

INERGY L P
Form S-4
March 22, 2006
Table of Contents

As filed with the Securities and Exchange Commission on March 22, 2006

Registration Statement No. 333-_____

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-4
REGISTRATION STATEMENT

UNDER
THE SECURITIES ACT OF 1933

INERGY, L.P.*
INERGY FINANCE CORP.

(Exact name of registrant as specified in its charter)

Delaware	5960	43-1918951
Delaware (State or Other Jurisdiction of Incorporation or Organization)	5960 (Primary Standard Industrial Classification Code Number)	20-1647744 (I.R.S. Employer Identification No.)
R. Brooks Sherman Two Brush Creek Boulevard, Suite 200		R. Brooks Sherman Two Brush Creek Boulevard, Suite 200

Edgar Filing: INERGY L P - Form S-4

Kansas City, Missouri 64112

(816) 842-8181

(Address, Including Zip Code, and Telephone
Number, Including

Area Code, of Registrants Principal Executive
Offices)

Two Brush Creek Boulevard, Suite 200

Kansas City, Missouri 64112

(816) 842-8181

(Address, including zip code, and telephone number, including area code, of registrants principal executive offices)

Kansas City, Missouri 64112

(816) 842-8181

(Name, Address, Including Zip Code, and
Telephone

Number, Including Area Code, of Agent for
Service)

R. Brooks Sherman

Two Brush Creek Boulevard, Suite 200

Kansas City, Missouri 64112

(816) 842-8181

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

David P. Oelman

Vinson & Elkins

2300 First City Tower

1001 Fannin Street, Suite 3600

Houston, Texas 77002

(713) 758-2222

Approximate date of commencement of proposed sale to the public: From time to time after the effective date of this registration statement.

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. "

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration number of the earlier effective registration statement for the same offering. "

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be registered	Proposed		Amount of registration fee(1)
		maximum offering price per note	Proposed maximum aggregate offering price	
8 1/4% Senior Notes due 2016 Guarantees(2)	\$ 200,000,000	100%	\$ 200,000,000	\$ 21,400

(1) Determined in accordance with Rule 457(f) under the Securities Act of 1933, as amended.

(2) No separate consideration will be received for the guarantees, and no separate fee is payable pursuant to Rule 457(a) of the Securities Act of 1933.

* Includes certain subsidiaries of Inergy, L.P. identified on the following pages.

The registrants hereby amend this registration statement on such date or dates as may be necessary to delay its effective date until the registrants shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

Table of Contents

Inergy Propane, LLC

(Exact Name of Registrant As Specified In Its Charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

56-1995482
(I.R.S. Employer
Identification Number)

L & L Transportation, LLC

(Exact Name of Registrant As Specified In Its Charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

43-1905384
(I.R.S. Employer
Identification Number)

Inergy Transportation, LLC

(Exact Name of Registrant As Specified In Its Charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

43-1905383
(I.R.S. Employer
Identification Number)

Inergy Acquisition Company, LLC

(Exact Name of Registrant As Specified In Its Charter)

Delaware

20-1647837

Edgar Filing: INERGY L P - Form S-4

(State or Other Jurisdiction of
Incorporation or Organization)

(I.R.S. Employer
Identification Number)

Inergy Sales & Service Inc.

(Exact Name of Registrant As Specified In Its Charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

43-1931522
(I.R.S. Employer
Identification Number)

Inergy Gas Marketing, LLC

(Exact Name of Registrant As Specified In Its Charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

06-1437790
(I.R.S. Employer
Identification Number)

Stellar Propane Service, LLC

(Exact Name of Registrant As Specified In Its Charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

86-1123848
(I.R.S. Employer
Identification Number)

Inergy Stagecoach II, LLC

(Exact Name of Registrant As Specified In Its Charter)

Edgar Filing: INERGY L P - Form S-4

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

20-3143796
(I.R.S. Employer
Identification Number)

Inergy Storage, Inc.

(Exact Name of Registrant As Specified In Its Charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

20-3143861
(I.R.S. Employer
Identification Number)

Central New York Oil and Gas Company, LLC

(Exact Name of Registrant As Specified In Its Charter)

New York
(State or Other Jurisdiction of
Incorporation or Organization)

76-0519844
(I.R.S. Employer
Identification Number)

Table of Contents

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Subject to completion, dated March 22, 2006

PROSPECTUS

Inergy, L.P.
Inergy Finance Corp.

Offer to Exchange

up to

\$200,000,000 of 8 1/4% Senior Notes due 2016

that have been registered under the Securities Act of 1933

for

\$200,000,000 of 8 1/4% Senior Notes due 2016

that have not been registered under the Securities Act of 1933

Please read *Risk Factors* beginning on page 7 for a discussion of factors you should consider before participating in the exchange offer.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is March __, 2006

Table of Contents

This prospectus is part of a registration statement we filed with the Securities and Exchange Commission, or the Commission. In making your investment decision, you should rely only on the information contained in or incorporated by reference into this prospectus and in the applicable letter of transmittal accompanying this prospectus. We have not authorized anyone to provide you with any other information. If you receive any unauthorized information, you must not rely on it. We are not making an offer to sell these securities in any state where the offer is not permitted. You should not assume that the information contained in this prospectus or in the documents incorporated by reference into this prospectus are accurate as of any date other than the date on the front cover of this prospectus or the date of such incorporated documents, as the case may be.

This prospectus incorporates by reference business and financial information about us that is not included in or delivered with this prospectus. This information is available without charge upon written or oral request directed to: Investor Relations, Inergy, L.P., Two Brush Creek Boulevard, Suite 200, Kansas City, Missouri 64112; telephone number: (816) 842-8181. To obtain timely delivery, you must request the information no later than , 2006.

TABLE OF CONTENTS

<u>SUMMARY</u>	1
<u>Inergy, L.P.</u>	1
<u>Exchange Offer</u>	2
<u>Terms of the Exchange Notes</u>	4
<u>RISK FACTORS</u>	7
<u>Risks Related to the Exchange Offer</u>	7
<u>Risks Inherent in Our Business</u>	7
<u>Risks Related to the Notes</u>	16
<u>Tax Risks</u>	18
<u>USE OF PROCEEDS</u>	19
<u>RATIO OF EARNINGS TO FIXED CHARGES</u>	19
<u>EXCHANGE OFFER</u>	20
<u>Purpose of the Exchange Offer</u>	20
<u>Resale of Exchange Notes</u>	20
<u>Terms of the Exchange Offer</u>	21
<u>Expiration Date</u>	21
<u>Extensions, Delays in Acceptance, Termination or Amendment</u>	21
<u>Conditions to the Exchange Offer</u>	22
<u>Procedures for Tendering</u>	23
<u>Withdrawal of Tenders</u>	24
<u>Fees and Expenses</u>	24
<u>Transfer Taxes</u>	25
<u>Consequences of Failure to Exchange</u>	25
<u>Accounting Treatment</u>	25
<u>Other</u>	25
<u>DESCRIPTION OF EXCHANGE NOTES</u>	25
<u>Brief Description of the Notes and the Subsidiary Guarantees</u>	26
<u>Principal, Maturity and Interest</u>	26
<u>Methods of Receiving Payments on the Notes</u>	27
<u>Paying Agent and Registrar for the Notes</u>	27
<u>Transfer and Exchange</u>	27
<u>Subsidiary Guarantees</u>	27
<u>Optional Redemption</u>	28
<u>Mandatory Redemption</u>	29
<u>Repurchase at the Option of Holders</u>	29
<u>Certain Covenants</u>	32
<u>Events of Default and Remedies</u>	42
<u>No Personal Liability of Directors, Officers, Employees and Unitholders and No Recourse to General Partners</u>	43
<u>Legal Defeasance and Covenant Defeasance</u>	43

Table of Contents

<u>Amendment, Supplement and Waiver</u>	45
<u>Satisfaction and Discharge</u>	46
<u>Concerning the Trustee</u>	47
<u>Governing Law</u>	47
<u>Additional Information</u>	47
<u>Book-Entry, Delivery and Form</u>	47
<u>Depository Procedures</u>	47
<u>Exchange of Global Notes for Certificated Notes</u>	49
<u>Exchange of Certificated Notes for Global Notes</u>	50
<u>Same-Day Settlement and Payment</u>	50
<u>Certain Definitions</u>	50
<u>MATERIAL FEDERAL INCOME TAX CONSEQUENCES</u>	66
<u>PLAN OF DISTRIBUTION</u>	66
<u>LEGAL MATTERS</u>	68
<u>EXPERTS</u>	68
<u>WHERE YOU CAN FIND MORE INFORMATION</u>	69
<u>INFORMATION REGARDING FORWARD-LOOKING STATEMENTS</u>	70

Table of Contents

SUMMARY

This summary highlights information included or incorporated by reference in this prospectus. It may not contain all of the information that is important to you. This prospectus includes information about the exchange offer and includes or incorporates by reference information about our business and our financial and operating data. Before deciding to participate in the exchange offer, you should read this entire prospectus carefully, including the financial data and related notes incorporated by reference in this prospectus and the Risk Factors section beginning on page 6 of this prospectus.

Throughout this prospectus, when we use the terms we, us, our, or Inergy, L.P., we are referring either to Inergy, L.P. or to Inergy, L.P. and its subsidiaries collectively, including the co-issuer of the notes, Inergy Finance Corp., as the context requires, and when we use the term our predecessor, we are referring to Inergy Partners, LLC, the entity that conducted our business prior to our initial public offering, which closed on July 31, 2001. We were formed as a Delaware limited partnership on March 7, 2001 and did not have operations until our initial public offering. Our predecessor commenced operations in November 1996. The discussion of our business throughout this prospectus relates to the business operations of Inergy Partners, LLC prior to our initial public offering and to us thereafter.

Inergy, L.P.

Inergy, L.P. is a publicly traded Delaware limited partnership that owns and operates a rapidly growing, geographically diverse retail and wholesale propane supply, marketing and distribution business. In addition to our propane operations, we own and operate a natural gas storage facility located approximately 150 miles northwest of New York City and a natural gas liquids business located near Bakersfield, California.

We believe we are currently the fourth largest propane retailer in the United States, based on retail propane gallons sold. Our retail business includes the retail marketing, sale and distribution of propane, including the sale and lease of propane supplies and equipment, to residential, commercial, industrial and agricultural customers. As of November 1, 2005, we served approximately 700,000 retail customers in 29 states from approximately 342 customer service centers which had an aggregate of approximately 29 million gallons of above-ground propane storage capacity. For the fiscal year ended September 30, 2005 we delivered approximately 318.4 million gallons to our retail propane customers.

We have grown primarily through acquisitions of retail propane operations. Since our predecessor's inception in November 1996 and through March 22, 2006, we have completed 53 acquisitions in numerous states, including two midstream businesses, for an aggregate purchase price of approximately \$1.4 billion, including working capital, assumed liabilities and acquisition costs.

Partnership Structure and Management

Our operations are conducted through, and our operating assets are owned by, our subsidiaries. Inergy GP, LLC, our managing general partner, has sole responsibility for conducting our business and managing our operations. Our managing general partner has no economic interest in our partnership and does not receive a management fee, but it is reimbursed for expenses incurred on our behalf. Inergy Partners, LLC, our non-managing general partner, has only an economic interest in us and has no operational or managerial responsibilities under our partnership agreement. Inergy Finance Corp., our wholly-owned subsidiary, has no material assets or any liabilities other than as a co-issuer of our debt securities, including the notes. Its activities will be limited to co-issuing our debt securities and engaging in other activities incidental thereto.

Our principal executive office is located at Two Brush Creek Boulevard, Suite 200, Kansas City, Missouri 64112. Our telephone number is (816) 842-8181. Our common units trade on the Nasdaq National Market under the symbol NRGY.

Table of Contents

Exchange Offer

On January 17, 2006, we completed a private offering of the outstanding notes. As part of this private offering, we entered into a registration rights agreement with the initial purchasers of our outstanding notes in which we agreed, among other things, to deliver this prospectus to you and to use our reasonable best efforts to complete the exchange offer within 40 business days after the date of this prospectus. The following is a summary of the exchange offer.

Outstanding Notes	On January 17, 2006, we issued \$200 million aggregate principal amount of 8 1/4% Senior Notes due 2016.
Exchange Notes	8 1/4% Senior Notes due 2016. The terms of the exchange notes are identical to those terms of the outstanding notes, except that the transfer restrictions, registration rights and provisions for additional interest relating to the outstanding notes do not apply to the exchange notes.
Exchange Offers	<p>We are offering to exchange:</p> <p style="padding-left: 40px;">up to \$200 million principal amount of our 8 1/4% Senior Notes due 2016 that have been registered under the Securities Act of 1933, or the Securities Act, for an equal amount of our outstanding 8 1/4% Senior Notes due 2016 that have not been so registered</p> <p style="padding-left: 40px;">to satisfy our obligations under the registration rights agreement that we entered into when we issued the outstanding notes in a transaction exempt from registration under the Securities Act.</p>
Expiration Date	The exchange offer will expire at 5:00 p.m., New York City time, on , 2006, unless we decide to extend it.
Conditions to the Exchange Offer	The registration rights agreement does not require us to accept outstanding notes for exchange if the exchange offer or the making of any exchange by a holder of the outstanding notes would violate any applicable law or interpretation of the staff of the Commission or if any legal action has been instituted or threatened that would impair our ability to proceed with the exchange offer. A minimum aggregate principal amount of outstanding notes being tendered is not a condition to the exchange offer. Please read Exchange Offer Conditions to the Exchange Offer for more information about the conditions to the exchange offer.
Procedures for Tendering Outstanding Notes	<p>All of the outstanding notes are held in book-entry form through the facilities of The Depository Trust Company, or DTC. To participate in the exchange offer, you must follow the automatic tender offer program, or ATOP, procedures established by DTC for tendering notes held in book-entry form. The ATOP procedures require that the exchange agent receive, prior to the expiration date of the exchange offer, a computer-generated message known as an agent's message that is transmitted through ATOP and that DTC confirm that:</p> <p style="padding-left: 40px;">DTC has received instructions to exchange your notes; and</p> <p style="padding-left: 40px;">you agree to be bound by the terms of the letter of transmittal in Annex A hereto.</p>

Table of Contents

	For more details, please read Exchange Offer Terms of the Exchange Offer and Exchange Offer Procedures for Tendering .
Guaranteed Delivery Procedures	None.
Withdrawal of Tenders	You may withdraw your tender of outstanding notes at any time prior to the expiration date. To withdraw, you must submit a notice of withdrawal to the exchange agent using ATOP procedures before 5:00 p.m., New York City time, on the expiration date of the exchange offer. Please read Exchange Offer Withdrawal of Tenders .
Acceptance of Outstanding	If you fulfill all conditions required for proper acceptance of outstanding notes, we will accept any and all outstanding notes that you properly tender in the exchange offer before 5:00 p.m., New York City time, on the expiration date. We will return any outstanding note that we do not accept for exchange to you without expense promptly after the expiration date. We will deliver the exchange notes promptly after the expiration date and acceptance of the outstanding notes for exchange. Please read Exchange Offer Terms of the Exchange Offer .
Notes and Delivery of Exchange Notes	
Fees and Expenses	We will bear all expenses related to the exchange offer. Please read Exchange Offer Fees and Expenses .
Use of Proceeds	The issuance of the exchange notes will not provide us with any new proceeds. We are making the exchange offer solely to satisfy our obligations under our registration rights agreement.
Consequences of Failure to Exchange Outstanding Notes	If you do not exchange your outstanding notes in the exchange offer, you will no longer be able to require us to register the outstanding notes under the Securities Act, except in the limited circumstances provided under our registration rights agreement. In addition, you will not be able to resell, offer to resell or otherwise transfer the outstanding notes unless we have registered the outstanding notes under the Securities Act, or unless you resell, offer to resell or otherwise transfer them under an exemption from the registration requirements of, or in a transaction not subject to, the Securities Act.
U.S. Federal Income Tax Consequences	The exchange of exchange notes for outstanding notes in the exchange offer will not be a taxable event for U.S. federal income tax purposes. Please read Material Federal Income Tax Consequences .
Exchange Agent	We have appointed U.S. Bank National Association as the exchange agent for the exchange offer. You should direct questions and requests for assistance and requests for additional copies of this prospectus (including the letter of transmittal) to the exchange agent addressed as follows:

U.S. Bank National Association

60 Livingston Avenue

St. Paul, Minnesota 55107

Attention: Specialized Finance

Telephone: (800) 934-6802

Facsimile: (651) 495-8158

Table of Contents**Terms of the Exchange Notes**

The exchange notes will be identical to the outstanding notes, except that the exchange notes are registered under the Securities Act and will not have restrictions on transfer, registration rights or provisions for additional interest. The exchange notes will evidence the same debt as the outstanding notes, and the same indenture will govern the exchange notes and the outstanding notes. We sometimes refer to both the exchange notes and the outstanding notes as the notes.

The following summary contains basic information about the exchange notes and is not intended to be complete. It does not contain all the information that is important to you. For a more complete understanding of the exchange notes, please read Description of Exchange Notes.

Issuers	Inergy, L.P. and Inergy Finance Corp.
Securities Offered	\$200,000,000 principal amount of 8 1/4% Senior Notes due 2016.
Interest Rate	8.25% per annum.
Interest Payment Dates	Interest on the exchange notes will accrue from March 1, 2006 and will be paid semi-annually in arrears on March 1 and September 1 of each year, commencing September 1, 2006, to holders of record as of the preceding February 15 and August 15, respectively.
Maturity Date	March 1, 2016.
Subsidiary Guarantees	Each of our existing domestic subsidiaries, other than Inergy Finance Corp., will guarantee the exchange notes initially. Not all of our future subsidiaries will have to become guarantors. If we cannot make payments on the exchange notes when they are due, the guarantor subsidiaries, if any, must make them instead. See Description of Exchange Notes The Subsidiary Guarantees.
Optional Redemption	We may redeem some or all of the exchange notes at any time on or after March 1, 2011. In addition, prior to March 1, 2009, we may redeem up to 35% of the aggregate principal amount of the exchange notes with the proceeds of certain equity offerings at a specified redemption price. The redemption prices are discussed under the caption Description of Exchange Notes Optional Redemption.
Ranking	The exchange notes will be our general unsecured obligations. The exchange notes will: <ul style="list-style-type: none"> rank equally in right of payment with all of our existing and future senior indebtedness including our outstanding 6 7/8% Senior Notes due 2014; be effectively subordinated to all of our secured indebtedness to the extent of the value of the assets securing the indebtedness; be effectively subordinated to all existing and future indebtedness and liabilities, including trade payables, of our non-guarantor subsidiaries; and rank senior in right of payment to all of our future subordinated indebtedness.

Table of Contents

Certain Covenants	<p>We issued the outstanding notes, and will issue the exchange notes, under an indenture with U.S. Bank National Association, as trustee. The indenture, among other things, limits our ability and the ability of our restricted subsidiaries to:</p> <ul style="list-style-type: none">sell assets,pay distributions on, redeem or repurchase our units or redeem or repurchase our subordinated debt,make investments,incur or guarantee additional indebtedness or issue preferred units,create or incur certain liens,enter into agreements that restrict distributions or other payments from our restricted subsidiaries to us,consolidate, merge or transfer all or substantially all of our assets,engage in transactions with affiliates, andcreate unrestricted subsidiaries. <p>These covenants are subject to important exceptions and qualifications that are described under the heading Description of Exchange Notes in this prospectus.</p>
Transfer Restrictions; Absence of a Public Market for the Notes	<p>The exchange notes generally will be freely transferable, but will also be new securities for which there will not initially be a market. We do not intend to arrange for a trading market in the exchange notes after the exchange offer, and it is therefore unlikely that such a market will exist for the exchange notes.</p>
Form of Exchange Notes	<p>The exchange notes will be represented by one or more global notes. Each global exchange note will be deposited with the trustee, as custodian for DTC.</p>
Same-Day Settlement	<p>The global exchange notes will be shown on, and transfers of the global exchange notes will be effected only through, records maintained in book-entry form by DTC and its direct and indirect participants.</p> <p>The exchange notes are expected to trade in DTC's Same Day Funds Settlement System until maturity or redemption. Therefore, secondary market trading activity in the exchange notes will be settled in immediately available funds.</p>
Trading	<p>We do not expect to list the exchange notes for trading on any securities exchange.</p>

Table of Contents

Trustee, Registrar and Exchange Agent	U.S. Bank National Association
Governing Law	The exchange notes and the indenture relating to the exchange notes will be governed by, and construed in accordance with, the laws of the State of New York.

Table of Contents

RISK FACTORS

In addition to the other information set forth elsewhere or incorporated by reference in this prospectus, you should consider carefully the risks described below before deciding whether to participate in the exchange offer.

Risks Related to the Exchange Offer

If you fail to exchange outstanding notes, existing transfer restrictions will remain in effect and the market value of outstanding notes may be adversely affected because they may be more difficult to sell.

If you fail to exchange outstanding notes for exchange notes under the exchange offer, then you will continue to be subject to the existing transfer restrictions on the outstanding notes. In general, the outstanding notes may not be offered or sold unless they are registered or exempt from registration under the Securities Act and applicable state securities laws. Except in connection with this exchange offer or as required by the registration rights agreement, we do not intend to register resales of the outstanding notes.

The tender of outstanding notes under the exchange offer will reduce the principal amount of the currently outstanding notes. Due to the corresponding reduction in liquidity, this may have an adverse effect upon, and increase the volatility of, the market price of any currently outstanding notes that you continue to hold following completion of the exchange offer.

Risks Inherent in Our Business

Since weather conditions may adversely affect the demand for propane, our financial condition and results of operations are vulnerable to, and will be adversely affected by, warm winters.

Weather conditions have a significant impact on the demand for propane because our customers depend on propane principally for heating purposes. As a result, warm weather conditions will adversely impact our operating results and financial condition. Actual weather conditions can substantially change from one year to the next. Furthermore, warmer than normal temperatures in one or more regions in which we operate can significantly decrease the total volume of propane we sell. Consequently, our operating results may vary significantly due to actual changes in temperature. During the fiscal years ended September 30, 1999, 2000, 2002, 2004 and 2005 temperatures were significantly warmer than normal in our areas of operation (based on the 30-year average consisting of years 1976 through 2005 published by the National Oceanic and Atmospheric Administration). We believe that our results of operations during these periods were adversely affected primarily as a result of this warm weather.

If we do not continue to make acquisitions on economically acceptable terms, our future financial performance will be limited.

The propane industry is not a growth industry because of increased competition from alternative energy sources. In addition, as a result of long-standing customer relationships that are typical in the retail home propane industry, the inconvenience of switching tanks and suppliers and propane's higher cost as compared to other energy sources, we may have difficulty in increasing our retail customer base other than through acquisitions. Therefore, while our operating objectives include promoting internal growth, our ability to grow depends principally on acquisitions. Our future financial performance depends on our ability to continue to make acquisitions at attractive prices. We cannot assure you that we will be able to continue to identify attractive acquisition candidates in the future or that we will be able to acquire businesses on economically acceptable terms. In particular, competition for acquisitions in the propane business has intensified and become more costly. We may not be able to grow as rapidly as we expect through our acquisition of additional businesses for various reasons, including the following:

We will use our cash from operations primarily to service our debt and for distributions to unitholders and reinvestment in our business. Consequently, the extent to which we are unable to use cash or access capital to pay for additional acquisitions may limit our growth and impair our operating results. Further, we are subject to certain debt incurrence covenants under our bank credit agreement and under the indentures that govern our 6.875% senior notes due 2014 and our 8.25% senior notes due 2016 that may restrict our ability to incur additional debt to finance acquisitions.

Although we intend to use our securities as acquisition currency, some prospective sellers may not be willing to accept our securities as consideration.

Table of Contents

Moreover, acquisitions involve potential risks, including:

the inability to integrate the operations of recently acquired businesses,

the diversion of management's attention from other business concerns,

customer or key employee loss from the acquired businesses, and

a significant increase in our indebtedness.

Our growth strategy includes acquiring entities with lines of business that are distinct and separate from our existing operations which could subject us to additional business and operating risks.

Consistent with our announced growth strategy and our acquisition of a natural gas storage facility (Stagecoach) in New York in August 2005, we may acquire assets that have operations in new and distinct lines of business from our existing operations, including midstream assets. Integration of new business segments is a complex, costly and time-consuming process and will likely involve assets in which we have limited operating experience. Failure to timely and successfully integrate acquired entities' new lines of business with our existing operations may have a material adverse effect on our business, financial condition or results of operations. The difficulties of integrating new business segments with existing operations include, among other things:

operating distinct business segments that require different operating strategies and different managerial expertise;

the necessity of coordinating organizations, systems and facilities in different locations;

integrating personnel with diverse business backgrounds and organizational cultures; and

consolidating corporate and administrative functions.

In addition, the diversion of our attention and any delays or difficulties encountered in connection with the integration of the new business segments, such as unanticipated liabilities or costs, could harm our existing business, results of operations, financial condition or prospects. Furthermore, new lines of business will subject us to additional business and operating risks which could have a material adverse effect on our financial condition or results of operations.

We cannot assure you that we will be successful in integrating our recent acquisitions.

Since October 1, 2004, we have acquired substantially all the propane assets of ten retail propane companies, which geographically expanded our operations into several new states, and a natural gas storage facility. We cannot assure you that we will successfully integrate these acquisitions and other acquisitions into our operations, or that we will achieve the desired profitability from our acquisitions. Failure to successfully integrate these substantial acquisitions could adversely affect our operations. The difficulties of combining the acquired operations include, among other things:

operating a significantly larger combined organization and integrating additional retail and wholesale distribution operations to our existing supply, marketing and distribution operations;

coordinating geographically disparate organizations, systems and facilities;

integrating personnel from diverse business backgrounds and organizational cultures;

consolidating corporate, technological and administrative functions;

integrating internal controls, compliance under the Sarbanes-Oxley Act of 2002 and other corporate governance matters;

Table of Contents

the diversion of management's attention from other business concerns;

customer or key employee loss from the acquired businesses;

a significant increase in our indebtedness; and

potential environmental or regulatory liabilities and title problems.

In addition, we may not realize all of the anticipated benefits from our acquisitions, such as cost savings and revenue enhancements, for various reasons, including difficulties integrating operations and personnel, higher costs, unknown liabilities and fluctuations in markets.

Our Star Gas Propane acquisition and the Stagecoach acquisition expose us to potential significant liabilities.

In the Star Gas Propane acquisition and the Stagecoach acquisition, we purchased the equity interests of Star Gas Propane and the entities that owned the Stagecoach facility rather than just their assets. As a result, we purchased the liabilities of Star Gas Propane and these entities as well, including unknown and contingent liabilities. We have performed a certain level of due diligence in connection with the Star Gas Propane acquisition and the Stagecoach acquisition, but there may be pending, threatened, contemplated or contingent claims against Star Gas Propane or the entities that owned the Stagecoach facility related to environmental, title, regulatory, litigation or other matters of which we are unaware. Although Star Gas Partners, L.P., the former parent company of Star Gas Propane, and the entities that owned the Stagecoach facility, respectively, have agreed to indemnify us against some of these liabilities, there is a risk that we could ultimately be liable for some or all of these indemnified risks.

If Star Gas Partners, L.P. is unable to meet its obligations to its creditors and the creditors successfully challenge the Star Gas Propane Acquisition under federal or state bankruptcy or fraudulent transfer laws, which would require the creditors to prove that (i) Star Gas Partners, L.P. received inadequate consideration for the Star Gas Propane Acquisition and that Star Gas Partners, L.P. was insolvent or was rendered insolvent by reason of the acquisition, or (ii) that such acquisition was made with the intent of defrauding Star Gas Partners, L.P.'s creditors, we could be subject to material losses. While we believe that a successful fraudulent conveyance claim is unlikely, we cannot assure you that such a claim will not be made. Moreover, any such claim, if resolved adversely to us, may have a material adverse affect on us.

Sudden and sharp propane price increases that cannot be passed on to customers may adversely affect our profit margins.

The propane industry is a margin-based business in which gross profits depend on the excess of sales prices over supply costs. As a result, our profitability will be sensitive to changes in wholesale prices of propane caused by changes in supply or other market conditions. When there are sudden and sharp increases in the wholesale cost of propane, we may not be able to pass on these increases to our customers through retail or wholesale prices. Propane is a commodity and the price we pay for it can fluctuate significantly in response to changes in supply or other market conditions. We have no control over supply or market conditions. In addition, the timing of cost pass-throughs can significantly affect margins. Sudden and extended wholesale price increases could reduce our gross profits and could, if continued over an extended period of time, reduce demand by encouraging our retail customers to conserve or convert to alternative energy sources.

Our indebtedness may limit our ability to borrow additional funds or capitalize on acquisition or other business opportunities, in addition to impairing our ability to fulfill our debt obligations under the notes.

Our leverage, various limitations in our credit facility, other restrictions governing our indebtedness and the indenture governing the notes may reduce our ability to incur additional indebtedness, to engage in some transactions and to capitalize on acquisition or other business opportunities.

Our indebtedness and other financial obligations could have important consequences to you. For example, they could:

make it more difficult for us to satisfy our obligations with respect to our indebtedness;

Table of Contents

impair our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions, general partnership purposes or other purposes;

result in higher interest expense in the event of increases in interest rates since some of our debt is, and will continue to be, at variable rates of interest;

have a material adverse effect on us if we fail to comply with financial and restrictive covenants in our debt agreements and an event of default occurs as a result of that failure that is not cured or waived;

require us to dedicate a substantial portion of our cash flow to payments of our indebtedness and other financial obligations, thereby reducing the availability of our cash flow to fund working capital, capital expenditures and other general partnership requirements;

limit our flexibility in planning for, or reacting to, changes in our business and the propane industry; and

place us at a competitive disadvantage compared to our competitors that have proportionately less debt.

If we are unable to meet our debt service obligations and other financial obligations, we could be forced to restructure or refinance our indebtedness and other financial transactions, seek additional equity capital or sell our assets. We may then be unable to obtain such financing or capital or sell our assets on satisfactory terms, if at all.

A change of control of our managing general partner could result in our facing substantial repayment obligations under our credit facility.

In addition, our bank credit agreement contains provisions relating to change of control of our managing general partner, our partnership and our operating company. If these provisions are triggered, our outstanding bank indebtedness may become due. In such event, there is no assurance that we would be able to pay the indebtedness, in which case the lenders would have the right to foreclose our assets, which would have a material adverse effect on us. There is no restriction on the ability of our general partners to enter into a transaction which would trigger the change of control provisions.

The highly competitive nature of the retail propane business could cause us to lose customers, thereby reducing our revenues.

We have competitors and potential competitors who are larger and have substantially greater financial resources than we do, which may provide them with some advantages. Also, because of relatively low barriers to entry into the retail propane business, numerous small retail propane distributors, as well as companies not engaged in retail propane distribution, may enter our markets and compete with us. Most of our propane retail branch locations compete with several marketers or distributors. The principal factors influencing competition with other retail marketers are:

price;

reliability and quality of service;

responsiveness to customer needs;

safety concerns;