MEAN | | | 40.4% | NA | |
| 60% to 80% | Land O'Lakes/Country Lakes Foods | 7/26/91 | 68.2 | 64.0 | 4.1 | |
| | Dow Jones/Telerate | 9/22/89 | 67.0 | 30.2 | 3.1 | |
| | Ogden Corp./ERC Environ & Energy | 10/23/90 | 68.0 | 22.9 | 34.8 | |
| | MEAN | | | 39.0% | 19.5% | |
| 80% and up | W.R. Grace/Grace Energy | 3/3/92 | 83.4 | 56.7 | 7.5 | |
| | Tine Warner/American T.V. & Comm. | 10/17/91 | 82.7 | 0.3 | 0.6 | |
| | Pennzoil/Jiffy Lube | 7/30/91 | 82.4 | 17.6 | 18.9 | |
| | Kansas City Southern DST Systems | 5/17/90 | 87.1 | 51.6 | 24.1 | |
| | Olympia & York/GW Utilities Limited | 1/30/90 | 89.3 | 75.3 | 90.2 | |
| | Tico Taco Inc./Del Taco Restaurants | 2/9/90 | 81.8 | 46.5 | 29.8 | |

| | | |
|-----------------------|-------|-------|
| MEAN | 41.3% | 28.5% |
| ALL TRANSACTIONS MEAN | 38.7% | 29.1% |

</TABLE>

- (a) Selected transactions.
- (b) S&P 600-adjusted return.

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SALOMON BROTHERS INC

Summary of Minority Squeeze Outs

STOCK-FOR-STOCK TRANSACTIONS (a)

| <TABLE> | | | | | | |
|---|------------------------------------|---------|--------------|--------------------------------------|---|---------------------------------------|
| <CAPTION> | | | | | | |
| ACQUIRORS HOLDINGS AT TIME OF OFFER | ACQUIROR/ TARGET | DATE | % HOLDING | % OF COMB. CO. OWNED BY TARGET | 1 MONTH PRIOR TO ANNOUNCEMENT (b) | 1 DAY PRIOR TO ANNOUNCEMENT (b) |
| ----- | ----- | ----- | ----- | ----- | ----- | ----- |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> |
| 50% TO 60% | Intermark/Triton | 8/31/90 | 51.6% | 46.0% | 19.9% | 2.7% |
| | Alberta Energy/Chieftain | 8/18/88 | 57.0 | 10.4 | 16.3 | 23.4 |
| | Placer Dome/Kiena Gold | 6/22/88 | 56.7 | 2.1 | 23.6 | 11.7 |
| | PG&E/PGT | | 50.5 | 2.1 | 41.2 | 39.6 |
| | MEAN | | | 15.2% | 25.3% | 19.4% |
| 60% TO 80% | Murphy Oil/Ocean Drilling | 1/4/91 | 61.0 | 19.7 | 14.2 | 14.5 |
| | Collins Foods/Sizzler | 9/11/90 | 66.0 | 23.4 | 19.6 | 27.9 |
| | Placer Dome/Sigma Mines | 6/22/88 | 64.7 | 1.3 | 27.8 | 6.2 |
| | Primerica/A L Williams | 6/9/89 | 69.8 | 14.8 | 38.3 | 24.4 |
| | J & J Foods/ICEE | 3/23/88 | 72.0 | 1.2 | 23.7 | 29.4 |
| | EnviroSource Inc./Envirosafe Srvs. | 8/2/91 | 62.5 | 23.4 | (6.1) | 35.9 |
| | MEAN | | | 14.0% | 19.6% | 23.1% |

</TABLE>

- (a) Completed Transactions Only.
- (b) S&P 500-adjusted return

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SALOMON BROTHERS INC

Summary of Minority Squeeze Outs

STOCK-FOR-STOCK TRANSACTIONS (CONTINUED) (a)

| <TABLE> | | | | | | |
|---|---------------------|-------|--------------|--------------------------------------|---|---------------------------------------|
| <CAPTION> | | | | | | |
| ACQUIRORS HOLDINGS AT TIME OF OFFER | ACQUIROR/ TARGET | DATE | % HOLDING | % OF COMB. CO. OWNED BY TARGET | 1 MONTH PRIOR TO ANNOUNCEMENT (b) | 1 DAY PRIOR TO ANNOUNCEMENT (b) |
| ----- | ----- | ----- | ----- | ----- | ----- | ----- |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> |

| | | | | | | |
|------------|--------------------------------|----------|-------|-------|-------|-------|
| 80% AND UP | USWest/USWest NewVector | 11/12/90 | 80.9% | 2.7% | 78.1% | 48.1% |
| | Freeport/Freeport Oil & Gas | 7/31/90 | 81.5 | 12.0 | 49.0 | 37.4 |
| | Starrett/Levitt | 7/14/88 | 80.0 | 10.6 | 41.6 | 26.9 |
| | Charter/Spelling Entertainment | 2/7/92 | 95.6 | 2.7 | 70.4 | 23.0 |
| | Unocal/Unocal Exploration | 2/25/92 | 99.8 | 0.1 | 20.7 | 14.7 |
| | MEAN | | | 5.6% | 52.0% | 30.0% |
| | ALL TRANSACTIONS MEAN | | | 11.5% | 31.9% | 24.4% |

</TABLE>

- - - - -

- (a) Completed Transactions Only.
- (b) S&P 500-adjusted return

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SALOMON BROTHERS INC

Valuation Methodologies

PUBLIC MARKET MULTIPLES

- o Selected public market trading multiples of intrastate gas pipelines and gas processing companies applied to VLP's historical and projected operating results
- o VLP's projected operating results are management's projections

COMPARABLE TRANSACTION MULTIPLES

- o Acquisition multiples of EBDIAT are selected from recent comparable M&A transactions

DISCOUNTED CASH FLOW ANALYSIS

- o Analysis uses unleveraged free cash flow of VLP as projected by VLO management
- o Free cash flows and discount rates for VLP assume zero taxes due to partnership structure
- o Terminal values are calculated using a perpetual growth methodology

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SALOMON BROTHERS INC

VLP Valuation Summary

VALUATION METHODOLOGY

*(Dollars in millions, except per unit values)

<TABLE>

<CAPTION>

| | VLP Data | Reference Multiple Range | | Implied Equity Value (a) | |
|-----------------------------|----------|--------------------------|-------|--------------------------|---------|
| | | Low | High | Low | High |
| <S> | <C> | <C> | <C> | <C> | <C> |
| PUBLICLY TRADED COMPARABLES | | | | | |
| EBDIAT LTM | \$127 | 6.5x | 7.5x | \$10.33 | \$17.00 |
| 1994E | \$112 | 6.0x | 7.0x | \$2.27 | \$8.15 |
| Cash Flow (b) LTM | \$55 | 5.5x | 6.5x | \$15.88 | \$18.77 |
| Earnings (b) 1993E | \$11 | 17.0x | 21.0x | \$9.82 | \$12.13 |

| | | | | | | |
|-------------------------------|-------|-------|-------|-------|---------|---------|
| 1994E | | \$4 | 15.0x | 19.0x | \$2.91 | \$3.69 |
| M&A TRANSACTIONS | | | | | | |
| EBDIAT | LTM | \$127 | 7.0x | 8.0x | \$13.66 | \$20.33 |
| | 1993E | \$122 | 7.0x | 8.0x | \$12.19 | \$18.65 |
| DISCOUNTED CASH FLOW ANALYSIS | | | | | \$4.60 | \$11.20 |

</TABLE>

- * Numbers may not be tie directly due to rounding.
- (a) Assumes \$639 Debt, \$18 million in Deferred Management Fees, \$28 million cash and 19.05 million units outstanding.
- (b) Assuming a 35% book tax rate and a 15% cash tax rate.

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SALOMON BROTHERS INC

Comparable Considerations

IN DETERMINING APPROPRIATE PUBLIC MARKET MULTIPLES FOR VLP, SALOMON HAS CONSIDERED THE FOLLOWING FACTORS INFLUENCING THE VALUATION OF OTHER GATHERING, TRANSMISSION AND PROCESSING COMPANIES AND THE POTENTIAL MARKET VALUATION OF VLP.

- o The market would look closely at VLP's historical earnings trend and composition as an indicator of potential future performance.
 - VLP's pipeline operations have been on a consistent downward trend, declining each year from \$71 million in 1988 to \$33 million in 1992.
 - While NGL operating profits (64% of 1992 operating profit) have been stable in the \$55 - \$65 million range for the last three years, in 1988 and 1989 EBIT was \$1 million and \$5 million respectively.
 - o The market will look to the 1988 and 1989 returns as an indication of the potential downside in the event of another substantial industry downturn.
 - o This view will be mitigated by a market view that the industry has made a fundamental/structural shift and future risk is lower than in the past.
- o Furthermore, VLP's growth prospects are perceived to be more limited than the other Gathering, Transmission and Processing companies due to the capital structure.

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SALOMON BROTHERS INC

Comparable Considerations

- o Most of the publicly traded comparables have demonstrated substantial growth historically and as a result are regarded as having additional growth potential.
 - American Oil & Gas, Associated Natural Gas, Tejas Gas, Aquila and Western Gas Resources have all achieved substantial growth through acquisitions.
 - The above companies have increased operating income (1) 20% - 65% annually since 1990 and have generated a corresponding increase in E.P.S.
 - Their stock prices have increased 150% since 1991 and are currently trading at high multiples in anticipation of continued growth.

- VLP has no comparable track record.
- o Trident and USX-Delhi have demonstrated substantially lower margin growth.
 - Trident's margin is dominated by gas processing and has dropped 10% in each of the last two years.
 - o Trident has a stable fractionation business which has consistently generated approximately \$25 of gross margin since 1983.
 - o Trident's NGL gross margin of \$83 million (excluding fractionation) is approximately double the 1988-1989 levels.

- -----

(1) Gross margins were used as a proxy for operating income where data was unavailable.

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SALOMON BROTHERS INC

Comparable Considerations

- o USX-Delhi's operations have been a stable cash flow generator over the last 5 years.
 - The stock, however, is negatively impacted by the overhang of the pending secondary offering and the letter stock structure.
 - The market does not anticipate any growth via acquisitions.

CONCLUSION

- o Trident, Aquila and USX-Delhi are the closest proxies for a public market valuation of VLP. However, Trident and Aquila are only filed offerings, not currently public traded companies.
- o The other Gathering, Transmission and Processing companies are less comparable due to their extremely high growth record and perceived future prospects.
- o Highly leveraged capital structure and lack of historical growth record would place VLP at the lower end of comparable multiple range.

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SALOMON BROTHERS INC

Publicly Traded Comparable Companies

SELECTED INTRASTATE GAS PIPELINE AND PROCESSING COMPANIES

<TABLE>
<CAPTION>

| | FIRM VALUE/EBDIAT | | PRICE/CASH FLOW | PRICE/EARNINGS | |
|------------------------|-------------------|-------|-----------------|----------------|-------|
| | LTM | 1994E | LTM | 1993E | 1994E |
| <S> | <C> | <C> | <C> | <C> | <C> |
| American Oil & Gas | 8.6x | 6.1x | 10.7x | 17.4x | 12.4x |
| Associated Natural Gas | 9.4 | 8.1 | 10.3 | 24.7 | 19.6 |
| Tejas Gas | 10.4 | 10.2 | 10.3 | 36.4 | 26.0 |
| USX-Delhi | 5.4 | 4.4 | 5.4 | 16.5 | 13.1 |

| | | | | | |
|-------------------------|------------|------------|------------|--------------|--------------|
| Western Gas Resources | 13.0 | 10.1 | 14.4 | 25.1 | 19.7 |
| High | 13.0x | 10.2x | 14.4x | 36.4x | 26.0x |
| Median | 9.4 | 8.1 | 10.3 | 24.7 | 19.6 |
| Low | 5.4 | 4.4 | 5.4 | 16.5 | 12.4 |
| CURRENT FILINGS: | | | | | |
| Aquila | 8.1x | NA | 6.6x | NA | NA |
| Trident NGL | 7.4 | NA | 6.7 | NA | NA |
| SALOMON REFERENCE RANGE | 6.5 - 7.5x | 6.0 - 7.0x | 5.5 - 6.5x | 17.0 - 21.0x | 15.0 - 19.0x |

 NB: Selected financial results as of June 30, 1993.
 (a) Source of projected EBDIAT: Analyst research reports.
 (b) Cash flow from operations equals net income plus depreciation and amortization, change in deferred taxes, and other non-cash items.
 (c) Source of projected EPS: IBES (6/20/93), median estimate
 (d) Assumes a 35% book tax rate and a 15% cash tax rate.

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 SALOMON BROTHERS INC

Relative Market Size of the Natural Gas Industry

The Gathering, Transmission & Processing sector is a relatively small part of the natural gas equity market and is dominated by large insider ownership.

[GRAPH C]

[] Insider ownership in the GTP Industry

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 SALOMON BROTHERS INC

Liquidity in the Natural Gas Equity Market

Due to its small size, the GTP sector is much less liquid compared to the pipeline and E&P sectors of the natural gas industry.

TOTAL SHARES TRADED AS A PERCENTAGE OF
 MARKET CAPITALIZATION

[GRAPH D]

 Data for latest twelve months

Publicly-Traded Comparable Companies

| <TABLE> | <CAPTION> | COMPANY | COMMENTS |
|------------------------------------|----------------------------------|---------|--|
| <S> | American Oil and Gas Corporation | | <C> <ul style="list-style-type: none"> o Operations dominated by the pipeline o Acquired Maple gas processing in 1992 o Two year EBIT growth of 21% o Smallest of the comparables (\$378 million firm value) |
| Associated Natural Gas Corporation | | | <ul style="list-style-type: none"> o EBIT has grown 31% per year since 1990 o Revenue growth of 52% per year since 1990 o Solid track record of successful acquisitions |
| Tejas Gas Corporation | | | <ul style="list-style-type: none"> o Substantial insider holdings o The company has achieved dramatic growth and significantly expanded business via the acquisition of Exxon assets o Gross margin is 94% derived from the pipeline operations |

</TABLE>

Publicly-Traded Comparable Companies

| <TABLE> | <CAPTION> | COMPANY | COMMENTS |
|-----------------------------|-----------------|---------|---|
| <S> | USX-Delhi Group | | <C> <ul style="list-style-type: none"> o Significant overhang from the letter stock structure and planned secondary offering o Margins have been stable and are primarily driven by pipeline operations o Limited revenue and margin growth since 1990 o Growth via acquisitions is not expected in the near or intermediate term |
| Western Gas Resources, Inc. | | | <ul style="list-style-type: none"> o Primarily a pure play gas processing company o Substantial insider holdings o Recent acquisition of Mountain Gas Resources is not yet included in financials, implying multiplies of pro forma earnings are lower than currently indicated o Operating earnings growth of 49% annually since 1990 driven by solid acquisition track record |

</TABLE>

| <TABLE> <CAPTION> | COMPANY | COMMENTS |
|----------------------|---------------------------|--|
| <S> | Aquila Gas Pipeline Corp. | <ul style="list-style-type: none"> o Utilicorp has built the company via acquisitions in two years o Solid 2 year revenue growth for pipeline and processing |
| | Trident NGL, Inc. | <ul style="list-style-type: none"> o Gross margin is 89% derived from gas processing o Although gross margin of \$83(1) million is down from 1990 highs, it is approximately double the 1988 - 1989 levels o Stable fractionation business (\$25 million gross margin) o Historical gas processing margin reached a low of \$41 million versus VLP's NGL operating income of \$4 million in 1989 |

</TABLE>

Although recently filed IPOs may be used to provide a benchmark, the IPO may be completed above or below the range, or may not be accepted by the market.

(1) Excludes \$25 million of fractionation margin.

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SALOMON BROTHERS INC

Publicly-Traded Comparable Companies
(\$ millions)

| <TABLE> <CAPTION> | VLP | AQUILA (2) | AMERICAN O&G | ASSOC. NATURAL GAS | TEJAS (1) GAS | TRIDENT (1) | USX- DELHI (1) | WESTERN GAS RESOURCES |
|-----------------------|---------|------------|-----------------|-----------------------|------------------|-------------|-------------------|--------------------------|
| <S> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
| 1992 REVENUES | | | | | | | | |
| Pipeline & Other | \$743 | \$140 | \$375 | NA | \$810 | \$492 | \$387 | \$31 |
| Processing | 466 | 71 | 56 | NA | 73 | 386 | 70 | 569 |
| Total | \$1,209 | \$211 | \$431 | \$928 | \$883 | \$878 | \$457 | \$600 |
| % Processing | 39% | 34% | 13% | NA | 8% | 44% | 15% | 95% |
| 2 year CAGR | | | | | | | | |
| Pipeline & Other | (2)% | 32% | (7)% | NA | NA | (7)% | 4% | 28% |
| Processing | 19 | 16 | 152 | NA | NA | (3) | 26 | 55 |
| Total | 5% | 23% | (1)% | 52% | 87% | (5)% | 6% | 53% |
| 1992 OPERATING INCOME | | | | | | | | |
| Pipeline & Other | \$32 | NA | NA | NA | \$134 | \$ 13 | \$111 | NA |
| Processing | 57 | NA | NA | NA | 9 | 108 | 26 | NA |
| Total | \$89 | \$42 | \$32 | \$31 | \$143 | \$121 | \$137 | \$69 |
| % Processing | 64% | NA | NA | NA | 6% | 89% | 20% | NA |
| 2 year CAGR | | | | | | | | |
| Pipeline & Other | (20%) | NA | NA | NA | 75% | (25%) | 2% | NA |
| Processing | 3 | NA | NA | NA | 4 | (7) | 12 | NA |
| Total | (7)% | NA | 21% | 35% | 65% | (10)% | 4% | 46% |

</TABLE>

-
- (1) Operating income data based on gross margin because segment operating income is not available.
 - (2) Pro Forma 1990 acquisitions; historical operating income data is not comparable.

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SALOMON BROTHERS INC

Publicly-Traded Comparable Companies

SELECTED OPERATING STATISTICS

<TABLE>
<CAPTION>

| | VLP | American Oil & Gas (1) | Associated Natural Gas | Tejas Gas | USX- Delhi | Western Gas |
|---|------------|------------------------------|------------------------------|--------------|---------------|----------------|
| <S> | <C> | <C> | <C> | <C> | <C> | <C> |
| SELECTED NATURAL GAS | | | | | | |
| GATHERING DATA | | | | | | |
| Miles of Systems Pipeline | 7,200 | 5,634 | 4,068 | 2,626 (2) | 8,379 | 9,314 |
| Connected Oil & Gas Wells | NA | NA | 4,170 | NA | NA | NA |
| Dedicated Reserves (bcf) | NA | NA | NA | NA | 1,650 (3) | 1,207 |
| Gathering Systems Throughput (bcf) | | | | | | |
| Sales | 326 | 208 | NA | 255 (7) | 200 | NA |
| Transportation | 476 | 92 | NA | 166 | 103 | NA |
| Total Net Throughput | 802 | 300 | 246 (4) | 421 | 303 | 214 |
| GAS PROCESSING DATA | | | | | | |
| Number of Operating Plants | 10 | 9 | 14 (6) | 7 | 14 | 31 |
| Total Number of Plants | 10 | 10 | 14 | 8 | 21 | 31 |
| NGL Sales (mmbbls) | 34,274 | 4,745 | 6,422 | 1,191 | 5,358 | 15,738 |
| Processing Capacity (mmcf/day) | 1,700 | 255 (5) | NA | 175 | 1,046 (8) | 1,124 |
| Gas Throughput (mmcf/day) | NA | 221 | 419 | 73 | NA | 580 |

</TABLE>

-
- (1) Includes acquisition of Maple Gas Corp.
 - (2) Includes 230 miles of a joint venture.
 - (3) Includes 218 bcf from the Marathon Group.
 - (4) Includes 92/bcf/yr. in facilities operated by the Company but owned by third parties.
 - (5) Includes 55 mmcfpd processed at third-party owned sites.
 - (6) Includes four fractionation facilities.
 - (7) Includes 75 bcfpd of off-system throughput.
 - (8) Source: Oil & Gas Journal, 7/22/91. Includes 17 plants only.

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SALOMON BROTHERS INC

Comparable M&A Transactions

<TABLE>
<CAPTION>

ISSUES/ASSUMPTIONS

| | |
|------------------------------|--|
| <S> | <C> |
| o Lack of Public Information | Many of the transactions listed are either private companies or are subsidiaries of public companies, so the amount of public information available is limited. |
| o Multiples vs. DCF | Although we use a multiple of EBDIAT as an approximate measure of value, buyers primarily utilize a DCF approach. Therefore, these multiples reflect the buyers' views of value, potential synergies, tax benefits, etc. |
| o Leverage Sensitivity | Due to the high degree of leverage, equity value of the VLP units implied by multiples is extremely sensitive. |

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SALOMON BROTHERS INC

Comparable M&A Transactions

MANY OF THE PREVIOUS M&A TRANSACTIONS AND THE PRICES PAID FOR COMPANIES IN THE GATHERING, TRANSMISSION AND PROCESSING SECTOR ARE NOT DIRECTLY COMPARABLE TO VLP

| <TABLE> <CAPTION> | COMPANY | COMMENTS |
|----------------------|---------------------|--|
| <S> | LIG | Has been sold three times in the last five years. |
| | Exxon Gas System | Represented strategic value to Tejas due to location. Access to gas reserves and tie-in capability with all interstate pipelines. |
| | Louisiana Resources | Enron needed it for their other gas systems. Not a large acquisition for Enron. |
| | UGPL | Company was on verge of bankruptcy. Koch used a DCF with implied benefits due to step-up in tax basis and significant overhead cuts. |

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SALOMON BROTHERS INC

Comparable M&A Transactions

RECENT COMPARABLE M&A TRANSACTIONS

| <TABLE> <CAPTION> | DATE ANNOUNCED (CLOSING) | ACQUIRING COMPANY/ ACQUIRED COMPANY | FIRM VALUE (millions) | FIRM VALUE/ LTM EBDIAT |
|----------------------|--------------------------------|---|-----------------------------|---------------------------|
| <S> | 5/5/93 (6/30/93) | Equitable/ LIG (Arkla) | \$185 | 8.0x (a) |
| | 5/3/93 (9/15/93) | Tejas/ Exxon Gas Supply | \$380 | 7.9x |
| | 2/11/93 (3/31/93) | Enron Corp./ Louisiana Resources Co. | \$170 | 10.6x |
| | 10/30/92 (11/15/92) | Koch Industries/ United Gas Pipeline | \$385 | 7.7x |
| | | Salomon Reference Range: | | 7.0x - 8.0x |

(a) Multiple is of revised 1993 estimated EBDIAT.

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SALOMON BROTHERS INC

Discounted Cash Flow Analysis

<TABLE>
<CAPTION>

| ISSUES/ASSUMPTIONS | |
|------------------------|---|
| <S> | <C> |
| o Projections | Management's most recent projections as Base Case with Salomon sensitivity to discount rates, growth rates and changes to operating income which incorporate potential changes in costs, gas sales and transportation prices and volumes. |
| o Taxes | Utilizes a "flow-through" entity cash flow approach with 0% taxes due to the partnership structure. The discount rate is also adjusted to reflect the absence of a corporate tax shield on interest expense. |
| o Discount Rate | Calculated using the CAPM with weighted average cost of capital based on comparable companies and VLP's pre-tax cost of debt. Assumes VLP's marginal corporate tax rate is 0% due to the partnership structure. |
| o Leverage Sensitivity | Due to the high degree of leverage, the equity value of the units implied by the DCF analysis is extremely sensitive to small changes in critical variables. |

</TABLE>

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SALOMON BROTHERS INC

Discounted Cash Flow Analysis

[Confidential Treatment Has Been Requested]

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SALOMON BROTHERS INC

Weighted Average Cost of Capital Analysis

<TABLE>
<CAPTION>

| COMPANY | EQUITY BETA (a) | COST OF EQUITY (b) | DEBT/CAP RATIO | ASSET BETA (c) |
|------------------------|-----------------|--------------------|----------------|----------------|
| <S> | <C> | <C> | <C> | <C> |
| American Oil & Gas | 0.81 | 11.9% | 28.8% | 0.64 |
| Associated Natural Gas | 0.68 | 11.0% | 26.3% | 0.55 |
| Tejas Gas | 0.76 | 11.5% | 40.6% | 0.53 |
| Western Gas Resources | 0.85 | 12.2% | 22.8% | 0.71 |
| USX-Delhi Group | 1.06 | 13.7% | 32.7% | 0.81 |
| Median | 0.81 | 11.9% | 28.8% | 0.64 |
| Average | 0.83 | 12.1% | 30.2% | 0.65 |

ASSUMPTIONS

| | |
|------------------------------------|--------|
| Risk-Free Rate (30 year TSY): | 6.00% |
| Marginal Tax Rate for Comparables: | 35.00% |
| Marginal Tax Rate for Target: | 0.00% |
| Equity Risk Premium: | 7.30% |

</TABLE>

<TABLE>
<CAPTION>

| USING MEDIAN: TARGET DEBT/CAP RATIO <S> | EQUITY BETA (d) <C> | COST OF EQUITY (b) <C> | WEIGHTED AVERAGE COST OF CAPITAL (e) PRE-TAX COST OF DEBT ASSUMPTION | | | | |
|--|---------------------------|------------------------------|---|-------------|-------------|-------------|--------------|
| | | | 8.0% <C> | 8.5% <C> | 9.0% <C> | 9.5% <C> | 10.0% <C> |
| 30.0% | 0.92 | 12.7% | 11.3% | 11.4% | 11.6% | 11.7% | 11.9% |
| 40.0% | 1.07 | 13.8% | 11.5% | 11.7% | 11.9% | 12.1% | 12.3% |
| 50.0% | 1.28 | 15.4% | 11.7% | 11.9% | 12.2% | 12.4% | 12.7% |
| 60.0% | 1.60 | 17.7% | 11.9% | 12.2% | 12.5% | 12.8% | 13.1% |
| 70.0% | 2.14 | 21.6% | 12.1% | 12.4% | 12.8% | 13.1% | 13.5% |
| 80.0% | 3.21 | 29.4% | 12.3% | 12.7% | 13.1% | 13.5% | 13.9% |

</TABLE>

- (a) Source: Salomon Brothers' estimate using 5 years of weekly data (where available).
- (b) Cost of Equity = Risk-Free Rate + (Equity Beta x Equity Risk Premium) + Political Risk Premium.
- (c) Asset (unlevered) beta = Equity beta / (1 + (debt/equity) x (1 - marginal tax rate))
- (d) Relevered equity beta = Median (Average) asset beta x (1 + (debt/equity) x (1 - marginal tax rate))
- (e) Weighted Average Cost of Capital = [After-tax cost of debt x target debt/cap ratio] + [After-tax cost of equity x (1 - target debt/cap ratio)]

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SALOMON BROTHERS INC

REVIEW OF
TRANSACTION
STRUCTURE

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SALOMON BROTHERS INC

Transaction Structure

- o Considerations in evaluating alternative transaction structures:
 - Tax consequences of the transaction to VLO and VLP unitholders
 - Form of the offer (i.e. merger vs. tender offer)
 - Type of security to exchange or issue (i.e. Convert vs. common)
 - Consideration offered (i.e. securities exchanged vs. cash)

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SALOMON BROTHERS INC

Transaction Structure

TAX CONSEQUENCES OF THE TRANSACTIONS

- o A tax-free transaction would have several significant disadvantages:
 - Non-taxable transaction would entail a complex legal structure requiring a vote of VLO shareholders, as well as additional expense and uncertainties.
 - VLO would not be able to step-up basis in VLP.

- o We have therefore assumed for purposes of our analysis that a transaction would be taxable to unitholders.

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SALOMON BROTHERS INC

Transaction Structure

FORM OF THE OFFER (MERGER VS. TENDER OFFER)

<TABLE>
<CAPTION>

| | EXCHANGE OF SECURITIES | CASH OFFER |
|---------------|---|---|
| <S> | <C> | <C> |
| MERGER ISSUES | <ul style="list-style-type: none"> o Proxy statement/prospectus reviewed by SEC in advance o Roll up rule disclosure requirements o Proxy statement/prospectus must be mailed to unitholders 60 days before vote (roll up rules) o All units acquired at once | <ul style="list-style-type: none"> o Separate proxy statement and prospectus, each reviewed by SEC in advance o Roll up rule inapplicable; Rule 13e-3 disclosure applies o Proxy statement must be mailed about 30 days before vote to permit time for solicitation. Saves about 30 days compared with merger including exchange of securities o Price underwritten offer after merger vote; close merger and offering simultaneously. No risk of one closing without the other o All units acquired at once |
| TENDER ISSUES | <ul style="list-style-type: none"> o Offer to exchange/prospectus reviewed by SEC in advance o Roll up rule disclosure requirements o Offer to exchange/prospectus must be mailed to unitholders 60 days before expiration | <ul style="list-style-type: none"> o Tender offer can commence without prior SEC review. Amendment may be required. Offer must be kept open only 20 business days (potentially required to be extended by up to 10 business days following certain amendments) |

</TABLE>

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SALOMON BROTHERS INC

Transaction Structure

FORM OF THE OFFER (MERGER VS. TENDER OFFER ISSUES)

<TABLE>
<CAPTION>

| | EXCHANGE OF SECURITIES | CASH OFFER |
|------------------------------|--|---|
| <S> | <C> | <C> |
| TENDER ISSUES (CONTINUED) | <ul style="list-style-type: none"> o Second step merger with information statement/prospectus required to complete 100% acquisition | <ul style="list-style-type: none"> o Roll up rule inapplicable; Rule 13e-3 disclosure applies o Prospectus for offering reviewed by SEC in advance o May save about 4-6 weeks compared with cash merger; about 8-10 weeks compared with exchange of securities o Complex timing issues with respect to closing financing and tender offer; theoretical risk of closing financing without merger occurring o If tender offer results in 90% ownership, remaining units can be acquired in ten days at same price under partnership agreement o If tender offer does not result in 90% ownership, second step merger (with information statement) required to complete 100% acquisition |

</TABLE>

Transaction Structure

CONSIDERATION OFFERED: EXCHANGE OF SECURITIES OR CASH

- o We have analyzed two primary types of consideration to be offered to VLP unitholders
 - Offer VLO Convert directly to unitholders ("exchange of securities")
 - Offer cash to unitholders with cash raised via a simultaneous underwritten equity offering to new investors ("cash offer")

TYPE OF SECURITY TO EXCHANGE OR ISSUE

- o Pro forma alternative transaction assumes a Convertible Preferred Stock ("Convert") for the following reasons:
 - Some type of equity offering contributes to improve debt ratios
 - Avoids issuing common stock at current market
 - Avoids adding additional debt on top of \$680 million of VLP debt which will be consolidated post-transaction
 - Convert market is currently very attractive (See Appendix C).
- o However, there are some considerations to financing with VLO common:
 - Common may be slightly more beneficial to EPS than Convert, although less beneficial to Cash Flow per share
 - Dividend requirements on Convert are not tax deductible
 - Common would be viewed more positively by rating agencies
 - Common would advisably be sold through an underwritten offering with a roadshow rather than exchanged directly for VLP units
- o VLO may wish to wait until talking to the rating agencies before deciding on whether to issue Convert or common.

Exchange of Securities via Merger

TRANSACTION SUMMARY

[GRAPH E]

- o VLO offers Convertible Preferred ("Convert") in Exchange for VLP units. Some unitholders may sell their units following the announcement of a transaction rather than wait until the exchange offer is complete.
- o Unitholders may sell the Convert if they need liquidity. Market makers and traditional convertible buyers may not bid aggressively for the Convert since retail investors have small holdings and the issue is not actively traded. However, if the price for the Convert has been driven down in relation to comparable securities, brokers (and hedge funds) may be induced by profit to aggregate

small retail positions and sell to convert buyers (largely institutional investors).

- o Convert buyers purchase Convert.
- o Convert trades at fair market value on a fully distributed basis after a period time.

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SALOMON BROTHERS INC

Exchange of Securities via Merger

MECHANICS OF TRANSACTION

- o VLO Board approves an offer of VLO Convert with specified terms to VLP unitholders.
- o VLO then communicates offer in detail to VNGC Board of Directors.
- o VNGC Board of Directors would likely set up a Special Committee of independent directors to consider VLO's offer.
- o Public announcement of offer and Special Committee.
- o Special Committee would hire a financial advisor and legal counsel and would analyze the proposal.
- o Special Committee would then negotiate with VLO.
- o If a transaction is approved by the Special Committee, a Proxy/Prospectus would be filed with the SEC.
- o Following a review by the SEC, the Proxy materials would be mailed to unitholders.
- o Unitholders would then have 60 days to consider the offer before voting, since the offer of securities would be subject to SEC roll-up rules.
- o Unitholders vote and the merger is completed.
- o Unitholders receive Convert.

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SALOMON BROTHERS INC

Merger/Exchange of Securities - Preliminary Timetable

[CHART]

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SALOMON BROTHERS INC

Exchange of Securities via Merger

REDISTRIBUTION OF CONVERT TO NATURAL HOLDERS

- o A 6.5% Convert provides investors with a significant yield pickup over the 5.5% current yield of the VLP units. This may mitigate holders' tendency to sell the Convert.

- o However, in a taxable transaction, holders will tend to either sell their units prior to the exchange or sell the Convert received.
 - Retail investors are often passive if the transaction requires no action; the need to pay taxes could encourage them to sell their entire Convert holdings.
 - Retail brokers often encourage unitholders to sell the distributed securities in order to generate additional commissions and reposition their portfolios.
 - Certain investors may chose to sell units before year end for 1993 tax purposes.
- o If a large number of unitholders elect to sell either their units or the new Convert, then the Convert will be redistributed over time to natural holders of Converts.
- o The \$100 billion Convert market is efficient in pricing outstanding Converts in the secondary market. Hedge funds and broker/dealers hold around \$30 billion of Converts and ensure efficient pricing.

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SALOMON BROTHERS INC

Exchange of Securities via Merger

REDISTRIBUTION OF CONVERT TO NATURAL HOLDERS (CONTINUED)

- o In other MLP buy-ins where holders were offered securities, many holders either sold their units upon the announcement of the transaction or sold the distributed securities soon after a transaction was consummated. The resulting price pressure in the security can make it more difficult for unitholders who want to sell to obtain full value until the securities trade on a fully distributed basis.
- o Retail investors, making up the vast majority of VLP Unitholders, are not natural owners of Converts. Converts are primarily held by institutions. For example, the \$275 million Ashland Oil Convert is 59% institutional, \$100 million Tosco Convert is 60% institutional and Diamond Shamrock's \$100 million 144A Convert is 100% institutional (held by Qualified Institutional Buyers).
- o Because the VLP Unitholders who receive a Convert in the exchange offer will typically receive small amounts, intermediation by securities firms will be necessary to effect redistribution. However, most institutional firms will only bid for even lots (multiples of 100).
- o To induce securities firms to undertake this intermediation, a sufficient arbitrage must be available to cover transaction costs and provide an adequate profit. As part of the redistribution, hedge funds and securities firms will purchase the Converts and short the VLO stock.
- o As a result, we would expect that a Convert may trade down until the securities are in hands of natural buyers (i.e. fully distributed).

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SALOMON BROTHERS INC

Exchange of Securities via Merger

STRATEGY FOR SETTING THE TERMS ON THE CONVERT IN AN EXCHANGE OF SECURITIES

- o Key decision is which of the Convert terms should be set in

conjunction with the offer to the special committee.

- o If terms are fully set in initial proposal, the Special Committee may be forced to reconsider its approval if either interest rates or the VLO stock price change prior to the closing.
- o It may be desirable to stipulate the dividend rate at the time the offer is made and let the conversion price be set just prior to the closing, based on a predetermined formula.
- o No precedent to using Convert under these circumstances.
- o Terms of Convert will vary based on rating agency reactions and VLO's stock price reaction on announcement.
- o THE KEY POINT IS THAT IN THIS CASE, THE TERMS OF THE CONVERT WILL BE SET THROUGH NEGOTIATION WITH THE SPECIAL COMMITTEE, NOT BY THE MARKET.
- o Trading of VLO's underlying common will be significantly affected by arbitrageurs shorting VLO to hedge their positions.

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SALOMON BROTHERS INC

Cash Offer via Merger

TRANSACTION SUMMARY

[GRAPH]

- o VLO makes cash offer via a merger transaction to unitholders.
- o VLO simultaneously offers a new Convert issue to the public market. Proceeds are used to purchase VLP units for cash.
- o Closing of the cash merger and pricing of the underwritten Convert are almost simultaneous.

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SALOMON BROTHERS INC

Cash Offer via Merger

MECHANICS OF TRANSACTION

- o VLO Board approves of cash offer for VLP units subject to financing.
- o VLO communicates offer to VNGC Board of Directors.
- o VNGC Board of Directors would then set up a Special Committee of independent directors to consider VLO's offer. Special Committee would select a financial advisor and legal counsel to evaluate offer.
- o VNGC Board would announce that it had received an offer from VLO to be financed with a new Convert issue and that a Special Committee had been formed to consider the offer.
- o VLO would promptly file registration statement for the Convert with the SEC.
 - registration statement would include Pro Forma financial statements and Use of Proceeds.
- o Special Committee would negotiate with VLO.
- o If a transaction has been approved by the Special Committee, VLO may need to file an amended Registration Statement for the

Convert.

- o Following a review by the SEC, proxy statement would be mailed to unitholders.
- o VLP unitholders would vote on the merger after 30 days.
- o VLO would formally market and price the Convert offering immediately after the unitholder vote.
- o Merger and convert issue completed simultaneously; unitholders receive cash.

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SALOMON BROTHERS INC

Cash Merger - Preliminary Timetable

[CHART]

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SALOMON BROTHERS INC

Roadshows

CASH MERGER WITH UNDERWRITTEN CONVERT OFFERING WILL ALLOW A ROADSHOW PRESENTATION TO INVESTMENT COMMUNITY

- o Traditional equity buyers or buy-side analysts may wish to attend the roadshow
- o Effective marketing of story could benefit VLO

INDICATIVE ROADSHOW SCHEDULE FOR CONVERT PUBLIC OFFERING:

<TABLE>

<S>
New York
Boston
Los Angeles/San Francisco
Chicago/Minneapolis
*Philadelphia/Baltimore
*Houston/Denver

<C>
One-on-ones, Lunch
One-on-ones, Lunch
One-on-ones, Lunch (LA)
One-on-ones, Lunch (Chicago)
One-on-ones, Lunch (Philadelphia)
One-on-ones, Lunch (Denver)

</TABLE>

EXCHANGE OFFER

No Roadshow - all retail ownership

- No incentive for institutions to attend
- Conference call with equity analysts and investors

- -----
* Optional cities.

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SALOMON BROTHERS INC

Convertible Preferred ("Convert") Pricing and Terms

Comparing Exchange of Securities to Cash

<TABLE>

<CAPTION>

MERGER/EXCHANGE OF SECURITIES

CASH MERGER

<S>

<C>

MARKET FACTORS:

- o Little risk of new issue Convert market drying up.
- o Equity market conditions affect rate and conversion price, but not ability to complete a transaction.
- o Value of the Convert could move significantly with movements in equity market or price of common prior to completion. This could force the Special Committee to reconsider approval.
- o No controlled marketing for Convert. Arbs will determine trading. This risk may impact Special Committee's negotiations on terms.

- o Attractive new issue Convert market today.
- o VLO will be committed to cash transaction at a specific price without knowing the precise terms of its financing.

UNITHOLDERS' PREFERENCE FACTORS:

- o Offers unitholders a continuing interest in the business.
- o However, retail investors are not generally the natural buyers for Converts.
- o Even if Convert yield is higher than the yield on the VLP units, brokers still have the incentive to induce unitholders to sell to get cash to pay the tax.

- o Gives unitholders cash to pay taxes.
- o Easy for unitholders to tell what value they are getting - "Cash is cash".
- o Does not provide a continuing interest in the business if so desired by the unitholder.

</TABLE>

Comparing Exchange of Securities to Cash

<TABLE>

<CAPTION>

MERGER/EXCHANGE OF SECURITIES

CASH MERGER

<S>

<C>

VALUATION EASE

- o In precedent MLP buy-ins where securities were given, significant selling took place. The resulting price pressure makes it more difficult for unitholders to assess the actual value.
- o The more variables in the transaction, the more difficult it is to assess what the value is. The Convert has several variables which could change while the transaction is open.

- o "Cash is cash".

VLO MANAGEMENT TIME AND COST:

- o No issuance costs or marketing required.
- o Special Committee required to approve terms of securities as well as price paid to unitholders.

- o Would allow (or require) roadshow.
- o Underwriting fees.

OVERALL TIMING - SEC REVIEW/DISCLOSURE/UNITHOLDER REVIEW:

- o Would fall under SEC roll-up rules and would probably take at least 30 days longer to complete.
- o Requires 60-day review period by unitholders.

- o Does not fall under SEC roll-up rules - can be completed more quickly.
- o Does not require 60-day waiting period between mailing of proxy statement and vote.

- o Requires two separate sets of SEC filings - registration statement for public Convert and proxy statement for VLP unitholders.

</TABLE>

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SALOMON BROTHERS INC

Comparing Exchange of Securities to Cash

<TABLE>

<CAPTION>

MERGER/EXCHANGE OF SECURITIES

<S>

EASE OF EXECUTION:

- o One stop transaction - no public offering on parallel path.
- o The Convert has several variables which if market conditions change, the special committee and their investment banker could withdraw their fairness opinion prior to the merger.

CREDIT/RATING AGENCY FLEXIBILITY:

- o Exchange offer does not allow for increasing the size of the Convert if necessary for credit reasons or to conform to covenants.

IMPACT ON VLO STOCK PRICE:

- o Greater hedge fund activity (shorting VLO common stock) because the Converts would not be distributed to "buy and hold" institutional fund managers.

</TABLE>

<C>

CASH MERGER

- o No need to convince Special Committee or unitholders of value of securities.
- o Convert is marketed to natural buyers.
- o Need to match the timing of the public offering with completion of the merger.
- o May raise additional proceeds through a larger offering in response to rating agencies or covenants.
- o Roadshow could allow the company to communicate its rationale for the transaction and future strategy.
- o Some hedge fund activity takes place in the secondary market even in a well distributed offering.

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SALOMON BROTHERS INC

PRO FORMA ANALYSIS

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SALOMON BROTHERS INC

Price & Volume Profile of VLO

VALERO ENERGY CORPORATION
DAILY DATA - 12/30/88 THROUGH 10/1/93

[GRAPH]

Valero Energy Corporation: Price (left axis)
Valero Energy Corporation: Volume (right axis)

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Price Profile of VLO vs. Index of Refiners

VALERO ENERGY CORPORATION
DAILY DATA - 1/1/91 THROUGH 10/1/93

[GRAPH]

Valero Energy Corporation
Index of Refiners (ASH, CNPA, DRM, FI, HOC, SUN, TOS, ULR)

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Pro Forma Analysis

CONSIDERATIONS:

- o We analyze several areas to assess the pro forma impact on VLO including:
 - Equity research coverage
 - Valuation ratios and market pricing issues (E.P.S., cash flow, multiples of EBDIAT)
 - Credit ratios and business issues
 - Sensitivity analysis to key factors

BASE ASSUMPTIONS:

- o Management projections and consolidating journal entries for VLO and VLP
- o Assume purchase price of VLP units is \$11.00
- o Assume dividend rate on Convert of 6.50%

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Equity Research Coverage

WE EXPECT RESEARCH ANALYSTS AND WALL STREET WILL CONTINUE TO TRADE AND FOLLOW VLO PRIMARILY AS A REFINER.

- o VLO is currently followed by refining equity research analysts at the major Wall Street firms although it already owns 49% of VLP. VLP is covered by equity research primarily at small and regional firms.
- o The intrastate pipeline and gas processing sector is also not well covered by equity research analysts at major firms.
- o Refining will still contribute to the majority of the cash flow and stock price volatility in VLO.
- o Refining has been "good" to Wall Street and the analysts who have followed VLO will not give up coverage easily or immediately.
- o Interstate gas pipeline equity research analysts at major Wall Street firms have a somewhat negative view of the intrastate and processing component of interstate pipelines that they follow.

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SALOMON BROTHERS INC

Gas Transmission & Processing Research Coverage

THE GTP SECTOR IS VERY THINLY COVERED BY MAJOR WALL STREET EQUITY ANALYSTS

<TABLE>
<CAPTION>

| | American O&G <C> | Associated Natural Gas <C> | Tejas Gas <C> | USX-Delhi <C> | Western Gas Resources <C> | Total Per Firm <C> |
|-------------------|------------------------|-------------------------------------|------------------|------------------|------------------------------------|--------------------------|
| <S> | | | | | | |
| CS First Boston | | | | | | 0 |
| Goldman, Sachs | | | | | X | 1 |
| Lehman Brothers | | | X | X | | 2 |
| Merrill Lynch | X | | | | | 1 |
| Morgan Stanley | X | | | X | | 2 |
| Salomon Brothers | | | | X | | 1 |
| Smith Barney | | | | | X | 1 |
| | ----- | ----- | ----- | ----- | ----- | |
| Subtotal | 2 | 0 | 1 | 3 | 2 | |
| DLJ | X | X | X | | X | 4 |
| Howard Weil | X | X | | | X | 3 |
| Kidder Peabody | X | | | | | 1 |
| Oppenheimer | | X | | X | X | 3 |
| Prudential | | | | | X | 1 |
| Raucher Pierce | X | X | | X | X | 4 |
| | ----- | ----- | ----- | ----- | ----- | |
| Total per Company | 6 | 4 | 2 | 5 | 7 | |
| | ===== | ===== | ===== | ===== | ===== | |

</TABLE>

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SALOMON BROTHERS INC

Equity Market Reaction

IMPACT ON VLO STOCK PRICE

- o Limited price impact expected upon full dissemination of information regarding the transaction
 - VLO already owns 49% of VLP and also owns 100% of some natural gas assets.
 - Increased leverage will be viewed negatively.
 - o In general, leveraged companies trade at lower multiples.
 - Some benefit from diversified earnings and elimination of uncertainty as to future intent of VLP. Communicating rationale for the buy-in and future strategy to investors is critical.
 - Neutral to accretive on EPS and cash flow per share.
- o Analysts will still view VLO as a refiner.
 - However, demonstrated growth in gas business will influence future trading multiples.
- o Volatility in VLO stock price will probably still be driven by refining.
- o Financial impact on VLO is complex and requires good communication with analysts and investors.

IMPACT ON VLP UNIT PRICE

- o If offer cash, will move almost to the offer price.

o If offer securities, may move close to the offer price.

- Depends on how specific the Convert terms are on announcement.

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SALOMON BROTHERS INC

Pro Forma Analysis

PRO FORMA FINANCIAL RESULTS (A)

(Dollars in millions, except per share amounts)

[Confidential Treatment Has Been Requested]

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SALOMON BROTHERS INC

Pro Forma Analysis

COMPARISON OF SEGMENT AND COMPANY MULTIPLES

[Confidential Treatment Has Been Requested]

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SALOMON BROTHERS INC

Valero Energy Corporation

[GRAPH]

[Confidential Treatment Has Been Requested]

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SALOMON BROTHERS INC

Valero Energy Corporation

[GRAPH]

[Confidential Treatment Has Been Requested]

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SALOMON BROTHERS INC

Pro Forma Analysis

[Confidential Treatment Has Been Requested]

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SALOMON BROTHERS INC

Pro Forma Analysis

PRO FORMA SENSITIVITY ANALYSIS TO ISSUING COMMON STOCK
(Dollars in million, except per share amounts)

[Confidential Treatment Has Been Requested]

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Pro Forma Credit Analysis

[Confidential Treatment Has Been Requested]

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Pro Forma Credit Analysis

[Confidential Treatment Has Been Requested]

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SALOMON BROTHERS INC

Pro Forma Credit Analysis

[GRAPH]

[Confidential Treatment Has Been Requested]

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SALOMON BROTHERS INC

Pro Forma Credit Analysis

[Confidential Treatment Has Been Requested]

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Pro Forma Credit Analysis

[Confidential Treatment Has Been Requested]

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SALOMON BROTHERS INC

Estimated Transaction Costs

[Confidential Treatment Has Been Requested]

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SALOMON BROTHERS INC

Follow-Up Discussions and Issues

- o Rating Agencies
- o Negotiations with Lenders and Debt Holders
- o Board Meeting
- o Analyst Meetings
- o Response to VLO and VLP Inquiries
- o Internal Communication
- o Drafting of Documents

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SALOMON BROTHERS INC

APPENDICES

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DETAILED DCF MODEL

[Confidential Treatment Has Been Requested]

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DETAILED PRO FORMA

COMBINATION MODEL

[Confidential Treatment Has Been Requested]

SALOMON BROTHERS INC

STOCK PRICE
PERFORMANCE GRAPHS

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SALOMON BROTHERS INC

Price Profile of VLP vs. Index

VALERO NATURAL GAS PARTNERS, LP
DAILY DATA - 1/1/91 THROUGH 10/1/93

[graph 78]

----- Valero Natural Gas Partners, LP
- - - - - Index of Intrastate Pipeline Companies (AOG,DGP,NGA,TEJ,WGR)

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SALOMON BROTHERS INC

Price (%) Profile

WEEKLY DATA - 1/5/90 THROUGH 10/1/93

[chart 79]

| | |
|--|------------------------------|
| Valero Natural Gas Partners, L.P. | Buckeye Partners, L.P. |
| Kaneb Pipe Line Partners, L.P. | TEPPCO Partners, L.P. |
| Lakehead Pipe Line Partners, L.P. | Enron Liquids Pipeline, L.P. |
| Santa Fe Pacific Pipeline Partners, L.P. | |

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SALOMON BROTHERS INC

Yield Profile

WEEKLY DATA - 1/5/90/ THROUGH 10/1/93

[chart 80]

<TABLE>

<CAPTION>

| <S> | Summary Statistics: | | | |
|--|---------------------|------------|----------------|---------------|
| | High <C> | Low <C> | Average <C> | Latest <C> |
| Valero Natural Gas Partners, L.P. | 31.25% | 5.19% | 15.83% | 5.41% |
| Buckeye Partners, L.P. | 11.24% | 6.93% | 9.26% | 7.05% |
| Kaneb Pipe Line Partners, L.P. | 15.44% | 2.59% | 10.68% | 8.26% |
| TEPPCO Partners, L.P. | 13.33% | 0.80% | 9.73% | 7.93% |
| Lakehead Pipe Line Partners, L.P. | 11.04% | 7.23% | 9.13% | 7.23% |
| Enron Liquids Pipeline, L.P. | 9.21% | 7.39% | 8.09% | 7.96% |
| Santa Fe Pacific Pipeline Partners, L.P. | 10.95% | 7.00% | 8.54% | 7.34% |

</TABLE>

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SALOMON BROTHERS INC

GAS TRANSMISSION & PROCESSING COMPANIES - COMPARABLE ANALYSIS

Dollars in Millions, except per Share Amounts

<TABLE>
<CAPTION>

| | PRICE 10/6/93 | MARKET VALUE | FIRM VALUE (a) | TOTAL DEBT | BOOK VALUE (b) | LTM SALES | CASH | ANNUAL DIVIDEND PER SHARE | AVG. DAILY TRADING VOLUME |
|--|------------------|-----------------|-------------------|---------------|-------------------|--------------|------|---------------------------------|---------------------------------|
| <S> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
| PUBLICLY TRADED COMPANIES | | | | | | | | | |
| AOG American Oil and Gas Corporation (f) | \$12.000 | \$308 | \$385 | \$86 | \$188 | \$504 | \$10 | \$0.00 | 21,694 |
| NGA Associated Natural Gas Corporation | 36.875 | 481 | 609 | 149 | 164 | 1,320 | 20 | 0.12 | 28,136 |
| TEJ Tejas Gas Corporation (g) | 59.375 | 610 | 1,019 | 369 | 234 | 988 | 11 | 0.00 | 13,316 |
| DGP USX-Delhi Group (k) | 22.875 | 322 | 413 | 89 | 203 | 503 | 0 | 0.20 | |
| WGR Western Gas Resources | 44.625 | 1,143 | 1,361 | 152 | 299 | 716 | 9 | 0.20 | 63,058 |
| FILED TRANSACTIONS | | | | | | | | | |
| Aquila Gas Pipeline | 14,000 | 419 | 529 | 129 | 134 | 214 | 19 | 0.05 | |
| Trident NGL, Inc. (j) | 26,500 | 486 | 809 | 348 | 267 | 636 | 25 | 0.10 | |

</TABLE>

<TABLE>
<CAPTION>

| | EARNINGS PER SHARE (c) | | | CASH FLOW PER SHARE (d) | | | EBDIAT (e) | | |
|--|------------------------|--------|--------|-------------------------|--------|--------|------------|-------|-------|
| | LTM | 1993E | 1994E | LTM | 1993E | 1994E | LTM | 1993E | 1994E |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
| PUBLICLY TRADED COMPANIES | | | | | | | | | |
| AOG American Oil and Gas Corporation | \$0.51 | \$0.69 | \$0.97 | \$1.12 | \$1.39 | \$1.67 | \$45 | \$52 | \$63 |
| NGA Associated Natural Gas Corporation | 1.46 | 1.49 | 1.88 | 3.58 | 3.55 | 3.94 | 65 | 67 | 75 |
| TEJS Tejas Gas Corporation | 2.20 | 1.63 | 2.28 | 5.74 | 4.32 | 4.97 | 98 | 89 | 100 |
| DGP USX-Delhi Group | 1.35 | 1.39 | 1.74 | 4.27 | 4.28 | 4.63 | 77 | 85 | 95 |
| WGR Western Gas Resources, Inc. | 1.55 | 1.78 | 2.26 | 3.10 | 3.30 | 3.78 | 105 | 116 | 134 |
| FILED TRANSACTIONS | | | | | | | | | |
| Aquila Gas Pipeline | 0.82 | NA | NA | 2.11 | NA | NA | 65 | NA | NA |
| Trident NGL, Inc. | 1.39 | NA | NA | 3.93 | NA | NA | 109 | NA | NA |

</TABLE>

GAS TRANSMISSION & PROCESSING COMPANIES - COMPARABLE ANALYSIS

VALUATION INDICATORS

<TABLE>
<CAPTION>

| | PRICE/EARNINGS | | | PRICE/CASH FLOW | | | FIRM VALUE/EBDIAT | | |
|--|----------------|-------|-------|-----------------|-------|-------|-------------------|-------|-------|
| | LTM | 1993E | 1994E | LTM | 1993E | 1994E | LTM | 1993E | 1994E |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
| PUBLICLY TRADED COMPANIES | | | | | | | | | |
| AOG American Oil and Gas Corporation | 23.7x | 17.4x | 12.4x | 10.7x | 8.6x | 7.2x | 8.6x | 7.4x | 6.1x |
| NGA Associated Natural Gas Corporation | 25.2 | 24.7 | 19.6 | 10.3 | 10.4 | 9.4 | 9.4 | 9.1 | 8.1 |
| TEJS Tejas Gas Corporation | 27.0 | 36.4 | 26.0 | 10.3 | 13.8 | 12.0 | 10.4 | 11.4 | 10.2 |
| DGP USX-Delhi Group | 16.9 | 16.5 | 13.1 | 5.4 | 5.3 | 4.9 | 5.4 | 4.8 | 4.4 |
| WGR Western Gas Resources, Inc. | 28.8 | 25.1 | 19.7 | 14.4 | 13.5 | 11.8 | 13.0 | 11.7 | 10.1 |
| HIGH: | 28.8 | 36.4 | 26.0 | 14.4 | 13.8 | 12.0 | 13.0 | 11.7 | 10.2 |

| | | | | | | | | | |
|----------|------|------|------|------|------|-----|-----|-----|-----|
| AVERAGE: | 24.3 | 24.0 | 18.2 | 10.2 | 10.3 | 9.1 | 9.4 | 8.9 | 7.8 |
| MEDIAN: | 25.2 | 24.7 | 19.6 | 10.3 | 10.4 | 9.4 | 9.4 | 9.1 | 8.1 |
| LOW: | 16.9 | 16.5 | 12.4 | 5.4 | 5.3 | 4.9 | 5.4 | 4.8 | 4.4 |

FILED TRANSACTIONS

| | | | | | | | | | |
|---------------------|------|----|----|-----|----|----|-----|----|----|
| Aquila Gas Pipeline | 17.1 | NA | NA | 6.6 | NA | NA | 8.1 | NA | NA |
| Trident NGL, Inc. | 19.1 | NA | NA | 6.7 | NA | NA | 7.4 | NA | NA |

</TABLE>

CREDIT STATISTICS

<TABLE>

<CAPTION>

DEBT/CAP

| | BOOK CAP | MARKET CAP | YIELD | DIVIDEND COVERAGE | DIVIDEND PAYOUT | LTM EBDIAT/ INTEREST | PRICE/ BOOK VALUE |
|--|-------------|---------------|-------|----------------------|--------------------|----------------------------|----------------------|
| <S> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
| PUBLICLY TRADED COMPANIES | | | | | | | |
| AOG American Oil and Gas Corporation | 32% | 22% | 0.0% | NM | 0% | 5.2x | 1.6x |
| NGA Associated Natural Gas Corporation | 44% | 24% | 0.2% | 12.2 | 8% | 5.2 | 2.9 |
| TEJS Tejas Gas Corporation | 56% | 38% | 0.0% | NM | 0% | 3.8 | 2.6 |
| DGP USX-Delhi Group | 31% | 22% | 0.9% | 6.8 | 15% | 14.2 | 1.6 |
| WGR Western Gas Resources, Inc. | 29% | 12% | 0.4% | 7.7 | 13% | 11.7 | 3.8 |
| HIGH: | 56% | 38% | 0.9% | 12.2x | 15% | 14.2x | 3.8x |
| AVERAGE: | 38% | 23% | 0.3% | 8.9 | 7% | 8.0 | 2.5 |
| MEDIAN: | 32% | 22% | 0.2% | 7.7 | 8% | 5.2 | 2.6 |
| LOW: | 29% | 12% | 0.0% | 6.8 | 0% | 3.8 | 1.6 |

FILED TRANSACTIONS

| | | | | | | | |
|---------------------|-----|-----|------|------|----|-----|-----|
| Aquila Gas Pipeline | 48% | 24% | NA | NA | NA | 8.3 | 3.1 |
| Trident NGL, Inc. | 57% | 42% | 0.4% | 13.9 | 7% | 2.7 | 1.8 |

</TABLE>

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PROFITABILITY AND RETURN RATIOS

<TABLE>

<CAPTION>

| | GROSS MARGIN | EBDIAT/ REVENUE | EBIT REVENUE | NET INCOME/ REVENUE | EBDIAT/ TOT ASSETS | NET INCOME/ TOT ASSETS | EBDIAT/ PP&E | NET INCOME/ PP&E | EBDIAT/ FIRM VALUE |
|------------------------------------|-----------------|--------------------|-----------------|---------------------------|-----------------------|---------------------------|-----------------|---------------------|-----------------------|
| <S> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
| PUBLICLY TRADED COMPANIES | | | | | | | | | |
| American Oil and Gas Corporation | 17% | 9% | 6% | 3% | 12% | 3% | 17% | 5% | 12% |
| Associated Natural Gas Corporation | 8% | 5% | 3% | 1% | 12% | 4% | 19% | 6% | 11% |
| Tejas Gas Corporation | 15% | 10% | 7% | 2% | 12% | 3% | 17% | 4% | 10% |
| USX-Delhi Group | 23% | 15% | 7% | 4% | 14% | 3% | 15% | 4% | 19% |
| Western Gas Resources, Inc. | 26% | 15% | 10% | 6% | 17% | 7% | 22% | 8% | 8% |
| HIGH: | 26% | 15% | 10% | 6% | 17% | 7% | 22% | 8% | 19% |
| AVERAGE: | 18% | 11% | 7% | 3% | 13% | 4% | 18% | 5% | 12% |
| MEDIAN: | 17% | 10% | 7% | 3% | 12% | 3% | 17% | 5% | 11% |
| LOW: | 8% | 5% | 3% | 1% | 12% | 3% | 15% | 4% | 8% |

FILED TRANSACTIONS

| | | | | | | | | | |
|---------------------|-----|-----|-----|-----|-----|----|-----|----|-----|
| Aquila Gas Pipeline | 20% | 30% | 23% | 11% | 17% | 7% | 22% | 8% | 12% |
| Trident NGL, Inc. | NA | 17% | 12% | 4% | 15% | 3% | 19% | 4% | 13% |

</TABLE>

OPERATING PERFORMANCE

<TABLE>

<CAPTION>

(\$/MMCF/YR)

| | MILES OF PIPELINE | THROUGH- PUT | REVENUE/ PIPELINE | EBDIAT/ PIPELINE | REVENUE/ THROUGHOUT | EBDIAT/ THROUGHOUT |
|------------------------------------|----------------------|-----------------|----------------------|---------------------|------------------------|-----------------------|
| <S> | <C> | <C> | <C> | <C> | <C> | <C> |
| PUBLICLY TRADED COMPANIES | | | | | | |
| American Oil and Gas Corporation | 5,634 | 877 | 89,446 | 7,938 | 1,574 | 140 |
| Associated Natural Gas Corporation | 4,400 | 808 | 299,899 | 14,730 | 4,474 | 220 |
| Tejas Gas Corporation | 2,626 | 1,079 | 376,085 | 37,167 | 2,508 | 248 |
| USX-Delhi Group | 8,557 | 798 | 58,806 | 8,940 | 1,728 | 263 |
| Western Gas Resources, Inc. | 9,258 | 580 | 77,342 | 11,315 | 3,382 | 495 |
| HIGH: | 9,258 | 1,079 | 376,085 | 37,167 | 4,474 | 495 |
| AVERAGE: | 6,095 | 828 | 180,316 | 16,018 | 2,733 | 273 |
| MEDIAN: | 5,634 | 808 | 89,446 | 11,315 | 2,508 | 248 |
| LOW: | 2,626 | 580 | 58,806 | 7,938 | 1,574 | 140 |

FILED TRANSACTIONS

| | | | | | | |
|---------------------|--------|-------|-------|-------|-----|-----|
| Aquila Gas Pipeline | 22,235 | 1,439 | 9,642 | 2,932 | 408 | 124 |
|---------------------|--------|-------|-------|-------|-----|-----|

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 SALOMON BROTHERS INC

REFINING AND
 MARKETING
 COMPARABLES

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 SALOMON BROTHERS INC

REFINING & MARKETING COMPANIES
 FINANCIAL DATA

<TABLE>
 <CAPTION>

| COMPANY | 10/6/93 PRICE | EQUITY MARKET VALUE | TOTAL DEBT | BOOK EQUITY | CASH | FIRM VALUE | BOOK CAP. | MARKET CAP. |
|-------------------------------|------------------|---------------------------|---------------|----------------|---------|---------------|--------------|----------------|
| <S> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
| Ashland Oil, Inc. | \$35,125 | \$2,106 | \$1,633.8 | \$1,407.8 | \$ 51.0 | \$3,989.2 | \$3,041.2 | \$4,040.2 |
| Crown Central Petroleum Corp. | 13.750 | 136 | 61.5 | 295.3 | 31.8 | 166.1 | 356.7 | 197.9 |
| Diamond Shamrock Inc. | 24.750 | 713 | 528.5 | 536.9 | 12.5 | 1,314.9 | 1,065.4 | 1,327.4 |
| FINA, Inc. | 69.750 | 1,088 | 968.6 | 1,115.5 | 7.2 | 2,049.0 | 2,084.0 | 2,056.2 |
| Holly Corporation | 29.375 | 242 | 90.0 | 36.4 | 1.4 | 331.0 | 126.4 | 332.4 |
| Sun Company | 29,625 | 3,156 | 939.0 | 1,909.0 | 100.0 | 4,377.8 | 2,848.0 | 4,094.8 |
| Tosco Corporation | 28.250 | 827 | 507.7 | 404.0 | 91.4 | 1,358.2 | 911.7 | 1,449.6 |
| Ultramar Corporation | 24.750 | 944 | 512.8 | 529.4 | 155.6 | 1,301.8 | 1,042.2 | 1,457.2 |
| Valero Energy Corporation | \$24.000 | \$1,034 | \$551.9 | \$853.6 | \$7.8 | \$1,578.6 | 1,405.5 | \$1,586.4 |

</TABLE>
 <TABLE>
 <CAPTION>

| Company | LTM REVENUES | LTM INTEREST | LTM DD&A | LTM EBITDA | LTM EBIT | LTM CASH FLOW | LTM EARNINGS | NET ASSET VALUE |
|-------------------------------|-----------------|-----------------|-------------|---------------|-------------|------------------|-----------------|--------------------|
| <S> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
| Ashland Oil, Inc. | \$10,391 | \$140.8 | \$305.8 | \$517.4 | \$211.6 | \$389.0 | \$77.0 | \$35.80 |
| Crown Central Petroleum Corp. | 1,826 | 7.7 | 42.1 | 37.3 | (4.8) | 24.6 | (16.7) | NA |
| Diamond Shamrock Inc. | 2,647 | 45.0 | 59.1 | 148.1 | 89.0 | 98.9 | 33.5 | 21.14 |
| FINA, Inc. | 3,627 | 58.1 | 204.7 | 298.8 | 94.1 | 242.0 | 37.3 | NA |
| Holly Corporation | 619 | 9.8 | 11.6 | 49.4 | 37.8 | 33.0 | 19.8 | NA |
| Sun Company | 10,064 | 92.0 | 392.0 | 662.0 | 270.0 | 314.1 | 104.1 | 33.84 |
| Tosco Corporation | 3,914 | 45.0 | 115.8 | 297.2 | 181.4 | 199.3 | 74.4 | 26.27 |
| Ultramar Corporation | 2,556 | 52.7 | 35.0 | 182.2 | 147.3 | 105.4 | 45.3 | 20.54 |
| Valero Energy Corporation | \$1,285 | \$49.8 | \$70.6 | \$217.6 | \$147.1 | \$161.1 | \$75.3 | \$25.02 |

</TABLE>

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 SALOMON BROTHERS INC

REFINING & MARKETING COMPANIES
 CREDIT STATISTICS

<TABLE>
 <CAPTION>

| COMPANY | DEBT RATING | | DEBT/ | | DEBT/ | | | DIVIDEND | | |
|-------------------------------|-------------|-----|----------|-----------|-------|--------|-----------|----------|-------|--------|
| | MOODY'S | S&P | BOOK CAP | MRKT. CAP | BOOK | EBITDA | CASH FLOW | STATED | YIELD | PAYOUT |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
| Ashland Oil, Inc. | Baa1 | BBB | 54% | 40% | 116% | 3.2x | 4.2x | \$1.00 | 2.8% | 77.9% |
| Crown Central Petroleum Corp. | NA | NA | 17% | 31% | 21% | 1.6 | 2.5 | 0.00 | 0.0% | 0.0% |
| Diamond Shamrock Inc. | Baa2 | BBB | 50% | 40% | 98% | 3.6 | 5.3 | 0.52 | 2.1% | 44.7% |
| FINA, Inc. | NA | NA | 46% | 47% | 87% | 3.2 | 4.0 | 0.00 | 0.0% | 0.0% |
| Holly Corporation | NA | NA | 71% | 27% | 247% | 1.8 | 2.7 | 0.00 | 0.0% | 0.0% |
| Sun Company | Baa1 | A- | 33% | 23% | 49% | 1.4 | 3.0 | 1.80 | 6.1% | 184.1% |
| Tosco Corporation | Ba1 | BB+ | 56% | 35% | 126% | 1.7 | 2.5 | 0.60 | 2.1% | 23.6% |
| Ultramar Corporation | Baa3 | BBB | 49% | 35% | 97% | 2.8 | 4.9 | 1.10 | 4.4% | 92.7% |

| | | | | | | | | |
|----------|-----|-----|------|------|------|------|------|--------|
| HIGH: | 71% | 47% | 247% | 3.6x | 5.3x | 1.80 | 6.1% | 184.1% |
| AVERAGE: | 47% | 35% | 105% | 2.4 | 3.6 | 0.63 | 2.2% | 52.9% |
| MEDIAN: | 49% | 35% | 98% | 2.3 | 3.5 | 0.56 | 2.1% | 34.2% |
| LOW: | 17% | 23% | 21% | 1.4 | 2.5 | 0.00 | 0.0% | 0.0% |

| | | | | | | | | | | |
|---------------------------|------|------|-----|-----|-----|------|------|--------|------|-------|
| Valero Energy Corporation | Baa3 | BBB- | 39% | 35% | 65% | 2.5x | 3.4x | \$0.44 | 1.8% | 25.2% |
|---------------------------|------|------|-----|-----|-----|------|------|--------|------|-------|

<TABLE>
<CAPTION>

| COMPANY | LTM | EBDIAT / INTEREST | | | | | LTM |
|-------------------------------|-----------------|-------------------|------|------|------|------|----------------------|
| | EBIT / INTEREST | 1989 | 1990 | 1991 | 1992 | LTM | CASH FLOW / INTEREST |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
| Ashland Oil, Inc. | 1.5x | 5.6x | 5.0x | 4.2x | 3.3x | 3.7x | 2.8x |
| Crown Central Petroleum Corp. | (0.6) | 28.9 | 29.8 | 2.9 | 4.2 | 4.8 | 3.2 |
| Diamond Shamrock Inc. | 2.0 | 5.7 | 5.3 | 3.6 | 3.0 | 3.3 | 2.2 |
| FINA, Inc. | 1.6 | 4.5 | 5.2 | 4.0 | 4.3 | 5.1 | 4.2 |
| Holly Corporation | 3.9 | 10.0 | 9.1 | 5.6 | 2.2 | 5.1 | 3.4 |
| Sun Company | 2.9 | 6.2 | 7.8 | 5.8 | 6.7 | 7.2 | 3.4 |
| Tosco Corporation | 4.0 | 2.9 | 7.6 | 5.9 | 6.2 | 6.6 | 4.4 |
| Ultramar Corporation | 2.8 | 5.2 | 2.9 | 3.9 | 3.7 | 3.5 | 2.0 |

| | | | | | | | |
|----------|-------|-------|-------|------|------|------|------|
| HIGH: | 4.0x | 28.9x | 29.8x | 5.9x | 6.7x | 7.2x | 4.4x |
| AVERAGE: | 2.3 | 8.6 | 9.1 | 4.5 | 4.2 | 4.9 | 3.2 |
| MEDIAN: | 2.4 | 5.6 | 6.5 | 4.1 | 3.9 | 4.9 | 3.3 |
| LOW: | (0.6) | 2.9 | 2.9 | 2.9 | 2.2 | 3.3 | 2.0 |

| | | | | | | | |
|---------------------------|------|------|------|------|------|------|------|
| Valero Energy Corporation | 3.0x | 3.4x | 5.0x | 2.8x | 2.9x | 4.4x | 3.2x |
|---------------------------|------|------|------|------|------|------|------|

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SALOMON BROTHERS INC

REFINING & MARKETING COMPANIES
FINANCIAL DATA

<TABLE>
<CAPTION>

| COMPANY | EARNINGS PER SHARE | | | | | |
|-------------------------------|--------------------|--------|--------|--------|--------|--------|
| | 1990 | 1991 | 1992 | LTM | 1993 | 1994 |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> |
| Ashland Oil, Inc. | \$3.22 | \$2.59 | \$1.07 | \$1.28 | \$1.95 | \$2.60 |
| Crown Central Petroleum Corp. | 2.51 | (0.69) | (1.27) | (1.70) | 0.75 | 2.00 |
| Diamond Shamrock Inc. | 3.15 | 1.39 | 0.92 | 1.16 | 1.61 | 2.12 |
| FINA, Inc. | 8.11 | 2.71 | 1.55 | 2.39 | NA | NA |
| Holly Corporation | 2.86 | 1.30 | 0.39 | 2.40 | 2.64 | 3.30 |
| Sun Company | 1.86 | (0.25) | 0.21 | 0.98 | 1.45 | 1.83 |
| Tosco Corporation | 4.78 | 2.09 | 1.24 | 2.54 | 2.16 | 2.76 |
| Ultramar Corporation | 1.41 | 2.65 | 1.90 | 1.19 | 2.07 | 2.72 |
| HIGH: | \$8.11 | \$2.71 | \$1.90 | \$2.54 | \$2.64 | \$3.30 |
| AVERAGE: | 3.49 | 1.47 | 0.75 | 1.28 | 1.80 | 2.48 |
| MEDIAN: | 3.01 | 1.74 | 0.99 | 1.24 | 1.95 | 2.60 |
| LOW: | 1.41 | (0.69) | (1.27) | (1.70) | 0.75 | 1.83 |

| | | | | | | |
|---------------------------|--------|--------|--------|--------|---|---|
| Valero Energy Corporation | \$2.31 | \$2.44 | \$2.16 | \$1.75 | * | * |
|---------------------------|--------|--------|--------|--------|---|---|

*[Confidential Treatment Has Been Requested]

<TABLE>
<CAPTION>

| COMPANY | CASH FLOW PER SHARE | | | | | |
|-------------------------------|---------------------|--------|--------|--------|--------|--------|
| | 1990 | 1991 | 1992 | LTM | 1993 | 1994 |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> |
| Ashland Oil, Inc. | \$7.50 | \$7.27 | \$6.11 | \$6.49 | \$7.05 | \$7.70 |
| Crown Central Petroleum Corp. | 5.98 | 3.83 | 2.87 | 2.50 | 5.03 | 6.28 |
| Diamond Shamrock Inc. | 5.11 | 3.60 | 2.75 | 3.43 | 3.66 | 4.17 |

| | | | | | | |
|----------------------|---------|---------|---------|---------|--------|--------|
| FINA, Inc. | 20.64 | 15.76 | 14.27 | 15.52 | NA | NA |
| Holly Corporation | 4.19 | 2.75 | 1.72 | 4.00 | 4.04 | 4.70 |
| Sun Company | 6.63 | 4.07 | 2.39 | 2.95 | 5.13 | 5.51 |
| Tosco Corporation | 6.21 | 3.54 | 3.40 | 6.81 | 6.12 | 6.72 |
| Ultramar Corporation | 1.95 | 3.94 | 3.14 | 2.76 | 2.99 | 3.64 |
| HIGH: | \$20.64 | \$15.76 | \$14.27 | \$15.52 | \$7.05 | \$7.70 |
| AVERAGE: | 7.28 | 5.60 | 4.58 | 5.56 | 4.86 | 5.53 |
| MEDIAN: | 6.10 | 3.88 | 3.00 | 3.72 | 5.03 | 5.51 |
| LOW: | 1.95 | 2.75 | 1.72 | 2.50 | 2.99 | 3.64 |

Valero Energy Corporation \$4.66 \$4.90 \$4.32 \$3.74 * *

*[Confidential Treatment Has Been Requested]

<TABLE>
<CAPTION>

| COMPANY | EBITDA | | | | | BOOK EQUITY | NET ASSET VALUE |
|-------------------------------|--------|-------|-------|-------|-------|-------------|-----------------|
| | 1989 | 1990 | 1991 | 1992 | LTM | | |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
| Ashland Oil, Inc. | \$513 | \$603 | \$530 | \$440 | \$517 | \$1,407.8 | \$35.80 |
| Crown Central Petroleum Corp. | 57 | 81 | 24 | 33 | 37 | 295.3 | NA |
| Diamond Shamrock Inc. | 158 | 199 | 135 | 132 | 148 | 536.9 | 21.14 |
| FINA, Inc. | 377 | 453 | 321 | 266 | 299 | 1,115.5 | NA |
| Holly Corporation | 57 | 50 | 31 | 23 | 49 | 36.4 | NA |
| Sun Company | 929 | 964 | 644 | 649 | 662 | 1,909.0 | 33.84 |
| Tosco Corporation | 133 | 246 | 135 | 149 | 297 | 404.0 | 26.27 |
| Ultramar Corporation | 224 | 173 | 231 | 181 | 182 | 529.4 | 20.54 |
| HIGH: | \$929 | \$964 | \$644 | \$649 | \$662 | \$1,909.0 | \$35.80 |
| AVERAGE: | 306 | 346 | 256 | 234 | 274 | 779.3 | 27.52 |
| MEDIAN: | 191 | 222 | 183 | 165 | 240 | 533.2 | 26.27 |
| LOW: | 57 | 50 | 24 | 23 | 37 | 36.4 | 20.54 |
| Valero Energy Corporation | \$84 | \$122 | \$105 | \$136 | \$218 | \$853.6 | \$25.02 |

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SALOMON BROTHERS INC

REFINING & MARKETING COMPANIES
TRADING MULTIPLES

<TABLE>
<CAPTION>

| COMPANY | PRICE / EARNINGS | | | | | |
|-------------------------------|------------------|-------|--------|-------|-------|-------|
| | 1990 | 1991 | 1992 | LTM | 1993 | 1994 |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> |
| Ashland Oil, Inc. | 10.9x | 13.6x | 32.9x | 27.4x | 18.0x | 13.5x |
| Crown Central Petroleum Corp. | 5.5 | NM | NM | NM | 18.3 | 6.9 |
| Diamond Shamrock Inc. | 7.9 | 17.8 | 26.9 | 21.3 | 15.4 | 11.7 |
| FINA, Inc. | 8.6 | 25.7 | 45.0 | 29.2 | NA | NA |
| Holly Corporation | 10.3 | 22.6 | 75.3 | 12.2 | 11.1 | 8.9 |
| Sun Company | 15.9 | NM | 143.1 | 30.3 | 20.4 | 16.2 |
| Tosco Corporation | 5.9 | 13.5 | 22.8 | 11.1 | 13.1 | 10.2 |
| Ultramar Corporation | 17.5 | 9.3 | 13.0 | 20.9 | 12.0 | 9.1 |
| HIGH: | 17.5x | 25.7x | 143.1x | 30.3x | 20.4x | 16.2x |
| AVERAGE: | 10.3 | 17.1 | 51.3 | 21.8 | 15.5 | 10.9 |
| MEDIAN: | 9.4 | 15.7 | 32.9 | 21.3 | 15.4 | 10.2 |
| LOW: | 5.5 | 9.3 | 13.0 | 11.1 | 11.1 | 6.9 |
| Valero Energy Corporation | 10.4x | 9.8x | 11.1x | 13.7x | * | * |

*[Confidential Treatment Has Been Requested]

<TABLE>
<CAPTION>

PRICE / CASH FLOW

| COMPANY | 1990 | 1991 | 1992 | LTM | 1993 | 1994 |
|-------------------------------|-------|-------|-------|-------|------|------|
| <S> | <C> | <C> | <C> | <C> | <C> | <C> |
| Ashland Oil, Inc. | 4.7x | 4.8x | 5.8x | 5.4x | 5.0x | 4.6x |
| Crown Central Petroleum Corp. | 2.3 | 3.6 | 4.8 | 5.5 | 2.7 | 2.2 |
| Diamond Shamrock Inc. | 4.8 | 6.9 | 9.0 | 7.2 | 6.8 | 5.9 |
| FINA, Inc. | 3.4 | 4.4 | 4.9 | 4.5 | NA | NA |
| Holly Corporation | 7.0 | 10.7 | 17.1 | 7.3 | 7.3 | 6.2 |
| Sun Company | 4.5 | 7.3 | 12.4 | 10.0 | 5.8 | 5.4 |
| Tosco Corporation | 4.5 | 8.0 | 8.3 | 4.1 | 4.6 | 4.2 |
| Ultramar Corporation | 12.7 | 6.3 | 7.9 | 9.0 | 8.3 | 6.8 |
| HIGH: | 12.7x | 10.7x | 17.1x | 10.0x | 8.3x | 6.8x |
| AVERAGE: | 5.5 | 6.5 | 8.8 | 6.6 | 5.8 | 5.0 |
| MEDIAN: | 4.6 | 6.6 | 8.1 | 6.4 | 5.8 | 5.4 |
| LOW: | 2.3 | 3.6 | 4.8 | 4.1 | 2.7 | 2.2 |

Valero Energy Corporation 5.2x 4.9x 5.6x 6.4x * *

*[Confidential Treatment Has Been Requested]

<TABLE>
<CAPTION>

| COMPANY | FIRM VALUE/EBITDA | | | | | PRICE/ BOOK | PRICE / NET ASSET VALUE |
|-------------------------------|-------------------|-------|-------|-------|------|----------------|-------------------------------|
| | 1989 | 1990 | 1991 | 1992 | LTM | | |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
| Ashland Oil, Inc. | 7.8x | 6.6x | 7.5x | 9.1x | 7.7x | 150% | 98% |
| Crown Central Petroleum Corp. | 2.9 | 2.0 | 7.0 | 5.1 | 4.4 | 46 | NA |
| Diamond Shamrock Inc. | 8.3 | 6.6 | 9.8 | 9.9 | 8.9 | 133 | 117 |
| FINA, Inc. | 5.4 | 4.5 | 6.4 | 7.7 | 6.9 | 98 | NA |
| Holly Corporation | 5.8 | 6.7 | 10.8 | 14.6 | 6.7 | 665 | NA |
| Sun Company | 4.7 | 4.5 | 6.8 | 6.7 | 6.6 | 165 | 88 |
| Tosco Corporation | 10.2 | 5.5 | 10.1 | 9.1 | 4.6 | 205 | 108 |
| Ultramar Corporation | 5.8 | 7.5 | 5.6 | 7.2 | 7.1 | 178 | 120 |
| HIGH: | 10.2x | 7.5x | 10.8x | 14.6x | 8.9x | 665% | 120% |
| AVERAGE: | 6.4 | 5.5 | 8.0 | 8.7 | 6.6 | 205 | 106 |
| MEDIAN: | 5.8 | 6.1 | 7.2 | 8.4 | 6.8 | 157 | 108 |
| LOW: | 2.9 | 2.0 | 5.6 | 5.1 | 4.4 | 46 | 88 |
| Valero Energy Corporation | 18.8x | 12.9x | 15.0x | 11.6x | 7.3x | 121% | 96% |

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Figures as of 06/30/93.

Firm Value: market capitalization+total debt+minority interest+preferred stock (liquidation value)-cash.

Tangible Book Value: shareholders; equity less intangible assets.

Earnings per share for 1992 and 1993 are median First Call estimates.

Cash Flow=Net Income available to common shareholders + Depreciation and Amortization + Amortization of Deferred Turnaround Charges.

EBDIAT: Earnings before depreciation, interest, amortization and taxes.

1993 EBDIAT is calculated as 1993 estimated earnings plus LTM depreciation, interest, amortization and taxes.

ASHLAND OIL, INC.

Excludes cumulative effect of accounting changes, charges for its retirement program, environmental provisions, asset write-downs, Riley-related reserves and other unusual items.

LTM pro forma for Nov. 19, 1992 \$250 mm 8.8% Debenture issue and May 1993 cumulative convertible preferred stock issue.

CROWN CENTRAL PETROLEUM CORPORATION

Excludes cumulative effect of changes in account principles in 1992 and sales of property, plant & equipment in 1990, 1991, 1992 and LTM 1993.

Excludes proceeds from the sale of property, plant & equipment in all stated years.

DIAMOND SHAMROCK

Excludes cumulative effect of accounting changes (\$17 mm after-tax).

FINA, INC.

Excludes for 1992 a \$34.2 mm charge for the cumulative effect of a change in accounting treatment regarding postretirement benefits. Second quarter earnings exclude other income related to asset sales, proceeds from insurance and \$62 mm cumulative effect of accounting change.

HOLLY CORPORATION

Net income excludes other income related principally to settlements.

SUN COMPANY

Excludes numerous special charges for all years, totaling (after tax)

\$809 mm, \$(413) mm and a gain of \$39 mm for 1992, 1991 and 1990, respectively. Excludes gain on divestments of \$61 mm and \$(9) mm for the second quarters of June 1993 and 1992 respectively.

TOSCO CORPORATION

Excludes cumulative effect of changes in accounting and income (loss) from discontinued operations.

LTM is pro forma for the acquisition of the Bayway refinery as if it had occurred on January 1, 1993. Income statement data is pro forma for the year ended December 31, 1992.

ULTRAMAR CORPORATION

Pro forma historical data for the formation of Ultramar in April 1992.

Pro forma information available in annual report (1992) and June 10Q.

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SALOMON BROTHERS INC

APPENDIX A

CASE STUDIES:
CONVERSION AND
LIQUIDATION

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SALOMON BROTHERS INC

E

Recent MLP Buy-Ins

<TABLE>

<CAPTION>

| ANNOUNCEMENT DATE | ACQUIROR | LIMITED PARTNERSHIP/TARGET | % OWNED | PREMIUM PAID | TYPE OF CONSIDERATION | TRANSACTION VALUE | % YIELD (PRE/POST) |
|-------------------|--|---|------------|--------------|----------------------------|-------------------|---------------------|
| (\$ in millions) | | | | | | | |
| <S> 2/15/89 | <C> ENSERCH Corp. | <C> ENSERCH Exploration Partners, Ltd. | <C> 87% | <C> 7% | <C> Common Stock & Cash | <C> \$153.2 | <C> 10.8% / 3.7% |
| 12/20/89 | National Intergroup, Inc. | Permian Partners, L.P. | 44% | 34% | Cash | 62.8 | 32% / NM |
| 8/15/88 | Apache Corp. | Apache Petroleum Co. L.P. | 7% | 7% | Common Stock | 138.1 | -% / 3.5% |
| 7/31/90 | Freeport-McMoRan Inc. | Freeport-McMoRan Oil & Gas Co. | 82% | 44% | Common Stock | 251.9 | 1.3% / 3.6% |
| 11/1/89 | Freeport-McMoRan Oil & Gas Co. | Freeport-McMoRan Energy Partners | 82% | None | Common Stock | 207.8 | 24.1% / 1.0% |
| 6/11/90 | Union Exploration Corporation, Limited | Union Exploration Partners, Limited | 95% | None | Common Stock | 216.5 | 10.9% / 2.2% |
| 9/10/93 | Santa Fe Energy Resources, Inc. | Santa Fe Energy Partners L.P. | 91% | 31% | Cash | 28.3 | 10.7% / NM |
| 8/12/93 | Southland Royalty Co./ Burlington Resources Inc. | Permian Basin Royalty Trust | 33% | 25% | Cash | 151.4 | 9.3% / NM |

</TABLE>

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SALOMON BROTHERS INC

Enserch Corporation

<TABLE>

<S>

Limited Partnership:

Announcement Date:

<C>

ENSERCH Exploration Partners, Ltd. (EP)

February 15, 1989

Pre-Deal Ownership: 87% owned by ENSERCH. 12.9 million units of ENSERCH Exploration Partners, Ltd. were publicly held

IPO Price/Date of L.P.: \$21 1/2 / April 23, 1985

Pre-Announcement Price: \$11 1/8

Offer Price & Consideration: \$11.875; .5 share of ENSERCH Corp. common stock, plus \$1.00 cash

Aggregate Transaction Value: \$153.2

Premium: 7%

Dividend Yield (Pre/Post): 10.8% / 3.7%

Form of Transaction: Tender

% Outstanding Votes Required: Not Conditioned on any number of units being tendered

Consummation Date: October 16, 1989

Description: February 15, 1989, it was announced that EP's quarterly dividend rate would be reduced to \$.075 per unit. ENSERCH announced initially that each unit would be converted into a .5 share of stock. Later, offer was sweetened to include an additional \$1.00 of cash

</TABLE>

 Note: Premium and dividend yield of L.P. is calculated five trading days prior to announcement at a price of \$11.125. Post-dividend yield is calculated five days prior to announcement at a price of \$21.750. Stated annual dividends equal \$1.20 and \$.80 per share for EP and ENS, respectively.

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 SALOMON BROTHERS INC
 Price & Volume Profile

ENSERCH EXPLORATION PARTNERS, LTD.
 DAILY DATA - 12/15/88 THROUGH 10/16/89

[GRAPH]

ENSERCH EXPLORATION PARTNERS, LTD.: PRICE (LEFT AXIS)
 ENSERCH EXPLORATION PARTNERS, LTD.: VOLUME (RIGHT AXIS)

 (a) 02/15/89: Announced:
 - Dividend reduced from \$.30 to \$.075.
 - Conversion of each unit into .5 shares of ENSERCH common stock, if over 505 convert, will liquidate.
 - Earnings announced.
 - Announced reduction of 1989 capital expenditures by 35%.

(b) 03/30/89
 - Sweetened exchange after by adding \$1.00 cash in addition to the .5 shares of ENSERCH common stock.
 - Will not liquidate regardless of the percent of units exchanged.

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Price & Volume Profile

ENSERCH CORPORATION
DAILY DATA - 12/15/88 THROUGH 10/16/90

[GRAPH]

ENSERCH CORPORATION: PRICE (LEFT AXIS)
ENSERCH CORPORATION: VOLUME (RIGHT AXIS)

(a) 02/15/89: Announced:
- Dividend reduced from \$.30 to \$.075.
- Conversion of each unit into .5 shares of ENSERCH
common stock, if over 505 convert, will liquidate.
- Earnings announced.
- Announced reduction of 1989 capital expenditures
by 35%.
(b) 03/30/89: - Sweetened exchange after by adding \$1.00 cash in
addition to the .5 shares of ENSERCH common stock.
- Will not liquidate regardless of the percent of units
exchanged.
(c) 10/16/89: Consummation Date.

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National Intergroup Inc.

| | |
|-------------------------------|--|
| <TABLE> | |
| <S> | <C> |
| Limited Partnership: | Permlan Partners, L.P. (PPaPr) |
| Announcement Date: | December 20, 1989 |
| Pre-Deal Ownership: | National Intergroup Inc. (NII) owned about 45% of the outstanding units |
| IPO Price/Date of L.P.: | \$9 / June 5, 1987 |
| Pre-Announcement Price: | \$3 5/8 |
| Offer Price & Consideration: | \$4.85 in cash |
| Aggregate Transaction Value: | \$60 million tender offer |
| Premium: | 34% |
| Dividend Yield (Pre/Post): | 32% / NM |
| Form of Transaction: | Merger, changed to Tender offer |
| % Outstanding Votes Required: | A Majority of the outstanding public units being tendered |
| Consummation Date: | November 11, 1990 |
| Description: | Special Committee rejected \$4.00 merger proposal on the basis the price was not fair. Subsequently, a \$3.75 offer was extended to all unitholders. When the offer failed to induce the required number of shares to invoke conversion, the offer was raised to \$4.85 per unit. NII finally offered 5 cents per unit to brokers who persuaded their clients to approve the amendment |
| </TABLE> | |

Note: Premium and dividend yield of L.P. is calculated five trading days
prior to announcement at a price of \$3.60. Stated annual dividend of

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SALOMON BROTHERS INC

Price & Volume Profile

PERMIAN PARTNERS L.P
DAILY DATA - 10/20/89 THROUGH 11/9/90

[GRAPH]

PERMIAN PARTNERS L.P.: PRICE (LEFT AXIS)
PERMIAN PARTNERS L.P.: VOLUME (RIGHT AXIS)

-
- (a) 12/20/89 Announcement. Proposal to acquire units at a price of \$4.00 per unit.
 - (b) 05/18/90 Announcement. \$3.75 Tender offer.
 - (c) 07/09/90 Announcement. Tender offer raised to \$3.85 per unit.

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SALOMON BROTHERS INC

Price & Volume Profile (d)

NATIONAL INTERGROUP, INC
DAILY DATA - 10/20/89 THROUGH 11/11/91

[GRAPH]

NATIONAL INTERGROUP, INC.: PRICE (LEFT AXIS)
NATIONAL INTERGROUP, INC.: VOLUME (RIGHT AXIS)

-
- (a) 12/20/89 Announcement. Proposal to acquire units at a price of \$4.00 per unit.
 - (b) 05/18/90 Announcement. \$3.75 Tender offer.
 - (c) 07/09/90 Announcement. Tender offer raised to \$3.85 per unit.
 - (d) 11/13/90 Consummation Date.

100
SALOMON BROTHERS INC

Apache Corporation

| | |
|----------------------|--|
| <TABLE> | <C> |
| <S> | |
| Limited Partnership: | Apache Petroleum Co., L.P. (APC) |
| Announcement Date: | August 15, 1988 |
| Pre-Deal Ownership: | 46.7 million units outstanding, 3.5 million, or 7% owned by Apache Corporation |

| | |
|-------------------------------|---|
| IPO Price/Date of L.P.: | 18 3/4 / August 22, 1985 |
| Pre-Announcement Price: | \$3 |
| Offer Price & Consideration: | \$3.20; Unitholders received either 0.4 of a share of Apache Corp. common stock or one share in Key Petroleum Co. per unit held |
| Aggregate Transaction Value: | \$138.1 |
| Premium: | 7% |
| Dividend Yield (Pre/Post): | - / 3.5% |
| Form of Transaction: | Tender |
| % Outstanding Votes Required: | The plan requires the consent of 2/3 of the outstanding unitholders |
| Consummation Date: | October 12, 1988 |
| Description: | Unitholders authorized the restructuring of the Partnership as a corporation. Holders of Apache Petroleum Co., L.P. exchanged 0.4 share of Apache Corp. for each unit tendered, or one share in Key Petroleum Co., a new company that will own a proportionate share of the Limited Partnership's oil and gas properties, thereby converting the limited partnership to a traditional corporate structure. Unitholders take legal action alleging that the prospectus misrepresented the offer and understated the value of APC units, settled for \$6.75 million |

</TABLE>

Note: Premium and dividend yield of L.P. is calculated five trading days prior to announcement at a price of \$3.00. Post-dividend yield is calculated five days prior to announcement at a price of \$8.00. Stated annual dividend of \$.28 per APA shared.

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SALOMON BROTHERS INC
Price & Volume Profile

APACHE PETROLEUM DEPOSITARY UNITS
DAILY DATA - 6/15/88 THROUGH 10/12/88

[GRAPH]

APACHE PETROLEUM DEPOSITARY UNITS: PRICE (LEFT AXIS)
APACHE PETROLEUM DEPOSITARY UNITS: VOLUME (RIGHT AXIS)

-
- (a) 08/15/88: Announces restructuring and offers a swap of .4 shares of Apache Corp. or 1 share of Key Production Co., new company that will own a proportionate share of the oil and gas properties.
 - (b) 09/15/88: Apache Corp. holders approve exchange of Apache Corp. common stock.
 - (c) 10/03/88: Apache Petroleum holders approve restructuring through tender.

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SALOMON BROTHERS INC
Price & Volume Profile

[GRAPH]

APACHE CORPORATION: PRICE (LEFT AXIS)
APACHE CORPORATION: VOLUME (RIGHT AXIS)

-
- (a) 08/15/88: Announces restructuring and offers a swap of .4 shares of Apache Corp. or 1 share of Key Production Co., new company that will own a proportionate share of the oil and gas properties.
 - (b) 09/15/88: Apache Corp. holders approve exchange of Apache Corp. common stock.
 - (c) 10/03/88: Apache Petroleum holders approve restructuring through tender.
 - (d) 10/12/88: Consummation Date.

11

103
SALOMON BROTHERS INC

Freeport-McMoRan Inc.

<TABLE>

| | |
|-------------------------------|--|
| <S> | <C> |
| Limited Partnership: | Freeport-McMoRan Oil and Gas Company (FMOG) |
| Announcement Date: | July 31, 1990 |
| Pre-Deal Ownership: | Freeport-McMoRan Inc. (FTX) owned an aggregate of 101.3 million shares, or approximately 81.5% of the outstanding shares. 22.9 million shares of FMOG are publicly held |
| IPO Price/Date of L.P.: | \$10 1/4 / April 2, 1990 |
| Pre-Announcement Price: | \$7 5/8 |
| Offer Price & Consideration: | \$11.00; Holders of FMOG will receive a fractional share of FTX based on the conversion price |
| Aggregate Transaction Value: | \$251.9 |
| Premium: | 44%; Common stock of FTX |
| Dividend Yield (Pre/Post): | 1.3% / 3.6% |
| Form of Transaction: | Merger |
| % Outstanding Votes Required: | Since FTX owned 81.5%, the approval of the merger was assured without the consent of any other FMOG stockholder. |
| Consummation Date: | November 15, 1990 |
| Description: | Each publicly held share was converted into a fraction of a share of Freeport-McMoRan Inc. The fractional share received is based upon a value of 11.00 for FMOG and valuing FTX at an average of the composite tape closing prices for the last 10 trading days prior to the formal FMOG shareholder approval (but not more than 0.345 nor less than 0.283 of a share of FTX common stock). The consideration for each share of FMOG was increased from \$10.50 to \$11.00. |

</TABLE>

Note: Premium and dividend yield of L.P. is calculated five trading days prior to announcement at a price of \$7.625. Post-dividend yield is calculated five days prior to announcement at a price of \$34.875. Stated annual dividend of \$.10 and \$1.25 per FMOG and FTX share, respectively.

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SALOMON BROTHERS INC

Price & Volume Profile

FREEPORT-MCMORAN OIL AND GAS COMPANY
DAILY DATA - 5/31/90 THROUGH 11/15/90

[GRAPH]

FREEPORT-MCMORAN OIL AND GAS COMPANY: PRICE (LEFT AXIS)
FREEPORT-MCMORAN OIL AND GAS COMPANY: VOLUME (RIGHT AXIS)

- (a) 07/31/90 announcement. \$10.50 conversion of Freeport-McMoRan Oil & Gas Company into shares of Freeport-McMoRan Inc.
(b) 11/15/90 Consummation Date.

13

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SALOMON BROTHERS INC

Freeport-McMoRan Oil & Gas Company

| | |
|-------------------------------|---|
| <TABLE> | |
| <S> | <C> |
| Limited Partnership: | Freeport-McMoRan Energy Partners Ltd. (FMP) |
| Announcement Date: | November 1, 1989 |
| Pre-Deal Ownership: | Freeport-McMoRan Inc. owned 81.5% of the outstanding shares of stock or 101.4 million. 123.1 million units are outstanding |
| IPO Price/Date of L.P.: | \$22 / April 19, 1985 |
| Pre-Announcement Price: | \$9 1/8 |
| Offer Price & Consideration: | \$9.125. Each partnership unit of Freeport-McMoRan Energy Partners was exchanged for one common share in Freeport-McMoRan Oil & Gas Co., a new publicly traded company |
| Aggregate Transaction Value: | \$198.0 stock for stock exchange |
| Premium: | None |
| Dividend Yield (Pre/Post): | 24.1% / 1.0% |
| Form of Transaction: | Merger |
| % Outstanding Votes Required: | Subject to the approval of the Majority Interest (FTX) |
| Consummation Date: | April 2, 1990 |
| Description: | Freeport-McMoRan Energy Partners Ltd. was converted from a master limited partnership to a publicly traded corporation listed on the NYSE. Unitholders received two additional distribution payments of \$0.55 per unit before the trust was converted. |
| </TABLE> | |

Note: Premium and dividend yield of L.P. is calculated five trading days prior to announcement at a price of \$9.125. Post-dividend yield is calculated five days prior to announcement at a price of \$10.250. Stated annual dividend of \$2.20 and \$.10 per share for FMP and FMOG, respectively.

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Premium: None

Dividend Yield (Pre/Post): 10.9% / 2.2%

Form of Transaction: Merger

% Outstanding Votes Required: Union Oil's (a wholly owned subsidiary of Unocal) consent was necessary and sufficient to approve the transaction

Consummation Date: August 1, 1990

Description: Union Exploration Partners Ltd. (UXP) converted from a Limited Partnership to a Corporation. Unocal also provided a \$3.00 contingent cash distribution to protect unitholders against price weakness.

</TABLE>

 Note: Premium and dividend yield of L.P. is calculated five trading days prior to announcement at a price of \$18.125. Post-dividend yield is calculated five days prior to announcement at a price of \$18.125. Stated annual dividend of \$1.97 and \$0.40 per share for UXP and UXC, respectively.

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109
 SALOMON BROTHERS INC
 Price & Volume Profile

UNION EXPLORATION PARTNERS LTD.
 DAILY DATA - 4/11/90 THROUGH 8/1/90

[GRAPH]

UNION EXPLORATION PARTNERS LTD.: PRICE (LEFT AXIS)
 UNION EXPLORATION PARTNERS LTD.: VOLUME (RIGHT AXIS)

 (a) 06/11/90 announcement. Union Exploration Partners, Ltd. to change to Unocal Exploration Corp.

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110
 SALOMON BROTHERS INC
 Price & Volume Profile

UNOCAL EXPLORATION CORPORATION
 DAILY DATA - 8/2/90 THROUGH 8/2/91

[GRAPH]

UNOCAL EXPLORATION CORPORATION: PRICE (LEFT AXIS)
 UNOCAL EXPLORATION CORPORATION: VOLUME (RIGHT AXIS)

 (a) 06/11/90 announcement. Union Partners, Ltd. to change to Unocal Exploration Corp.

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111
 SALOMON BROTHERS INC
 Santa Fe Energy Resources Inc.

<TABLE>

| | |
|-------------------------------|--|
| <S> | <C> |
| Limited Partnership: | Santa Fe Energy Partners L.P. (SFP) |
| Announcement Date: | September 10, 1993 |
| Pre-Deal Ownership: | 91%-owned affiliate of Santa Fe Energy Resources Inc. 5.75 million units were redeemed |
| IPO Price/Date of L.P.: | \$20 / January 14, 1986 |
| Pre-Announcement Price: | \$3 3/4 |
| Offer Price & Consideration: | \$4.9225 Cash |
| Aggregate Transaction Value: | \$28.3 million |
| Premium: | 31.2% |
| Dividend Yield (Pre/Post): | 10.7% / NM |
| Form of Transaction: | Merger |
| % Outstanding Votes Required: | Santa Fe Energy Resources Inc. owned a controlling interest |
| Consummation Date: | September 27, 1993 |
| Description: | 5.75 million units of Santa Fe Energy Partners L.P. were redeemed at a price of \$4.9225. Santa Fe Energy Resources also exercised a right to purchase all outstanding depository units and undeposited limited partner units. |
| </TABLE> | |

Note: Premium and dividend yield of L.P. is calculated five trading days prior to announcement at a price of \$3.75. Stated annual dividend of \$.40 per SFP share.

112
SALOMON BROTHERS INC

Price & Volume Profile

SANTA FE ENERGY PARTNERS L.P.
DAILY DATA - 7/9/93 THROUGH 9/27/93

[GRAPH]

SANTA FE ENERGY PARTNERS L.P.: PRICE (LEFT AXIS)
SANTA FE ENERGY PARTNERS L.P.: VOLUME (RIGHT AXIS)

(a) 9/10/93 announcement. Repurchase for a price of \$4.9225.

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SALOMON BROTHERS INC

Price & Volume Profile

SANTA FE ENERGY RESOURCES INC.
DAILY DATA - 7/9/93 THROUGH 10/1/93

[GRAPH]

SANTA FE ENERGY RESOURCES INC.: PRICE (LEFT AXIS)
SANTA FE ENERGY RESOURCES INC.: VOLUME (RIGHT AXIS)

(a) 9/10/93 announcement. Repurchase for a price of \$4.9225.
(b) 9/27/93 Consummation Date.

114
SALOMON BROTHERS INC

Southland Royalty Company/burlington Resources Inc.

| | |
|-------------------------------|--|
| <TABLE> | |
| <S> | <C> |
| Limited Partnership: | Permian Basin Royalty Trust (PBT) |
| Announcement Date: | August 12, 1993 |
| Pre-Deal Ownership: | Southland Royalty Company, a wholly owned subsidiary of Burlington Resources Inc., owned 15,390,576, or 33%, of the 46,608,796 units outstanding. |
| IPO Price/Date of L.P.: | \$20 5/8 / October 1, 1980 |
| Pre-Announcement Price: | \$3 7/8 |
| Offer Price & Consideration: | \$4.85 cash per unit |
| Aggregate Transaction Value: | \$151.4 million |
| Premium: | 25% |
| Dividend Yield (Pre/Post): | 9.3% / NM |
| Form of Transaction: | Tender |
| % Outstanding Votes Required: | No approval is required |
| Consummation Date: | September 24, 1993 |
| Description: | Southland Royalty Company offered \$4.85 per Permian Basin Royalty Trust unit. In 1990, the purchaser held discussions with regarding the possible acquisition at a price of \$5.00 per unit, however, these discussion were terminated. |
| </TABLE> | |

Note: Premium and dividend is calculated five trading days prior to announcement at a price of \$3.875. Stated annual dividend of \$.36 per PBT share.

115
SALOMON BROTHERS INC

Price & Volume Profile

PERMIAN BASIN ROYALTY TRUST
DAILY DATA - 6/11/93 THROUGH 9/24/93

[GRAPH]

PERMIAN BASIN ROYALTY TRUST: PRICE (LEFT AXIS)
PERMIAN BASIN ROYALTY TRUST: VOLUME (RIGHT AXIS)

(a) 08/12/93 announcement. Southland Royalty Company to offer \$4.85 per unit.

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SALOMON BROTHERS INC

Price & Volume Profile

BURLINGTON RESOURCES INC.
DAILY DATA - 6/11/93 THROUGH 10/1/93

[GRAPH]

BURLINGTON RESOURCES INC.: PRICE (LEFT AXIS)

- (a) 08/12/93 announcement. Southland Royalty Company to offer \$4.85 per unit.
 (b) 09/24/93 Consummation Date.

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 SALOMON BROTHERS INC

APPENDIX B
 CONVERTIBLE PREFERRED
 STOCK AS
 CONSIDERATION

26

118
 SALOMON BROTHERS INC

Time Incorporated/Warner Communications, Inc.

<TABLE>
 <S> <C>
 Announcement Date: 05/06/89
 Acquiror: Time Incorporated
 Target: Warner Communications, Inc.
 o Total Amount: \$14,000 million
 o Type of Consideration: Cash - \$7,000 million
 Convertible Preferred - \$6,100 million
 Stock - \$900 million
 Terms of Convertible Preferred:
 o Yield: 8.75%
 o Premium: 471%
 o Principal Amount: \$35 per share
 Description of Transaction: Time Incorporated and Warner Communications, Inc. agree to merge in a tax-free exchange of stock in which Warner shareholders will receive 0.465 of a Time share for each Warner share. Time and Warner have agreed to immediately exchange 12.5% of Time's shares for 9% of Warner's. On 4/14/89, the SEC advises the companies that the merger cannot be accounted for as a pooling of interests because of the immediate share exchange. Time and Warner postpone the closing of the share exchange until February 28, 1990. In June, Paramount Communications Inc. offers to acquire Time, threatening to break up the merger.
 On 6/19/89, Time and Warner restructure their agreement. The new terms call for Time to acquire Warner for \$70 per share, half in cash and half in a package of securities which will consist of 8.75% exchangeable convertible preferred shares with a face value of \$35 per share, 11% pay-in-kind exchangeable convertible shares with a face value of \$26 per share, and a portion of Warner's 12 million shares in Chris-Craft Industries, Inc.'s Warner's largest shareholder, BHC Holdings operations, valued at \$9 per Warner share. Time begins a tender offer for 100 million Warner shares.

</TABLE>

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119
 SALOMON BROTHERS INC

Time Incorporated/Warner Communications, Inc.

<TABLE> <C>
 <S>
 Description of Transaction: (cont'd) On 12/27/89, Shareholders file suits contending that Warner Executives will receive favorable treatment in the proposed securities package. On 1/11/90,

Time Warner Inc. completes the acquisition. Each share of Warner communication now represents 0.7188774 share of Time Warner Preferred Series C depositary stock, 0.5421044 share of Time Warner Preferred Series D depositary stock, and 0.15166 share of BHC communications Class A common stock. On 12/27/89, Shareholders file suits contending that Warner Executives will receive favorable treatment in the proposed securities package. On 1/11/90, Time Warner Inc. completes the acquisition. Each share of Warner communication now represents 0.7188774 share of Time Warner Preferred Series C depositary stock, 0.5421044 share of Time Warner Preferred Series D depositary stock, and 0.15166 share of BHC communications Class A common stock.

</TABLE>

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120
SALOMON BROTHERS INC

Price & Volume Profile

TIME WARNER PREFERRED SERIES C
DAILY DATA - 12/11/89 THROUGH 1/11/91

[GRAPH]

TIME WARNER PREFERRED SERIES C: PRICE (LEFT AXIS)
TIME WARNER PREFERRED SERIES C: VOLUME (RIGHT AXIS)

(a) 1/11/90 Consummation Date.

29

121
SALOMON BROTHERS INC

Price & Volume Profile

TIME WARNER INC.
DAILY DATA - 3/6/89 THROUGH 1/11/91

[GRAPH]

TIME WARNER INC.: PRICE (LEFT AXIS)
TIME WARNER INC.: VOLUME (RIGHT AXIS)

(a) 5/06/89 announcement.
(b) 1/11/90 consummation date.

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122
SALOMON BROTHERS INC

Baker Hughes Incorporated/Teleco Oilfield Services Inc. (Sonat Inc.)

<TABLE>

| | |
|--------------------|--|
| <S> | <C> |
| Announcement Date: | 01/07/92 |
| Acquiror: | Baker Hughes Incorporated |
| Target: | Teleco Oilfield Services Inc. (Sonat Inc.) |
| o Total Amount: | \$400.0 |

- o Type of Consideration: Cash - \$200 million
Convertible Preferred - \$200 million

Terms of Convertible Preferred:

- o Yield: 6%
- o Premium: 67%
- o Principal Amount: \$50.00

Description of Transaction:

Baker Hughes Incorporated agrees to acquire Teleco Oilfield Services Inc. from Sonat Inc. for \$200 million in cash, four million shares of convertible preferred stock and a 5% royalty payment for five years on certain technology payments. The convertible preferred stock has a face amount of \$200 million, a dividend rate of 6% per annum and is convertible at \$32.50 per share of Baker Hughes common stock subject to adjustment at closing. The royalty is payable on the revenues of the "triple combo" measurement-while-drilling system recently developed by Teleco. Sonat agreed to sell certain oil and gas properties to Kerr-McGee in May, 1991. Completion dated 4/23/92

</TABLE>

 Note: Premium is calculated five trading days prior to announcement at a price of \$19.50.

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 SALOMON BROTHERS INC

Price & Volume Profile

BAKER-HUGHES, INC.
 DAILY DATA - 11/7/91 THROUGH 4/23/93

[GRAPH]

BAKER-HUGHES, INC.: PRICE (LEFT AXIS)
 BAKER-HUGHES, INC.: VOLUME (RIGHT AXIS)

- (a) 01/07/92 announcement.
 (b) 4/23/92 consummation date.

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124
 SALOMON BROTHERS INC

Cooper Industries, Inc./Cameron Iron Works, Inc.

<TABLE>

- <S> <C>
- Announcement Date: 08/02/89
- Acquiror: Cooper Industries, Inc.
- Target: Cameron Iron Works, Inc.
- o Total Amount: \$779 Million
- o Type of Consideration: Preferred Stock - \$683.8 million
Cash - \$15 million
Debt Assumed - 65.1 million

Terms of Convertible Exchangeable Preferred:

- o Yield: 8%

- o Premium: 14%
- o Principal Amount: \$100

Description of Transaction: Cooper Industries, Inc. offers to acquire Cameron Iron Works, Inc. in an exchange of stock. Cameron shareholders will receive one share of Cooper convertible exchangeable preferred stock for every five shares of Cameron. The preferred will have an annual dividend of \$8 per share and will be convertible into 2.75 shares of Cooper common. The shares are valued at \$21 - \$24.50 each. Earlier this year, Cameron announced it had hired an investment advisor to help major Cameron holders dispose of a 47.53% stake in the company. Completion dated 11/29/89

</TABLE>

 Note: Premium is calculated five trading days prior to announcement at a price of \$31,875

33

125
 SALOMON BROTHERS INC

Price & Volume Profile

COOPER INDUSTRIES, INC.
 DAILY DATA - 6/2/89 THROUGH 11/29/90

[GRAPH]

COOPER INDUSTRIES, INC.: PRICE (LEFT AXIS)
 COOPER INDUSTRIES, INC.: VOLUME (RIGHT AXIS)

- (a) 08/02/89 announcement.
 (b) 11/29/89 consummation date.

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 SALOMON BROTHERS INC

Triarc Group L.P./DWG Corporation

<TABLE>

<S> <C>
 Announcement Date: 10/03/92
 Acquiror: Triarc Group L.P.
 Target: DWG Corporation
 o Total Amount: \$143.6 million
 o Type of Consideration: Cash - \$71.8 million
 Convertible Preferred - \$71.8 million

Terms of Convertible Exchangeable Preferred:

- o Yield: 8 1/8%
- o Premium: 21%
- o Principal Amount: \$12 per share

Description of Transaction: Victor Posner, and related entities controlled by him, agree to sell to Triarc Group L.P., a New York investment concern, half of their 11,965,733 shares of DWG Corporation for \$12 per share and agrees to exchange the remaining shares for shares of newly created non-voting, convertible preferred stock of DWG for \$12 per share with an aggregate stated value of \$71,794,392 and cumulative annual dividend of 8 1/8%. The interest represents 46.3% of the voting power outstanding of DWG. On April 26, Triarc, controlled by Nelson Peltz and Peter May, completes the acquisition. The company also announced plans to change its name to Triarc Cos. Completion dated 05/01/93

</TABLE>

Note: Premium is calculated five trading days prior to announcement at a price of \$14.48.

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SALOMON BROTHERS INC
Price & Volume Profile

DWG CORPORATION
DAILY DATA - 6/3/92 THROUGH 10/1/93

[Graph]

DWG CORPORATION: PRICE (LEFT AXIS)
DWG CORPORATION: VOLUME (RIGHT AXIS)

(a) 08/03/92 announcement.
(b) 5/1/93 consummation date.

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SALOMON BROTHERS INC

IDB Communications Group Inc./Telephone and Satellite
Interests (TeleColumbus AG)

<TABLE>

| | |
|---------------------------------|---|
| <S> | <C> |
| Announcement Date: | 03/09/92 |
| Acquiror: | IDB Communications Group Inc. |
| Target: | Telephone and Satellite Interests (TeleColumbus AG) |
| o Total Amount: | \$94.8 million |
| o Type of Consideration: | Common Stock - 60.8 million Convertible Preferred - \$34 million |
| Terms of Convertible Preferred: | |
| o Yield: | 4% |
| o Premium: | 43% |
| o Principal Amount: | \$1,000 per share |
| Description of Transaction: | IDS Communications Group agrees to acquire a 51% stake in Satellite Transmission and Reception Specialists for 1,010,000 shares of IDB Communications common stock. IDB also agrees to acquire the remaining 49% stake in STARS, as well as 100% of World Communications for approximately 2,990,000 additional shares of common stock and the issuance of a nonredeemable convertible preferred stock with a face value of \$34 million. The stock yields a 4% annual cash dividend and can be converted into IDB common stock at \$18.38 per share. On October 2, 1992, IDS Communications received FCC approval of the transaction. On April 6, 1992, the acquisition of the majority interest in STARS was completed. Completion dated 04/06/92 |

</TABLE>

Note: Premium is calculated five trading days prior to announcement at a price of \$12.8571

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SALOMON BROTHERS INC

Price & Volume Profile

IDB COMMUNICATIONS GROUP
DAILY DATA - 1/9/92 THROUGH 4/6/93

[Graph]

IDB COMMUNICATIONS GROUP: PRICE (LEFT AXIS)
IDB COMMUNICATIONS GROUP: VOLUME (RIGHT AXIS)

- (a) 03/09/92 announcement.
(b) 04/06/92 consummation date.

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SALOMON BROTHERS INC

APPENDIX C
CONVERTIBLE PREFERRED
MARKET CONDITIONS

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SALOMON BROTHERS INC

Convertible Market Overview

RECENT CONVERTIBLE MARKET CONDITIONS

- o RECORD NEW ISSUES. The lowest interest rate environment in recent history, coupled with record equity market valuations, has resulted in the highest level of new convertible issuance ever observed. 1993's convertible market issuance should surpass 1992's record \$19 billion level.
- o AGGRESSIVE TERMS. Corporate issuers have been afforded extraordinary flexibility in setting coupons, conversion premiums, and call features. Almost every convertible priced this year has had a coupon below 6.5%, with many in the 4.5-5.5% range. Conversion premiums have routinely been set in the 24-26% range, with some even higher.
- o STRONG INVESTOR DEMAND. At least 85% of the convertibles priced during 1993 have been either increased or oversubscribed. Two recent issues that Salomon Brothers managed, Stone Container and Battle Mountain Gold, were oversubscribed four and ten times respectively.
- o RECORD REDEMPTIONS. Because of the record level of convertible redemptions, there has been only a minor net increase in convertible securities outstanding. This trend has left convertible investors with large cash reserves and eager for new investment opportunities.
- o STRONG SECONDARY MARKET. During the first eight months of 1993, Salomon Brothers' Convertible Securities Index has generated total returns of 15.8%, compared with 8.4% for the S&P 500.

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Convertible Market Overview

RECENT CONVERTIBLE MARKET CONDITIONS

- o EXPANDED INVESTOR BASE. The new convertible issue market is attracting new investors, including straight equity funds, income funds, bond funds, and insurance companies. Many of these investors had not previously been meaningful players in the convertible market.
- o EXPANDED ISSUER UNIVERSE. The market has grown increasingly receptive to companies that have not previously tapped the convertible market, including single-B credits and issuers with relatively high dividend yields.
- o PRODUCT INNOVATION. Unprecedented investor demand has given corporations flexibility to issue advantageous new structures, including DECS, Stock Settled Convertible Preferred Stock and ELKS.
- o SHELF REGISTRATION. Issuers, including Time Warner, Masco Tech, Comcast and First Chicago, are increasingly taking advantage of revised S.E.C. shelf filing requirements to minimize the S.E.C. review period and enhance their timing flexibility.
- o RULE 144A. Nearly 25% of 1993's new issue volume has been issued under Rule 144A, in order to avoid the S.E.C. review, shorten the road show process, and increase timing flexibility.

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Convertible Market Overview

CONVERTIBLE NEW ISSUE MARKET

1993's convertible market volume is on a pace to surpass the record \$19 billion raised in 1992.

MONTHLY CONVERTIBLE VOLUME

[Graph]

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Convertible Market Overview

CONVERTIBLE NEW ISSUE MARKET

Since 1991, convertible preferred stock has become the dominant component of the convertible market.

TOTAL CONVERTIBLE ISSUANCE 1983-1993 YTD

[Graph]

NOTE: 1993 FIGURES THROUGH 9/7/93

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SALOMON BROTHERS INC

Convertible Market Overview

AGGRESSIVE NEW ISSUE TERMS

Investors' willingness to accept securities with aggressive terms and novel features demonstrates the vibrancy of the equity-linked market.

1992/1993 CONVERTIBLE TRANSACTIONS

<TABLE>
<CAPTION>

| FEATURE | ISSUER | DESCRIPTION |
|----------------------------------|--|--|
| <S> | <C> | <C> |
| Low Coupons | o Comp. Telefonos de Chile o Carnival Cruise Lines | o 4.5%, up 23.6% o 4.5%, up 22.5% |
| High Conversion Premiums | o Bindley-Western o TJX Companies o Storage Technology | o 6.5%, up 30.0% o 6.0%, up 25.0% o 7.0%, up 25.3% |
| Accelerated Execution | o First Chicago | o 5.75%, up 25.1% (1-day marketing period) |
| New, Innovative Structures | o Cellular Communications o Enquirer / Star Group o Consolidated Freightways o Horace Mann o Battle Mountain Gold o American Express o Salomon/Digital Equipment | o Non-Putable 7-Year Zero, 144A o Synthetic Zero with Warrants o Limited Appreciation Preference Stock o Step-up Coupon Convertible Debenture o Stock-Settled Redemption o DECS o ELKS |
| Receptivity to Low-Rated Credits | o Bethlehem Steel o Wheeling Pittsburgh o Cellular Communications o of Puerto Rico o Reading & Bates | o B3 / B- o B2 / B o Caa / CCC+ o B3 / B |

</TABLE>

- o Salomon Brothers has been extremely active in underwriting precedent-setting convertible securities. In fact, Salomon managed each of the seventeen transactions above, eight as lead manager.

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SALOMON BROTHERS INC SALOMON BROTHERS INC

Convertible Market Overview

RECORD CONVERTIBLE REDEMPTIONS

The convertible market is enjoying a favorable supply/demand imbalance in 1993, with the dollar value of new issues called nearly equaling total new issuance volume. As a result, there has been only a minor increase in the amount of convertible securities outstanding, despite the record level of new issuance.

SELECTED CONVERTIBLE ISSUES CALLED DURING 1993

<TABLE>
<CAPTION>

| CALL DATE | ISSUE | PROCEEDS (\$MM) |
|-----------|--------------------|-----------------|
| <S> | <C> | <C> |
| 01/04/93 | Loral Corporation | 100 |
| 01/04/93 | Berkshire Hathaway | 478 |

| | | |
|----------|----------------------------------|-------|
| 01/08/93 | Hudson Foods | 33 |
| 01/14/93 | Wyle Labs | 25 |
| 01/29/93 | TJX Cos | 70 |
| 02/05/93 | Time Warner | 2,250 |
| 02/10/93 | Bergen Brunswig | 188 |
| 02/12/93 | Washington Mutual | 65 |
| 02/12/93 | Time Warner | 1,000 |
| 02/25/93 | Service Corp. | 100 |
| 02/25/93 | Trinity Industries | 85 |
| 03/04/93 | Sterling Software | 93 |
| 03/11/93 | Disney | 1,088 |
| 03/15/93 | Giddings & Lewis | 58 |
| 03/15/93 | Sonata | 237 |
| 03/15/93 | Pentair | 50 |
| 03/16/93 | Union Carbide | 345 |
| 03/17/93 | Comcast | 100 |
| 04/01/93 | SCI Systems | 70 |
| 04/05/93 | McCaw Cellular | 114 |
| 04/05/93 | McCaw Cellular | 286 |
| 04/07/93 | Weyerhaeuser | 193 |
| 04/22/93 | Weingarten Realty | 60 |
| 04/22/93 | Signal (Allied-Signal) | 57 |
| 04/29/93 | Burlington Resources | 80 |
| 04/30/93 | Plenum Publishing | 48 |
| 05/04/93 | CBS Inc. | 400 |
| 03/17/93 | MCI Communications | 536 |
| 03/25/93 | DSC Communications | 72 |
| 03/26/93 | Aluminum Co. of America | 150 |
| 05/05/93 | Noble Affiliates | 100 |
| 05/13/93 | Sprint | 210 |
| 05/19/93 | Petroleum & Resources | 36 |
| 05/21/93 | Rouse Co | 100 |
| 06/04/93 | Kirby Corp. | 50 |
| 06/07/93 | Kaufman & Broad Home | 169 |
| 06/08/93 | BRE Properties | 47 |
| 06/10/93 | Williams Cos. | 150 |
| 06/25/93 | Texas Instruments (PERCS) | 108 |
| 06/28/93 | Comcast Corp | 100 |
| 07/02/93 | Primerica | 137 |
| 07/02/93 | Anadarko Petroleum | 100 |
| 07/07/93 | Grumman | 50 |
| 07/15/93 | General Dynamics/Federal Express | 75 |
| 07/15/93 | Genetix Institute | 58 |
| 07/16/93 | Allen Group | 58 |
| 08/02/93 | RPM Inc | 50 |
| 08/09/93 | FMC | 174 |
| 09/10/93 | Texas Instruments | 108 |
| 09/20/93 | Sun Microsystems | 123 |

</TABLE>

| | | |
|-------------------|---|------------------|
| 1993 NEW ISSUANCE | - | 1993 REDEMPTIONS |
| \$14.4 BILLION | | \$13.7 BILLION |

= NET INCREASE IN CONVERTIBLES OUTSTANDING
\$0.7 BILLION

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SALOMON BROTHERS INC

Convertible Market Overview

SECONDARY MARKET PERFORMANCE

- o Convertible securities have outperformed all other major asset classes during 1993.
- o These returns have generated unprecedented investor demand for convertibles, allowing issuers significant flexibility in structuring their securities.

<TABLE>

<CAPTION>

TOTAL RETURNS OF SELECTED INDEXES

| INDEX | TOTAL RETURN YTD |
|--|------------------|
| ----- | ----- |
| <S> | <C> |
| SALOMON BROTHERS' CONVERTIBLE SECURITIES INDEX | 15.8% |
| Salomon Brothers' High Yield Index | 13.6 |

| | |
|------------------------------|------|
| Dow Jones Industrials | 12.6 |
| NASDAQ Composite | 9.7 |
| Salomon Brothers' Bond Index | 9.5 |
| S&P 500 | 8.4 |

Note: Figures as of 9/1/93.

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SALOMON BROTHERS INC

Convertible Market Overview

EXPANDING CONVERTIBLE INVESTOR BASE

Equity mutual funds have become important buyers of equity-linked securities, as a majority of the largest funds have some income orientation and invest in convertibles to satisfy that objective.

<TABLE>
<CAPTION>

| FUND ---- | LARGEST EQUITY MUTUAL FUNDS ----- | | |
|---|--------------------------------------|---------------------------------|-------------------|
| | ASSETS (\$B) ----- | INVESTMENT ORIENTATION ----- | LOCATION ----- |
| <S> | <C> | <C> | <C> |
| Fidelity Magellan | \$25 | Growth | Boston |
| Investment Co. of America (Capital Research) | 17 | Growth & Income | Los Angeles |
| Washington Mutual Inv. (Capital Research) | 11 | Growth & Income | Los Angeles |
| Vanguard Windsor | 10 | Growth & Income | Boston |
| Income Fund of America (Capital Research) | 8 | Equity Income | Los Angeles |
| Vanguard Index | 7 | Growth | Philadelphia |
| Janus Fund | 7 | Capital Appreciation | Denver |
| Fidelity Puritan | 7 | Equity Income | Boston |
| Vanguard Windsor II | 6 | Growth & Income | Philadelphia |
| Fidelity Growth & Income | 6 | Growth & Income | Boston |
| 20th Century: Ultra Inv. (Investors Research) | 6 | Capital Appreciation | Chicago |
| Fidelity Equity - Income | 6 | Equity Income | Boston |
| Dean Witter Dividend Growth | 6 | Growth & Income | New York |
| AIM Equity | 6 | Growth | Houston |
| American Mutual (Capital Research) | 5 | Growth & Income | Los Angeles |

Source: Lipper Analytical Services

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SALOMON BROTHERS INC

Convertible Market Overview

EXPANDING CONVERTIBLE INVESTOR BASE

The substantial increase in Growth and Income funds has helped fuel the demand for high-yielding convertible securities.

NET FLOWS INTO GROWTH AND INCOME FUNDS
(DOLLARS IN BILLIONS)

[Graph]

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SALOMON BROTHERS INC

Convertible Market Overview

EXPANDING CONVERTIBLE INVESTOR BASE

The buyers' universe for equity-linked securities is composed of six broad sectors representing over \$100 billion in assets. Figures below indicate the amount under management and the primary product focus of each sector.

[Pie Chart]

GROWTH & INCOME MUTUAL FUNDS: \$30B

- o Convertible Preferreds
- o Cash Pay Convertibles
- o Zero Coupon Convertibles
- o STEPS/ PERCS
- o DECS

WARRANT BUYERS: \$6B

- o Warrants
- o Stripped Warrants on Convertible Debt

HIGH YIELD BUYERS: \$8B

- o "Busted" Convertibles
- o "Distressed" Convertibles
- o Zero Coupon Convertibles

HEDGE FUNDS: \$28B

- o Low Premium Convertibles
- o Low Premium Convertible Preferreds
- o STEPS/ PERCS

EQUITY-LINKED MUTUAL FUNDS: \$10B

- o Cash Pay Convertibles
- o Convertible Preferred
- o Zero Coupon Convertibles
- o STEPS/ PERCS
- o DECS

INCOME ORIENTED EQUITY-LINKED BUYERS: \$20B

- o "Busted" Convertibles
- o STEPS/ PERCS
- o DECS

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SALOMON BROTHERS INC

Convertible Market Overview

CONVERTIBLE MARKET FORWARD CALENDAR

<TABLE>

<CAPTION>

CONVERTIBLE OFFERINGS IN REGISTRATION

PROCEEDS
AMOUNT
ISSUER (\$MM) SECURITY PRICE TALK EXPECTED DATE

| <S> | <C> | <C> | <C> | <C> |
|--------------------------|-------|-------------------------|------------------|-----------|
| American Express | \$735 | DECS | 6-6.5%/up 20-22% | September |
| Boise Cascade | 157 | DECS | 7-7.5%/up 21-25% | September |
| Chiles Offshore | 75 | Convertible Preferred | NA | NA |
| Fremont General | 80 | Zero Coupon Convertible | NA | September |
| International Technology | 60 | Convertible Preferred | NA | NA |
| Motorola | 300 | Zero Coupon Convertible | 2-2.5%/up 20-22% | NA |
| Omnicare | 50 | Cvt Debt | NA | NA |
| Somatogen | 40 | Convertible Preferred | 8%/up 23-25% | September |
| Total Pharmaceutical | 50 | Convertible Debt | NA | NA |

Note: Includes deals > \$20mm; excludes 144A offerings.

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APPENDIX 6 (PRESENTATION OF GRAPHIC MATERIAL IN EDGAR FORMAT)

1. The graph appearing behind Tab B ("Valuation Summary") entitled "Price & Volume Profile of VLP--Valero Natural Gas Partners, LP--Daily Data" is omitted. The omitted graph presents publicly available information regarding the price and volume of the publicly traded partnership units of Valero Natural Gas Partners, LP ("VLP") from 12/30/88 to 10/01/93. The graph presents fluctuations in the market price per share of the VLP units after the occurrence of significant events affecting the VLP units. The graph illustrates that the market price per VLP unit decreased from approximately \$15 to below \$12 after the announcement in April 1991 that VLP might cut the amount of its distributions to unitholders in 1992 (trading volume was extraordinarily high immediately following the announcement). The graph illustrates that the market price per VLP unit continued to decrease through 03/18/92 when Valero Energy Corp. announced the proposed purchase of \$83 million of South Texas assets, with the price ultimately reaching a low of approximately \$8 per unit in July 1992 when VLP cut the amount of its distribution from \$0.635 to \$0.125 per unit. The graph further illustrates that the market price per VLP unit increased to approximately \$9 1/4 at 10/01/93 (one year after VLP announced improved earnings results in October 1992). The graph also illustrates that the daily trading volume for the VLP units generally averaged approximately 30,000 units during the period presented by the graph. The graph shows that trading volumes were generally 8 to 10 times such average immediately following the aforementioned announcements.

2. The graph appearing behind Tab B ("Valuation Summary") entitled "Dividend Yield Profile of VLP--Valero Natural Gas Partners, LP--Daily Data" is omitted. The omitted graph presents the dividend yield percentage for the units of partnership interests of Valero Natural Gas Partners, L.P. ("VLP") from 12/30/88 through 10/01/93. The graph illustrates that the dividend yield percentage increased from approximately 16% to approximately 21% after VLP made an announcement in April 1991 warning that VLP may cut distribution in 1992. The graph further illustrates that the dividend yield percentage decreased from approximately 30% to approximately 7% after VLP in July 1992 cut its distribution from \$0.625 to \$0.125 per unit.

3. The bar graph appearing behind Tab B "Valuation Summary" having the heading "Relative Market Size of the Natural Gas Industry" is omitted. The following chart describes the information presented in the omitted graph:

The Gathering, Transmission and Processing sector is a relatively small part of the natural gas equity market and is dominated by large insider ownership.

<TABLE>
<CAPTION>

| Sector | Market Capitalization (\$ in millions) |
|--------------|---|
| <S> | <C> |
| GTP* | \$ 2,951 |
| Distribution | \$12,399 |
| E & P | \$24,216 |
| Pipelines | \$34,852 |

</TABLE>

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*Insider ownership in the GTP industry is approximately 1/3 of GTP's total market capitalization.

4. The bar graph appearing behind Tab B "Valuation Summary" having the heading "Liquidity in the Natural Gas Equity Market" is omitted. The following chart describes the information presented in the omitted graph:

Due to this small size, the GTP sector is much less liquid compared to the pipeline and E & P sector of the natural gas industry.

<TABLE>

<CAPTION>

Total Share Traded as a Percentage
of Market Capitalization
(O - 100%)

| <S> | <C> |
|--------------|-------|
| Distribution | 25.4% |
| GTP | 35.6% |
| Pipelines | 51.4% |
| E & P | 73.2% |

</TABLE>

5. The flow chart appearing behind Tab C - "Review of Transaction Structure" having the heading "Exchange of Securities via Merger" is omitted. The four paragraphs appearing immediately beneath the omitted flow chart adequately describe the information presented in the flow chart. The four descriptive paragraphs were not omitted from the foregoing document.

6. The chart appearing behind Tab C "Review of Transaction Structure" having the heading "Merger/Exchange of Securities - Preliminary Timetable" is omitted. The following chart describes the information presented in the omitted graph.

<TABLE>

<CAPTION>

SALOMON/MANAGEMENT/BOARD ACTIONS

WEEK OF

| <S> | <C> | <C> |
|--|----------------|-----|
| Salomon/Management/Structure Meeting | October 4 | |
| Rating Agency Presentations | October 11, 18 | |
| VLO Board Meeting/Recommend Buy-In | October 25 | |
| Send Proposal Letter and Announce Proposal | November 29 | |
| Salomon Fairness Opinion | | |

</TABLE>

<TABLE>

<CAPTION>

SPECIAL COMMITTEE ACTIONS

| <S> | <C> |
|---|------------------------|
| Special Committee Formed | October 25, November 1 |
| Special Committee Reviews Recommendation | November 1, 8, 15, 22 |
| Special Committee's Investment Banker Fairness Opinion | November 29 |
| Special Committee Approves Merger and Makes Recommendation to VLP Unitholders | November 29 |

</TABLE>

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<TABLE>

<CAPTION>

SEC/PROXY/PROSPECTUS PROCESS

| <S> | <C> |
|--|-------------------------------------|
| Draft Proxy/Prospectus | November 1, 8, 15, 22, 29 |
| File Proxy Statement/Prospectus at SEC | November 29 |
| SEC Review of Proxy/Prospectus | November 29, December 6, 13, 20, 27 |
| SEC Comments/Amendments | January 3, 10 |
| SEC Declares Effective/Mail to Unitholders | January 17 |
| File 8-K with Earnings Announcement | February 14 |
| Mail Convert to Unitholders | March 21 |

</TABLE>

<TABLE>

<CAPTION>

UNITHOLDERS/VOTE MERGER PROCESS

| <S> | <C> |
|--------------------------------------|---|
| Mail Proxy/Prospectus/Notice to Vote | January 17 |
| Unitholders Review Proposal | January 17, 24, 31, February 7, 14, 21, 28, March 7, 14 |
| Unitholders Vote | March 14 |
| File Merger Certificate | March 14 |

</TABLE>

7. The flow chart appearing behind Tab C "Review of Transaction Structure" having the heading "Cash Offer via Merger" is omitted. The three paragraphs appearing immediately beneath the omitted flow chart adequately describe the information presented in the flow chart. The three descriptive paragraphs were not omitted from the foregoing document.

8. The chart appearing behind Tab C "Review of Transaction Structure" having the heading "Cash Merger - Preliminary Timetable" is omitted. The following chart describes the information presented in the omitted graph.

<TABLE>

<CAPTION>

SALOMON/MANAGEMENT/BOARD ACTIONS

| | WEEK OF | |
|--|----------------|-----|
| <S> | <C> | <C> |
| Salomon/Management/Structure Meeting | October 4 | |
| Rating Agency Presentations | October 11, 18 | |
| VLO Board Meeting/Recommend Buy-In | October 25 | |
| Send Proposal Letter and Announce Proposal | October 25 | |
| Salomon Fairness Opinion | November 29 | |

</TABLE>

<TABLE>

<CAPTION>

SPECIAL COMMITTEE ACTIONS

| | WEEK OF | |
|--|------------------------|--|
| <S> | <C> | |
| Special Committee Formed | October 25, November 1 | |
| Special Committee Reviews Proposal | November 1, 8, 15, 22 | |
| Special Committee's Investment Banker Fairness Opinion | November 29 | |
| Special Committee Approves Merger and Makes Recommendation | November 29 | |

</TABLE>

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<TABLE>

<CAPTION>

SEC/PROXY/PROSPECTUS/MARKETING PROCESS

| | WEEK OF | |
|---|------------------------------------|--|
| <S> | <C> | |
| Drafting Convert Prospectus | October 11, 18, 25, November 1 | |
| File Convert Prospectus with SEC/SEC Review | November 8, 15, 22, 29 | |
| | December 6 | |
| SEC Comments/Amendments | December 6, 13 | |
| SEC Declares Effective | January 31 | |
| Road Show for Convert | February 7 | |
| Price Convert | February 14 | |
| Drafting Proxy Statement | November 1, 8, 15, 22 | |
| File Proxy/SEC Review | November 2, December 6, 13, 20, 27 | |
| SEC Comments/Amendments | December 27, January 3 | |

</TABLE>

<TABLE>

<CAPTION>

UNITHOLDERS/VOTE/MERGER PROCESS

| | WEEK OF | |
|-------------------------------|------------------------------------|--|
| <S> | <C> | |
| Mail Proxy to Unitholders | January 10 | |
| Unitholders Review Proposal | January 10, 17, 24, 31, February 7 | |
| Unitholders Vote | February 7 | |
| File Merger Certificate | February 7 | |
| Closing of Merger and Convert | February 14 | |

</TABLE>

9. The graph appearing behind Tab D ("Pro Forma Analysis") entitled "Price & Volume Profile of VLO--Valero Energy Corporation-- Daily Data" is omitted. The omitted graph presents publicly available information regarding the price and volume of the common stock of Valero Energy Corporation ("VLO") from 12/30/88 to 10/01/93. The graph illustrates that the market price per share of the VLO stock was below \$10 at 01/03/89, the lowest price reached during the period presented by the graph. The highest price of the VLO stock shown on the graph was approximately \$33 per share in the first quarter of 1992. The graph further illustrates that the market price per share of the VLO stock was approximately \$24.50 at 10/01/93. The graph also illustrates that the daily trading volume for the VLO stock generally averaged approximately 200,000 shares during the latter half of the period presented by the graph, while trading volumes were more sporadic prior thereto.

10. The graph appearing behind Tab D ("Pro Forma Analysis") entitled "Price Profile of VLO vs. Index of Refiners--Valero Energy Corporation--Daily Data" is omitted. The omitted graph illustrates how the market price per share of the common stock of Valero Energy Corporation ("VLO") has exceeded the market price

of an index comprised of a peer group of refining companies during the period from 01/01/91 to 10/01/93. The graph illustrates that the per share price of VLO common stock has experienced an approximate 60% increase as of 10/01/93 from the base period measuring point of 1/1/91, while the index of peer group refiners has declined approximately 5% during the same period.

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11. The graph appearing behind Tab D ("Pro Forma Analysis") entitled "Valero Energy Corporation--Price/Earnings Per Share" is omitted. [Confidential Treatment Has Been Requested]

12. The graph appearing behind Tab D ("Pro Forma Analysis") entitled "Valero Energy Corporation--Price/Cash Flow" is omitted. [Confidential Treatment Has Been Requested]

13. The graph appearing behind Tab D ("Pro Forma Analysis") entitled "Pro Forma Credit Analysis" is omitted. [Confidential Treatment Has Been Requested]

14. The graph appearing in Appendix 3 ("Stock Price Performance Graphs") entitled "Price Profile of VLP vs. Index" is omitted. The omitted graph illustrates how the market price per unit of Valero Natural Gas Partners, L.P. ("VLP") has historically been below the market price of an index comprised of a peer group of intrastate pipeline companies during the period from 01/01/91 to 10/01/93. The graph illustrates that the price for the index of peer group intrastate pipeline companies has experienced an approximate 150% increase as of 10/01/93 from the base period measuring point of 1/1/91, while the price for VLP has declined approximately 40% during the same period.

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15. The graph appearing in Appendix 3 ("Stock Price Performance Graphs") entitled "Price (%) Profile" is omitted. The omitted graph illustrates how the market price per unit of Valero Natural Gas Partners, L.P. ("VLP") has historically been below the market price of each of the companies represented in the index appearing in the immediately preceding graph during the period from 01/05/90 to 10/01/93. The graph illustrates that the price for VLP at 10/01/93 is approximately 70 percentage points below the next lowest company included in the index of peer group companies. The following are included in the peer group:

Kaneb Pipe Line Partners, L.P.
Lakehead Pipe Line Partners, L.P.
Santa Fe Pacific Pipeline Partners, L.P.
Buckeye Partners, L.P.
TEPPCO Partners, L.P.
Enron Liquids Pipeline, L.P.

16. The graph appearing in Appendix 3 ("Stock Price Performance Graphs") entitled "Yield Profile--Weekly Data--1/5/90 Through 10/1/93" is omitted. The omitted graph presents a comparison of the yield on Valero Natural Gas Partners, L.P. units to the yield for each of the peer group companies listed in the immediately preceding graph. The summary statistics presented immediately below the graph which appear in the foregoing document fairly and accurately describe the information presented by the omitted graph.

17. The graph appearing in Appendix A ("Case Studies: Conversion and Liquidation") entitled "Price & Volume Profile--ENSERCH Exploration Partners, Ltd.--Daily Data" is omitted. The omitted graph presents publicly available information regarding the price and volume of the publicly traded partnership units of ENSERCH Exploration Partners, Ltd. from 12/15/88 to 10/16/89. The graph illustrates that the market price per unit of ENSERCH Exploration Partners, Ltd. dropped from \$11 1/8 to \$9 5/8 after the announcement of the proposed purchase of the publicly traded partnership units, with a substantial increase in the trading volume immediately after the announcement. The graph further illustrates that the market price per unit increased from below \$9 to \$10 1/4 after ENSERCH sweetened the offered consideration per unit to include an additional \$1.00 of cash.

18. The graph appearing in Appendix A ("Case Studies: Conversion and Liquidation") entitled "Price & Volume Profile--ENSERCH Corporation--Daily Data" is omitted. The omitted graph presents publicly available information regarding the price and volume of the publicly traded common stock of ENSERCH Corporation from 12/15/88 to 10/16/90. The graph illustrates a drop in the market price of the ENSERCH common stock after the announcement of the proposed purchase of the publicly traded partnership units of ENSERCH Exploration Partners, Ltd. The graph further illustrates an increase in the price of the common stock from approximately \$19 3/8 to \$22 5/8 as well as a substantial increase in trading volume after ENSERCH Corporation sweetened the offered consideration per partnership unit to include an additional \$1.00 of cash. The graph also presents an increase in the market price of the ENSERCH Corporation common stock after consummation of the transaction from approximately \$22 5/8 on the date the transaction was consummated (10/16/89) to approximately \$25 1/4 on 10/16/90.

19. The graph appearing in Appendix A ("Case Studies: Conversion and Liquidation") entitled "Price & Volume Profile--Permian Partners, L.P.--Daily Data" is omitted. The omitted graph presents publicly available information regarding the price and volume of the publicly traded partnership units of Permian Partners, L.P. ("Permian") from 10/20/89 to 11/09/90. The graph illustrates that the market price per unit of Permian dropped from \$3 5/8 to approximately \$3 1/4 after the announcement of the proposed purchase of Permian units, with a substantial increase in the trading volume immediately after the announcement. The graph further illustrates that the market price per unit increased from \$2 5/8 to \$3 5/8 after the announcement that the form of the proposed transaction was changed from a merger to a tender offer, with a substantial increase in trading volume immediately after such announcement.

20. The graph appearing in Appendix A ("Case Studies: Conversion and Liquidation") entitled "Price & Volume Profile--National Intergroup, Inc.--Daily Data" is omitted. The omitted graph presents publicly available information regarding the price and volume of the publicly traded common stock of National Intergroup, Inc. ("NII") from 10/20/89 to 11/11/91. The graph illustrates that the market price per share of the common stock of NII increased from approximately \$14 3/4 to a high of \$18 1/4 within the month following the announcement by NII of the proposed acquisition of Permian units, with a substantial increase in the trading volume immediately after the announcement. The graph further illustrates that the market price per share reached a low of approximately \$11 1/4 immediately prior to consummation of the transaction. The graph illustrates that the market price per share of common stock of NII ultimately reached a high of approximately \$17 7/8 within the year following consummation of the transaction.

21. The graph appearing in Appendix A ("Case Studies: Conversion and Liquidation") entitled "Price & Volume Profile--Apache Petroleum Depository Units--Daily Data" is omitted. The omitted graph presents publicly available information regarding the price and volume of the depository units of Apache Petroleum Co., L.P. ("Apache Petroleum") from 06/15/88 to 10/12/88. The graph illustrates that the market price per unit of Apache Petroleum dropped from \$3 to approximately \$2.65 after the announcement of the proposed reorganization of the partnership into a corporation. The graph further illustrates that the market price per unit ultimately declined to approximately \$2.40 on the date the transaction was consummated, with heavy trading volume prior thereto.

22. The graph appearing in Appendix A ("Case Studies: Conversion and Liquidation") entitled "Price & Volume Profile--Apache Petroleum Depository Units--Daily Data" is omitted. The omitted graph presents publicly available information regarding the price and volume of the common stock of Apache Corporation ("Apache Corp.") from 06/15/88 to 10/12/89. The graph illustrates that the market price per unit of Apache declined from approximately \$8 to a low of \$6 1/4 during a period of unitholder litigation regarding the fairness of the proposed consideration. The graph further illustrates that the market price per share of Apache Corp. common stock enjoyed an increase from approximately \$6 3/4 on the date the transaction was consummated (10/12/89) to approximately \$15 7/8 within the year thereafter. The graph further illustrates that trading volume in the common stock was heavy within the year following consummation of the transaction.

23. The graph appearing in Appendix A ("Case Studies: Conversion and Liquidation") entitled "Price & Volume Profile--Freeport- McMoRan Oil and Gas Company--Daily Data" is omitted. The omitted graph presents publicly available information regarding the price and volume of the stock of Freeport-McMoRan Oil and Gas Company ("McMoRan O&G") from 5/31/90 to 11/15/90. The graph illustrates that the market price per share of the stock of McMoRan O&G increased from \$7 5/8 to \$10 after the date of the announcement of conversion of the McMoRan O&G stock into shares of Freeport-McMoRan, Inc.

24. The graph appearing in Appendix A ("Case Studies: Conversion and Liquidation") entitled "Price & Volume Profile--Freeport- McMoRan Energy Partners Ltd.--Daily Data" is omitted. The omitted graph presents publicly available information regarding the price and volume of the units of partnership interest of McMoRan Energy Partners Ltd. ("McMoRan Partners") from 09/01/89 to 04/02/90. The graph illustrates that the market price per unit of McMoRan Partners increased only slightly from \$9 1/8 to approximately \$9 1/2 after the announcement that McMoRan Partners would be reorganized into a corporation, although trading volume increased steadily after the announcement.

25. The graph appearing in Appendix A ("Case Studies: Conversion and Liquidation") entitled "Price & Volume Profile-- Freeport- McMoRan Inc.--Daily Data" is omitted. The omitted graph presents publicly available information regarding the price and volume of the common stock of Freeport-McMoRan Inc. ("F-Mc Inc.") from 09/01/89 to 11/15/91, the period encompassing the restructuring of the organization as follows: (i) conversion of Freeport McMoRan Energy Partners into Freeport-McMoRan Oil & Gas Co. ("Step No.1"), and (ii) conversion of Freeport-McMoRan Oil & Gas Company into shares of F-Mc Inc. ("Step No.2"). The graph illustrates that the market price per share of F-Mc Inc. increased steadily from approximately \$15 on the date of the announcement of Step No.1 to \$17 on the date of consummation of Step No.1, with sporadic but

heavier than usual trading volume during such period. The graph further illustrates that the market price per share of F-Mc Inc. decreased from approximately \$18 on the date of announcement of Step No.2 to approximately \$16 3/4 on the date of consummation of Step No.2. The graph further illustrates that the market price per share of F-Mc Inc. stock experienced a steady increase following consummation of Step No.2 to approximately \$21 1/2 as of 11/15/91, with increased trading volume during the same period.

26. The graph appearing in Appendix A ("Case Studies: Conversion and Liquidation") entitled "Price & Volume Profile--Union Exploration Partners Ltd.--Daily Data" is omitted. The omitted graph presents publicly available information regarding the price and volume of the units of partnership interest of Union Exploration Partners Ltd. ("UXP") from 04/11/90 to 08/01/90. The graph illustrates that the market price per unit of UXP decreased from \$18 1/8 to \$16 following the announcement that UXP would be converted into a corporation. Trading volume was unusually high in the 10 days immediately following the announcement.

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27. The graph appearing in Appendix A ("Case Studies: Conversion and Liquidation") entitled "Price & Volume Profile--Unocal Exploration Corporation--Daily Data" is omitted. The omitted graph presents publicly available information regarding the price and volume of the common stock of Unocal Exploration Corporation ("Unocal") from 08/02/90 to 08/02/91. The graph illustrates that the market price per unit of Unocal experienced a decline from \$16 on the date of consummation of the conversion of UXP into a corporation to approximately \$10 3/4 one year later, with relatively stable trading volume during such period.

28. The graph appearing in Appendix A ("Case Studies: Conversion and Liquidation") entitled "Price & Volume Profile--Santa Fe Energy Partners L.P.--Daily Data" is omitted. The omitted graph presents publicly available information regarding the price and volume of the units of Santa Fe Energy Partners L.P. ("Santa Fe Partners") from 07/09/93 to 09/27/93. The graph illustrates that the market price per unit of Santa Fe Partners increased from \$3 3/4 on the date of the announcement that the Santa Fe Partners units would be redeemed, to \$4.9, the stated redemption price, with extraordinarily high trading volume immediately following the announcement.

29. The graph appearing in Appendix A ("Case Studies: Conversion and Liquidation") entitled "Price & Volume Profile--Santa Fe Energy Resources Inc.--Daily Data" is omitted. The omitted graph presents publicly available information regarding the price and volume of the common stock of Santa Fe Energy Resources Inc. ("Santa Fe Inc.") from 07/09/93 to 10/01/93. The graph illustrates that the market price per share of Santa Fe Inc. increased from \$9.90 to \$10.50 during the 7 days following the date of the announcement of the redemption of units of Santa Fe Partners. The graph further illustrates that the price per share of Santa Fe Inc. decreased to \$10.00 on the date of consummation of the transaction. Trading volume was heavy during the 17 day period from the date of the announcement to the date of consummation of the transaction. The graph illustrates that the price per share of Santa Fe Inc. increased to \$10.40 within the week following consummation of the transaction.

30. The graph appearing in Appendix A ("Case Studies: Conversion and Liquidation") entitled "Price & Volume Profile--Permian Basin Royalty Trust--Daily Data" is omitted. The omitted graph presents publicly available information regarding the price and volume of the units of Permian Basin Royalty Trust ("Permian Trust") from 06/11/93 to 09/24/93. The graph illustrates that the price per unit of Permian Trust increased from \$3.875 to \$4.85 after the announcement of the intent of Southland Royalty Company ("Southland") intent to purchase the Permian Trust units at \$4.85 per unit, with extraordinarily high trading volume following the announcement.

31. The graph appearing in Appendix A ("Case Studies: Conversion and Liquidation") entitled "Price & Volume Profile--Burlington Resources Inc.--Daily Data" is omitted. The omitted graph presents publicly available information regarding the price and volume of the common stock of Burlington Resources Inc. ("Burlington"), the parent company of Southland, from 06/11/93 to 10/01/93. The graph illustrates that the market price per share of Burlington increased from approximately \$51 to \$53.75 within the 13 days following the announcement of the purchase of Permian Trust units by Southland. The graph further illustrates that the price per share of Burlington fell to approximately \$48.50 on the date of consummation of the transaction, but experienced an increase to approximately \$52.00 within the following week. The graph illustrates that trading volume was relatively stable throughout these periods.

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32. The graph appearing in Appendix B ("Convertible Preferred Stock as Consideration") entitled "Price & Volume Profile--Time Warner Preferred Series C--Daily Data" is omitted. The omitted graph presents publicly available information regarding the price and volume of the preferred stock Series C of Time Warner, Inc. ("Time Warner") from 12/11/89 to 01/11/91. The graph illustrates that within the year following consummation of the merger, the market price per share of Time Warner Series C preferred stock suffered a

decline from \$44 on 1/11/90 to \$36 on 1/11/91. The graph further illustrates that trading volume was volatile in the months immediately following consummation of the transaction. Trading volume became more steady averaging approximately 200,000 shares per day in the months immediately preceding the one year anniversary of consummation of the transaction.

33. The graph appearing in Appendix B ("Convertible Preferred Stock as Consideration") entitled "Price & Volume Profile--Time Warner, Inc.--Daily Data" is omitted. The omitted graph presents publicly available information regarding the price and volume of the common stock of Time Warner, Inc. ("Time Warner") from 03/06/89 to 01/11/91. The graph illustrates that the market price per share of the Time Warner common stock experienced an increase from approximately \$29 to \$45 within the 45 days following the announcement of the transaction. Thereafter, the graph illustrates that the market price per share of Time Warner common stock followed a steady decline through consummation of the transaction and the year following reaching a price of approximately \$22 per share on 1/11/91. The graph illustrates that trading volume was stable within the year following consummation of the transaction.

34. The graph appearing in Appendix B ("Convertible Preferred Stock as Consideration") entitled "Price & Volume Profile--Baker-Hughes, Inc.--Daily Data" is omitted. The omitted graph presents publicly available information regarding the price and volume of the common stock of Baker-Hughes, Inc. ("Baker-Hughes") from 11/07/91 to 04/23/93. The graph illustrates that the market price per share of the Baker-Hughes common stock experienced a decline from approximately \$21 on the date of the announcement of the transaction to approximately \$16 1/2 within the 3 months thereafter. The graph illustrates that the market price per share of the Baker-Hughes stock enjoyed an increase from \$21 on the date of consummation of the transaction (4/23/92) to \$26 on 4/23/93.

35. The graph appearing in Appendix B ("Convertible Preferred Stock as Consideration") entitled "Price & Volume Profile--Cooper Industries, Inc.--Daily Data" is omitted. The omitted graph presents publicly available information regarding the price and volume of the common stock of Cooper Industries, Inc. ("Cooper") from 06/02/89 to 11/29/90. The graph illustrates that the market price per share of the Cooper stock experienced an increase from approximately \$35 on the date of the announcement of the transaction to approximately \$37 within the week thereafter. The graph illustrates that the market price per share of the Cooper stock increased from approximately \$40 on the date of consummation of the transaction (11/29/89) to approximately \$46 within 8 months thereafter (accompanied by an increased trading volume). The graph further illustrates that the market price of the Cooper stock had stabilized to approximately \$40 on the one-year anniversary of the consummation of the transaction (with trading volume remaining relatively stable).

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36. The graph appearing in Appendix B ("Convertible Preferred Stock as Consideration") entitled "Price & Volume Profile--DWG Corporation--Daily Data" is omitted. The omitted graph presents publicly available information regarding the price and volume of the common stock of DWG Corporation ("DWG") from 06/03/92 to 10/01/93. The graph illustrates that the market price per share of the DWG stock steadily increased from approximately \$9 on the date of the announcement of the transaction to approximately \$19 on the date of consummation of the transaction (a period of nine months), with sporadic trading volumes during such period. The graph illustrates that the market price per share of the DWG stock increased to approximately \$31 on 10/01/93 (five months after consummation of the transaction).

37. The graph appearing in Appendix B ("Convertible Preferred Stock as Consideration") entitled "Price & Volume Profile--IDB Communications Group--Daily Data" is omitted. The omitted graph presents publicly available information regarding the price and volume of the common stock of IDB Communications Group, Inc. ("IDB") from 01/09/92 to 04/06/93. The graph illustrates that the market price per share of the IDB stock increased from approximately \$16.50 on the date of the announcement of the transaction to approximately \$17.50 on the date of consummation of the transaction (a period of four weeks), with high trading volume immediately following the announcement of the transaction. The graph illustrates that the market price per share of the DWG stock increased to approximately \$28 on 04/06/93 (one year after consummation of the transaction), with relatively stable trading volume during such period.

38. The graph appearing in Appendix C ("Convertible Preferred Market Conditions") entitled "Convertible Market Overview--Monthly Convertible Volume" is omitted. The omitted graph presents the monthly dollar amounts from January 1992 to September 1993 of new issues of convertible securities. The graph illustrates that the 1993 convertible market volume is outpacing the record 1992 volume.

39. The graph appearing in Appendix C ("Convertible Preferred Market Conditions") entitled "Convertible Market Overview--Total Convertible Issuance 1983-1993 YTD" is omitted. The omitted graph presents the total dollar amounts

of convertible issues for each year from 1983 to 1993 (YTD). The following chart presents the information shown in the omitted graph.

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<TABLE>
<CAPTION>

| Year ---- | Convertible Issues (dollars in millions) ----- |
|--------------|--|
| <S> <C> | <C> |
| 1983 | \$9,365 |
| 1984 | 5,007 |
| 1985 | 9,816 |
| 1986 | 14,805 |
| 1987 | 13,346 |
| 1988 | 3,810 |
| 1989 | 7,066 |
| 1990 | 7,956 |
| 1991 | 20,485 |
| 1992 | 18,346 |
| 1993 | 14,968* |

* as of 09/07/93

</TABLE>

40. The graph appearing in Appendix C ("Convertible Preferred Market Conditions") entitled "Convertible Market Overview--Net Flows Into Growth and Income Funds" is omitted. The omitted graph illustrates the substantial increase in Growth and Income funds which has fueled the demand for high-yielding convertible securities. The following chart presents the information shown in the omitted graph.

<TABLE>
<CAPTION>

| Year ---- | Net Flows into Growth and Income funds (dollars in billions) ----- |
|--------------|---|
| <S> | <C> |
| 1990 | \$4.3 |
| 1991 | 11.0 |
| 1992 | 24.0 |
| 1993E | 36.9 |

</TABLE>

41. The pie chart appearing in Appendix C ("Convertible Preferred Market Conditions") entitled "Convertible Market Overview--Net Flows Into Growth and Income Funds" is omitted. The chart illustrates the buyers' universe of equity-linked securities representing over \$100 billion in assets. The following chart presents the information shown in the omitted graph.

<TABLE>
<CAPTION>

Growth & Income Mutual Funds: \$30B

<S>

<C>
-Convertible Preferreds
-Cash Pay Convertibles
-Zero Coupon Convertibles
-STEPS/PERCS
-DECS

</TABLE>

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<TABLE>

<CAPTION>

Hedge Funds: \$28B

<S>

<C>
-Low Premium Convertibles
-Low Premium Convertible Preferreds
-STEPS/PERCS

</TABLE>

<TABLE>
<CAPTION>

Warrant Buyers: \$6B

<S>

<C>
-Warrants
-Stripped Warrants on Convertible Debt

</TABLE>

<TABLE>
<CAPTION> Equity-Linked Mutual Funds: \$10B

<S>

<C>
-Cash Pay Convertibles
-Convertible Preferred
-Zero Coupon Convertibles
-STEPS/PERCS
-DECS

</TABLE>

<TABLE>
<CAPTION> High Yield Buyers: \$8B

<S>

<C>
-"Busted" Convertibles
-"Distressed" Convertibles
-Zero Coupon Convertibles

</TABLE>

<TABLE>
<CAPTION> Income Oriented Equity-Linked Buyers: \$20B

<S>

<C>
-"Busted" Convertibles
-STEPS/PERCS
-DECS

</TABLE>