As filed with the Securities and Exchange Commission on May 24, 2002
Registration Statement No. 333-

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

INERGY, L.P.
(Exact name of registrant as specified in its charter)

Delaware	5984	43-1918951
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

1101 Walnut St., Suite 1500
Kansas City, Missouri 64106
(816) 842-8181
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

John J. Sherman
1101 Walnut St., Suite 1500
Kansas City, Missouri 64106
(816) 842-8181
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

David P. Oelman Catherine S. Gallagher Vinson & Elkins L.L.P. 1001 Fannin, Suite 2300 Houston, Texas 77002-6760 (713) 758-2222	Paul E. McLaughlin Stinson Morrison Hecker LLP 1201 Walnut St., Suite 2800 Kansas City, Missouri 64106 (816) 842-8600	Joshua Davidson Baker Botts L.L.P. One Shell Plaza 910 Louisiana Houston, Texas 77002 (713) 229-1234

Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this registration statement.

If any of the securities being registered on this Form are being offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, 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, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [_]

If this Form is a post-effective amendment filed pursuant to Rule 462(c) 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. [_]

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. [_]

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. [_]

CALCULATION OF REGISTRATION FEE

Title of class of securities to be registered	Amount to be registered(1)	Proposed maximum offering price per unit(2)	Proposed maximum aggregate offering price(1)(2)	Amount of registration fee
Common Units representing limited partner interests ...	1,610,000 common units	$33.25	$53,532,500	$4,925

(1) Includes 210,000 common units which may be sold upon exercise of the underwriter's over-allotment option.
(2) Calculated in accordance with Rule 457(c) on the basis of the average of the high and low sales prices of the common units on May 21, 2002.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant 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.

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+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 we are not soliciting an offer to buy   +
+these securities in any state where the offer or sale is not permitted.   +
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Subject to completion, dated May 24, 2002

PROSPECTUS

1,400,000 Common Units

[INERGY LOGO]

Representing Limited Partner Interests

We are offering 1,054,741 common units, and the selling unitholders are offering 345,259 common units. We will not receive any proceeds from the sale of the common units by the selling unitholders. Our common units are traded on the Nasdaq National Market under the symbol "NRGY." On May 22, 2002, the last reported sale price of our common units on the Nasdaq was $33.00 per common unit.

Common units are entitled to receive minimum distributions of operating cash of $0.60 per quarter, or $2.40 on an annualized basis, before any distributions are paid on senior subordinated units or junior subordinated units, to the extent we have sufficient cash from operations after establishment of cash reserves and payment of fees and expenses, including payments to our general partners. For the quarter ended March 31, 2002, we distributed $0.66 on each of our outstanding common, senior subordinated and junior subordinated units.

Investing in our common units involves risks.
See "Risk Factors" beginning on page 14.

These risks include the following:

- We may not be able to generate sufficient cash from operations to allow us to pay the minimum quarterly distribution.
- 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.
- If we are unable to integrate our recent acquisitions or if we do not continue to make acquisitions on economically acceptable terms, our future financial performance will be limited.
- Due to our lack of asset diversification, adverse developments in our propane business would reduce our ability to make distributions to unitholders.
- Unitholders have less ability to elect or remove management than holders of common stock in a corporation.
- Cost reimbursements due our managing general partner may be substantial and reduce our ability to pay the minimum quarterly distribution.
- Our general partners have conflicts of interest and limited fiduciary responsibilities, which may permit our general partners to favor their own interests to the detriment of unitholders.
- You may be required to pay taxes on income from us even if you do not receive any cash distributions.

PRICE $ PER COMMON UNIT

	Per Common Unit	Total
Public offering price	$	$
Underwriting discount	$	$
Proceeds, before expenses, to Inergy, L.P.	$	$
Proceeds, before expenses, to the selling unitholders	$	$

We have granted the underwriter a 30-day option to purchase up to an additional 210,000 common units to cover over-allotments. The underwriter expects to deliver the common units to purchasers on or about , 2002.

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.

A.G. Edwards & Sons, Inc.

Prospectus dated , 2002

[map and photographs of Inergy, L.P.'s operations]

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GUIDE TO READING THIS PROSPECTUS

The following information should help you understand some of the conventions used in this prospectus.

. Throughout this prospectus,

(1) when we use the terms "we," "us," or "Inergy, L.P.," we are referring either to Inergy, L.P., the registrant itself, or to Inergy, L.P. and its operating subsidiaries collectively, as the context requires, and

(2) 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. Inergy, L.P. was formed as a Delaware limited partnership on March 7, 2001 and did not have operations until the 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 Inergy, L.P.'s initial public offering and Inergy, L.P. thereafter.

. We have a managing general partner and a non-managing general partner. Our managing general partner is responsible for the management of our partnership and its operations are governed by a board of directors. Our managing general partner does not have rights to allocations or distributions from our partnership and does not receive a management fee, but it is reimbursed for expenses incurred on our behalf. Our non-managing general partner owns a 2% non-managing general partner interest in our partnership. Generally, we refer to each general partner as managing or non-managing, as the case may be. We collectively refer to our managing general partner and our non-managing general partner as our "general partners."

. For ease of reference, a glossary of some terms used in this prospectus is included in this prospectus as Appendix A.

. Unless otherwise specified, the information in this prospectus assumes that the underwriter's over-allotment option is not exercised.

PROSPECTUS SUMMARY

This summary highlights selected information contained elsewhere in this prospectus. You should read the entire prospectus carefully, including the historical and pro forma financial statements and the notes to those financial statements. You should read "Risk Factors" beginning on page 14 for more information about important factors that you should consider before buying common units.

INERGY, L.P.

Our Business

We own and operate a rapidly growing retail and wholesale propane marketing and distribution business. Since our predecessor's inception in November 1996, we have acquired thirteen propane companies for an aggregate purchase price of approximately $230 million, including working capital, assumed liabilities and acquisition costs. For the fiscal year ended September 30, 2001, on a pro forma combined basis, we sold approximately 117 million gallons of propane to retail customers and approximately 262 million gallons of propane to wholesale customers.

Our retail business includes the retail marketing, sale and distribution of propane to residential, commercial, industrial and agricultural customers. We market our propane products primarily under six regional brand names and serve approximately 190,000 retail customers in Arkansas, Florida, Georgia, Illinois, Indiana, Michigan, North Carolina, Ohio, Oklahoma, South Carolina, Tennessee, Texas, Virginia and Wisconsin from 99 customer service centers. In addition to our retail business, we operate a wholesale supply, marketing and distribution business providing propane procurement, transportation, supply and price risk management services. We currently provide wholesale supply, marketing and distribution services to approximately 350 customers in 24 states, primarily in the Midwest and Southeast.

Recent Developments

Recent Acquisitions

Independent Propane Company Acquisition. In December 2001, we acquired the assets of Independent Propane Company Holdings, which we refer to in this prospectus as IPC, through an affiliate of our managing general partner for approximately $96.8 million, including approximately $7.5 million paid for net working capital.

IPC's principal business is the retail sale of propane throughout its branch network in Texas, Oklahoma, Arkansas, Tennessee, South Carolina, Georgia, and Florida. For the twelve months ended September 30, 2001, IPC sold approximately 49.8 million retail gallons of propane to approximately 116,000 customers through its 44 branches and 24 satellite locations. For the year ended September 30, 2001, IPC sold 74% of its volumes to individual homeowners, 20% to commercial accounts and 6% to agricultural customers.

Pro Gas Acquisition. In November 2001, we acquired the operations of the Pro Gas affiliated companies, which we refer to collectively in this prospectus as Pro Gas. The acquisition included six retail operations and three satellite bulk storage facilities in Michigan. For the twelve months ended September 30, 2001, Pro Gas delivered approximately 12.4 million gallons of propane to approximately 12,000 customers.

Secured Notes Offering. Our operating company, Inergy Propane, LLC, expects to enter into a note purchase agreement with a group of institutional lenders pursuant to which our operating company will issue $85.0 million of senior secured notes with a weighted average interest rate of 9.07% and a weighted average

maturity of 5.9 years. We currently expect to enter into the note purchase agreement in June 2002. The material covenants of the note purchase agreement relating to the senior secured notes will be similar to the covenants contained in our bank credit facility, including the obligation of Inergy Propane to maintain certain financial ratios. We intend to use the net proceeds from the senior secured notes offering to repay indebtedness under our bank credit facility.

Summary of Risk Factors

An investment in our common units involves risks associated with our business, our partnership structure and the tax characteristics of our common units. Please carefully read the risks relating to these matters described under "Risk Factors."

Risks Inherent in Our Business

- We may not be able to generate sufficient cash from operations to allow us to pay the minimum quarterly distribution.
- 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.
- If we do not continue to make acquisitions on economically acceptable terms, our future financial performance will be limited.
- We cannot assure you that we will be successful in integrating our recent acquisitions.
- Sudden and sharp propane price increases that cannot be passed on to customers may adversely affect our profit margins.
- Our indebtedness may limit our ability to borrow additional funds, make distributions to you or capitalize on acquisition or other business opportunities.
- The highly competitive nature of the retail propane business could cause us to lose customers, thereby reducing our revenues.
- If we are not able to purchase propane from our principal suppliers, our results of operations would be adversely affected.
- Competition from alternative energy sources may cause us to lose customers, thereby reducing our revenues.
- Terrorists attacks, such as the attacks that occurred on September 11, 2001, have resulted in increased costs, and future war or risk of war may adversely impact our results of operations.
- Our business would be adversely affected if service at our principal storage facilities or on the common carrier pipelines we use is interrupted.
- We are subject to operating and litigation risks that could adversely affect our operating results to the extent not covered by insurance.
- Our results of operations and financial condition may be adversely affected by governmental regulation and associated environmental and regulatory costs.
- Energy efficiency and new technology may reduce the demand for propane.
- Due to our lack of asset diversification, adverse developments in our propane business would reduce our ability to make distributions to unitholders.

Risks Inherent in an Investment in Inergy, L.P.

- Unitholders have less ability to elect or remove management than holders of common stock in a corporation.
- Our managing general partner has a limited call right that may require you to sell your common units at an undesirable time or price.
- Cost reimbursements due our managing general partner may be substantial and reduce our ability to pay the minimum quarterly distribution.
- We may issue additional common units without your approval, which would dilute your existing ownership interests.
- You may not have limited liability if a court finds that unitholder actions constitute control of our business.
- Our general partners have conflicts of interest and limited fiduciary responsibilities, which may permit our general partners to favor their own interests to the detriment of unitholders.

Tax Risks to Common Unitholders

- The IRS could treat us as a corporation for tax purposes, which would substantially reduce the cash available for distribution to you.
- A successful IRS contest of the federal income tax positions we take may adversely affect the market for common units.
- You may be required to pay taxes on your share of our income even if you do not receive any cash distributions from us.

Our Competitive Strengths

We believe that we are well positioned to compete in the propane industry. Our competitive strengths include:

- Proven Acquisition Expertise. Our executive officers and key employees, who average more than 15 years experience in the propane industry, have significant industry contacts that have enabled us to negotiate all thirteen of our acquisitions on an exclusive basis. This acquisition expertise should allow us to continue to grow through strategic and accretive acquisitions that complement our existing operations.
- Internal Growth. We consistently promote internal growth in our retail operations through a combination of marketing programs and employee incentives. We also provide various financial and other services, including level payment, fixed price and price cap programs, supply, repair and maintenance contracts, and 24-hour customer service, in order to attract new customers and retain existing customers.
- Operations in High Growth Markets. A majority of our operations are concentrated in higher-than-average population growth areas, where natural gas distribution is not cost effective. We intend to pursue acquisitions in similar high growth markets.
- Regional Branding. We believe that our success in generating internal growth at our customer service centers results from our established, locally recognized trade names. We attempt to capitalize on the reputation of the companies we acquire by retaining their local brand names and employees, thereby preserving the goodwill of the acquired business and fostering employee loyalty and customer retention.

- High Percentage of Retail Sales to Residential Customers. Our retail propane operations concentrate on sales to residential customers who generate higher margins and are generally more stable purchasers than other customers. For the fiscal year ended September 30, 2001, sales to residential customers represented approximately 72% of our retail propane gallons sold and approximately 75% of our retail propane gross profits, on a pro forma combined basis.

- Strong Wholesale Supply, Marketing and Distribution Business. Our wholesale business provides us with growing revenues as well as valuable market intelligence and awareness of potential acquisition opportunities. In addition, these operations help us achieve a secure, efficient source of supply and product cost advantages for our customer service centers. Moreover, the presence of our trucks serving our wholesale customers across the Midwest and Southeast allows us to take advantage of various pricing and distribution inefficiencies that exist in the market from time to time.

- Flexible Financial Structure. We have a $75.0 million revolving credit facility for acquisitions and a $50.0 million revolving working capital facility. Upon completion of this offering and our senior secured notes offering, we expect to have available capacity of approximately $60.0 million under our acquisition facility and approximately $49.0 million under our working capital facility. We believe our available capacity under these facilities combined with our ability to fund acquisitions through the issuance of additional partnership interests will provide us with a flexible financial structure that will facilitate our acquisition strategy.

Our primary objective is to increase distributable cash flow for our unitholders, while maintaining the highest level of commitment and service to our customers. We intend to pursue this objective by capitalizing on our competitive strengths.

Distribution History

We have made distributions of available cash to all of our unitholders for one partial quarter and two full quarters since our initial public offering on July 31, 2001:

	Distributions Paid Per Unit		
	Common	Senior Subordinated	Junior Subordinated
Fiscal Year 2002			
Quarter ended March 31, 2002	$0.660	$0.660	$0.660
Quarter ended December 31, 2001	0.625	0.625	0.625
Fiscal Year 2001			
Quarter ended September 30, 2001	0.400*	0.400*	0.400*

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* Represents a partial quarterly distribution for the period from July 31, 2001, the date of our initial public offering, through September 30, 2001, the end of our fourth fiscal quarter.

For the quarter ended March 31, 2002, we distributed $0.66 per unit, representing $0.06 in excess of the minimum quarterly distribution on all of our outstanding units. In accordance with the terms of our partnership agreement, an affiliate of our general partners will receive increasing percentages, up to 48%, of the cash we distribute in excess of $0.66 per unit.

Industry Background

Propane, a by-product of natural gas processing and petroleum refining, is a clean-burning energy source recognized for its transportability and ease of use relative to alternative stand-alone energy sources. Our retail propane business consists principally of transporting propane to our customer service centers and other

distribution areas and then to tanks located on our customers' premises. Retail propane falls into three broad categories: residential, industrial and commercial and agricultural. Residential customers use propane primarily for space and water heating. Industrial customers use propane primarily as fuel for forklifts and stationary engines, to fire furnaces, as a cutting gas, in mining operations and in other process applications. Commercial customers, such as restaurants, motels, laundries and commercial buildings, use propane in a variety of applications, including cooking, heating and drying. In the agricultural market, propane is primarily used for tobacco curing, crop drying, poultry brooding and weed control.

According to the American Petroleum Institute, the domestic retail market for propane is approximately 12.1 billion gallons annually. This represents approximately 5% of household energy consumption in the United States. The propane distribution industry is characterized by a large number of relatively small, independently owned and operated local distributors. Each year a significant number of these local distributors have sought to sell their businesses for reasons that include retirement and estate planning. In addition, the propane industry faces increasing environmental regulations and escalating capital requirements needed to acquire advanced, customer-oriented technologies. Primarily as a result of these factors, the industry is undergoing consolidation, and we, as well as other national and regional distributors, have been active consolidators in the propane market. In recent years, an active, competitive market has existed for the acquisition of propane assets and businesses. We expect this acquisition market to continue for the foreseeable future.

SUMMARY OF CONFLICTS OF INTEREST AND FIDUCIARY RESPONSIBILITIES

Inergy GP, LLC, our managing general partner, has a legal duty to manage us in a manner beneficial to our unitholders. This legal duty originates in statutes and judicial decisions and is commonly referred to as a "fiduciary" duty. However, because our managing general partner is a subsidiary of Inergy Holdings, LLC (generally referred to as Inergy Holdings in this prospectus), its officers and directors also have fiduciary duties to manage our managing general partner's business in a manner beneficial to the members of Inergy Holdings. As a result of these relationships and others, conflicts of interest may arise in the future between us and our unitholders, on the one hand, and our general partners and their affiliates, on the other. For a more detailed description of the conflicts of interest and fiduciary responsibilities of our general partners, please read "Conflicts of Interest and Fiduciary Responsibilities."

Our partnership agreement limits the liability and reduces the fiduciary duties owed by our general partners to the unitholders. Our partnership agreement also restricts the remedies available to unitholders for actions that might otherwise constitute breaches of our general partners' fiduciary duties. By purchasing a common unit, you are treated as having consented to various actions contemplated in the partnership agreement and conflicts of interest that might otherwise be considered a breach of fiduciary or other duties under applicable state law.

PARTNERSHIP STRUCTURE AND MANAGEMENT

Our operations are conducted through, and our operating assets are owned by, our subsidiaries. We own our interests in our subsidiaries through our operating company, Inergy Propane, LLC.

- We own a 100% membership interest in Inergy Propane, LLC. Our membership interest in Inergy Propane, LLC carries economic and voting rights.

- Inergy GP, LLC, our managing general partner, has sole responsibility for conducting our business and managing our operations. Our managing general partner's only interest in us is its management rights. Inergy GP, LLC has no economic interest in our partnership and does not receive a management fee, but it is reimbursed for expenses incurred on our behalf.

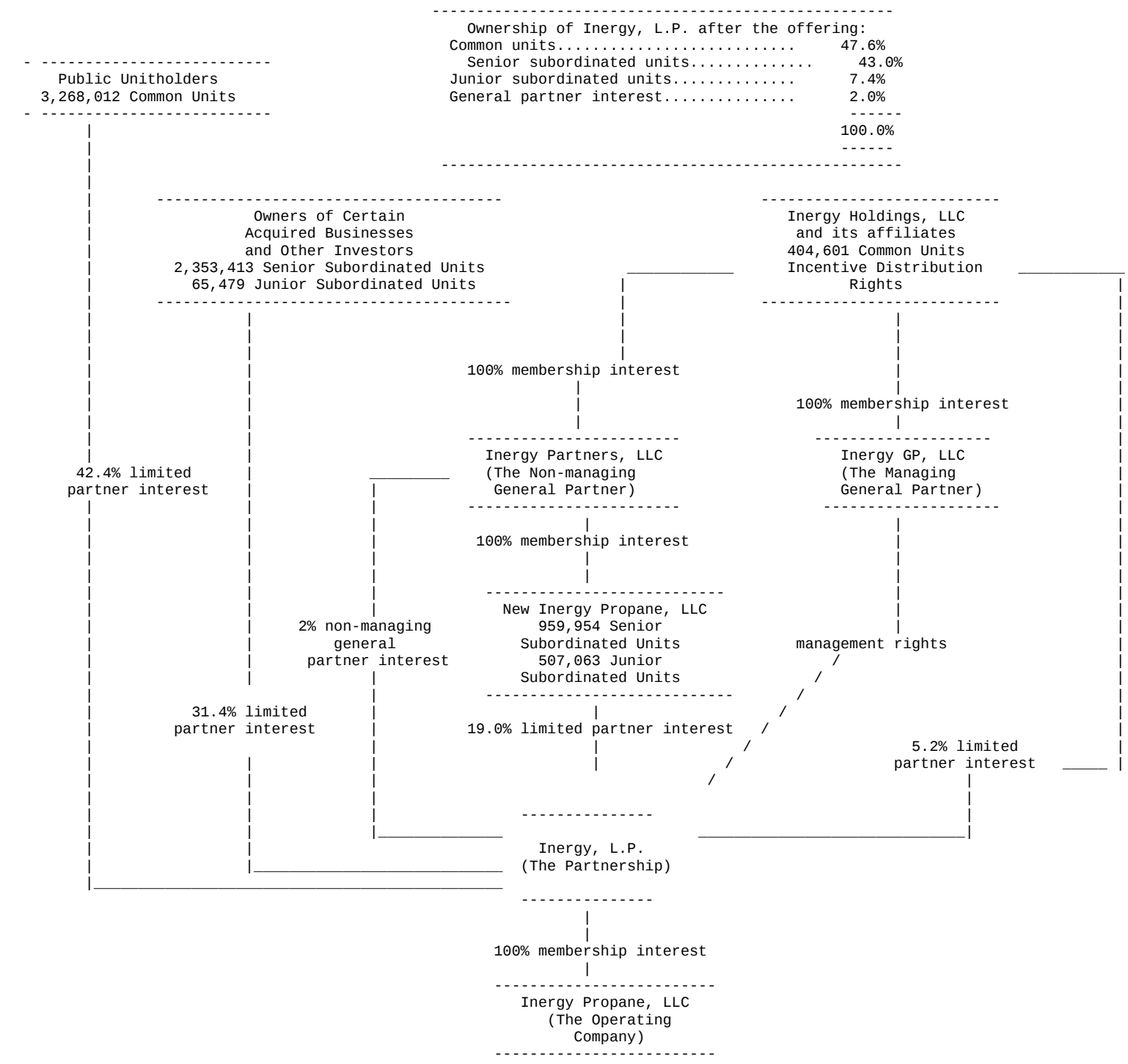
- Inergy Partners, LLC, our non-managing general partner, owns a 2% non-managing general partner interest in us. The 2% general partner interest is entitled to its proportionate share of allocations and distributions in our partnership. Our non-managing general partner has no operational or managerial responsibilities under our partnership agreement. In this prospectus, we refer to the interest owned by the non-managing general partner as its 2% general partner interest.

- Inergy Holdings, LLC owns 100% of each of our managing general partner and our non-managing general partner. Inergy Holdings also owns all of the "incentive distribution rights," which entitle it to receive increasing percentages, up to 48%, of any cash we distribute in excess of $0.66 per unit in any quarter. Additionally, Inergy Holdings, LLC and its affiliates own 404,601 common units, representing an aggregate limited partner interest in us of approximately 5.2% after this offering.

- New Inergy Propane, LLC, a wholly-owned subsidiary of our non-managing general partner, owns 959,954 senior subordinated units and 507,063 junior subordinated units, representing an aggregate limited partner interest in us of approximately 19.0% after this offering.

Our principal executive offices are located at 1101 Walnut St., Suite 1500, Kansas City, Missouri 64106, and our phone number is (816) 842-8181.

The chart on the following page depicts our organization and ownership after giving effect to this offering.


Ownership of Inergy, L.P. after the offering:
Common units..... 47.6%
Senior subordinated units..... 43.0%
Junior subordinated units..... 7.4%
General partner interest..... 2.0%
100.0%
Public Unitholders
3,268,012 Common Units
Owners of Certain
Acquired Businesses
and Other Investors
2,353,413 Senior Subordinated Units
65,479 Junior Subordinated Units
Inergy Holdings, LLC
and its affiliates
404,601 Common Units
Incentive Distribution
Rights
42.4% limited
partner interest
2% non-managing
general
partner interest
31.4% limited
partner interest
100% membership interest
Inergy Partners, LLC
(The Non-managing
General Partner)
100% membership interest
Inergy GP, LLC
(The Managing
General Partner)
100% membership interest
New Inergy Propane, LLC
959,954 Senior
Subordinated Units
507,063 Junior
Subordinated Units
management rights
19.0% limited partner interest
5.2% limited
partner interest
Inergy, L.P.
(The Partnership)
100% membership interest
Inergy Propane, LLC
(The Operating
Company)

	The Offering
Common units offered by Inergy, L.P.	1,054,741 common units. 1,264,741 common units if the underwriter exercises its over-allotment option in full.
Common units offered by the selling unitholders	345,259 common units. For information about the selling unitholders, please read "Selling Unitholders."
Units outstanding after this offering	3,672,613 common units, representing a 47.6% limited partner interest in Inergy, L.P.; 3,313,367 senior subordinated units, representing a 43.0% limited partner interest in Inergy, L.P.; and 572,542 junior subordinated units, representing a 7.4% limited partner interest in Inergy, L.P.
Cash distributions	Common units are entitled to receive distributions of available cash of $0.60 per quarter, or $2.40 on an annualized basis, before any distributions are paid on our subordinated units. In general, we will pay any cash distributions we make each quarter in the following manner: . first, 98% to the common units and 2% to the non-managing general partner, until each common unit has received a minimum quarterly distribution of $0.60 plus any arrearages from prior quarters; . second, 98% to the senior subordinated units and 2% to the non-managing general partner, until each senior subordinated unit has received a minimum quarterly distribution of $0.60; . third, 98% to the junior subordinated units and 2% to the non-managing general partner, until each junior subordinated unit has received a minimum quarterly distribution of $0.60; and . fourth, 98% to all units, pro rata, and 2% to the non-managing general partner, until each unit has received a distribution of $0.66 per quarter. If cash distributions exceed $0.66 per unit in any quarter, Inergy Holdings will receive increasing percentages, up to 48%, of the cash we distribute in excess of that amount. We refer to Inergy Holdings' right to receive these higher amounts of cash as "incentive distribution rights." We must distribute all of our cash on hand at the end of each quarter, less reserves established by our managing general partner. We refer to this cash as "available cash," and we define its meaning in our partnership agreement and in the glossary in

	Appendix A. The amount of available cash may be greater than or less than the minimum quarterly distribution.
Timing of distributions	We pay distributions approximately 45 days after March 31, June 30, September 30 and December 31 to unitholders of record on the applicable record date and to our non-managing general partner.
Subordination period	The subordination period will end once we meet the financial tests in the partnership agreement, but it generally cannot end before June 30, 2006 with respect to the senior subordinated units and June 30, 2008 with respect to the junior subordinated units. When the applicable subordination period ends, all remaining senior subordinated units or junior subordinated units, as applicable, will convert into common units on a one-for-one basis. Once all subordinated units have been converted into common units, the common units will no longer be entitled to arrearages.
Early conversion of subordinated units	If we meet the applicable financial tests in the partnership agreement for any quarter ending on or after June 30, 2004, 25% of the senior subordinated units will convert into common units. If we meet these tests for any quarter ending on or after June 30, 2005, an additional 25% of the senior subordinated units will convert into common units. The early conversion of the second 25% of the senior subordinated units may not occur until at least one year after the early conversion of the first 25% of the senior subordinated units. If we meet the applicable financial tests in the partnership agreement for any quarter ending on or after June 30, 2006, 25% of the junior subordinated units will convert into common units. If we meet these tests for any quarter ending on or after June 30, 2007, an additional 25% of the junior subordinated units will convert into common units. The early conversion of the second 25% of the junior subordinated units may not occur until at least one year after the early conversion of the first 25% of the junior subordinated units. Notwithstanding the foregoing, all outstanding junior subordinated units may convert into common units on a one-for-one basis on or after June 30, 2006, if we have paid a distribution of at least $2.80 on each outstanding unit for each of the three preceding non-overlapping four-quarter periods, all of the senior subordinated units have been converted into common units, and we have met other applicable financial tests in the partnership agreement.
Issuance of additional units	In general, while any senior subordinated units remain outstanding, we may not issue more than 800,000 additional common units without obtaining unitholder approval. We may, however, issue an

	unlimited number of common units in connection with acquisitions that increase cash flow from operations per unit on a pro forma basis. We refer to acquisitions which increase cash flow from operations on a per unit basis as "accretive."
Voting rights	Unlike the holders of common stock in a corporation, you will have only limited voting rights on matters affecting our business. You will have no right to elect our managing general partner or its directors on an annual or other continuing basis. The managing general partner may not be removed except by the vote of the holders of at least 66 2/3% of the outstanding units, including units owned by the general partners and their affiliates.
Limited call right	If at any time not more than 20% of the outstanding common units are held by persons other than our general partners and their affiliates, our managing general partner has the right, but not the obligation, to purchase all of the remaining common units at a price not less than the then current market price of the common units.
Estimated ratio of taxable income to distributions	We estimate that if you own the common units you purchase in this offering through December 31, 2004, you will be allocated, on a cumulative basis, an amount of federal taxable income for that period that will be no more than 20% of the cash distributed to you with respect to that period. Please read "Tax Considerations--Tax Treatment of Unitholders--Ratio of Taxable Income to Distributions" for the basis of this estimate.
Exchange listing	Our common units are traded on the Nasdaq National Market under the symbol "NRGY."

SUMMARY PRO FORMA FINANCIAL AND OPERATING DATA

The summary pro forma financial and operating data of Inergy, L.P. reflect the consolidated historical operating results of Inergy, L.P., and our predecessor, Inergy Partners, LLC., the Hoosier Propane Group, Pro Gas and IPC, as adjusted for this offering, the senior secured notes offering, our initial public offering and the related acquisition transactions. The summary pro forma financial data are derived from the unaudited pro forma financial statements. The pro forma balance sheet assumes that this offering and the senior secured notes offering occurred on March 31, 2002. The pro forma statements of income assume that the Hoosier Propane Group, Pro Gas and IPC acquisitions, our initial public offering, this offering and the senior secured notes offering occurred on October 1, 2000. For a description of all of the assumptions used in preparing the summary pro forma and pro forma, as adjusted financial data, you should read the notes to the pro forma financial statements for Inergy, L.P. The pro forma financial and operating data should not be considered as indicative of the historical results we would have had or future results.

We define EBITDA as shown in the table on page 12 and elsewhere in this prospectus as income before income taxes, plus interest expense and depreciation and amortization expense, less interest income. EBITDA should not be considered an alternative to net income, income before income taxes, cash flows from operating activities, or any other measure of financial performance calculated in accordance with generally accepted accounting principles as those items are used to measure operating performance, liquidity or ability to service debt obligations. We believe that EBITDA provides additional information for evaluating our ability to make the minimum quarterly distribution and is presented solely as a supplemental measure. EBITDA, as we define it, may not be comparable to EBITDA or similarly titled measures used by other corporations or partnerships.

The following table should be read together with, and is qualified in its entirety by reference to, the historical and pro forma financial statements and the accompanying notes included in this prospectus. The table should also be read together with "Selected Historical Financial and Operating Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

	Year Ended September 30, 2001		Six Months Ended March 31, 2002	
	Pro Forma (a)	Pro Forma As Adjusted (b)	Pro Forma (a)	Pro Forma As Adjusted (b)
	(in thousands, except per unit amounts)			
Statement of Income Data:				
Revenues	$350,420	$350,420	$178,823	$178,823
Cost of product sold	258,510	258,510	119,984	119,984
Gross profit	91,910	91,910	58,839	58,839
Expenses:				
Operating and administrative	52,118	52,118	28,048	28,048
Depreciation and amortization	13,066	13,066	6,258	6,258
Operating income	26,726	26,726	24,533	24,533
Other income (expense):				
Interest expense	(12,642)	(11,595)	(4,344)	(5,582)
Interest income	238	238	6	6
Gain (loss) on sale of property, plant and equipment	46	46	(119)	(119)
Finance charges	302	302	85	85
Other	246	246	39	39
Income before income taxes	14,916	15,963	20,200	18,962
Provision for income taxes	39	39	52	52
Net income	$ 14,877	$ 15,924	$ 20,148	$ 18,910
Non-managing general partner's interest in net income	$ 298	$ 318	$ 403	$ 378
Limited partners' interest in net income	$ 14,579	$ 15,606	$ 19,745	$ 18,532
Net income per limited partner unit:				
Basic	$ 2.24	$ 2.06	$ 3.04	$ 2.45
Diluted	$ 2.22	$ 2.05	$ 2.99	$ 2.42
Weighted average limited partners' units outstanding:				
Basic	6,504	7,559	6,504	7,559
Diluted	6,569	7,624	6,595	7,650
Balance Sheet Data (end of period):				
Current assets				$ 53,049(c)
Total assets				272,430(c)
Long-term debt, including current portion				109,675(c)
Partners' capital				137,039(c)
Other Financial Data:				
EBITDA	$ 40,386	$ 40,386	$ 30,796	$ 30,796
Maintenance capital expenditures (d)	3,428	3,428	981	981
Reconciliation of Net Income to EBITDA:				
Net income	$ 14,877	$ 15,924	$ 20,148	$ 18,910
Plus:				
Income taxes	39	39	52	52
Interest expense	12,642	11,595	4,344	5,582
Depreciation and amortization expense	13,066	13,066	6,258	6,258
	40,624	40,624	30,802	30,802
Less:				
Interest income	238	238	6	6
EBITDA	$ 40,386	$ 40,386	$ 30,796	$ 30,796

Other Operating Data:				
Retail propane gallons sold	117,476	117,476	64,392	64,392
Wholesale propane gallons sold	262,335	262,335	231,079	231,079

(footnotes on following page)

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(a) Reflects the acquisitions of the Hoosier Propane Group, Pro Gas and IPC, the financing in connection with these acquisitions, and the initial public offering and transactions whereby Inergy, L.P. became the successor to the business of our predecessor, as if all such transactions took place on October 1, 2000.

(b) In addition to the transactions described in footnote (a) above, reflects the proceeds from this offering and the senior secured notes offering, including interest expense adjustments resulting from the repayment of debt under our bank credit facility with the proceeds of this offering and the refinancing of $85.0 million of remaining debt under our bank credit facility as if this offering and the senior secured notes offering took place on October 1, 2000.

(c) Assumes that this offering and the senior secured notes offering took place on March 31, 2002.

(d) Capital expenditures fall generally into three categories: (1) growth capital expenditures, which include expenditures for the purchase of new propane tanks and other equipment to facilitate expansion of our retail customer base, (2) maintenance capital expenditures, which include expenditures for repair and replacement of property, plant and equipment, and (3) acquisition capital expenditures.

RISK FACTORS

Limited partner interests are inherently different from capital stock of a corporation, although many of the business risks to which we are subject are similar to those that would be faced by a corporation engaged in a similar business. You should carefully consider the following risk factors together with all of the other information included in this prospectus in evaluating an investment in the common units.

If any of the following risks were actually to occur, our business, financial condition or results of operations could be materially adversely affected. In that case, the trading price of our common units could decline and you could lose all or part of your investment.

Risks Inherent in our Business

We may not be able to generate sufficient cash from operations to allow us to pay the minimum quarterly distribution.

The amount of cash we can distribute on our common units depends upon the amount of cash we generate from our operations. The amount of cash we generate from our operations will fluctuate from quarter to quarter and will depend upon, among other things, the temperatures in our operating areas, the cost to us of the propane we buy for resale, the level of competition from other propane companies and other energy providers and prevailing economic conditions. In addition, the actual amount of cash available for distribution will also depend on other factors, such as the level of capital expenditures we make, debt service requirements, fluctuations in working capital needs, our ability to borrow under our working capital facility to make distributions, and the amount, if any, of cash reserves established by the managing general partner in its discretion for the proper conduct of our business. Because of all these factors, we may not have sufficient available cash each quarter to be able to pay the minimum quarterly distribution.

Furthermore, you should be aware that the amount of cash we have available for distribution depends primarily upon our cash flow, including cash flow from financial reserves and working capital borrowings, and is not solely a function of profitability, which will be affected by non-cash items. As a result, we may make cash distributions during periods when we record losses and may not make cash distributions during periods when we record net income.

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. On a pro forma basis for the fiscal year ended September 30, 2001, approximately 75% of our retail propane volume and approximately 73% of our gross profit was attributable to sales during the peak heating season of October through March. 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 and 2000, temperatures were significantly warmer than normal in our areas of operation. Similarly, the first half of fiscal 2002 was significantly warmer than normal in our areas of operations. We believe that our results of operations during these periods were adversely affected primarily due to this abnormally 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 longstanding 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 certain other energy sources, we may have difficulty in increasing our retail customer base other than through acquisitions. Therefore, while our business strategy includes internal growth, our ability to grow will depend 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 acquiring additional businesses after this offering closes for various reasons, including the following:

- We will use our cash from operations primarily for reinvestment in our business and distributions to unitholders. 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 operating results. Further, we are subject to certain debt incurrence covenants in our revolving credit facility and senior secured notes that may restrict our ability to incur additional debt to finance acquisitions. In addition, any new debt we incur to finance acquisitions may adversely affect our ability to make distributions to our unitholders.

- Although we intend to use common units as an acquisition currency, some prospective sellers may not be willing to accept units as consideration and their issuance in some circumstances may be dilutive to our existing unitholders.

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.

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

We have recently completed the IPC and Pro Gas acquisitions, which geographically expanded our operations into several new states, including Arkansas, Florida, Georgia, Oklahoma, South Carolina and Texas. For the year ended September 30, 2001, the IPC and Pro Gas operations constituted 49% of our pro forma gross profits and 47% of our pro forma EBITDA. We cannot assure you that we will successfully integrate these acquisitions into our operations, or that we will achieve the desired profitability from these acquisitions. Failure to successfully integrate these substantial acquisitions could adversely affect our operations and cash flows available for distribution to our unitholders.

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 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. Furthermore, on May 1, 2002, we entered into a one-year contract to purchase all of Sunoco Inc. (R&M)'s propane production at its Toledo, Ohio refinery, which is approximately 62 million gallons per year. If we are unable to market all of this propane at competitive prices, our gross profits and margins could be significantly reduced.

Our indebtedness may limit our ability to borrow additional funds, make distributions to you or capitalize on acquisition or other business opportunities.

Upon completion of this offering and the senior secured notes offering, we expect our total outstanding long-term indebtedness to be approximately $104.0 million, including $85.0 million of senior secured notes, approximately $15.0 million under our acquisition facility and approximately $4.0 million of other indebtedness. Our payment of principal and interest on the indebtedness will reduce the cash available for distribution on our outstanding units. We will be prohibited by our credit facility and the terms of our senior secured notes from making cash distributions during an event of default under any of our indebtedness. Furthermore, our leverage and various limitations in the credit facility and the note purchase agreement relating to the senior secured notes may reduce our ability to incur additional indebtedness, to engage in some transactions and to capitalize on acquisition or other business opportunities.

In addition, our credit facility contains provisions relating to change of control of our managing general partner, our partnership and our operating company. If these provisions are triggered, such outstanding 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 on 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.

Please read "Management's Discussion and Analysis of Financial Condition and Results of Operations--Description of Indebtedness." Any subsequent refinancing of our current indebtedness or any new indebtedness could have similar or greater restrictions.

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. Competition in the past several years has intensified, partly as a result of warmer-than-normal weather and general economic conditions. 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,
- long-standing customer relationships,
- the inconvenience of switching tanks and suppliers, and
- the lack of growth in the industry.

We can make no assurances that we will be able to compete successfully on the basis of these factors. If a competitor attempts to increase market share by reducing prices, we may lose customers, which would reduce our revenues.

If we are not able to purchase propane from our principal suppliers, our results of operations would be adversely affected.

During the fiscal year ended September 30, 2001, BP Amoco p.l.c., Louis Dreyfus and Exxon Mobil Corporation each accounted for approximately 11% of our volume of propane purchases on a pro forma combined basis. Most of these purchases were made under supply contracts that have a term of one year, are subject to annual renewal and provide various pricing formulas. On May 1, 2002, we entered into a one-year contract to purchase all of Sunoco Inc. (R&M)'s propane production at its Toledo, Ohio refinery, which is approximately 62 million gallons per year. In the event that we are unable to purchase propane from Sunoco or our other significant suppliers, our failure to obtain alternate sources of supply at competitive prices and on a timely basis would hurt our ability to satisfy customer demand, reduce our revenues and adversely affect our results of operations.

Competition from alternative energy sources may cause us to lose customers, thereby reducing our revenues.

Competition from alternative energy sources, including natural gas and electricity, has been increasing as a result of reduced regulation of many utilities, including natural gas and electricity. Propane is generally not competitive with natural gas in areas where natural gas pipelines already exist because natural gas is a less expensive source of energy than propane. The gradual expansion of natural gas distribution systems and availability of natural gas in many areas that previously depended upon propane could cause us to lose customers, thereby reducing our revenues.

Terrorist attacks, such as the attacks that occurred on September 11, 2001, have resulted in increased costs, and future war or risk of war may adversely impact our results of operations.

The impact that the terrorist attacks of September 11, 2001 may have on the energy industry in general, and on us in particular, is not known at this time. Uncertainty surrounding retaliatory military strikes or a sustained military campaign may affect our operations in unpredictable ways, including disruptions of fuel supplies and markets, particularly oil, and the possibility that infrastructure facilities, including pipelines, production facilities, processing plants and refineries, could be direct targets of, or indirect casualties of, an act of terror. We may have to incur additional costs in the future to safeguard certain of our assets and we may be required to incur significant additional costs in the future.

The terrorist attacks on September 11, 2001 and the changes in the insurance markets attributable to the September 11 attacks may make certain types of insurance more difficult for us to obtain. We may be unable to secure the levels and types of insurance we would otherwise have secured prior to September 11, 2001. There can be no assurance that insurance will be available to us without significant additional costs. A lower level of economic activity could also result in a decline in energy consumption which could adversely affect our revenues or restrict our future growth. Instability in the financial markets as a result of terrorism or war could also affect our ability to raise capital.

Our business would be adversely affected if service at our principal storage facilities or on the common carrier pipelines we use is interrupted.

Historically, a substantial portion of the propane purchased to support our operations has originated at Conway, Kansas, Hattiesburg, Mississippi and Mont Belvieu, Texas and has been shipped to us through major common carrier pipelines. Any significant interruption in the service at these storage facilities or on the common carrier pipelines we use would adversely affect our ability to obtain propane.

We are subject to operating and litigation risks that could adversely affect our operating results to the extent not covered by insurance.

Our operations are subject to all operating hazards and risks incident to handling, storing, transporting and providing customers with combustible liquids such as propane. As a result, we may be a defendant in various

legal proceedings and litigation arising in the ordinary course of business. Our insurance may not be adequate to protect us from all material expenses related to potential future claims for personal and property damage. In addition, the occurrence of a serious accident, whether or not we are involved, may have an adverse effect on the public's desire to use our products.

Our results of operations and financial condition may be adversely affected by governmental regulation and associated environmental and regulatory costs.

The propane business is subject to a wide range of federal and state laws and regulations related to environmental and other regulated matters. We may have higher costs in the future due to stricter pollution control requirements or liabilities resulting from non-compliance with operating or other regulatory permits. New environmental regulations might adversely impact our operations, as well as the storage and transportation of propane.

Energy efficiency and new technology may reduce the demand for propane.

The national trend toward increased conservation and technological advances, including installation of improved insulation and the development of more efficient furnaces and other heating devices, has adversely affected the demand for propane by retail customers. Future conservation measures or technological advances in heating, conservation, energy generation or other devices might reduce demand for propane.

Due to our lack of asset diversification, adverse developments in our propane business would reduce our ability to make distributions to our unitholders.

We rely exclusively on the revenues generated from our propane business. Due to our lack of asset diversification, an adverse development in this business would have a significantly greater impact on our financial condition and results of operations than if we maintained more diverse assets.

Risks Inherent in an Investment in Inergy, L.P.

Unitholders have less ability to elect or remove management than holders of common stock in a corporation.

Unlike the holders of common stock in a corporation, unitholders have only limited voting rights on matters affecting our business, and therefore limited ability to influence management's decisions regarding our business. Unitholders did not elect our managing general partner or its board of directors and will have no right to elect our managing general partner or its board of directors on an annual or other continuing basis. The board of directors of our managing general partner is chosen by the sole member of our managing general partner, Inergy Holdings. Although our managing general partner has a fiduciary duty to manage our partnership in a manner beneficial to Inergy, L.P. and the unitholders, the directors of the managing general partner have a fiduciary duty to manage the managing general partner in a manner beneficial to its member, Inergy Holdings.

Furthermore, if the unitholders are dissatisfied with the performance of our managing general partner, they will have little ability to remove our managing general partner. First of all, the managing general partner generally may not be removed except upon the vote of the holders of 66 2/3% of the outstanding units voting together as a single class. Because the general partners and their affiliates, including our executive officers and directors, will control approximately 31% of all the units upon completion of this offering, it will be difficult to remove the managing general partner without the consent of the general partners and our affiliates. Furthermore, if the managing general partner is removed without cause during the subordination period and units held by the general partners and their affiliates are not voted in favor of that removal, all remaining subordinated units will automatically be converted into common units and any existing arrearages on the common units will be extinguished. A removal under these circumstances would adversely affect the common units by prematurely eliminating their distribution and liquidation preference over the subordinated units which would otherwise have continued until we had met certain distribution and performance tests.

Cause is narrowly defined to mean that a court of competent jurisdiction has entered a final, non-appealable judgment finding the managing general partner liable for actual fraud, gross negligence, or willful or wanton misconduct in its capacity as our managing general partner. Cause does not include most cases of charges of poor management of the business, so the removal of the managing general partner because of the unitholders' dissatisfaction with the managing general partner's performance in managing our partnership will most likely result in the termination of the subordination period.

Furthermore, unitholders' voting rights are further restricted by the partnership agreement provision providing that any units held by a person that owns 20% or more of any class of units then outstanding, other than the general partners and their affiliates, cannot be voted on any matter.

The control of our managing general partner may be transferred to a third party without unitholder consent.

The managing general partner may transfer its general partner interest to a third party in a merger or in a sale of all or substantially all of its assets without the consent of the unitholders. Furthermore, there is no restriction in the partnership agreement on the ability of the owner of the managing general partner, Inergy Holdings, from transferring its ownership interest in the managing general partner to a third party. The new owner of the managing general partner would then be in a position to replace the board of directors and officers of the managing general partner with its own choices and to control the decisions taken by the board of directors and officers.

Our managing general partner has a limited call right that may require you to sell your common units at an undesirable time or price.

If at any time less than 20% of the outstanding units of any class are held by persons other than our general partners and their affiliates, our managing general partner has the right to acquire all, but not less than all, of those units held by the unaffiliated persons. The price for these units will not be less than the then-current market price of the units. As a consequence, you may be required to sell your common units at an undesirable time or price. Our managing general partner may assign this acquisition right to any of its affiliates or to the partnership.

Cost reimbursements due our managing general partner may be substantial and reduce our ability to pay the minimum quarterly distribution.

Prior to making any distributions on the units, we will reimburse our managing general partner for all expenses it has incurred on our behalf. In addition, our general partners and their affiliates may provide us with services for which we will be charged reasonable fees as determined by the managing general partner. The reimbursement of these expenses and the payment of these fees could adversely affect our ability to make distributions to you. Our managing general partner has sole discretion to determine the amount of these expenses and fees. From July 31, 2001 until March 31, 2002, our general partners and their affiliates incurred $7.0 million of direct and indirect expenses on our behalf, consisting primarily of salaries and employee benefits. Effective January 1, 2002, all employees of our general partners became employees of our operating company.

We may issue additional common units without your approval, which would dilute your existing ownership interests.

While any senior subordinated units remain outstanding, our managing general partner may cause us to issue up to 800,000 additional common units without your approval. Our managing general partner may also cause us to issue an unlimited number of additional common units, without your approval, in a number of circumstances, such as:

- the issuance of common units in connection with acquisitions that increase cash flow from operations per unit on a pro forma basis,

- the conversion of subordinated units into common units,

- the conversion of the general partner interests and the incentive distribution rights into common units as a result of the withdrawal of our general partners, or

- issuances of common units under our employee benefit plans.

The issuance of additional common units or other equity securities of equal rank will have the following effects:

- your proportionate ownership interest in us will decrease,

- the amount of cash available for distribution on each common unit may decrease,

- since a lower percentage of total outstanding units will be subordinated units, the risk that a shortfall in the payment of the minimum quarterly distribution will be borne by the common unitholders will increase,

- the relative voting strength of each previously outstanding common unit may be diminished, and

- the market price of the common units may decline.

Once no senior subordinated units remain outstanding, we may issue an unlimited number of limited partner interests of any type without the approval of the unitholders. Our partnership agreement does not give the unitholders the right to approve our issuance of equity securities ranking junior to the common units.

You may not have limited liability if a court finds that unitholder actions constitute control of our business.

Under Delaware law, you could be held liable for our obligations to the same extent as a general partner if a court determined that the right of unitholders to remove our managing general partner or to take other action under the partnership agreement constituted participation in the "control" of our business.

Our general partners generally have unlimited liability for the obligations of the partnership, such as its debts and environmental liabilities, except for those contractual obligations of the partnership that are expressly made without recourse to the general partners.

In addition, Section 17-607 of the Delaware Revised Uniform Limited Partnership Act provides that, under some circumstances, a unitholder may be liable to us for the amount of a distribution for a period of three years from the date of the distribution. Please read "The Partnership Agreement--Limited Liability" for a discussion of the implications of the limitations on liability to a unitholder.

Our general partners have conflicts of interest and limited fiduciary responsibilities, which may permit our general partners to favor their own interests to the detriment of unitholders.

Following this offering, Inergy Holdings and its affiliates will indirectly own an aggregate limited partner interest of approximately 24% in us and the incentive distribution rights, will own and control our managing general partner and will own and control our non-managing general partner, which owns the 2% general partner interest. Conflicts of interest could arise in the future as a result of relationships between Inergy Holdings, our general partners and their affiliates, on the one hand, and the partnership or any of the limited partners, on the other hand. As a result of these conflicts our general partners may favor their own interests and those of their affiliates over the interests of the unitholders. The nature of these conflicts includes the following considerations:

- Our general partners may limit their liability and reduce their fiduciary duties, while also restricting the remedies available to unitholders for actions that might, without the limitations, constitute breaches of fiduciary duty. Unitholders are deemed to have consented to some actions and conflicts of interest that might otherwise be deemed a breach of fiduciary or other duties under applicable state law.

- Our general partners are allowed to take into account the interests of parties in addition to the partnership in resolving conflicts of interest, thereby limiting their fiduciary duties to the unitholders.

- Our general partners' affiliates are not prohibited from engaging in other business or activities, including those in direct competition with us.

- Our managing general partner determines the amount and timing of asset purchases and sales, capital expenditures, borrowings and reserves, each of which can affect the amount of cash that is distributed to unitholders.

- Our managing general partner determines whether to issue additional units or other equity securities of the partnership.

- Our managing general partner determines which costs are reimbursable by us.

- Our managing general partner controls the enforcement of obligations owed to us by it.

- Our managing general partner decides whether to retain separate counsel, accountants or others to perform services for us.

- Our managing general partner is not restricted from causing us to pay it or its affiliates for any services rendered on terms that are fair and reasonable to us or entering into additional contractual arrangements with any of these entities on our behalf.

- In some instances our managing general partner may borrow funds in order to permit the payment of distributions, even if the purpose or effect of the borrowing is to make a distribution on the subordinated units or to make incentive distributions or hasten the expiration of the subordination period.

Tax Risks To Common Unitholders

You are urged to read "Tax Considerations" for a more complete discussion of the following expected material federal income tax consequences of owning and disposing of our common units.

The IRS could treat us as a corporation for tax purposes, which would substantially reduce the cash available for distribution to you.

The anticipated after-tax economic benefit of an investment in our units depends largely on our being treated as a partnership for federal income tax purposes. We have not requested, and do not plan to request, a ruling from the IRS on this or any other matter affecting us.

If we were treated as a corporation for federal income tax purposes, we would pay federal income tax on our income at the corporate tax rate, which is currently a maximum of 35% and we would likely pay state taxes as well. Distributions to you would generally be taxed again to you as corporate distributions, and none of our income, gains, losses or deductions would flow through to you. Because a tax would be imposed upon us as a corporation, our cash available for distribution to you would be substantially reduced. Therefore, treatment of us as a corporation would result in a material reduction in the after-tax return to the unitholders, likely causing a substantial reduction in the value of our common units.

A change in current law or a change in our business could cause us to be treated as a corporation for federal income tax purposes or otherwise subject us to entity-level taxation. The partnership agreement provides that, if a law is enacted or existing law is modified or interpreted in a manner that causes us to be treated as a corporation or otherwise subjects us to entity-level taxation for federal, state or local income tax purposes, then the minimum quarterly distribution and the target distribution levels will be adjusted to reflect that impact on us.

A successful IRS contest of the federal income tax positions we take may adversely affect the market for common units and the costs of any contest will be borne by our unitholders and our general partners.

We have not requested a ruling from the IRS with respect to any matter affecting us. The IRS may adopt positions that differ from the conclusions of our counsel expressed in this prospectus or from the positions we take. It may be necessary to resort to administrative or court proceedings to sustain our counsel's conclusions or the positions we take. A court may not concur with our counsel's conclusions or the positions we take. Any contest with the IRS may materially and adversely affect the market for our common units and the price at which they trade. In addition, some or all of our unitholders and our general partners will indirectly bear the costs of any contest with the IRS, principally legal, accounting and related fees.

You may be required to pay taxes on your share of our income even if you do not receive any cash distributions from us.

You will be required to pay federal income taxes and, in some cases, state and local income taxes on your share of our taxable income even if you do not receive any cash distributions from us. You may not receive cash distributions from us equal to your share of our taxable income or even equal to the actual tax liability that results from the taxation of your share of our taxable income.

Tax gain or loss on disposition of common units could be different than expected.

If you sell your common units, you will recognize gain or loss equal to the difference between the amount realized and your tax basis in those common units. Prior distributions to you in excess of the total net taxable income you were allocated for a common unit which decreased your tax basis in that common unit will, in effect, become taxable income to you if the common unit is sold at a price greater than your tax basis in that common unit, even if the price is less than your original cost. A substantial portion of the amount you realize, whether or not representing gain, will likely be ordinary income to you. Should the IRS successfully contest some positions we take, you could recognize more gain on the sale of your common units than would be the case under those positions, without the benefit of decreased income in prior years. Also, if you sell your common units, you may incur a tax liability in excess of the amount of cash you receive from the sale.

Tax-exempt entities, regulated investment companies and foreign persons face unique tax issues from owning common units which may result in adverse tax consequences to them.

Investment in common units by tax-exempt entities, including employee benefit plans and individual retirement accounts (known as IRAs), regulated investment companies (known as mutual funds) and non-U.S. persons raises issues unique to them. For example, virtually all of our income allocated to unitholders who are organizations exempt from federal income tax, may be unrelated business taxable income and will be taxable to them. Very little of our income will be qualifying income to a regulated investment company. Distributions to non-U.S. persons will be reduced by withholding taxes, at the highest effective tax rate applicable to individuals, and non-U.S. persons will be required to file federal income tax returns and generally pay tax on their share of our taxable income.

We are registered as a tax shelter. This may increase the risk of an IRS audit of us or a unitholder.

We are registered with the IRS as a "tax shelter." Our tax shelter registration number is 01204000001. The tax laws require that some types of entities, including some partnerships, register as "tax shelters" in response to the perception that they claim tax benefits that may be unwarranted. As a result, we may be audited by the IRS and tax adjustments could be made. Any unitholder owning less than a 1% profits interest in us has very limited rights to participate in the income tax audit process. Further, any adjustments in our tax returns will lead to adjustments in your tax returns and may lead to audits of your tax returns and adjustments of items unrelated to us. You will bear the cost of any expense incurred in connection with an examination of your personal tax return and indirectly bear a portion of the cost of an audit of us.

We will treat each purchaser of units as having the same tax benefits without regard to the units purchased. The IRS may challenge this treatment, which could adversely affect the value of the units.

Because we cannot match transferors and transferees of common units, we will adopt depreciation and amortization positions that do not conform with all aspects of existing Treasury regulations. A successful IRS challenge to those positions could adversely affect the amount of tax benefits available to you. It also could affect the timing of these tax benefits or the amount of gain from your sale of common units and could have a negative impact on the value of the common units or result in audit adjustments to your tax returns. Please read "Tax Considerations--Uniformity of Units" for a further discussion of the effect of the depreciation and amortization positions we adopt.

You will likely be subject to state and local taxes in states where you do not live as a result of an investment in the units.

In addition to federal income taxes, you will likely be subject to other taxes, including state and local taxes, unincorporated business taxes and estate, inheritance or intangible taxes that are imposed by the various jurisdictions in which we do business or own property now or in the future even if you do not live in any of those jurisdictions. You will likely be required to file state and local income tax returns and pay state and local income taxes in some or all of the jurisdictions. Further, you may be subject to penalties for failure to comply with those requirements. We presently anticipate that substantially all of our income will be generated in the following states: Arkansas, Florida, Georgia, Illinois, Indiana, Michigan, North Carolina, Ohio, Oklahoma, South Carolina, Tennessee, Texas, Virginia and Wisconsin. Each of these states, except Florida and Texas, imposes a personal income tax. If we expand our operations into other states, you may have to file state and local income tax returns in additional jurisdictions. If we conduct operations in other states, you may be required to file state and local income tax returns in additional jurisdictions. It is your responsibility to file all federal, state and local tax returns. Our counsel has not rendered an opinion on the state or local tax consequences of an investment in the common units.

USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately $32.5 million from the sale of the 1,054,741 common units by us, together with a capital contribution from our non-managing general partner of approximately $0.7 million to maintain its 2% general partner interest in our partnership, assuming an offering price of $33.00 per unit and after deducting underwriting discounts and estimated offering expenses. We intend to use all of the net proceeds of this offering to repay a portion of our borrowings incurred in connection with the acquisition of IPC and Pro Gas under our bank credit facility. We will use the net proceeds from any exercise of the overallotment option to further repay borrowings under our bank credit facility.

As of May 21, 2002, total borrowings under our credit facility were approximately $133.1 million and had a weighted average interest rate of 4.19%. The credit facility has a maturity date of December 20, 2004. We incurred all of our debt to fund acquisitions and for working capital purposes.

We will not receive any proceeds from the sale of the 345,259 common units by the selling unitholders.

CAPITALIZATION

The following table shows (1) our historical capitalization as of March 31, 2002 on an actual basis, and (2) our pro forma capitalization as of March 31, 2002, as adjusted to reflect the sale of 1,054,741 common units in this offering at an assumed price of $33.00 per unit and the application of the net proceeds we receive in the offering as described under "Use of Proceeds" as well as the senior secured notes offering and the application of the proceeds therefrom. We derived this table from, and it should be read in conjunction with and is qualified in its entirety by reference to, the historical and pro forma financial statements and the accompanying notes included elsewhere in this prospectus.

	As of March 31, 2002			
	Actual	Senior Secured Note Offering Adjustments	Common Unit Offering Adjustments	As Adjusted
	(in thousands)			
Cash and cash equivalents	$ 2,475	$ (1,000)		$ 1,475
Debt:				
Current portion of long-term debt	$ 3,722	$ --	$ --	$ 3,722
Long-term bank debt, less current portion	138,442	(85,000)	(32,489)	20,953
Senior secured notes	--	85,000		85,000
Total debt	142,164	--	(32,489)	109,675
Partners' capital:				
Common unitholders	49,514	(306)	31,779	80,987
Senior subordinated unitholders	51,421	(276)		51,145
Junior subordinated unitholders	2,358	(48)		2,310
Non-managing general partner	1,900	(13)	710	2,597
Total partners' capital	105,193	(643)	32,489	137,039
Total capitalization	$247,357	$ (643)	$ --	$246,714

PRICE RANGE OF COMMON UNITS AND DISTRIBUTIONS

The common units are listed and traded on the Nasdaq National Market under the symbol "NRGY." The common units began trading on July 26, 2001 at an initial public offering price of $22.00 per common unit. The following table shows the high and low closing sales prices per common unit, as reported by the Nasdaq National Market, for the periods indicated. Distributions are shown in the quarter for which they were paid. For each quarter, an identical cash distribution was paid on all outstanding senior and junior subordinated units.

Period Ended	Low	High	Cash Distributions Per Unit
Fiscal 2002:			
June 30, 2002(a)	$29.95	$34.24	
March 31, 2002	27.65	30.10	$0.660
December 31, 2001	23.50	28.25	0.625
Fiscal 2001:			
September 30, 2001	$22.20	$27.45	$0.400(b)

(a) Through May 22, 2002.
(b) Reflects the pro rata portion of the $0.60 minimum quarterly distribution per unit, representing the period from the July 31, 2001 closing of the initial public offering through September 30, 2001.

The last reported sale price of the common units on the Nasdaq on May 22, 2002 was $33.00. As of May 22, 2002, there were approximately 2,500 holders of record of our common units.

CASH DISTRIBUTION POLICY

Distributions of Available Cash

General. Within approximately 45 days after the end of each quarter, we will distribute all of our available cash to unitholders of record on the applicable record date.

Definition of Available Cash. We define available cash in the glossary, and it generally means, for each fiscal quarter, all cash on hand at the end of the quarter less the amount of cash that the managing general partner determines in its reasonable discretion is necessary or appropriate to:

- provide for the proper conduct of our business,
- comply with applicable law, any of our debt instruments, or other agreements, or
- provide funds for distributions to unitholders (including units held by affiliates of Inergy Holdings) and to our non-managing general partner for any one or more of the next four quarters,

plus all cash on hand on the date of determination of available cash for the quarter resulting from working capital borrowings made after the end of the quarter. Working capital borrowings are generally borrowings that are made under our working capital facility and in all cases are used solely for working capital purposes or to pay distributions to partners.

Minimum Quarterly Distribution. Common units are entitled to receive distributions from operating surplus of $0.60 per quarter, or $2.40 on an annualized basis, before any distributions are paid on our subordinated units. There is no guarantee that we will pay the minimum quarterly distribution on the common units in any quarter, and we will be prohibited from making any distributions to unitholders if it would cause an event of default under our credit facility or the secured notes. As reflected below, our definition of operating surplus contains an $8.5 million basket. This basket is a provision that will enable us, if we choose, to distribute as operating surplus up to $8.5 million of cash we receive in the future from non-operating sources, such as asset sales, issuances of securities and long-term borrowings, that would otherwise be distributed as capital surplus.

Operating Surplus and Capital Surplus

General. All cash distributed to unitholders will be characterized either as "operating surplus" or "capital surplus." We distribute available cash from operating surplus differently than available cash from capital surplus.

Definition of Operating Surplus. We define operating surplus in the glossary, and for any period it generally means:

- our cash balance of $5.8 million at the closing of our initial public offering,
- plus $8.5 million (as described above),
- plus all of our cash receipts since the initial public offering, excluding cash from borrowings that are not working capital borrowings, sales of equity and debt securities and sales of assets outside the ordinary course of business,
- plus working capital borrowings made after the end of a quarter but before the date of determination of operating surplus for the quarter,
- less all of our operating expenditures since the initial public offering, including the repayment of working capital borrowings, but not the repayment of other borrowings, and including maintenance capital expenditures,
- less the amount of cash reserves that our managing general partner deems necessary or advisable to provide funds for future operating expenditures.

Definition of Capital Surplus. We also define capital surplus in the glossary, and it will generally be generated only by:

- borrowings other than working capital borrowings,
- sales of debt and equity securities, and
- sales or other disposition of assets for cash, other than inventory, accounts receivable and other current assets sold in the ordinary course of business or as part of normal retirements or replacements of assets.

Characterization of Cash Distributions. We will treat all available cash distributed as coming from operating surplus until the sum of all available cash distributed since we began operations equals the operating surplus as of the most recent date of determination of available cash. We will treat any amount distributed in excess of operating surplus, regardless of its source, as capital surplus. We do not anticipate that we will make any distributions from capital surplus.

Subordination Period

General. During the subordination period, which we define below, the common units have the right to receive distributions of available cash from operating surplus in an amount equal to the minimum quarterly distribution of $0.60 per quarter, plus any arrearages in the payment of the minimum quarterly distribution on the common units from prior quarters, before any distributions of available cash from operating surplus may be made on any junior or senior subordinated units. The purpose of the subordinated units is to increase the likelihood that during the subordination period there will be available cash to be distributed on the common units. The majority of our senior subordinated units are held by persons who received preferred equity in our predecessor when we bought their propane business or when they made a preferred investment. Our management owns the majority of our junior subordinated units and a portion of our senior subordinated units.

Definition of Subordination Period. We define the subordination period in the glossary. The subordination period will extend until the first day of any quarter beginning after June 30, 2006 for the senior subordinated units and June 30, 2008 for the junior subordinated units that each of the following tests are met:

- distributions of available cash from operating surplus on each of the outstanding common units and subordinated units equaled or exceeded the minimum quarterly distribution for each of the three consecutive, non-overlapping four-quarter periods immediately preceding that date,
- the adjusted operating surplus generated during each of the three immediately preceding non-overlapping four-quarter periods equaled or exceeded the sum of the minimum quarterly distributions on all of the outstanding common units and subordinated units during those periods on a fully diluted basis and the related distribution on the 2% general partner interest during those periods, and
- there are no arrearages in payment of the minimum quarterly distribution on the common units.

Before the end of the subordination period, a portion of the senior subordinated units may convert into common units on a one-for-one basis immediately after the distribution of available cash to the partners in respect of any quarter ending on or after:

- June 30, 2004 with respect to 25% of the senior subordinated units, and
- June 30, 2005 with respect to 25% of the senior subordinated units.

Before the end of the subordination period, a portion of the junior subordinated units may convert into common units on a one-for-one basis immediately after the distribution of available cash to the partners in respect of any quarter ending on or after:

- June 30, 2006 with respect to 25% of the junior subordinated units, and
- June 30, 2007 with respect to 25% of the junior subordinated units.

The early conversions will occur if at the end of the applicable quarter each of the following occurs:

- distributions of available cash from operating surplus on the common units and the subordinated units equal or exceed the sum of the minimum quarterly distributions on all of the outstanding common units and subordinated units for each of the three non-overlapping four-quarter periods immediately preceding that date,

- the adjusted operating surplus generated during each of the three immediately preceding non-overlapping four-quarter periods equals or exceeds the sum of the minimum quarterly distributions on all of the outstanding common units and subordinated units during those periods on a fully diluted basis and the related distribution on the 2% general partner interest during those periods, and

- there are no arrearages in payment of the minimum quarterly distribution on the common units.

However, the early conversion of the second 25% of the senior or junior subordinated units, as applicable, may not occur until at least one year following the early conversion of the first 25% of the senior or junior subordinated units, as applicable.

Notwithstanding the foregoing, all outstanding junior subordinated units may convert into common units on a one-for-one basis immediately after the distribution of available cash to the partners in respect of any quarter ending on or after June 30, 2006, if each of the following tests is met:

- distributions of available cash from operating surplus on each of the outstanding common units and the subordinated units equaled or exceeded the sum of $2.80 for each of the three consecutive, non-overlapping four-quarter periods immediately preceding that date,

- the adjusted operating surplus generated during each of the three immediately preceding non-overlapping four-quarter periods equaled or exceeded the sum of $2.80 on all of the outstanding common units and senior and junior subordinated units during those periods on a fully diluted basis and the related distribution on the 2% general partner interest during those periods,

- all of the senior subordinated units have been converted into common units, and

- there are no arrearages in payment of the minimum quarterly distribution on the common units.

Definition of Adjusted Operating Surplus. We define "adjusted operating surplus" in the glossary and for any period as:

- operating surplus generated during that period,

- less any net increase in working capital borrowings during that period,

- less any net reduction in cash reserves for operating expenditures during that period not relating to an operating expenditure made during that period,

- plus any net decrease in working capital borrowings during that period,

- plus any net increase in cash reserves for operating expenditures during that period required by any debt instrument for the repayment of principal, interest or premium.

Adjusted operating surplus is intended to reflect the cash generated from operations during a particular period and therefore excludes net increases in working capital borrowings and net drawdowns of reserves of cash generated in prior periods.

Effect of Expiration of the Subordination Period. Upon expiration of the subordination period, each outstanding subordinated unit will convert into one common unit and will then participate pro rata with the other common units in distributions of available cash. In addition, if the unitholders remove our managing general partner other than for cause, the subordination period will end, any then-existing arrearages on the common units will terminate, and each subordinated unit will immediately convert into one common unit.

Distributions of Available Cash from Operating Surplus During the Subordination Period

Our partnership agreement requires us to make distributions of available cash from operating surplus for any quarter during the subordination period in the following manner:

- First, 98% to the common unitholders, pro rata, and 2% to the non-managing general partner until we distribute for each outstanding common unit an amount equal to the minimum quarterly distribution for that quarter,

- Second, 98% to the common unitholders, pro rata, and 2% to the non-managing general partner until we distribute for each outstanding common unit an amount equal to any arrearages in payment of the minimum quarterly distribution on the common units for any prior quarters during the subordination period,

- Third, 98% to the senior subordinated unitholders, pro rata, and 2% to the non-managing general partner until we distribute for each senior subordinated unit an amount equal to the minimum quarterly distribution for that quarter,

- Fourth, 98% to the junior subordinated unitholders, pro rata, and 2% to the non-managing general partner until we distribute for each junior subordinated unit an amount equal to the minimum quarterly distribution for that quarter, and

- Thereafter, in the manner described in "--Incentive Distribution Rights" below.

Distributions of Available Cash from Operating Surplus After the Subordination Period

Our partnership agreement requires us to make distributions of available cash from operating surplus for any quarter following the subordination period in the following manner:

- First, 98% to all unitholders, pro rata, and 2% to the non-managing general partner until we distribute for each outstanding unit an amount equal to the minimum quarterly distribution for that quarter, and

- Thereafter, in the manner described in "--Incentive Distribution Rights" below.

Incentive Distribution Rights

Incentive distribution rights represent the right to receive an increasing percentage of quarterly distributions of available cash from operating surplus after the minimum quarterly distribution and the target distribution levels have been achieved. Inergy Holdings, which owns our managing general partner and substantially all of our non-managing general partner, currently holds the incentive distribution rights, but may transfer these rights separately from its general partner interest to an entity that controls or is controlled by the managing general partner.

If for any quarter:

- we have distributed available cash from operating surplus to the common and subordinated unitholders in an amount equal to the minimum quarterly distribution, and

- we have distributed available cash from operating surplus on outstanding common units in an amount necessary to eliminate any cumulative arrearages in payment of the minimum quarterly distribution,

then, we will distribute any additional available cash from operating surplus for that quarter among the unitholders and the non-managing general partner in the following manner:

- First, 98% to all unitholders, pro rata, and 2% to the non-managing general partner, until each unitholder receives a total of $0.66 per unit for that quarter (the "first target distribution"),

- Second, 85% to all unitholders, pro rata, 2% to the non-managing general partner and 13% to Inergy Holdings, until each unitholder receives a total of $0.75 per unit for that quarter (the "second target distribution"),

- Third, 75% to all unitholders, pro rata, 2% to the non-managing general partner and 23% to Inergy Holdings, until each unitholder receives a total of $0.90 per unit for that quarter (the "third target distribution"), and

- Thereafter, 50% to all unitholders, pro rata, 2% to the non-managing general partner and 48% to Inergy Holdings.

In each case, the amount of the target distribution set forth above is exclusive of any distributions to common unitholders to eliminate any cumulative arrearages in payment of the minimum quarterly distribution on the common units.

Percentage Allocations of Available Cash from Operating Surplus

The following table illustrates the percentage allocations of the additional available cash from operating surplus among the unitholders, the non-managing general partner and Inergy Holdings up to the various target distribution levels. The amounts set forth under "Marginal Percentage Interest in Distributions" are the percentage interests of the unitholders, non-managing general partner and Inergy Holdings in any available cash from operating surplus we distribute up to and including the corresponding amount in the column "Total Quarterly Distribution Target Amount," until available cash we distribute reaches the next target distribution level, if any. The percentage interests shown for the unitholders and the non-managing general partner for the minimum quarterly distribution are also applicable to quarterly distribution amounts that are less than the minimum quarterly distribution.

		Marginal Percentage Interest in Distributions		
	Total Quarterly Distribution Target Amount	Unitholders	Non-Managing General Partner	Inergy Holdings, LLC
Minimum Quarterly Distribution	$0.60	98%	2%	--
First Target Distribution	up to $0.66	98%	2%	--
Second Target Distribution	above $0.66 up to $0.75	85%	2%	13%
Third Target Distribution	above $0.75 up to $0.90	75%	2%	23%
Thereafter	above $0.90	50%	2%	48%

Distributions from Capital Surplus

How Distributions from Capital Surplus Will Be Made. We will make distributions of available cash from capital surplus in the following manner:

- First, 98% to all unitholders, pro rata, and 2% to the non-managing general partner, until we distribute for each common unit that was issued in the initial public offering, an amount of available cash from capital surplus equal to the initial public offering price,

- Second, 98% to the common unitholders, pro rata, and 2% to the non-managing general partner, until we distribute for each common unit, an amount of available cash from capital surplus equal to any unpaid arrearages in payment of the minimum quarterly distribution on the common units, and

- Thereafter, we will make all distributions of available cash from capital surplus as if they were from operating surplus.

Effect of a Distribution from Capital Surplus. The partnership agreement treats a distribution of capital surplus as the repayment of the initial unit price from the initial public offering, which is a return of capital. The initial public offering price less any distributions of capital surplus per unit is referred to as the

"unrecovered initial unit price." Each time a distribution of capital surplus is made, the minimum quarterly distribution and the target distribution levels will be reduced in the same proportion as the corresponding reduction in the unrecovered initial unit price. Because distributions of capital surplus will reduce the minimum quarterly distribution, after any of these distributions are made, it may be easier for Inergy Holdings to receive incentive distributions and for the subordinated units to convert into common units. However, any distribution of capital surplus before the unrecovered initial unit price is reduced to zero cannot be applied to the payment of the minimum quarterly distribution or any arrearages.

Once we distribute capital surplus on a unit in an amount equal to the initial unit price, we will reduce the minimum quarterly distribution and the target distribution levels to zero and we will make all future distributions from operating surplus, with 50% being paid to the holders of units, 2% to our non-managing general partner and 48% to Inergy Holdings.

Adjustment to the Minimum Quarterly Distribution and Target Distribution Levels

In addition to adjusting the minimum quarterly distribution and target distribution levels to reflect a distribution of capital surplus, we will proportionately adjust the minimum quarterly distribution, target distribution levels, unrecovered initial unit price, the number of common units issuable during the subordination period without a unitholder vote and the number of common units into which a subordinated unit is convertible if we combine our units into fewer units or subdivide our units into a greater number of units. In addition, if legislation is enacted or if existing law is modified or interpreted in a manner that causes us to become taxable as a corporation or otherwise subject to taxation as an entity for federal, state or local income tax purposes, we will reduce the minimum quarterly distribution and the target distribution levels by multiplying the same by one minus the sum of the highest marginal federal corporate income tax rate that could apply and any increase in the effective overall state and local income tax rates. For example, if we became subject to a maximum marginal federal, and effective state and local income tax rate of 38%, then the minimum quarterly distribution and the target distributions levels would each be reduced to 62% of their previous levels.

Distributions of Cash Upon Liquidation

If we dissolve in accordance with the partnership agreement, we will sell or otherwise dispose of our assets in a process called liquidation. We will first apply the proceeds of liquidation to the payment of our creditors. We will distribute any remaining proceeds to the unitholders and our non-managing general partner, in accordance with their capital account balances, as adjusted to reflect any gain or loss upon the sale or other disposition of our assets in liquidation.

The allocations of gain and loss upon liquidation are intended, to the extent possible, to entitle the holders of outstanding common units to a preference over the holders of outstanding subordinated units upon the liquidation of Inergy, to the extent required to permit common unitholders to receive their unrecovered initial unit price plus the minimum quarterly distribution for the quarter during which liquidation occurs plus any unpaid arrearages in payment of the minimum quarterly distribution on the common units. However, there may not be sufficient gain upon our liquidation to enable the holders of common units to fully recover all of these amounts, even though there may be cash available for distribution to the holders of subordinated units. Any further net gain recognized upon liquidation will be allocated in a manner that takes into account the incentive distribution rights of Inergy Holdings.

Manner of Adjustments for Gain. The manner of the adjustment is set forth in the partnership agreement. If our liquidation occurs before the end of the subordination period, we will allocate any gain to the partners in the following manner:

- First, to the non-managing general partner and the holders of units who have negative balances in their capital accounts to the extent of and in proportion to those negative balances, which are not expected,

- Second, 98% to the common unitholders, pro rata, and 2% to the non-managing general partner until the capital account for each common unit is equal to the sum of:

  (1) the unrecovered initial unit price for that common unit, plus

  (2) the amount of the minimum quarterly distribution for the quarter during which our liquidation occurs, plus

  (3) any unpaid arrearages in payment of the minimum quarterly distribution on that common unit,

- Third, 98% to the senior subordinated unitholders, pro rata, and 2% to the non-managing general partner until the capital account for each senior subordinated unit is equal to the sum of:

  (1) the unrecovered initial unit price on that senior subordinated unit, and

  (2) the amount of the minimum quarterly distribution for the quarter during which our liquidation occurs,

- Fourth, 98% to the junior subordinated unitholders, pro rata, and 2% to the non-managing general partner until the capital account for each junior subordinated unit is equal to the sum of:

  (1) the unrecovered initial unit price on that junior subordinated unit, and

  (2) the amount of the minimum quarterly distribution for the quarter during which our liquidation occurs,

- Fifth, 98% to all unitholders, pro rata, and 2% to the non-managing general partner, until we allocate under this paragraph an amount per unit equal to:

  (1) the sum of the excess of the first target distribution per unit over the minimum quarterly distribution per unit for each quarter of our existence, less

  (2) the cumulative amount per unit of any distributions of available cash from operating surplus in excess of the minimum quarterly distribution per unit that we distributed 98% to the unitholders, pro rata, and 2% to our non-managing general partner for each quarter of our existence,

- Sixth, 85% to all unitholders, pro rata, 2% to the non-managing general partner and 13% to Inergy Holdings, until we allocate under this paragraph an amount equal to:

  (1) the sum of the excess of the second target distribution per unit over the first target distribution per unit for each quarter of our existence, less

  (2) the cumulative amount per unit of any distributions of available cash from operating surplus in excess of the first target distribution per unit that we distributed 85% to the unitholders, pro rata, 2% to our non-managing general partner and 13% to Inergy Holdings for each quarter of our existence,

- Seventh, 75% to all unitholders, pro rata, 2% to the non-managing general partner and 23% to Inergy Holdings, until we allocate under this paragraph an amount per unit equal to:

  (1) the sum of the excess of the third target distribution per unit over the second target distribution per unit for each quarter of our existence, less

  (2) the cumulative amount per unit of any distributions of available cash from operating surplus in excess of the second target distribution per unit that we distributed 75% to the unitholders, pro rata, 2% to our managing general partner and 23% to Inergy Holdings for each quarter of our existence,

- Thereafter, 50% to all unitholders, pro rata, 2% to the non-managing general partner and 48% to Inergy Holdings.

If the liquidation occurs after the end of the subordination period, the distinction between common units, senior subordinated units and junior subordinated units will disappear, so that clause (3) of the second priority above and all of the third and fourth priorities above will no longer be applicable.

Manner of Adjustments for Losses. Upon our liquidation, we will generally allocate any loss to our non-managing general partner and the unitholders in the following manner:

- First, 98% to holders of junior subordinated units in proportion to the positive balances in their capital accounts and 2% to our non-managing general partner until the capital accounts of the holders of the junior subordinated units have been reduced to zero,

- Second, 98% to the holders of senior subordinated units in proportion to the positive balances in their capital accounts and 2% to our non-managing general partner until the capital accounts of the holders of the senior subordinated units have been reduced to zero,

- Third, 98% to the holders of common units in proportion to the positive balances in their capital accounts and 2% to our non-managing general partner until the capital accounts of the common unitholders have been reduced to zero, and

- Thereafter, 100% to our non-managing general partner.

If the liquidation occurs after the end of the subordination period, the distinction between common units, senior subordinated units and junior subordinated units will disappear, so that all of the first and second bullets point above will no longer be applicable.

Adjustments to Capital Accounts Upon the Issuance of Additional Units. We will make adjustments to capital accounts upon the issuance of additional units. In doing so, we will allocate any unrealized, and, for tax purposes, unrecognized gain or loss resulting from the adjustments to the unitholders and our managing general partner in the same manner as we allocate gain or loss upon liquidation. In the event that we make positive interim adjustments to the capital accounts, we will allocate any later negative adjustments to the capital accounts resulting from the issuance of additional units or upon our liquidation in a manner which results, to the extent possible, in the capital account balances of our non-managing general partner equaling the amount which would have been in its capital account balance if no earlier positive adjustments to the capital accounts had been made.

UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended September 30, 2001 and for the Six Months Ended March 31, 2002

The unaudited pro forma consolidated balance sheet of Inergy, L.P. as of March 31, 2002, was prepared to reflect the effects of this offering and the senior secured notes offering as if they had been completed as of March 31, 2002. The unaudited pro forma consolidated statements of income of Inergy, L.P. for the year ended September 30, 2001 and for the six months ended March 31, 2002 were prepared to reflect the effects of the acquisitions of the Hoosier Propane Group, Pro Gas and IPC, our initial public offering, this offering and the senior secured notes offering, as if all such transactions took place on October 1, 2000.

The unaudited pro forma consolidated financial statements of Inergy, L.P. have been derived from: the audited historical consolidated statements of operations of Inergy Partners, LLC, Inergy, L.P. and IPC for the year ended September 30, 2001; the audited historical combined statement of income of the Hoosier Propane Group for the three months ended December 31, 2000; the unaudited historical consolidated financial statements of Inergy, L.P. for the six months ended March 31, 2002; the unaudited historical combined statements of income of Pro Gas until the date of its acquisition; and the unaudited historical consolidated statement of income of IPC from October 1, 2001 until the date of its acquisition, in each case, after giving effect to the pro forma adjustments discussed below. Therefore, the unaudited pro forma consolidated statement of income for the six months ended March 31, 2002 reflects one month of pre-acquisition operations of Pro Gas and approximately two and one-half months of pre-acquisition operations of IPC, and the unaudited pro forma consolidated statement of income for the year ended September 30, 2001 reflects three months of pre-acquisition operations of the Hoosier Propane Group and twelve months of pre-acquisition operations of Pro Gas and IPC.

In preparing the unaudited pro forma consolidated financial statements of Inergy, L.P., we have made four sets of adjustments to the historical financial statements. The first set of adjustments is acquisition related and reflects:

- the acquisitions in purchase business combinations of the assets of the Hoosier Propane Group in January 2001, Pro Gas in November 2001 and IPC in December 2001, including the financing in connection with these acquisitions. The pre-acquisition historical results of operations for each acquired company are presented separately from acquisition adjustments. The consideration paid and purchase price allocation of each acquisition is as follows:

	Hoosier Propane Group	Pro Gas	IPC
	(in millions)		
Cash	$56.0	$10.9	$74.6
Assumed liabilities	5.6	0.8	2.5
9% redeemable preferred interests	7.4	--	--
9% subordinated debentures	5.0	--	--
5% seller note payable	--	0.8	--
Common units	--	--	19.7
	$74.0	$12.5	$96.8
Property, plant and equipment	$34.9	$10.9	$45.9
Goodwill	25.2	--	15.0
Customer accounts	10.5	--	27.4
Covenant not to compete	0.5	1.3	1.0
Net current assets	2.9	0.3	7.5
	$74.0	$12.5	$96.8

We determined the fair value of the property and equipment acquired by reference to replacement cost values readily available for the assets acquired (predominantly tanks). The values of customer accounts represent the discounted present values of future profits on customer accounts acquired and were determined through consultations with, and assistance received from, valuation and appraisal professionals. The values of covenants not to compete represent the discounted present value of future payments to contracted individuals. The book value of current assets acquired was generally considered fair value due to their rapid turnover.

- financing the Hoosier Propane Group acquisition through the issuance of: 9% redeemable preferred interests in our predecessor (all of which were converted into senior subordinated units at the initial public offering) to certain former owners of the Hoosier Propane Group ($7.4 million) and other new and existing members ($16.1 million in cash); $5.0 million in subordinated indebtedness; and the incurrence of $78.3 million of indebtedness under our bank credit facility, less a repayment of $36.1 million of indebtedness and accrued interest incurred in connection with previous acquisitions,

- financing the Pro Gas acquisition through the incurrence of $10.9 million of indebtedness under our bank credit facility, and

- financing the IPC acquisition through: the incurrence of $132.0 million of indebtedness under our amended bank credit facility (including $70.0 million under the IPC acquisition term loan and $62.0 million under our revolving acquisition facility), less a repayment of $57.4 million of indebtedness and accrued interest incurred in connection with the above acquisitions; and the issuance of $19.7 million of common units.

The second set of adjustments reflects our initial public offering completed on July 31, 2001, including:

- the initial public offering of 1,840,000 common units of Inergy, L.P. at an initial public offering price of $22.00 per common unit,

- the payment of approximately $6.2 million of underwriting fees and commissions and other fees and expenses associated with the initial public offering, and

- the application of the net proceeds of the offering to retire $5.0 million of the subordinated debt and $29.3 million of bank loans assumed to be outstanding for the ten-month period immediately prior to the initial public offering.

The third set of adjustments reflects this offering, including:

- the public offering of 1,054,741 common units of Inergy, L.P. at an assumed public offering price of $33.00 per common unit,

- the contribution by Inergy Partners, LLC to Inergy L.P. of $0.7 million to maintain its 2% general partner interest,

- the payment of approximately $3.0 million of underwriting fees and commissions and other fees and expenses associated with this offering, and

- the application of the net proceeds of this offering to repay $32.5 million of indebtedness under the bank credit facility.

The fourth set of adjustments reflects the senior secured notes offering, including:

- the private placement of $85.0 million senior secured notes with a weighted average interest rate of 9.07% and a weighted average maturity of 5.9 years, as follows: $35.0 million principal amount of 8.85% senior secured notes with a 5-year maturity, $25.0 million principal amount of 9.10% senior secured notes with a 6-year maturity, and $25.0 million principal amount of 9.34% senior secured notes with a 7-year maturity,

- the payment of approximately $1.0 million of placement agent fees and other fees and expenses associated with the senior secured notes offering, capitalized as deferred financing costs and amortized over the weighted average life of the senior secured notes,

- the application of the proceeds of the note offering to repay $85.0 million of indebtedness under the bank credit facility with an average interest rate of 4.60% for the six months ended March 31, 2002 and 7.60% for the year ended September 30, 2001, and

- the write off of the net deferred financing costs of $643,000 associated with the retirement of the IPC acquisition term loan.

The unaudited pro forma consolidated financial statements do not purport to present the results of operations of Inergy, L.P. had the transactions described above actually been completed as of the dates indicated. In addition, the unaudited pro forma consolidated financial statements are not necessarily indicative of the results of future operations of Inergy, L.P. and should be read in conjunction with the audited historical financial statements and notes thereto of Inergy Partners, LLC, Inergy, L.P., the Hoosier Propane Group and IPC appearing elsewhere in this prospectus.

INERGY, L.P.

UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET
March 31, 2002
(in thousands)

	Inergy, L.P.	Adjustments	Pro Forma
ASSETS			
Current assets:			
Cash	$ 2,475	$ 35,516 A (3,027)B (32,489)C 85,000 D (85,000)D (1,000)D	$ 1,475
Accounts receivable, net	24,111		24,111
Inventories	16,591		16,591
Prepaid expenses and other current assets	1,975		1,975
Assets from price risk management activities	8,897		8,897
Total current assets	54,049	(1,000)	53,049
Property, plant and equipment, at cost	134,853		134,853
Less accumulated depreciation	(9,378)		(9,378)
Net property, plant and equipment	125,475		125,475
Intangible assets:			
Covenants not to compete	6,124		6,124
Deferred financing costs	4,977	1,000 D (643)E	5,334
Customer accounts	41,411		41,411
Goodwill	47,053		47,053
	99,565	357	99,922
Less accumulated amortization	(6,489)		(6,489)
Net intangible assets	93,076	357	93,433
Other	473		473
Total assets	$273,073	$ (643)	$272,430
LIABILITIES AND PARTNERS' CAPITAL			
Current liabilities:			
Accounts payable	$ 9,041		$ 9,041
Accrued expenses	6,743		6,743
Customer deposits	5,314		5,314
Liabilities from price risk management activities	4,618		4,618
Current portion of long-term debt	3,722		3,722
Total current liabilities	29,438		29,438
Long-term debt, less current portion	138,442	(32,489)C 85,000 D (85,000)D	105,953
Partners' capital:			
Common unitholders (2,617,872 units issued and outstanding, actual, and 3,672,613 units, pro forma as adjusted)	49,514	34,806 A (3,027)B (306)E	80,987
Senior subordinated unitholders (3,313,367 units issued and outstanding, actual and pro forma as adjusted)	51,421	(276)E	51,145
Junior subordinated unitholders (572,542 units issued and outstanding, actual and pro forma as adjusted)	2,358	(48)E	2,310
Non-managing general partner (2% interest with dilutive effect equivalent to 132,730 units issued and outstanding, actual, and 154,256, pro forma as adjusted)	1,900	710 A (13)E	2,597
Total partners' capital	105,193	31,846	137,039
Total liabilities and partners' capital	$273,073	$ (643)	$272,430

INERGY, L.P.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF INCOME
For the six months ended March 31, 2002
(in thousands, except per unit data)

	Inergy, L.P.	Pro Gas(F)	IPC(G)	Acquisition Adjustments	Pro Forma	Offering Adjustments	Pro Forma As Adjusted
Revenues	$164,060	$1,227	$13,536	$ --	$178,823	$ --	$178,823
Cost of product sold	113,787	793	5,404	--	119,984	--	119,984
Gross profit	50,273	434	8,132	--	58,839	--	58,839
Expenses:							
Operating and administrative	23,326	267	4,455	--	28,048	--	28,048
Depreciation and amortization	5,145	53	1,649	4 H (593)I	6,258	--	6,258
Operating income	21,802	114	2,028	589	24,533	--	24,533
Other income (expense):							
Interest expense	(3,236)	(1)	(842)	(143)J (122)K	(4,344)	(85)N 747 O (1,900)P	(5,582)
Interest income	--	6	--	--	6	--	6
Gain (loss) on sale of property, plant and equipment	(119)	--	--	--	(119)	--	(119)
Finance charges	85	--	--	--	85	--	85
Other	36	--	3	--	39	--	39
Income before income tax	18,568	119	1,189	324	20,200	(1,238)	18,962
Provision for income taxes	52	--	--	--	52	--	52
Net income	$ 18,516	$ 119	$ 1,189	$ 324	$ 20,148	$(1,238)	$ 18,910
Partners' interest information:							
Non-managing general partner's interest in net income	$ 370				$ 403		$ 378
Limited partners' interest in net income:							
Common unit interest	$ 6,702				$ 7,948		$ 9,004
Senior subordinated unit interest	9,758				10,059		8,124
Junior subordinated unit interest	1,686				1,738		1,404
Total limited partners' interest in net income	$ 18,146				$ 19,745		$ 18,532
Net income per limited partner unit:							
Basic	$ 2.94				$ 3.04		$ 2.45
Diluted	$ 2.90				$ 2.99		$ 2.42
Weighted average limited partners' units outstanding:							
Basic	6,162			342 L	6,504	1,055 Q	7,559
Diluted	6,249			346 M	6,595	1,055 Q	7,650

INERGY, L.P.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF INCOME
For the year ended September 30, 2001
(in thousands, except per unit data)

	Inergy, L.P. and Predecessor	Hoosier Propane Group(R)	Pro Gas(S)	IPC	IPO and Acquisition Adjustments	Pro Forma	Offering Adjustments	Pro Forma As Adjusted
Revenues	$223,139	$31,541	$19,320	$76,420	$ --	$350,420	$ --	$350,420
Cost of product sold	182,582	25,172	12,995	37,761	--	258,510	--	258,510
Gross profit	40,557	6,369	6,325	38,659	--	91,910	--	91,910
Expenses:								
Operating and administrative	23,501	2,538	3,757	22,322	--	52,118	--	52,118
Depreciation and amortization	6,532	373	639	7,019	33 H (2,201)I 671 T	13,066		13,066
Operating income	10,524	3,458	1,929	9,318	1,497	26,726	--	26,726
Other income (expense):								
Interest expense	(6,670)	(246)	(32)	(6,297)	(652)J 1,255 K	(12,642)	(170)N 2,468 O (1,251)P	(11,595)
Interest income	--	57	181	--	--	238	--	238
Gain (loss) on sale of property, plant and equipment	37	10	(1)	--	--	46	--	46
Finance charges	290	12	--	--	--	302	--	302
Other	168	78	--	--	--	246	--	246
Income before income tax	4,349	3,369	2,077	3,021	2,100	14,916	1,047	15,963
Provision for income taxes	--	--	39	--	--	39	--	39
Net income	$ 4,349	$ 3,369	$ 2,038	$ 3,021	$ 2,100	$ 14,877	$ 1,047	$ 15,924
Net income for the period from October 1, 2000 to July 31, 2001 attributable to Inergy, L.P. predecessor	$ 6,664							
Net loss for the period from July 31, 2001 through September 30, 2001 attributable to Inergy, L.P. following initial public offering	$ (2,315)							
Partners' interest information for the period from July 31, 2001 through September 30, 2001, actual (the year ended September 30, 2001, pro forma):								
Non-managing general partner's interest in net income (loss):	$ (46)					$ 298		$ 318
Limited partners' interest in net income (loss):								
Common unit interest:								
Allocation of net income (loss)	$ (729)					$ 5,869		$ 7,583
Less beneficial conversion value allocated to senior subordinated units	(8,600)				8,600 U	--		--
Net common unit interest	(9,329)					5,869		7,583
Senior subordinated interest:								
Allocation of net loss	(1,313)					7,427		6,841
Plus beneficial conversion value allocated to senior subordinated units	8,600				(8,600)U	--		--

Net senior subordinated unit interest.....	7,287			7,427		6,841
Junior subordinated unit interest.....	(227)			1,283		1,182
Total limited partners' interest in net income (loss).....	$ (2,269)			$ 14,579		$ 15,606
Net income (loss) per limited partner unit						
Basic.....	$ (0.40)			$ 2.24		$ 2.06
Diluted.....	$ (0.40)			$ 2.22		$ 2.05
Weighted average limited partners' units outstanding						
Basic.....	5,726	778	L	6,504	1,055 Q	7,559
Diluted.....	5,726	843	M	6,569	1,055 Q	7,624

NOTES TO UNAUDITED PRO FORMA
CONSOLIDATED FINANCIAL STATEMENTS

Six Months Ended March 31, 2002 and
Year Ended September 30, 2001

(A) Reflects the gross proceeds to Inergy, L.P. of $34.8 million from the issuance and sale of 1,054,741 common units at an assumed offering price of $33.00 per common unit, together with a capital contribution from the non-managing general partner of approximately $0.7 million to maintain its 2% general partner interest.

(B) Reflects the payment of the underwriter's discounts and commissions and offering expenses, estimated to be $3.0 million.

(C) Reflects the repayment of borrowings under our bank credit facility using the net proceeds from the sale of common units in this offering.

(D) Reflects the $85.0 million senior secured notes offering with net proceeds used to pay down indebtedness under our bank credit facility. In conjunction with the senior secured notes offering, a payment of $1.0 million is estimated for placement agent fees and other fees and expenses.

(E) Reflects the allocation of the write-off of the net deferred financing costs of $643,000 associated with the retirement of the IPC acquisition term loan. The dollar amounts assigned are based on the pro rata number of units of each class issued and outstanding, pro forma as adjusted. This amount is not reflected in the accompanying pro forma statements of income but will be included in our financial statements upon the closing of the secured notes offering.

(F) Includes the historical combined operating results of Pro Gas for the period from October 1, 2001 to October 31, 2001 (immediately prior to the acquisition).

(G) Includes the historical consolidated operating results of IPC for the period from October 1, 2001 to December 19, 2001 (immediately prior to the acquisition).

(H) Reflects pro forma depreciation and amortization based on the portion of the purchase price of Pro Gas allocated to property, plant and equipment and intangible assets, as follows:

			Depreciation and Amortization	
			Year Ended	
	Amount	Composite Life(a)	September 30, 2001	Six Months Ended March 31, 2002(b)
	(in thousands)	(in years)	(in thousands)	
Property, plant and equipment (excluding land).....	$9,521	19.87	$479	$41
Covenants not to compete.....	1,348	7.00	193	16
			672	57
Historical depreciation and amortization expense of Pro Gas.....			639	53
Pro forma adjustment to depreciation and amortization expense...			$ 33	$ 4

(a) The composite life is calculated by taking the weighted average lives of the assets. Propane tanks, which were allocated $7.3 million of the $9.5 million allocated to property, plant and equipment, are depreciated over 30 years; buildings are depreciated over 25 years; and office furniture and equipment, vehicles and other plant equipment are depreciated over four to eight years.

(b) Pro forma effect is only for the period from October 1, 2001 to October 31, 2001 (immediately prior to the acquisition).

(I) Reflects pro forma depreciation and amortization based on the portion of the purchase price of IPC allocated to property, plant and equipment and intangible assets, as follows:

	Amount	Composite Life(a)	Depreciation and Amortization: Year Ended September 30, 2001	Depreciation and Amortization: Six Months Ended March 31, 2002(b)
	(in thousands)	(in years)	(in thousands)	
Property, plant and equipment (excluding land)	$44,013	15.77	$ 2,791	$ 612
Covenants not to compete	1,000	5.00	200	44
Customer accounts	27,411	15.00	1,827	400
			4,818	1,056
Historical depreciation and amortization expense of IPC			7,019	1,649
Pro forma adjustment to depreciation and amortization expense			$(2,201)	$ (593)

(a) The composite life is calculated by taking the weighted average lives of the assets. Propane tanks, which were allocated $29.4 million of the $44.0 million allocated to property, plant and equipment, are depreciated over 30 years; buildings are depreciated over 25 years; and office furniture and equipment, vehicles and other plant equipment are depreciated over four to eight years. Goodwill recorded in connection with this acquisition is not amortized in accordance with SFAS No. 142.

(b) Pro forma effect is only for the period from October 1, 2001 to December 19, 2001 (immediately prior to the acquisition).

(J) Reflects amortization of $2.0 million of debt issuance costs incurred in connection with the IPC acquisition over the three-year term of our bank credit facility.

(K) Reflects the adjustment to interest expense resulting from the acquisition related transactions described on pages 35-37, and our initial public offering, reconciled as follows:

	Year Ended September 30, 2001	Six Months Ended March 31, 2002
	(in thousands)	
Inergy's historical interest expense attributable to debt refinanced in connection with the acquisition of IPC, interest based on LIBOR plus 2.0% to 3.5%	$(6,246)	$(2,689)
Interest expense related to the debt of the Hoosier Propane Group, Pro Gas and IPC	(6,575)	(843)
Pro forma interest expense attributable to the financing of the IPC acquisition and the refinancing of existing indebtedness:		
Interest on bank credit facility at average LIBOR rates in effect during the year ended September 30, 2001 and the six months ended March 31, 2002 plus 2.50% spread, ranging from 6.20% to 8.24% for the year ended September 30, 2001 and 4.58% to 4.85% for the six months ended March 31, 2002	11,245	3,494
Interest on assumed seller notes payable at an average of 8.12% per annum	321	160
	11,566	3,654
Pro forma adjustment to interest expense	$(1,255)	$ 122

The interest rates used in determining the amount of pro forma interest expense were based upon Inergy's weighted average borrowing rate under its bank credit facility. Assuming a change in the interest rate on Inergy, L.P.'s floating rate debt of 1/8%, interest expense would have been approximately $184,000 and $95,000 greater or lesser than the amounts shown above for the fiscal year ended September 30, 2001 and the six months ended March 31, 2002, respectively.

(L) Reflects the issuance of: 394,601 common units to IPCH Acquisition Corp. in conjunction with the IPC acquisition, 365,019 common units to former IPC shareholders, and 18,252 common units to certain members of IPC management who continue as employees of Inergy, L.P. For the six months ended March 31, 2002, these units are weighted from October 1, 2001 through December 19, 2001 prior to the acquisition.

(M) Reflects the additional common units related to Inergy, L.P. options previously considered antidilutive in the historical financial statements and additional common units resulting from the issuance of options to certain members of IPC management who continue as employees of Inergy, L.P. For the six months ended March 31, 2002, the common units resulting from the issuance of options are weighted from October 1, 2001 through December 19, 2001 prior to the acquisition.

(N) Reflects amortization of $1.0 million of debt issuance costs expected to be incurred in connection with the senior secured notes offering over 5.9 years, the assumed weighted average life of the notes.

(O) Reflects reduction of interest expense resulting from the repayment of a portion of our bank credit facility borrowings with an average interest rate of 7.60% for the year ended September 30, 2001 and 4.60% for the six months ended March 31, 2002 with the net proceeds from this offering.

(P) Reflects increased interest expense resulting from refinancing $85.0 million of the existing indebtedness under our bank credit facility with an average interest rate of 7.60% for the year ended September 30, 2001 and 4.60% for the six months ended March 31, 2002 with proceeds from the senior secured notes offering with an average interest rate of 9.07%.

(Q) Reflects the issuance of 1,054,741 common units offered by Inergy L.P. in this offering.

(R) Includes the historical combined operating results of the Hoosier Propane Group for the period from October 1, 2000 to December 31, 2000 (immediately prior to the acquisition).

(S) Includes the historical combined operating results of Pro Gas for the period from October 1, 2000 to September 30, 2001.

(T) Reflects pro forma depreciation and amortization based on the portion of the purchase price of the Hoosier Propane Group allocated to property, plant and equipment and intangible assets (including goodwill because the acquisition was completed prior to July 1, 2001), as follows:

	Amount	Composite Life(a)	Depreciation and Amortization Year Ended September 30, 2001(b)
	(in thousands)	(in years)	(in thousands)
Property, plant and equipment (excluding land)	$33,423	19.67	$ 428
Covenants not to compete	465	7.00	17
Customer accounts	10,500	15.00	176
Goodwill	25,183	15.00	423
			1,044
Historical depreciation and amortization expense of Hoosier for the period October 1, 2000 to December 31, 2000			373
Pro forma adjustment to depreciation and amortization expense			$ 671

(a) The composite life is calculated by taking the weighted average lives of the assets. Propane tanks, which were allocated $25.3 million of the $33.4 million allocated to property, plant and equipment, are depreciated over 30 years; buildings are depreciated over 25 years; and office furniture and equipment, vehicles and other plant equipment are depreciated over four to eight years.

(b) Pro forma effect is only for the period from October 1, 2000 to December 31, 2000 (immediately prior to the acquisition).

(U) Reflects an elimination in the beneficial conversion value of $8.6 million allocated to senior subordinated units with a corresponding decrease in common unit capital, and initially recognized upon completion of the initial public offering, assuming our initial public offering occurred immediately prior to October 1, 2000.

SELECTED HISTORICAL FINANCIAL AND OPERATING DATA

The following table sets forth selected financial data and other operating data of Inergy, L.P., our predecessor, Inergy Partners, LLC, the Hoosier Propane Group and IPC. The selected historical financial data of Inergy Partners, LLC for the period from November 8, 1996 (date of formation) to September 30, 1997, and the years ended September 30, 1998, 1999 and 2000 and as of September 30, 1997, 1998, 1999 and 2000 are derived from the audited financial statements of Inergy Partners, LLC. The selected historical financial data of Inergy, L.P. as of and for the year ended September 30, 2001 are derived from the audited financial statements of Inergy Partners, LLC and Inergy, L.P. The selected historical financial data of Inergy Partners, LLC and Inergy, L.P. for the six months ended March 31, 2001 and 2002 are derived from the unaudited financial statements of Inergy Partners, LLC and Inergy, L.P. The historical financial data of Inergy Partners, LLC and Inergy, L.P. include the results of operations of the Hoosier Propane Group from January 1, 2001, the effective date of the acquisition, which closed on January 12, 2001, the results of operations of Pro Gas from November 1, 2001, the date of acquisition, and the results of operations of IPC from December 20, 2001, the effective date of the acquisition. The selected historical financial data for the Hoosier Propane Group as of and for the years ended September 30, 1998, 1999 and 2000 and the three months ended December 31, 2000 are derived from the audited financial statements of the Hoosier Propane Group. The selected historical financial data of the Hoosier Propane Group for the three months ended December 31, 1999 are derived from the unaudited financial statements of the Hoosier Propane Group. The selected historical financial data for IPC as of and for the years ended September 30, 1999, 2000 and 2001 are derived from the audited financial statements of IPC.

In the opinion of our management, each of the unaudited financial statements include all adjustments, consisting of normal recurring accruals, necessary for a fair presentation of the financial position and results of operations for the unaudited periods. Operating results for the six months ended March 31, 2002 are not necessarily indicative of the results that can be expected for the entire year ending September 30, 2002.

"EBITDA" shown in the table below is defined as income before income taxes, plus interest expense and depreciation and amortization expense, less interest income. EBITDA should not be considered an alternative to net income, income before income taxes, cash flows from operating activities, or any other measure of financial performance calculated in accordance with generally accepted accounting principles as those items are used to measure operating performance, liquidity or ability to service debt obligations. We believe that EBITDA provides additional information for evaluating our ability to make the minimum quarterly distribution and is presented solely as a supplemental measure. EBITDA, as we define it, may not be comparable to EBITDA or similarly titled measures used by other corporations or partnerships.

The data in the following tables should be read together with and are qualified in their entirety by reference to, the historical financial statements and the accompanying notes included in this prospectus. The tables should be read together with "Management's Discussion and Analysis of Financial Condition and Results of Operations."

	Inergy Partners, LLC and Inergy, L.P.						
	November 8, 1996 to September 30, 1997	Years ended September 30, 1998	1999	2000	2001	Six Months Ended March 31, 2001	2002
						(unaudited)	
	(in thousands)						
Statement of Operations Data:							
Revenues	$ 6,966	$ 7,507	$ 19,211	$ 93,595	$223,139	$170,439	$164,060
Cost of product sold	4,366	4,215	13,754	81,636	182,582	141,425	113,787
Gross profit	2,600	3,292	5,457	11,959	40,557	29,014	50,273
Expenses:							
Operating and administrative(a)	2,196	2,424	4,119	8,990	23,501	11,464	23,326
Depreciation and amortization	325	394	690	2,286	6,532	2,588	5,145
Operating income	79	474	648	683	10,524	14,802	21,802
Other income (expense):							
Interest expense	(398)	(569)	(962)	(2,740)	(6,670)	(3,020)	(3,236)
Gain (loss) on sale of property, plant and equipment	--	--	101	--	37	--	(119)
Finance charges	44	59	79	176	290	158	85
Other	1	1	5	59	168	87	36
Income (loss) before income taxes	(274)	(35)	(129)	(1,822)	4,349	12,187	18,568
Provision for income taxes	--	--	56	7	--	--	52
Net income (loss)	$ (274)	$ (35)	$ (185)	$ (1,829)	$ 4,349	$ 12,187	$ 18,516
Net income (loss) per limited partner unit:							
Basic					$ (0.40)(b)		$ 2.94
Diluted					$ (0.40)(b)		$ 2.90
Weighted average limited partners' units outstanding:							
Basic					5,726 (b)		6,162
Diluted					5,726 (b)		6,249
Balance Sheet Data (end of period):							
Current assets	$ 2,282	$ 2,119	$ 11,390	$ 22,199	$ 36,920	$ 31,306	$ 54,049
Total assets	8,457	10,230	38,896	68,924	155,653	150,373	273,073
Long-term debt, including current portion	5,382	5,694	22,337	34,927	54,132	84,398	142,164
Redeemable preferred members' interest	--	--	--	10,896	--	34,313	--
Members' equity/partners' capital	1,209	2,611	5,269	2,972	72,754	14,453	105,193
Other Financial Data:							
EBITDA (unaudited)	$ 449	$ 928	$ 1,523	$ 3,204	$ 17,551	$ 17,795	$ 26,949
Net cash provided by (used in) operating activities	555	362	(774)	(222)	4,659	2,594	10,633
Net cash used in investing activities	(6,640)	(727)	(13,130)	(12,464)	(64,025)	(60,179)	88,966
Net cash provided by financing activities	6,114	336	14,056	13,907	60,164	59,740	78,637
Maintenance capital expenditures(c) (unaudited)	-- (d)	61	156	283	1,901	551	517
Other Operating Data (unaudited):							
Retail propane gallons sold	4,765	5,612	8,006	18,112	46,750	34,031	60,869
Wholesale propane gallons sold	N/A	N/A	24,735	146,644	238,649	161,768	231,079
Reconciliation of Net Income (Loss) to EBITDA:							
Net income (loss)	$ (274)	$ (35)	$ (185)	$ (1,829)	$ 4,349	$ 12,187	$ 18,516
Plus:							
Income taxes	--	--	56	7	--	--	52

Interest expense.....	398	569	962	2,740	6,670	2,588	3,236
Depreciation and amortization expense....	325	394	690	2,286	6,532	3,020	5,145
	449	928	1,523	3,204	17,551	17,795	26,949
Less: Interest income.....	--	--	--	--	--	--	--
EBITDA.....	$ 449	$ 928	$ 1,523	$ 3,204	$ 17,551	$ 17,795	$ 26,949

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(a) The historical financial statements include non-cash charges related to amortization of deferred compensation of $78,000, $79,000 and $234,000 for the years ended September 30, 1999, 2000 and 2001, respectively, and $39,000 for the six month period ended March 31, 2001.

(b) Amounts relate to the net loss incurred by Inergy, L.P. and the weighted average limited partners' units outstanding for the period from July 31, 2001 (the closing date of our initial public offering) through September 30, 2001. See pages F-4 and F-5.

(c) Capital expenditures fall generally into three categories: (1) growth capital expenditures, which include expenditures for the purchase of new propane tanks and other equipment to facilitate expansion of our retail customer base, (2) maintenance capital expenditures, which include expenditures for repair and replacement of property, plant and equipment, and (3) acquisition capital expenditures.

(d) Maintenance capital expenditures are not available for this period.

	Independent Propane Company Holdings		
	Years ended September 30,		
	1999	2000	2001
	(in thousands)		
Statement of Income Data:			
Sales	$ 44,990	$ 58,973	$ 76,420
Cost of sales	16,037	28,329	37,761
Gross profit	28,953	30,644	38,659
Operating expenses:			
Selling, general and administrative	21,305	21,923	22,322
Depreciation and amortization	5,544	6,883	7,019
Operating profit	2,104	1,838	9,318
Interest expense, net	5,095	7,394	6,297
Net income (loss)	$ (2,991)	$ (5,556)	$ 3,021
Balance Sheet Data (end of period):			
Current assets	$ 7,692	4 10,639	$ 10,688
Total assets	71,966	75,408	71,078
Long-term debt, including current portion	53,412	61,408	54,966
Stockholders' deficit	(21,495)	(31,997)	(34,653)
Other Financial Data:			
EBITDA (unaudited)	$ 7,648	$ 8,721	$ 16,337
Net cash provided by operating activities	2,927	784	10,099
Net cash used in investing activities	(21,834)	(8,054)	(2,997)
Net cash provided by (used in) financing activities	18,763	7,378	(6,908)
Maintenance capital expenditures (a) (unaudited)	1,710	287	1,013
Other Operating Data (unaudited):			
Retail propane gallons sold	43,591	45,141	49,763
Reconciliation of Net Income (Loss) to EBITDA:			
Net income (loss)	$ (2,991)	$ (5,556)	$ 3,021
Plus:			
Interest expense, net	5,095	7,394	6,297
Depreciation and amortization expense	5,544	6,883	7,019
	7,648	8,721	16,337
Less:			
Interest income	--	--	--
EBITDA	$ 7,648	$ 8,721	$ 16,337

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(a) Capital expenditures fall generally into three categories: (1) growth capital expenditures, which include expenditures for the purchase of new propane tanks and other equipment to facilitate expansion of our retail customer base, (2) maintenance capital expenditures, which include expenditures for repair and replacement of property, plant and equipment, and (3) acquisition capital expenditures.

	Hoosier Propane Group				
	Years ended September 30,			Three Months Ended December 31,	
	1998	1999	2000	1999	2000
				(unaudited)	
	(in thousands)				
Statement of Income Data:					
Revenues	$55,740	$43,678	$65,595	$20,780	$31,541
Costs of product sold	42,823	28,889	49,049	15,604	25,172
Gross profit	12,917	14,789	16,546	5,176	6,369
Expenses:					
Operating and administrative	7,617	8,274	9,375	2,493	2,538
Depreciation and amortization	1,529	1,690	1,623	389	373
Operating income	3,771	4,825	5,548	2,294	3,458
Other income (expense):					
Interest expense	(594)	(941)	(1,029)	(287)	(246)
Interest income	239	205	230	32	57
Gain (loss) on sales of property, plant and equipment	(43)	(63)	51	17	10
Other	158	130	184	81	90
Net income	$ 3,531	$ 4,156	$ 4,984	$ 2,137	$ 3,369
Balance Sheet Data (end of period):					
Current assets	$11,680	$11,431	$ 8,377	$12,408	$18,677
Total assets	32,237	36,079	33,117	37,707	43,298
Long-term debt, including current portion	7,711	9,543	7,559	9,868	6,268
Stockholders' equity	13,910	15,700	16,506	17,479	18,798
Other Financial Data:					
EBITDA (unaudited)	$ 5,415	$ 6,582	$ 7,406	$ 2,781	$ 3,931
Net cash provided by (used in) operating activities	8,845	1,152	9,274	3,734	(321)
Net cash used in investing activities	(4,648)	(4,893)	(1,527)	(615)	(239)
Net cash provided by (used in) financing activities	(2,640)	2,540	(7,822)	(1,007)	1,569
Maintenance capital expenditures (a) (unaudited)	968	795	764	198	117
Other Operating Data (unaudited):					
Retail propane gallons sold	17,440	22,780	22,911	7,228	8,581
Wholesale propane gallons sold	89,706	63,804	68,801	29,202	23,686
Reconciliation of Net Income to EBITDA:					
Net income	$ 3,531	$ 4,156	$ 4,984	$ 2,137	$ 3,369
Plus:					
Interest expense	594	941	1,029	287	246
Depreciation and amortization expense	1,529	1,690	1,623	389	373
	5,654	6,787	7,636	2,813	3,988
Less:					
Interest income	239	205	230	32	57
EBITDA	$ 5,415	$ 6,582	$ 7,406	$ 2,781	$ 3,931

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(a) Capital expenditures fall generally into three categories: (1) growth capital expenditures, which include expenditures for the purchase of new propane tanks and other equipment to facilitate expansion of our retail customer base, (2) maintenance capital expenditures, which include expenditures for repair and replacement of property, plant and equipment, and (3) acquisition capital expenditures.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion of our financial condition and results of operations in conjunction with the historical financial statements included in this prospectus. For more detailed information regarding the basis of presentation for the following information, you should read the notes to the historical and pro forma financial statements included in this prospectus.

General

We are a Delaware limited partnership recently formed to own and operate a rapidly growing retail and wholesale propane marketing and distribution business. For the fiscal year ended September 30, 2001, on a pro forma combined basis we sold approximately 117 million gallons of propane to retail customers and approximately 262 million gallons of propane to wholesale customers. 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. In addition to our retail business, we operate a wholesale supply, marketing and distribution business, providing propane procurement, transportation, supply and price risk management services to our customer service centers, as well as to independent dealers and multistate marketers and, to a lesser extent, selling propane as standby fuel to industrial end-users.

The results of operations discussed below are those of Inergy, L.P. on and after July 31, 2001, the date of the initial public offering, and our predecessor, Inergy Partners, LLC prior to July 31, 2001. Audited financial statements for Inergy, L.P. and Inergy Partners, LLC, its predecessor, are included elsewhere in this prospectus.

Since the inception of our predecessor, Inergy Partners, LLC, in November 1996, we have acquired 13 propane companies for an aggregate purchase price of approximately $230 million, including working capital, assumed liabilities and acquisition costs. For a more detailed description of our predecessor, please read "Guide to Reading this Prospectus." These acquisitions have significantly increased the size of our operations over the periods discussed below and, accordingly, impact the comparability of the financial results presented. Our most recent acquisitions include:

- The acquisition of IPC on December 19, 2001. At the time of the acquisition, IPC had annual sales of approximately 49.8 million retail gallons.
- The acquisition of Pro Gas on November 1, 2001. At the time of the acquisition, Pro Gas had annual sales of approximately 12.4 million retail gallons.
- The acquisition of the Hoosier Propane Group on January 12, 2001, effective January 1, 2001. At the time of the acquisition, the Hoosier Propane Group had annual sales of approximately 22.9 million retail gallons and 68.8 million wholesale gallons.
- The acquisition of Country Gas Company, Inc. on June 1, 2000. At the time of the acquisition, Country Gas had annual sales of approximately 9.9 million retail gallons.

On a pro forma basis in the fiscal year ended September 30, 2001, we sold approximately 72% of our retail gallons to residential customers, 20% to industrial and commercial customers and 8% to agricultural customers. Sales to residential customers during that period accounted for approximately 75% of our pro forma retail gross profit on propane sales, reflecting the higher profitability of this segment of the business.

The retail distribution business is largely seasonal due to propane's primary use as a heating source in residential and commercial buildings. As a result, cash flows from operations are highest from November through April when customers pay for propane purchased during the six-month peak heating season of October through March. On a pro forma basis in the fiscal year ended September 30, 2001, approximately 75% of our retail propane volume and approximately 73% of our gross profit was attributable to sales during this six-month period. We generally experience losses in the six-month, off season of April through September.

Because a substantial portion of our propane is used in the weather-sensitive residential markets, the temperatures realized in our areas of operations, particularly during the six-month peak heating season, have a significant effect on our financial performance. In any given area, warmer-than-normal temperatures will tend to result in reduced propane use, while sustained colder-than-normal temperatures will tend to result in greater propane use. Therefore, we use information on normal temperatures in understanding how historical results of operations are affected by temperatures that are colder or warmer than normal and in preparing forecasts of future operations, which are based on the assumption that normal weather will prevail in each of our regions. "Heating degree days" are a general indicator of weather impacting propane usage and are calculated by taking the difference between 65 degrees and the average temperature of the day (if less than 65 degrees).

In determining actual and normal weather for a given period of time, we compare the actual number of heating degree days for such period to the average number of heating degree days for a longer time period assumed to more accurately reflect the average normal weather, in each case as such information is published by the National Oceanic and Atmospheric Administration, for each measuring point in each of our regions. When we discuss "normal" weather in our results of operations presented below we are referring to a 30 year average consisting of the years 1961 through 1990. We then calculate weighted averages, based on retail volumes attributable to each measuring point, of actual and normal heating degree days within each region. Based on this information, we calculate a ratio of actual heating degree days to normal heating degree days, first on a regional basis and then on a partnership-wide basis.

Although we believe that comparing temperature information for a given period of time to "normal" temperatures is helpful for an understanding of our results of operations, when comparing variations in weather to changes in total revenues or operating profit, we draw your attention to the fact that a portion of our total revenues is not weather-sensitive and other factors such as price, competition, product supply costs and customer mix also affect the results of operations. For example, our sales to industrial customers are generally not sensitive to fluctuations in the weather. Sales to residential customers ordinarily generate higher margins than sales to other customer groups, such as commercial or agricultural customers.

The propane business is a "margin-based" business where the level of profitability is largely dependent on the difference between sales prices and product cost. The unit cost of propane is subject to volatile changes as a result of product supply or other market conditions. Propane unit cost changes can occur rapidly over a short period of time and can impact margins. There is no assurance that we will be able to fully pass on product cost increases, particularly when product costs increase rapidly. We have generally been successful in passing on higher propane costs to our customers and have historically maintained or increased our gross margin per gallon in periods of rising costs. In periods of increasing costs, we have experienced a decline in our gross profit as a percentage of revenues. In periods of decreasing costs, we have experienced an increase in our gross profit as a percentage of revenues. Retail sales generate significantly higher margins than wholesale sales and sales to residential customers generally generate higher margins than sales to our other retail customers.

We believe our wholesale supply, marketing and distribution business complements our retail distribution business. For the fiscal year ended September 30, 2001, on a pro forma combined basis, we sold approximately 262 million gallons of propane on a wholesale basis. Although sales to wholesale customers would have accounted for approximately 69% of our total volumes on a pro forma basis, such sales would have accounted for only 7% of our pro forma gross profit from propane sales, reflecting the lower margins our wholesale business generates. Through our wholesale operations, we also offer price risk management services to propane retailers and other related businesses through a variety of financial and other instruments, including:

- forward contracts involving the physical delivery of propane;
- swap agreements which require payments to (or receipt of payments from) counterparties based on the differential between a fixed and variable price for propane; and
- options, futures contracts on the New York Mercantile Exchange and other contractual arrangements.

We purchase a portion of our propane (approximately 55% of a given typical year's projected propane needs) pursuant to agreements with terms of one year that contain various pricing formulas. The balance of our propane needs are satisfied in the spot market. On a pro forma basis, during the fiscal year ended September 30, 2001, three suppliers each provided approximately 11% of our propane supplies, and no other single supplier provided more than ten percent of our total propane supply for the year ended September 30, 2001. On May 1, 2002, we entered into a one-year contract with Sunoco Inc. (R&M) to purchase all of its propane production at its Toledo, Ohio refinery. Current annual production at this refinery is 62 million gallons.

We engage in hedging transactions to reduce the effect of price volatility on our product costs and to help ensure the availability of propane during periods of short supply. We attempt to balance our contractual portfolio by purchasing volumes only when we have a matching purchase commitment from our wholesale customers. However, we may experience net unbalanced positions from time to time which we believe to be immaterial in amount. In addition to our ongoing policy to maintain a balanced position, for accounting purposes we are required, on an ongoing basis, to track and report the market value of our purchase obligations and our sales commitments.

In addition to the revenues we generate from our retail and wholesale propane operations, we generate additional revenues from truck fabrication and maintenance as well as from sales of propane appliance and propane service operations.

Inergy, L.P. and Inergy Partners, LLC

The results of operations discussed below are those of Inergy, L.P. on and after July 31, 2001, the date of the initial public offering, and our predecessor, Inergy Partners, LLC prior to July 31, 2001. Audited and unaudited financial statements for Inergy, L.P. and Inergy Partners, LLC are included elsewhere in this prospectus. The results discussed below include the results of operations of Country Gas beginning on June 1, 2000, the date of its acquisition, the results of operations of the Hoosier Propane Group beginning on January 1, 2001, the effective date of its acquisition, the results of operations of Pro Gas beginning on November 1, 2001, the effective date of its acquisition, and the results of operations of IPC beginning on December 20, 2001, the effective date of its acquisition. For a more detailed description of our predecessor, please read "Guide to Reading this Prospectus."

Six Months Ended March 31, 2002 Compared to Six Months Ended March 31, 2001

Volume. During the six months ended March 31, 2002, we sold 60.9 million retail gallons of propane, an increase of 26.9 million gallons, or 79%, from the 34.0 million retail gallons sold during the six months ended March 31, 2001. The increase in retail sales volume was principally due to the January 2001 acquisition of Hoosier, the November 2001 acquisition of Pro Gas and the December 2001 acquisition of IPC (in the aggregate, 33.3 million gallons). The increases associated with these acquisitions were partially offset by weather that was approximately 18% warmer in the six months ended March 31, 2002 as compared to the same period in 2001 in our retail areas of operations.

Wholesale gallon sales increased 69.3 million gallons, or 43%, to 231.1 million gallons in the six months ended March 31, 2002 from 161.8 million gallons in the six months ended March 31, 2001. This increase was attributable to the Hoosier acquisition, partially offset by a decrease due to weather that was approximately 20% warmer in the six months ended March 31, 2002 as compared to the same period in 2001 in our wholesale areas of operations.

Revenues. Revenues in the six months ended March 31, 2002 were $164.1 million, a decrease of $6.3 million, or 4%, from $170.4 million of revenues for the six months ended March 31, 2001. Revenues from retail propane sales were $66.5 million in the six months ended March 31, 2002, an increase of $18.3 million, or 38%, from $48.2 million for the same six-month period in 2001. This increase was primarily attributable to

acquisition related volume (approximately $33.4 million), partially offset by lower selling prices of propane (approximately $11.0 million) and volume decreases (approximately $4.1 million) primarily due to warmer weather in the six months ended March 31, 2002. Other retail revenues increased approximately $2.5 million, or 46%, from $5.2 million in the six months ended March 31, 2001 to $7.6 million in the six months ended March 31, 2002 due to acquisitions. These revenues consist of transportation revenues, tank rentals, heating oil sales, appliance sales and service. Revenues from wholesale propane sales were $89.8 million (after elimination of sales to our retail operations) in the six months ended March 31, 2002, a decrease of $27.2 million, or 23%, from $117.0 million for the six months ended March 31, 2001. This decrease was attributable to decreased selling prices as a result of the lower cost of propane.

Cost of Product Sold. Cost of product sold in the six months ended March 31, 2002 was $113.8 million, a decrease of $27.6 million, or 20%, from cost of product sold of $141.4 million in the same six-month period in 2001. This decrease was attributable to an approximate 46% decrease in the average cost of propane, partially offset by an increase in both wholesale and retail propane volumes as discussed above.

Gross Profit. Retail gross profit was $46.9 million in the six months ended March 31, 2002 compared to $24.3 million in the six months ended March 31, 2001, an increase of $22.6 million, or 93%. This increase was primarily attributable to an increase in retail gallons sold (approximately $18.0 million) and an increase in margin per gallon (approximately $1.7 million). Wholesale gross profit was $3.4 million (after elimination of gross profit attributable to our retail operations) in the six months ended March 31, 2002 compared to $4.8 million in the same six-month period in 2001, a decrease of $1.4 million. This decrease was attributable to a decrease in margin per gallon partially offset by an increase in wholesale volumes.

Operating and Administrative Expenses. Operating and administrative expenses increased $11.8 million, or 103%, to $23.3 million for the six months ended March 31, 2002 as compared to $11.5 million in the same period in 2001. This increase resulted from the acquisitions discussed above and, to a lesser extent, an increase in insurance costs as a result of higher premiums and self insured retention amounts, and an increase in personnel costs associated with our growth and the completion of the initial public offering in July 2001.

Depreciation and Amortization. Depreciation and amortization increased $2.5 million, or 99%, to $5.1 million in the six months ended March 31, 2002 from $2.6 million in the same six-month period in 2001 primarily as a result of the Hoosier, Pro Gas and IPC acquisitions.

Interest Expense. Interest expense increased $0.4 million, or 13%, to $3.2 million in the six months ended March 31, 2002 as compared to $3.0 million for the six months ended March 31, 2001. This increase is the result of additional debt outstanding during 2002 as compared to 2001, partially offset by lower interest rates in 2002.

Net Income. Net income increased $6.3 million, or 52%, to $18.5 million in the six months ended March 31, 2002 from $12.2 million in the same six-month period in 2001. This increase in net income was attributable to the increase in gross profit partially offset by an increase in operating and administrative expenses, depreciation and amortization expenses.

EBITDA. In the six months ended March 31, 2002, EBITDA increased $9.1 million, or 51%, to $26.9 million from $17.8 million in the same period of fiscal 2001. The increase was primarily attributable to increased sales volumes partially offset by an increase in operating and administrative expenses.

Fiscal Year Ended September 30, 2001 Compared to Fiscal Year Ended September 30, 2000

Volume. During fiscal 2001, we sold 46.8 million retail gallons of propane, an increase of 28.7 million gallons, or 158%, from the 18.1 million retail gallons sold in fiscal 2000. The increase in retail sales volume was principally due to the acquisitions of Country Gas (7.6 million gallons) and the Hoosier Propane Group

(16.3 million gallons). The remaining 4.8 million gallon increase was attributable to internal growth and the fact that the year ended September 30, 2001 was approximately 15.8% colder than the year ended September 30, 2000 and approximately 1.4% colder than normal in our retail areas of operation.

Wholesale gallon sales increased 92.0 million gallons, or 63%, to 238.6 million gallons in fiscal 2001 from 146.6 million gallons in fiscal 2000. This increase was attributable to the continued growth of our wholesale sales operations, which were initiated after the fiscal 1999 winter season, and the acquisition of the Hoosier Propane Group. In addition, fiscal 2001 was approximately 8% colder than fiscal 2000 and slightly warmer than normal in our wholesale areas of operations.

Revenues. Revenues in fiscal 2001 were $223.1 million, an increase of $129.5 million, or 138%, over $93.6 million of revenues in fiscal 2000. Revenues from retail propane sales increased $41.7 million, or 221%, from $18.9 million in fiscal 2000 to $60.6 million in fiscal 2001. This increase was attributable to the acquisitions of Country Gas ($10.5 million) and the Hoosier Propane Group ($19.9 million) and higher sales prices ($4.6 million), with the remaining increase ($6.7 million) due to volume increases due to growth and colder weather in our retail areas of operations. Revenues from wholesale propane sales increased $81.7 million, or 116%, from $70.1 million in fiscal 2000 to $151.8 million (after elimination of sales to our retail operations) in fiscal 2001. Approximately $23.1 million resulted from increased selling prices and the remaining $58.6 million was attributed to our growth and colder weather described above. Other retail revenues increased approximately $6.1 million, or 133%, from $4.6 million in fiscal 2000 to $10.7 million in fiscal 2001. This increase was primarily due to transportation revenues of $6.0 million attributable to the acquisition of the Hoosier Propane Group. Other retail revenues also consist of tank rentals, heating oil sales, appliance sales and service.

Cost of Product Sold. Cost of product sold in fiscal 2001 was $182.6 million, an increase of $101.0 million, or 124%, over fiscal 2000 cost of sales of $81.6 million. The increase was principally attributable to the significant increases in wholesale and retail volumes (approximately $75.9 million) and an approximate 28% increase in the average cost of propane (approximately $21.7 million). In addition, we recorded a charge to cost of product sold in fiscal 2001 of approximately $0.6 million associated with a third party who was involuntarily petitioned into bankruptcy in December 2001.

Gross Profit. Retail gross profit was $34.6 million in fiscal 2001 compared to $10.7 million in fiscal 2000, an increase of $23.9 million, or 223%. This increase was primarily attributable to higher retail gallons (approximately $17.4 million) and an increase in margin per gallon (approximately $3.7 million). Wholesale gross profit was $5.9 million (after elimination of gross profit attributable to our retail operations) in fiscal 2001 compared to $1.3 million in fiscal 2000, an increase of $4.6 million, or 353%. This increase was attributable to higher wholesale gallon sales in fiscal 2001, including the acquisition of the wholesale operations within the Hoosier Propane Group (approximately $2.3 million), and an increase in gross profit per gallon (approximately $2.3 million).

Operating and Administrative Expenses. Operating and administrative expenses were $23.5 million in fiscal 2001 as compared to $9.0 million in fiscal 2000, an increase of $14.5 million, or 161%. This increase primarily resulted from acquisitions and personnel costs, including performance incentives accrued as a result of the increased profitability, with the remaining increase primarily attributable to higher vehicle fuel and maintenance costs as a result of the increased retail volumes.

Depreciation and Amortization. Depreciation and amortization increased $4.2 million, or 186%, to $6.5 million in fiscal 2001 from $2.3 million in fiscal 2000. This increase was primarily a result of the Country Gas and the Hoosier Propane Group acquisitions, which included property, plant and equipment and intangible assets of approximately $88.6 million.

Interest Expense. Interest expense increased $4.0 million, or 143%, to $6.7 million in fiscal 2001 from $2.7 million in fiscal 2000. This increase was primarily a result of the higher average outstanding borrowings in fiscal 2001 over fiscal 2000 associated with the debt incurred in the Country Gas and the Hoosier Propane Group acquisitions. In addition, included in interest expense in fiscal 2001 is a charge of $0.5 million associated with the early termination of an interest rate swap agreement that was terminated by Inergy Partners, LLC immediately prior to the initial public offering.

Net Income (Loss). Net income increased $6.1 million to $4.3 million in fiscal 2001 from a net loss of $1.8 million in fiscal 2000. This increase in net income was attributable to the increase in gross profit in an amount greater than the increases in operating and administrative expenses and depreciation and amortization expense partially offset by an increase in interest expense as a result of higher average outstanding borrowings associated with the acquisitions.

EBITDA. EBITDA increased $14.3 million, or 448%, to $17.5 million in fiscal 2001 from $3.2 million in fiscal 2000. The increase in EBITDA was attributable to increased retail and wholesale volumes and margin per gallon associated with our retail and wholesale sales partially offset by increased operating and administrative expenses.

Fiscal Year Ended September 30, 2000 Compared to Fiscal Year Ended September 30, 1999

Volume. During fiscal 2000, Inergy Partners, LLC sold 18.1 million retail gallons of propane, an increase of 10.1 million gallons, or 126%, from the 8.0 million retail gallons sold in fiscal 1999. This increase was primarily attributable to the acquisition of six retail propane distributors during fiscal 1999 and two retail propane distributors in fiscal 2000 (8.6 million gallons). The balance of the increase (1.5 million gallons) was attributable to a winter that was slightly colder in fiscal 2000 than in fiscal 1999 as well as internal growth. Fiscal 2000 was 17% warmer than normal in our retail areas of operation.

Wholesale gallon sales increased 121.9 million gallons, or 493%, to 146.6 million gallons in fiscal 2000 from 24.7 million gallons in fiscal 1999. This increase was attributable to the growth of our wholesale sales operations, which were initiated after the fiscal 1999 winter season. Fiscal 2000 was approximately 11% warmer than normal in our wholesale areas of operations.

Revenues. Revenues in fiscal 2000 were $93.6 million, an increase of $74.4 million, or 387%, over $19.2 million of revenues in fiscal 1999. Revenues from retail propane sales increased $12.1 million, or 178%, from $6.8 million in fiscal 1999 to $18.9 million in fiscal 2000. This increase is attributable to our retail acquisitions (approximately $7.8 million), higher selling prices (approximately $3.0 million) and slightly colder weather and internal growth. Other retail revenues increased approximately $1.6 million, or 53%, to $4.6 million in fiscal 2000 from $3.0 million in fiscal 1999. These revenues consist of tank rentals, heating oil sales, appliance sales and service and were attributable to our retail acquisitions in fiscal 1999 and 2000. Revenues from wholesale propane sales increased $60.7 million, or 650%, from $9.4 million in fiscal 1999 to $70.1 million (after elimination of sales to our retail operations) in fiscal 2000. This increase was a result of the growth of our wholesale operations.

Cost of Product Sold. Cost of product sold in fiscal 2000 was $81.6 million, an increase of $67.8 million, or 494%, over fiscal 1999 cost of sales of $13.8 million. The increase was attributable to the significant increases in wholesale and retail volumes and an approximate 29% increase in the average cost of propane.

Gross Profit. Retail gross profit was $10.7 million in fiscal 2000 compared to $4.9 million in fiscal 1999, an increase of $5.8 million, or 120%. This increase was attributable to higher retail gallons and a slight increase in margin per gallon. Wholesale gross profit was $1.3 million (after elimination of gross profit attributable to

our retail operations) in fiscal 2000 compared to $0.5 million in fiscal 1999, an increase of $0.8 million, or 148%. This increase was attributable to higher wholesale gallon sales in fiscal 2000 partially offset by a decrease in gross profit per gallon.

Operating and Administrative Expenses. Operating and administrative expenses were $9.0 million in fiscal 2000 as compared to $4.1 million in fiscal 1999, an increase of $4.9 million, or 118%. This increase primarily resulted from acquisitions.

Depreciation and Amortization. Depreciation and amortization increased $1.6 million, or 231%, to $2.3 million in fiscal 2000 from $0.7 million in fiscal 1999. This increase was attributable to depreciation and amortization of acquired assets, including intangible assets and, to a lesser extent, the amortization of acquisition financing costs.

Net Loss. Net loss increased $1.6 million to $1.8 million in fiscal 2000 from $0.2 million in fiscal 1999. This increase in net loss was primarily attributable to an increase in interest expense of $1.8 million, most of which was incurred in connection with acquisitions.

EBITDA. EBITDA increased $1.7 million, or 110%, to $3.2 million in fiscal 2000 from $1.5 million in fiscal 1999. The increase in EBITDA was attributable to increased retail and wholesale volumes, largely offset by higher operating and administrative expenses.

Independent Propane Company

Our acquisition of IPC was completed effective December 20, 2001. The audited financial statements of IPC are included in this prospectus.

Fiscal Year Ended September 30, 2001 Compared to Fiscal Year Ended September 30, 2000

Volume. During fiscal 2001, IPC sold 49.8 million retail gallons of propane, an increase of 4.7 million gallons, or 10%, from the 45.1 million retail gallons sold in fiscal 2000. During fiscal year 2000, IPC made 9 acquisitions of small retail propane dealers that accounted for 0.9 million gallons of the 4.7 million gallon increase. The remaining increase in retail sales volume was principally due to colder than normal weather in IPC's retail areas of operations and internal growth.

Sales. Sales in fiscal 2001 were $76.4 million, an increase of $17.4 million, or 30%, over $59.0 million of sales in fiscal 2000. This increase was attributable to higher sales prices and volume increases due to colder weather in IPC's retail areas of operations and internal growth.

Cost of Sales. Cost of sales in fiscal 2001 was $37.8 million, an increase of $9.5 million, or 33%, over fiscal 2000 cost of sales of $28.3 million. The increase was attributable to the increases in retail volumes and an increase in the average cost of propane.

Gross Profit. Gross profit was $38.7 million in fiscal 2001 compared to $30.6 million in fiscal 2000, an increase of $8.1 million, or 26%. This increase was primarily attributable to the increase in retail gallons and an increase in average propane margin per gallon.

Selling, General and Administrative Expenses. Selling, general and administrative expenses were $22.3 million in fiscal 2001 as compared to $21.9 million in fiscal 2000, an increase of $0.4 million, or 2%. This increase reflects incremental operating costs primarily resulting from increased labor costs and vehicle expenses associated with increased gallon volume.

Depreciation and Amortization. Depreciation and amortization increased $0.1 million to $7.0 million in fiscal 2001 from $6.9 million in fiscal 2000.

Net Income (Loss). Net income increased $8.6 million to $3.0 million in fiscal 2001 from a net loss of $5.6 million in fiscal 2000. This increase in net income was attributable to the increase in operating income, and lower interest cost resulting from lower interest rate and average outstanding borrowings, offset by slightly increased operating costs.

Fiscal Year Ended September 30, 2000 Compared to Fiscal Year Ended September 30, 1999

Volume. During fiscal 2000, IPC sold 45.1 million retail gallons of propane, an increase of 1.5 million gallons, or 4%, from the 43.6 million retail gallons sold in fiscal 1999. This increase was the result of acquisitions, partially offset by warmer than normal temperatures in IPC's retail areas of operation. During fiscal year 2000 and fiscal year 1999, IPC made 9 and 21 acquisitions of small retail propane dealers, respectively.

Sales. Sales in fiscal 2000 were $59.0 million, an increase of $14.0 million, or 31%, over $45.0 million of sales in fiscal 1999. This increase is primarily attributable to higher selling prices and acquisitions.

Cost of Sales. Cost of sales in fiscal 2000 was $28.3 million, an increase of $12.3 million, or 77%, over fiscal 1999 cost of sales of $16.0 million. The increase was attributable to the approximate 78% increase in the average cost of propane.

Gross Profit. Gross profit was $30.6 million in fiscal 2000 compared to $29.0 million in fiscal 1999, an increase of $1.6 million, or 6%. This increase was primarily attributable to an increase in retail gallons sold.

Selling, General and Administrative Expenses. Selling, general and administrative expenses were $21.9 million in fiscal 2000 as compared to $21.3 million in fiscal 1999, an increase of $0.6 million, or 3%. This increase is primarily the result of incremental operating costs primarily resulting from increased labor costs and vehicle expenses associated with increased gallon volume.

Depreciation and Amortization. Depreciation and amortization increased $1.4 million, or 24%, to $6.9 million in fiscal 2000 from $5.5 million in fiscal 1999. This increase was attributable to the depreciation and amortization of the assets acquired in acquisitions.

Net Loss. Net loss increased $2.6 million to $5.6 million in fiscal 2000 from $3.0 million in fiscal 1999. This increase in net loss was primarily attributable to an increase in interest expense of $2.3 million, most of which was incurred in connection with acquisitions and an increase in depreciation and amortization of $1.4 million, partially offset by an increase in operating income.

Hoosier Propane Group

Our acquisition of the Hoosier Propane Group was completed effective January 1, 2001. The audited and unaudited financial statements of the Hoosier Propane Group are included elsewhere in this prospectus.

Three Months Ended December 31, 2000 Compared to Three Months Ended December 31, 1999

Volume. During the three months ended December 31, 2000, the Hoosier Propane Group sold 8.6 million retail gallons of propane, an increase of 1.4 million gallons, or 19%, from the 7.2 million retail gallons sold in the same period in fiscal 1999. This increase was attributable to colder weather and internal growth.

The Hoosier Propane Group sold 23.7 million wholesale gallons of propane in the three months ended December 31, 2000, a decrease of 5.5 million gallons, or 19%, from the 29.2 million wholesale gallons sold in the same period in fiscal 1999. This decrease was attributable to less competitive pricing in the 2000 period due to higher product costs.

Revenues. Revenues in the three months ended December 31, 2000 were $31.5 million, an increase of $10.7 million, or 52%, over $20.8 million of revenues in the same period of fiscal 1999. This increase was attributable to increased propane and freight revenues.

Revenues from propane sales increased $10.1 million, or 53%, to $29.2 million in the three months ended December 31, 2000 from $19.1 million in the same period in fiscal 1999. This increase was primarily attributable to higher prices and increased retail volumes, and was partially offset by decreased wholesale volumes.

Freight revenues increased $0.6 million, or 49%, to $2.0 million in the three months ended December 31, 2000 from $1.4 million in the same period in fiscal 1999. The colder weather in the 2000 period resulted in more deliveries of propane to independent propane distributors and other contract customers.

Cost of Product Sold. Cost of product sold in the three months ended December 31, 2000 was $25.2 million, an increase of $9.6 million, or 61%, over the 1999 period of $15.6 million. This increase was attributable to a significant increase in the average cost of propane and increased retail volumes, partially offset by a decrease in wholesale volumes.

Gross Profit. Gross profit was $6.4 million in the three months ended December 31, 2000 compared to $5.2 million in the fiscal 1999 period, an increase of $1.2 million, or 23%. This increase was attributable to an increase in retail volumes and margins, partially offset by decreases in wholesale volumes and margins. The increase in retail gross margin per gallon was attributable to favorable propane purchases during a period of increasing retail prices and colder weather in our areas of operation.

Operating and Administrative Expenses. Operating and administrative expenses remained constant at $2.5 million, in the three month periods ended December 31, 2000 and 1999.

Depreciation and Amortization. Depreciation and amortization remained constant at $0.4 million in the three month periods ended December 31, 2000 and 1999, primarily as a result of maintaining existing assets in 2000 as opposed to the replacement of these assets.

Net Income. Net income increased $1.3 million, or 58%, to $3.4 million in the three months ended December 31, 2000 from $2.1 million in the fiscal 1999 period. This increase was attributable to an increase in operating income while interest expense and other income remained relatively constant in the fiscal 2000 period as compared to the fiscal 1999 period.

Fiscal Year Ended September 30, 2000 Compared to Fiscal Year Ended September 30, 1999

Volume. During fiscal 2000, the Hoosier Propane Group sold 22.9 million retail gallons of propane, an increase of 0.1 million gallons from the 22.8 million retail gallons sold in fiscal 1999. This increase was attributable to fiscal 2000 being 3% colder than fiscal 1999 in the Hoosier Propane Group's areas of operation and internal growth, partially offset by decreases in agricultural and commercial volumes resulting from an increased focus on higher margin sales. Fiscal 2000 was 10% warmer than normal in our area of operations.

The Hoosier Propane Group sold 68.8 million wholesale gallons of propane in fiscal 2000, an increase of 5.0 million gallons, or 8%, over the 63.8 million wholesale gallons sold in fiscal 1999. This increase was attributable to the favorable sales opportunities and the slightly colder weather in the Hoosier Propane Group's areas of operation in fiscal 2000 as compared to fiscal 1999. Wholesale marketing efforts were primarily concentrated in the Southeast and Midwest where fiscal 2000 temperatures were approximately 10% warmer than normal.

Revenues. Revenues in fiscal 2000 were $65.6 million, an increase of $21.9 million, or 50%, over $43.7 million of revenues in fiscal 1999. Increased propane revenues accounted for approximately $19.9 million of

this increase with freight and other revenues increasing approximately $2.0 million from fiscal 1999 to fiscal 2000.

Revenues from propane sales increased $19.9 million, or 51%, from $38.8 million in fiscal 1999 to $58.7 million in fiscal 2000. This increase was primarily attributable to higher sales prices and an increase in wholesale volumes.

Freight revenues increased $1.2 million, or 25%, to $5.7 million fiscal 2000 from $4.5 million in fiscal 1999 as a result of growth in market share.

Other revenues increased $0.8 million, or 241%, to $1.2 million in fiscal 2000 from $0.4 million in fiscal 1999 due to increased vehicle service revenues.

Cost of Product Sold. Cost of product sold in fiscal 2000 was $49.0 million, an increase of $20.1 million, or 70%, over the fiscal 1999 cost of product sold of $28.9 million. This increase was attributable to a significant increase in the average cost of propane in fiscal 2000 compared to fiscal 1999 and to increased wholesale volumes in fiscal 2000.

Gross Profit. Gross profit was $16.5 million in fiscal 2000 compared to $14.8 million in fiscal 1999, an increase of $1.7 million, or 12%. This increase was attributable to an increase in retail margins and wholesale volumes. The increase in retail gross margin per gallon was attributable to an increased focus on higher margin gallon sales.

Operating and Administrative Expenses. Operating and administrative expenses were $9.4 million in fiscal 2000 as compared to $8.3 million in fiscal 1999, an increase of $1.1 million, or 13%. This increase primarily resulted from increased labor costs and vehicle expenses associated with higher retail and wholesale volumes together with growth in freight revenues. In addition, the increased cost per gallon of vehicle fuel in fiscal 2000 over fiscal 1999 contributed to the increase in vehicle costs.

Depreciation and Amortization. Depreciation and amortization decreased $0.1 million to $1.6 million in fiscal 2000 from $1.7 million in fiscal 1999.

Net Income. Net income increased $0.8 million, or 20%, to $5.0 million in fiscal 2000 from $4.2 million in fiscal 1999. This increase in net income was attributable to the increase in operating income.

Fiscal Year Ended September 30, 1999 Compared to Fiscal Year Ended September 30, 1998

Volume. During fiscal 1999, the Hoosier Propane Group sold 22.8 million retail gallons of propane, an increase of 5.4 million gallons, or 31%, from the 17.4 million retail gallons sold in fiscal 1998. At the end of fiscal 1998 and the beginning of fiscal 1999, the Hoosier Propane Group acquired three retail propane distributors that accounted for 5.1 million gallons of the 5.4 million gallon increase in retail propane volume. The remaining 0.3 million gallon increase in retail volume resulted from internal growth and, to a lesser extent, slightly colder weather in fiscal 1999 as compared to fiscal 1998.

During fiscal 1999, the Hoosier Propane Group sold 63.8 million wholesale gallons, a decrease of 25.9 million gallons, or 29%, from the 89.7 million wholesale gallons sold in fiscal 1998. The decrease in wholesale volumes is due in part to the loss of the business of a multi-state retail propane marketer.

Revenues. Revenues in fiscal 1999 were $43.7 million, a decrease of $12.0 million, or 22%, from $55.7 million in fiscal 1998. Revenues from propane sales decreased $11.8 million, or 23%, from $50.6 million in fiscal 1998 to $38.8 million in fiscal 1999 primarily due to a decrease in prices. Freight revenues decreased $0.3 million, or 6%, from $4.8 million in fiscal 1998 to $4.5 million in fiscal 1999 due to the loss of the business of a multi-state marketer, while other revenues increased $0.1 million, or 24%, to $0.4 million in fiscal 1999 from $0.3 million in fiscal 1998.

Cost of Product Sold. Cost of product sold in fiscal 1999 was $28.9 million, a decrease of $13.9 million, or 33%, from fiscal 1998 cost of product sold of $42.8 million. The decrease in cost of product sold was primarily attributable to a decrease in the cost of propane per gallon in fiscal 1999 as compared to fiscal 1998 and, to a lesser extent, decreased wholesale volumes, partially offset by an increase in retail volumes.

Gross Profit. Gross profit was $14.8 million in fiscal 1999 compared to $12.9 million in fiscal 1998, an increase of $1.9 million, or 14%. This increase was attributable to an increase in retail volumes and margins, partially offset by a decrease in wholesale volume. The increase in our retail gross margin per gallon resulted from our focus on higher margin gallon sales.

Operating and Administrative Expenses. Operating and administrative expenses were $8.3 million in fiscal 1999 as compared to $7.6 million in fiscal 1998, an increase of $0.7 million, or 9%. This increase was attributable to increased personnel costs resulting from acquisitions.

Depreciation and Amortization. Depreciation and amortization increased $0.2 million, or 11%, to $1.7 million in fiscal 1999 from $1.5 million in fiscal 1998. This increase was primarily attributable to the depreciation of the assets acquired in acquisitions.

Net Income. Net income increased $0.7 million, or 18%, to $4.2 million in fiscal 1999 from $3.5 million in fiscal 1998. This increase in net income was attributable to the increase in operating income offset by a $0.3 million increase in acquisition related interest expense.

Liquidity and Capital Resources

Cash Flows

Cash flows provided by (used in) operating activities of $4.7 million in fiscal 2001 consisted primarily of: net income of $4.3 million; net non-cash charges of $8.1 million, principally related to depreciation and amortization of $6.5 million associated with our recent acquisitions; and uses of cash of $7.8 million associated with the changes in operating assets and liabilities, including net liabilities from price risk management activities. The use of cash associated with the changes in operating assets and liabilities is primarily due to the timing effects of the acquisition of the Hoosier Propane Group which closed in January 2001 and the use of working capital to finance business growth. Cash used in operating activities was $0.2 million in fiscal 2000 and $0.8 million in fiscal 1999. The uses of cash from operating activities for these periods are principally due to the net losses incurred of $1.8 million in fiscal 2000 and $0.2 million in fiscal 1999. These net losses resulted from the development of management and infrastructure sufficient to accommodate planned future growth. Depreciation and amortization increased to $2.3 million in fiscal 2000 from $0.7 million in fiscal 1999 due to the effects of acquisitions completed in these two years. Net increases in operating assets and liabilities, including net liabilities from price risk management activities, required a use of cash amounting to $1.0 million in fiscal 2000 and $1.4 million in fiscal 1999.

Cash provided by operating activities was $10.6 million in the six months ended March 31, 2002 compared to $2.6 million in the six months ended March 31, 2001. The increase in cash provided by operating activities is primarily attributable to higher net income and depreciation and amortization charges in the six months ended March 31, 2002 as compared to the six months ended March 31, 2001. Net income increased to $18.5 million for the six months ended March 31, 2002 from $12.2 million for the six months ended March 31, 2001 due to the effects of the acquisitions completed in fiscal 2002 and the effects of higher margins per gallon, partially offset by the warmer weather in the 2002 period. Depreciation and amortization increased to $5.1 million in the six months ended March 31, 2002 from $2.6 million in the same fiscal 2001 period due to the effects of acquisitions. The change in operating assets and liabilities, including net liabilities from price risk management activities, required a use of cash amounting to $14.4 million in the six months ended March 31, 2002 and $13.2 million in the same fiscal 2001 period to accommodate increased business volume.

Cash used in investing activities was $64.0 million in fiscal 2001, $12.4 million in fiscal 2000 and $13.1 million in fiscal 1999. These amounts were primarily comprised of: $56.3 million for the acquisition of the

Hoosier Propane Group and Bear Man Propane and $3.1 million of costs incurred in the financing of that acquisition in fiscal 2001; $9.6 million for acquisitions in fiscal 2000; and $11.4 million for acquisitions in fiscal 1999. Additionally, we expended $4.8 million in fiscal 2001, $2.3 million in fiscal 2000 and $1.4 million in fiscal 1999, for additions of property and equipment to accommodate our growing operations.

Cash used in investing activities was $88.9 million in the six months ended March 31, 2002 compared to $60.2 million in the six months ended March 31, 2001. The six months ended March 31, 2002 included $84.5 million of cash used for the IPC and Pro Gas acquisitions and $2.5 million used for capital expenditures. In addition, the six months ended March 31, 2002 included a use of $2.0 million for payment of deferred financing costs associated with the credit facilities used to finance the IPC and Pro Gas acquisitions. The six months ended March 31, 2001 included $56.3 million used for acquisitions.

Cash provided by financing activities was $60.2 million in fiscal 2001, $13.9 million in fiscal 2000 and $14.1 million in fiscal 1999. Cash provided by financing activities in fiscal 2001, fiscal 2000 and fiscal 1999 included net borrowings of $14.2 million, $12.6 million and $14.2 million, respectively, under debt agreements, including borrowings and repayments in conjunction with the January 2001 and July 2001 refinancings of our credit facilities and borrowings and repayments of our revolving working capital facility. In addition, the net proceeds were received from the initial public offering of $34.3 million in fiscal 2001 and proceeds from the issuance of redeemable preferred stock amounted to $16.1 million in fiscal 2001 and $1.9 million in fiscal 2000. Offsetting these cash sources were $2.6 million, $0.5 million and $0.2 million of distributions paid to holders of Inergy Partners Class A Preferred Interests in fiscal 2001, fiscal 2000 and fiscal 1999, respectively, and $1.8 million of cash retained by Inergy Partners at the time of the conveyance of assets in conjunction with the initial public offering in fiscal 2001.

Cash provided by financing activities was $78.6 million in the six months ended March 31, 2002 and $59.7 million in the six months ended March 31, 2001. The 2002 period included net proceeds from long term debt of $84.4 million associated with working capital needs and borrowings and repayments related to amended credit facilities negotiated in connection with acquisitions in that period. In addition, we received cash of approximately $0.7 million in capital contributions and paid $6.5 million in distributions to unitholders in the 2002 period. The 2001 period included net proceeds from issuance of long-term debt of $44.5 million and redeemable preferred members' interest of $16.0 million.

At March 31, 2002, we had goodwill of $47.1 million, representing approximately 17% of total assets. This goodwill is attributable to our acquisitions. We expect recovery of the goodwill through future cash flows associated with these acquisitions.

Distributions

On November 14, 2001, we paid a $.040 per limited partner unit distribution to unitholders, which totaled $2.3 million. This represented a partial quarterly distribution for the period from July 31, 2001, the date of our initial public offering, through September 30, 2001. On February 15, 2001, we paid a $0.625 per limited partner unit distribution to unitholders, which totaled $4.1 million. On May 15, 2002, we paid a $0.66 per limited partner distribution to unitholders, which totaled $4.4 million.

Total Contractual Cash and Other Obligations

The following table summarizes our long-term debt and operating lease obligations (in thousands) as of March 31, 2002:

	Total	Less than 1 year	1-3 Years	4-5 Years	After 5 years
Aggregate amount of principal to be paid on the outstanding long-term debt	$142,164	$3,722	$137,559	$ 437	$446
Future minimum lease payments under noncancelable operating leases	5,196	1,611	2,425	1,044	116
Standby letters of credit	2,000	2,000	--	--	--

As of September 30, 2001, total propane contracts had an outstanding net fair value of $4.6 million, as compared to total propane contracts outstanding with a net fair value at March 31, 2002 of $4.3 million. The net change of $0.3 million includes a net decrease in fair value of $1.0 million from contracts settled during the six-month period, partially offset by a net $0.7 million increase from other changes in fair value. Of the outstanding fair value as of March 31, 2002, contracts with a maturity of less than one year totaled $3.9 million, and contracts maturing between one and two years totaled $0.4 million.

Liquidity Needs

Our primary short-term liquidity needs are to fund general working capital requirements while our long-term liquidity needs are primarily associated with capital expenditures for the growth and maintenance of our existing businesses together with funding for strategic business acquisitions. Growth capital expenditures are primarily for the purchase of customer storage tanks while maintenance capital expenditures are primarily related to repair and replacement of propane delivery vehicles and maintenance associated with existing customer installations. Our primary sources of funds for our short-term liquidity needs will be cash flows from operations and borrowings under a short-term working capital facility while our long-term sources of funds will be from long-term bank borrowings and equity or debt financings.

We believe that anticipated cash from operations and borrowings under our amended and restated credit facility described below will be sufficient to meet our liquidity needs for the foreseeable future. If our plans or assumptions change or are inaccurate, or we make any additional acquisitions, we may need to raise additional capital. We may not be able to raise additional funds or may not be able to raise such funds on favorable terms.

Description of Indebtedness

Upon completion of this offering and the senior secured notes offering, we expect our total outstanding long-term indebtedness to be approximately $104.0 million, including approximately $85.0 million of senior secured notes, approximately $15.0 million under our acquisition facility and approximately $4.0 million of other indebtedness.

Bank Credit Facility. In conjunction with the acquisition of IPC, on December 19, 2001, Inergy Propane entered into a $195 million amended and restated senior secured credit facility with First Union National Bank and other lenders. The revolving portion of the credit facility has a term of three years and is guaranteed by us and each subsidiary of Inergy Propane. The IPC acquisition term loan portion of the credit facility matures April 1, 2003 and is also guaranteed by us and each subsidiary of Inergy Propane. We currently have approximately $133.0 million outstanding under the credit facility, comprised of approximately $62.0 million outstanding under the revolving acquisition facility, approximately $70.0 million outstanding under the IPC acquisition term loan and approximately $1.0 million under the working capital facility.

The following is a summary of the material terms of the credit facility.

The credit facility consists of a working capital facility in the aggregate principal amount of up to $50 million, a revolving acquisition facility in the aggregate principal amount of up to $75 million and an IPC

acquisition term loan in the amount of $70 million. The aggregate amount of borrowings under the working capital facility, including outstanding letters of credit, are subject to a borrowing base requirement relating to accounts receivable and inventory. During the period from July 1 through December 31, Inergy Propane may borrow up to an additional $12 million not subject to the borrowing base, however, total borrowings under the working capital facility cannot exceed $50 million. Up to $10 million of the working capital facility may be used for the issuance of letters of credit. Each of the working capital facility, the revolving acquisition facility and the IPC acquisition term loan may be prepaid and the commitments may be reduced at any time without penalty. Amounts borrowed and repaid under either the working capital facility or the revolving acquisition facility may be reborrowed. Any amounts repaid under the IPC acquisition term loan, however, cannot be reborrowed and must be repaid by April 1, 2003.

During each fiscal year beginning October 1, 2001, the outstanding balance of the working capital facility must be reduced to $4 million or less for a minimum of 30 consecutive days during the period commencing March 1 and ending September 30 of each calendar year.

The obligations under the credit facility will be secured by first priority liens on all assets of Inergy Propane and its subsidiaries, the pledge of all of Inergy Propane's equity interests in its subsidiaries and by a pledge of our membership interest in Inergy Propane. The credit facility permits Inergy Propane to generally secure up to $100 million in privately placed indebtedness with the same collateral on a pari passu basis. Any such indebtedness may not be secured by any other collateral, must be incurred within the next 12 months and may not require or permit any principal payments to be made prior to the maturity of the credit facility. Inergy Propane is required to use 100% of the net cash proceeds of any such indebtedness to reduce borrowings under the credit facility.

Indebtedness under the credit facility will bear interest at the option of Inergy Propane at either a base rate or LIBOR (preadjusted for reserves), plus in each case, an applicable margin. The applicable margin varies quarterly based on Inergy Propane's leverage ratio. The applicable margin will increase by 50 basis points on the six-month anniversary of the credit agreement and again on the nine-month anniversary of the credit agreement if the advances outstanding under the IPC acquisition term loan exceed $25 million on each of such dates. Inergy Propane will incur a fee based on the average daily unused commitments under the credit facility.

Inergy Propane is required to use 100% of the net cash proceeds (that are not applied to purchase replacement assets) from asset dispositions (other than the sale of inventory and motor vehicles in the ordinary course of business) to reduce borrowings under the credit facility during any fiscal year in which unapplied net cash proceeds are in excess of $1 million. Any such mandatory prepayments are applied first to reduce borrowings under the acquisition facility and then under the working capital facility.

In addition, the credit facility contains various covenants limiting the ability of Inergy Propane and its subsidiaries to, among other things:

- incur other indebtedness (other than permitted debt, including $100 million of privately placed debt secured on a pari passu basis);
- grant or incur liens;
- pay dividends or make distributions if a default or event of default has occurred and is continuing;
- permit operating lease obligations to exceed $5 million;
- enter into any debt which contains covenants more restrictive than those of the credit facility;
- make investments, loans and acquisitions;
- enter into a merger, consolidation or sale of assets;
- engage in any sale and leaseback transaction or another type of business or create any subsidiary;
- engage in transactions with affiliates;

- in the case of subsidiaries, to issue any capital stock;

- modify in any material respects the rights of holders of capital stock; and

- modify material contracts.

In addition, Inergy, L.P. is prohibited from incurring indebtedness except its guarantee of the credit facility.

Furthermore, the credit facility contains the following financial covenants:

- the ratio of consolidated EBITDA (as defined in the credit facility) to consolidated interest expense (as defined in the credit facility) must be at least 2.25 to 1.0 during the four quarters ending December 31, 2001 and 2.5 to 1.0 for any fiscal quarter thereafter; and

- the ratio of total funded debt (as defined in the credit facility) to consolidated EBITDA may not exceed 4.5 to 1.

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

- nonpayment of principal, interest, fees or other amounts;

- violation of covenants;

- inaccuracy of representations and warranties;

- a default under other loan documents for the credit facility;

- a default under other material agreements and indebtedness of Inergy Propane, its subsidiaries or Inergy, L.P.;

- bankruptcy and other insolvency events of Inergy Propane, its subsidiaries or Inergy, L.P.;

- judgments exceeding $500,000 against Inergy Propane, its subsidiaries or Inergy, L.P. are undischarged or unstayed for 30 days;

- the actual or asserted invalidity of any loan documentation or security interest;

- a change of control of Inergy, L.P.;

- Inergy, L.P. ceases to own 100% of Inergy Propane; and

- a condition or event occurs that could have a material adverse effect in the reasonable judgment of 2/3 of the lenders.

Secured Notes Offering. Our operating company, Inergy Propane, LLC, expects to enter into a note purchase agreement in June 2002 with a group of institutional lenders pursuant to which our operating company will issue $85.0 million aggregate principal amount of senior secured notes with a weighted average interest rate of 9.07% and a weighted average maturity of 5.9 years. We are not required to make principal payments on the senior secured notes prior to their maturity. The senior secured notes consist of: $35.0 million principal amount of 8.85% senior secured notes with a 5-year maturity, $25.0 million principal amount of 9.10% senior secured notes with a 6-year maturity, and $25.0 million principal amount of 9.34% senior secured notes with a 7-year maturity. The material covenants of the note purchase agreement relating to the senior secured notes will be similar to the covenants contained in our bank credit facility, including the obligation of Inergy Propane to maintain certain financial ratios. We intend to use the net proceeds from the senior secured notes offering to repay indebtedness under our bank credit facility.

Environmental Matters

Environmental liabilities have not materially impacted our financial condition, results of operations or liquidity since our inception.

Recent Accounting Pronouncements

In August 2001, the FASB issued SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, which addresses financial accounting and reporting for the impairment or disposal of long-lived assets and supercedes SFAS No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of, and the accounting and reporting provisions of APB Opinion No. 30, Reporting the Results of Operations--Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions, for a disposal of a segment of a business. SFAS No. 144 is effective for fiscal years beginning after December 15, 2001, with earlier application encouraged. Management has not determined the method, timing, or impact of adopting SFAS No. 144.

In June 2001, the FASB issued SFAS No. 141, Business Combinations, and SFAS No. 142, Goodwill and Other Intangible Assets. SFAS No. 141 supercedes APB Opinion No. 16, Business Combinations, and FASB Statement No. 28, Accounting for Preacquisition Contingencies of Purchased Enterprises. This statement requires accounting for all business combination using the purchase method, and changes the criteria for recognizing intangible assets apart from goodwill. This statement is effective for all business combinations initiated after June 30, 2001. SFAS No. 142 supercedes APB Opinion No. 17, Intangible Assets, and addresses how purchased intangibles should be accounted for upon acquisition. The statement also addresses how goodwill and other intangible assets should be accounted for after they have been initially recognized in the financial statements. All intangibles will be subject to periodic impairment testing and will be adjusted to fair value. The adoption of SFAS No. 142 eliminates goodwill amortization that would have totaled approximately $2.1 million in fiscal 2002, based on the balances as of September 30, 2001 and totaled approximately $1.7 million in fiscal 2001. Application of the nonamortization and impairment provisions of the statement has not significantly impacted our financial position or results of operations.

Critical Accounting Policies

Accounting for Price Risk Management

Through our wholesale operations, we offer price risk management services to our customers and, in addition, trades for our own account. Financial instruments utilized in connection with trading activities are accounted for using the mark-to-market method in accordance with Emerging Issues Task Force Issue No. 98-10, "Accounting for Contracts Involved in Energy Trading and Risk Management Activities." Under the mark-to-market method of accounting, forwards, swaps, options and storage contracts are reflected at fair value, inclusive of reserves, and are shown in the consolidated balance sheets as assets and liabilities from price risk management activities. In addition, inventories for wholesale operations, which consist mainly of liquid propane commodities, are also stated at market. Unrealized gains and losses from newly originated contracts, contract restructuring and the impact of price movements on these financial instruments and wholesale propane inventories are recognized in cost of products sold. Changes in the assets and liabilities from trading and price risk management activities result primarily from changes in the market prices, newly originated transactions and the timing of settlement relative to the receipt of cash for certain contracts. The market prices used to value these transactions reflect management's best estimate considering various factors including closing exchange and over-the-counter quotations, time value and volatility factors underlying the commitments. The values are adjusted to reflect the potential impact of liquidating our position in an orderly manner over a reasonable period of time under present market conditions. The cash flow impact of financial instruments is reflected as cash flows from operating activities in the consolidated statements of cash flows.

Revenue Recognition

Sales of propane are recognized at the time product is shipped or delivered to the customer. Revenue from the sale of propane appliances and equipment is recognized at the time of sale or installation. Revenue from repairs and maintenance is recognized upon completion of the service.

Impairment of Long-Lived Assets

We review our long-lived assets, other than goodwill, in accordance with Statement of Financial Accounting Standards (SFAS) No. 121, "Accounting for the Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed of," for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If such events or changes in circumstances are present, a loss is recognized if the carrying value of the asset is in excess of the sum of the undiscounted cash flows expected to result from the use of the asset and its eventual disposition. An impairment loss is measured as the amount by which the carrying amount of the asset exceeds the fair value of the asset. For assets identified to be disposed of in the future, the carrying value of these assets is compared to the estimated fair value less the cost to sell to determine if impairment is required. Until the assets are disposed of, an estimate of the fair value is recalculated when related events or circumstances change.

We review goodwill, in accordance with SFAS No. 142, "Goodwill and Other Intangible Assets," for impairment on at least an annual basis by applying a fair-value-based test. If the fair value of the goodwill is less than the carrying value, a loss is recognized for the excess of the carrying value over the fair value of the goodwill.

In connection with the transitional goodwill impairment evaluation, Statement No. 142 requires us to perform an assessment of whether there is an indication that goodwill is impaired as of the date of adoption. To accomplish this we identify our reporting units and determine the carrying value of each reporting unit by assigning the assets and liabilities, including the existing goodwill and intangible assets, to those reporting units as of the date of adoption. To the extent a reporting unit's carrying value exceeds its fair value, an indication exists that the reporting unit's goodwill may be impaired and we must perform the second step of the transitional impairment test. In the second step, we must compare the implied fair value of the goodwill, determined by allocating the fair value to all of its assets (recognized and unrecognized) and liabilities in a manner similar to a purchase price allocation in accordance with SFAS No. 141, to its carrying amount, both of which would be measured as of the date of adoption. This second step is required to be completed as soon as possible, but no later than the end of the year of adoption.

Quantitative and Qualitative Disclosure About Market Risk

We have long-term debt and a revolving line of credit subject to the risk of loss associated with movements in interest rates.

At March 31, 2002, we had floating rate obligations totaling approximately $138.2 million for amounts borrowed under our revolving line of credit and long-term debt. The floating rate obligations expose us to the risk of increased interest expense in the event of increases in short-term interest rates. If the floating interest rate were to increase by 100 basis points from March 31, 2002 levels, our combined interest expense would increase by a total of approximately $0.1 million per month.

Propane Price Risk

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 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.

We engage in hedging transactions to reduce the effect of price volatility on our product costs and to help ensure the availability of propane during periods of short supply. We attempt to balance our contractual portfolio by purchasing volumes only when we have a matching purchase commitment from our wholesale customers. However, we may experience net unbalanced positions from time to time which we believe to be immaterial in amount. In addition to our ongoing policy to maintain a balanced position, for accounting purposes we are required, on an ongoing basis, to track and report the market value of our purchase obligations and our sales commitments.

Trading Activities

Through our wholesale operations, we offer price risk management services to energy related businesses through a variety of financial and other instruments, including forward contracts involving physical delivery of propane. In addition, we manage our own trading portfolio using forward, physical and futures contracts. We attempt to balance our contractual portfolio in terms of notional amounts and timing of performance and delivery obligations. However, net unbalanced positions can exist or are established based on assessment of anticipated short-term needs or market conditions.

The price risk management services are offered to propane retailers and other related businesses through a variety of financial and other instruments including forward contracts involving physical delivery of propane, swap agreements, which require payments to (or receipt of payments from) counterparties based on the differential between a fixed and variable price for propane, options and other contractual arrangements.

We have recorded our trading activities at fair value in accordance with EITF No. 98-10, "Accounting for Contracts Involved in Energy Trading and Risk Management Activities." EITF No. 98-10 requires energy trading contracts to be recorded at fair value on the balance sheet, with the changes in fair value included in earnings.

We have no negative Enron exposure.

Notional Amounts and Terms

The notional amounts and terms of these financial instruments at March 31, 2002 include fixed price payor for 3.6 million and fixed price receiver for 4.2 million barrels.

Notional amounts reflect the volume of the transactions, but do not represent the amounts exchanged by the parties to the financial instruments. Accordingly, notional amounts do not accurately measure our exposure to market or credit risks.

Fair Value

The fair value of the financial instruments related to price risk management activities as of March 31, 2002 was assets of $8.9 million and liabilities of $4.6 million related to propane. All intercompany transactions have been appropriately eliminated. The market prices used to value these transactions reflect management's best estimate considering various factors including closing exchange and over-the-counter quotations, time value and volatility factors underlying the commitments. The values are adjusted to reflect the potential impact of liquidating our position in an orderly manner over a reasonable period of time under present market conditions.

Market and Credit Risk

Inherent in the resulting contractual portfolio are certain business risks, including market risk and credit risk. Market risk is the risk that the value of the portfolio will change, either favorably or unfavorably, in response to changing market conditions. Credit risk is the risk of loss from nonperformance by suppliers,

customers or financial counterparties to a contract. We take an active role in managing and controlling market and credit risk and has established control procedures, which are reviewed on an ongoing basis. We monitor market risk through a variety of techniques, including daily reporting of the portfolio's value to senior management. We attempt to minimize credit risk exposure through credit policies, periodic monitoring procedures and obtaining customer deposits on sales contracts. The counterparties associated with assets from price risk management activities as of March 31, 2002 were energy marketers.

General

We own and operate a rapidly growing retail and wholesale propane marketing and distribution business. Since our predecessor's inception in November 1996, we have acquired 13 propane companies for an aggregate purchase price of approximately $230 million, including working capital, assumed liabilities and acquisition costs. For a more detailed description of our predecessor, please read "Guide to Reading this Prospectus." For the fiscal year ended September 30, 2001, on a pro forma combined basis we sold approximately 117 million gallons of propane to retail customers and approximately 262 million gallons of propane to wholesale customers.

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. We market our propane products under six regional brand names: Bradley Propane, Country Gas, Hoosier Propane, McCracken, Pro Gas and IPC. We serve approximately 190,000 retail customers in Arkansas, Florida, Georgia, Illinois, Indiana, Michigan, North Carolina, Ohio, Oklahoma, South Carolina, Tennessee, Texas, Virginia and Wisconsin from 99 customer service centers which have an aggregate of approximately 6.2 million gallons of above-ground propane storage capacity. In addition to our retail business, we operate a wholesale supply, marketing and distribution business, providing propane procurement, transportation and supply and price risk management services to our customer service centers, as well as to independent dealers and multistate marketers and, to a lesser extent, selling propane as a standby fuel to industrial end users. We currently provide wholesale supply and distribution services to approximately 350 customers in 24 states, primarily in the Midwest and Southeast.

We have grown primarily through acquisitions of propane operations and, to a lesser extent, through internal growth. Since our initial acquisition of McCracken Oil & Propane Company in 1996, we have completed twelve additional acquisitions in North Carolina, Tennessee, Illinois, Indiana, Michigan and Texas. The following chart sets forth information about each company we have acquired:

Acquisition Date	Company(1)	Location
November 1996	McCracken Oil & Propane Company, LLC	Wake Forest, NC
December 1998	Wilson Oil Company of Johnston County, Inc.	Wilson's Mills, NC
December 1998	Ernie Lee Oil & LP Gas, LLC	Raleigh, NC
May 1999	Langston Gas & Oil Co., Inc.	Four Oaks, NC
July 1999	Castleberry's, Inc.	Smithfield, NC
August 1999	Rolesville Gas & Oil Company, Inc.	Raleigh, NC
October 1999	Bradley Propane, Inc.	Chattanooga, TN
November 1999	Butane-Propane Gas Company of Tenn., Inc.	Marion, TN
June 2000	Country Gas Company, Inc.	Crystal Lake, IL
November 2000	Bear-Man Propane	Hixson, TN
January 2001	Hoosier Propane Group	Kendallville, IN
November 2001	Pro Gas Companies	Muskegon, MI
December 2001	Independent Propane Company Holdings	Irving, TX

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(1) Name of acquired company as of acquisition date.

Recent Acquisitions

Independent Propane Company Acquisition and Related Transactions

In December 2001, we acquired the assets of IPC through an affiliate of our managing general partner for approximately $96.8 million, including approximately $7.5 million paid for net working capital.

IPC's principal business is the retail sale of propane, propane appliances and merchandise and parts and labor throughout its branch network in Texas, Oklahoma, Arkansas, Tennessee, South Carolina, Georgia, and Florida. For the twelve months ended September 30, 2001, IPC sold approximately 49.8 million retail gallons of propane to approximately 116,000 customers through its 44 branches and 24 satellite locations. For the twelve months ended September 30, 2001, IPC sold 74% of its volumes to individual homeowners, 20% to commercial accounts and 6% to agricultural customers.

In order to consummate the IPC acquisition, we and several of our affiliates entered into various transactions. IPCH Acquisition Corp., an affiliate of our managing general partner, borrowed approximately $27 million under a bridge facility financed by one of our lenders. $9.6 million of these loan proceeds was used to acquire 365,019 common units from us. IPCH Acquisition Corp. utilized these common units to provide a portion of the consideration paid to some of the former stockholders of IPC's parent corporation, including the selling unitholders in this offering. The balance of the loan proceeds of approximately $17.4 million was applied to the purchase price. Immediately thereafter, IPCH Acquisition Corp. sold, assigned and transferred its interest in IPC and certain rights under the IPC acquisition agreement and related escrow agreement to our operating company. In consideration for this sale, assignment and transfer, we issued to IPCH Acquisition Corp. 394,601 common units and paid $82.2 million in cash (including $9.6 million of cash received from the sale of 365,019 common units to IPCH Acquisition Corp.) and our operating company assumed $2.5 million of notes payable. We also issued 18,252 common units to members of IPC's management, who are current employees of our operating company, for approximately $0.5 million in cash.

Pro Gas Acquisition

In November 2001, we acquired the operations of Pro Gas for approximately $12.5 million, including working capital. The acquisition included six retail operations and three satellite bulk storage facilities in Michigan. For the twelve months ended September 30, 2001, Pro Gas delivered approximately 12.4 million gallons of propane to approximately 12,000 customers.

Industry Background and Competition

Propane, a by-product of natural gas processing and petroleum refining, is a clean-burning energy source recognized for its transportability and ease of use relative to alternative stand-alone energy sources. Our retail propane business consists principally of transporting propane to our customer service centers and other distribution areas and then to tanks located on our customers' premises. Retail propane falls into three broad categories: residential, industrial and commercial and agricultural. Residential customers use propane primarily for space and water heating. Industrial customers use propane primarily as fuel for forklifts and stationary engines, to fire furnaces, as a cutting gas, in mining operations and in other process applications. Commercial customers, such as restaurants, motels, laundries and commercial buildings, use propane in a variety of applications, including cooking, heating and drying. In the agricultural market, propane is primarily used for tobacco curing, crop drying, poultry brooding and weed control.

Propane is extracted from natural gas or oil wellhead gas at processing plants or separated from crude oil during the refining process. Propane is normally transported and stored in a liquid state under moderate pressure or refrigeration for ease of handling in shipping and distribution. When the pressure is released or the temperature is increased, it is usable as a flammable gas. Propane is colorless and odorless; an odorant is added to allow its detection. Propane is clean-burning, producing negligible amounts of pollutants when consumed.

The retail market for propane is seasonal because it is used primarily for heating in residential and commercial buildings. Approximately 75% of our retail propane volume is sold during the peak heating season from October through March. Consequently, sales and operating profits are generated mostly in the first and fourth calendar quarters of each year.

According to the American Petroleum Institute, the domestic retail market for propane is approximately 12.1 billion gallons annually. This represents approximately 5% of household energy consumption in the

United States. Propane competes primarily with natural gas, electricity and fuel oil as an energy source, principally on the basis of price, availability and portability. Propane is more expensive than natural gas on an equivalent BTU basis in locations served by natural gas, but serves as an alternative to natural gas in rural and suburban areas where natural gas is unavailable or portability of product is required. Historically, the expansion of natural gas into traditional propane markets has been inhibited by the capital costs required to expand pipeline and retail distribution systems. Although the extension of natural gas pipelines tends to displace propane distribution in areas affected, we believe that new opportunities for propane sales arise as more geographically remote neighborhoods are developed. Propane is generally less expensive to use than electricity for space heating, water heating, clothes drying and cooking. Although propane is similar to fuel oil in certain applications and market demand, propane and fuel oil compete to a lesser extent than propane and natural gas, primarily because of the cost of converting to fuel oil. The costs associated with switching from appliances that use fuel oil to appliances that use propane are a significant barrier to switching. By contrast, natural gas can generally be substituted for propane in appliances designed to use propane as a principal fuel source.

In addition to competing with alternative energy sources, we compete with other companies engaged in the retail propane distribution business. Competition in the propane industry is highly fragmented and generally occurs on a local basis with other large full-service multi-state propane marketers, smaller local independent marketers and farm cooperatives. Based on industry publications, we believe that the ten largest retailers account for less than 36% of the total retail sales of propane in the United States, and that no single marketer has a greater than 10% share of the total retail market in the United States. Most of our customer service centers compete with several marketers or distributors. Each customer service center operates in its own competitive environment because retail marketers tend to locate in close proximity to customers. Our typical customer service center generally has an effective marketing radius of approximately 25 miles, although in certain rural areas the marketing radius may be extended by a satellite location.

The ability to compete effectively further depends on the reliability of service, responsiveness to customers and the ability to maintain competitive prices. We believe that our safety programs, policies and procedures are more comprehensive than many of our smaller, independent competitors and give us a competitive advantage over such retailers. We also believe that our service capabilities and customer responsiveness differentiate us from many of these smaller competitors. Our employees are on call 24-hours and seven-days-a-week for emergency repairs and deliveries.

The wholesale propane business is highly competitive. Our competitors in the wholesale business include producers and independent regional wholesalers. We believe that our wholesale supply and distribution business provides us with a stronger regional presence and a reasonably secure, efficient supply base, and positions us well for expansion through acquisitions or start-up operations in new markets.

Retail propane distributors typically price retail usage based on a per gallon margin over wholesale costs. As a result, distributors generally seek to maintain their operating margins by passing costs through to customers, thus insulating themselves from volatility in wholesale propane prices. During periods of sudden price increases in propane at the wholesale level costs, distributors may be unable or unwilling to pass entire cost increases through to customers. In these cases, significant decreases in per gallon margins may result.

The propane distribution industry is characterized by a large number of relatively small, independently owned and operated local distributors. Each year a significant number of these local distributors have sought to sell their business for reasons that include retirement and estate planning. In addition, the propane industry faces increasing environmental regulations and escalating capital requirements needed to acquire advanced, customer-oriented technologies. Primarily as a result of these factors, the industry is undergoing consolidation, and we, as well as other national and regional distributors, have been active consolidators in the propane market. In recent years, an active, competitive market has existed for the acquisition of propane assets and businesses. We expect this acquisition market to continue for the foreseeable future.

Competitive Strengths

We believe that we are well-positioned to compete in the propane industry. Our competitive strengths include:

Proven Acquisition Expertise

Since our predecessor's inception, we have acquired and successfully integrated 13 propane companies with an aggregate purchase price of approximately $230 million, including seven propane distributors since September 1999. Our executive officers and key employees, who average more than 15 years experience in the propane industry, have developed business relationships with retail propane owners and businesses throughout the United States. These significant industry contacts have enabled us to negotiate all of our acquisitions on an exclusive basis. This acquisition expertise should allow us to continue to grow through strategic and accretive acquisitions. Our acquisition program will continue to seek:

- businesses in geographical areas experiencing higher-than-average population growth,
- established names with local reputations for customer service and reliability,
- high concentration of propane sales to residential customers, and
- the retention of key employees in acquired businesses.

Internal Growth

We consistently promote internal growth in our retail operations through a combination of marketing programs and employee incentives. We enjoy strong relationships with builders, mortgage companies and real estate agents which enable us to access customers as new residences are built. We also provide various financial incentives for customers who sign up for our automatic delivery program, including level payment, fixed price and price cap programs. We provide all customers with supply, repair and maintenance contracts and 24-hour customer service. Finally, we have instituted an employee bonus program and other incentives that foster an entrepreneurial environment by rewarding employees who expand revenues by attracting new customers while controlling costs. We intend to continue to aggressively seek new customers and promote internal growth through local marketing and service programs in our residential propane business.

Operations in High Growth Markets

A majority of our operations are concentrated in higher-than-average population growth areas, where natural gas distribution is not cost effective. These markets have experienced strong economic growth which has spurred the development of sizable, low density and relatively affluent residential communities which are significant consumers of propane. We intend to pursue acquisitions in similar high growth markets.

Regional Branding

We believe that our success in generating internal growth at our customer service centers results from our operation under established, locally recognized trade names. We attempt to capitalize on the reputation of the companies we acquire by retaining their local brand names and employees, thereby preserving the goodwill of the acquired business and fostering employee loyalty and customer retention. Employees at our local branches will continue to manage our marketing programs, new business development, customer service and customer billing and collections. Our employee incentive programs encourage efficiency and allow us to control costs at the corporate and field levels.

High Percentage of Retail Sales to Residential Customers

Our retail propane operations concentrate on sales to residential customers. Residential customers tend to generate higher margins and are generally more stable purchasers than other customers. For the fiscal year ended September 30, 2001, sales to residential customers represented approximately 72% of our retail propane

gallons sold and approximately 75% of our retail gross profits, on a pro forma combined basis. Although overall demand for propane is affected by weather and other factors, we believe that residential propane consumption is not materially affected by general economic conditions because most residential customers consider home space heating to be an essential purchase. In addition, we own approximately 65% of the propane tanks located at our customers' homes. In many states, fire safety regulations restrict the refilling of a leased tank solely to the propane supplier that owns the tank. These regulations, which require customers to switch propane tanks when they switch suppliers, help enhance the stability of our customer base because of the inconvenience and costs involved with switching tanks and suppliers.

Strong Wholesale Supply, Marketing and Distribution Business

One of our distinguishing strengths is our procurement and distribution expertise and capabilities. For the fiscal year ended September 30, 2001, on a pro forma combined basis we sold approximately 262 million gallons of propane on a wholesale basis to independent dealers and multistate marketers. These operations are significantly larger on a relative basis than the wholesale operations of most publicly traded propane businesses. We also provide transportation services to these distributors through our fleet of transport vehicles and price risk management services to our customers through a variety of financial and other instruments. Our wholesale business provides us with growing revenues as well as valuable market intelligence and awareness of potential acquisition opportunities. Because we sell on a wholesale basis to many residential and commercial retailers, we have an ongoing relationship with a large number of businesses that may be attractive acquisition opportunities for us. In addition, because of the scale of our wholesale purchases, we believe that we will have an adequate supply of propane to support our growing retail operations at prices which are generally available only to large wholesale purchasers. This purchasing scale and resulting expertise also helps us avoid shortages during periods of tight supply to an extent not generally available to other retail propane distributors. Moreover, the presence of our trucks serving our wholesale customers across the Midwest and Southeast allows us to take advantage of various pricing and distribution inefficiencies that exist in the market from time to time.

Flexible Financial Structure

Flexible Financial Structure. We have a $75.0 million revolving credit facility for acquisitions and a $50.0 million revolving working capital facility. Upon completion of this offering and our senior secured notes offering, we expect to have available capacity of approximately $60.0 million under our acquisition facility and approximately $49.0 million under our working capital facility. We believe our available capacity under these facilities combined with our ability to fund acquisitions through the issuance of additional partnership interests will provide us with a flexible financial structure that will facilitate our acquisition strategy.

Our primary objective is to increase distributable cash flow for our unitholders, while maintaining the highest level of commitment and service to our customers. We intend to pursue this objective by capitalizing on our competitive strengths.

Retail Operations

We currently distribute propane to approximately 190,000 retail customers in 14 states from 99 customer service centers. We market propane primarily in rural areas, but also have a significant number of customers in suburban areas where energy alternatives to propane such as natural gas are generally not available.

We market our propane primarily in the Southeast and Midwest regions of the United States and in Texas through our customer service centers using six regional brand names. The following table shows our customer service centers by state:

State	Number of Customer Service Centers
Arkansas	1
Florida	2
Georgia	4
Illinois	2
Indiana	10
Michigan	10
North Carolina	9
Ohio	2
Oklahoma	6
South Carolina	1
Tennessee	4
Texas	48
Total	99

From our customer service centers, we also sell, install and service equipment related to our propane distribution business, including heating and cooking appliances. Typical customer service centers consist of an office and service facilities, with one or more 12,000 to 30,000 gallon bulk storage tanks. Some of our customer service centers also have an appliance showroom. We have several satellite facilities that typically contain only large capacity storage tanks. We have approximately 6.2 million gallons of above-ground propane storage capacity at our customer service centers and satellite locations.

Retail deliveries of propane are usually made to customers by means of our fleet of bobtail and rack trucks. At May 1, 2002, we operated 385 bobtail and rack trucks. Propane is pumped from the bobtail truck, which generally holds 2,500 to 3,000 gallons, into a stationary storage tank at the customer's premises. The capacity of these tanks ranges from approximately 100 gallons to approximately 1,200 gallons, with a typical tank having a capacity of 100 to 300 gallons in milder climates and 500 to 1,000 gallons in colder climates. We also deliver propane to retail customers in portable cylinders, which typically have a capacity of five to 35 gallons. These cylinders are picked up and replenished at our distribution locations, then returned to the retail customer. To a limited extent, we also deliver propane to certain customers in larger trucks known as transports, which have an average capacity of approximately 10,000 gallons. At May 1, 2002, we operated 113 transports. These customers include industrial customers, large-scale heating accounts and large agricultural accounts.

During the fiscal year ended September 30, 2001, on a pro forma basis, approximately 31% and 69% of our propane sales by volume of gallons sold were to retail and wholesale customers, respectively. Our retail sales were comprised of approximately:

- 72% to residential customers;
- 20% to industrial and commercial customers; and
- 8% to agricultural customers.

Sales to residential customers during the fiscal year ended September 30, 2001, accounted for approximately 75% of our gross profit on retail propane sales, reflecting the higher-margin nature of this segment of the market. No single retail customer accounted for more than 1% of our pro forma revenue during the fiscal year ended September 30, 2001. No single wholesale customer accounted for more than 5% of our pro forma revenue for the same period.

Nearly half of our residential customers receive their propane supply under an automatic delivery program. Under the automatic delivery program, we deliver propane to our heating customers approximately six times during the year. We determine the amount of propane delivered based on weather conditions and historical consumption patterns. Our automatic delivery program eliminates the customer's need to make an affirmative purchase decision, promotes customer retention by ensuring an uninterrupted supply and enables us to efficiently route deliveries on a regular basis. We promote this program by offering level payment billing, discounts, fixed price options and price caps. In addition, we provide emergency service 24 hours a day, seven days a week, 52 weeks a year. Approximately 65% of our retail propane customers lease their tanks from us. In most states, due to fire safety regulations, a leased tank may only be refilled by the propane distributor that owns that tank. The inconvenience and costs associated with switching tanks and suppliers greatly reduces a customer's tendency to change distributors. Our tank lease programs are very valuable to us from the standpoint of retaining customers and maintaining profitability.

The propane business is very seasonal with weather conditions significantly affecting demand for propane. We believe that the geographic diversity of our areas of operations helps to minimize our exposure to regional weather. Although overall demand for propane is affected by climate, changes in price and other factors, we believe our residential and commercial business to be relatively stable due to the following characteristics: (i) residential and commercial demand for propane has been relatively unaffected by general economic conditions due to the largely non-discretionary nature of most propane purchases by our customers, (ii) loss of customers to competing energy sources has been low, (iii) the tendency of our customers to remain with us due to the product being delivered pursuant to a regular delivery schedule and to our ownership of approximately 65% of the storage tanks utilized by our customers and (iv) our ability to offset customer losses through internal growth of our customer base in existing markets. Since home heating usage is the most sensitive to temperature, residential customers account for the greatest usage variation due to weather. Variations in the weather in one or more regions in which we operate, however, can significantly affect the total volumes of propane we sell and the margins we realize and, consequently, our results of operations. We believe that sales to the commercial and industrial markets, while affected by economic patterns, are not as sensitive to variations in weather conditions as sales to residential and agricultural markets.

Wholesale Supply, Marketing and Distribution Operations

In addition to our core retail operations, we are also engaged in the wholesale marketing of propane to independent dealers, multi-state marketers and, to a lesser extent, local gas utilities that use propane as supplemental fuel to meet peak demand requirements. We currently provide wholesale supply, marketing and distribution services to 350 customers in 24 states, primarily in the Midwest and Southeast. On a pro forma basis, our wholesale supply, marketing and distribution operations accounted for approximately 61% of total volumes and 7% of our pro forma gross profit during the fiscal year ended September 30, 2001.

One of our distinguishing strengths is our procurement and distribution expertise and capabilities. For the fiscal year ended September 30, 2001, on a pro forma combined basis we sold approximately 262 million gallons of propane on a wholesale basis to independent dealers and multistate marketers. Because of the size of our wholesale operations, we have developed significant procurement and distribution expertise. This is partly the result of the unique background of our management team, which has significant experience in the procurement aspects of the propane business. We also offer transportation services to these distributors through our fleet of transport trucks and price risk management services to our customers through a variety of financial and other instruments. Our wholesale supply, marketing and distribution business provides us with a relatively stable and growing income stream as well as extensive market intelligence and acquisition opportunities. In addition, these operations provide us with more secure supplies and better pricing for our customer service centers. Moreover, the presence of our trucks across the Midwest and Southeast allows us to take advantage of various pricing and distribution inefficiencies that exist in the market from time to time.

Transportation Assets, Truck Fabrication and Maintenance

Our transportation assets are owned and operated by L&L Transportation, LLC, a wholly-owned subsidiary of our operating company. The transportation of propane requires specialized equipment. Propane trucks carry specialized steel tanks that maintain the propane in a liquefied state. As of May 1, 2002, we owned a fleet of 32 tractors, 82 transports, 351 bobtail and rack trucks and 249 other service and pick-up trucks. The average age of our trucks is between six and seven years. In addition to supporting our retail and wholesale propane operations, our trucks are used to deliver butane and ammonia for third parties and to distribute natural gas for various processors and refiners.

We own truck fabrication and maintenance facilities located in Waterloo, Indiana and additional maintenance facilities in Zephyrhills, Florida. We believe that our ability to build and maintain the trucks we use in our propane operations significantly reduces the costs we would otherwise incur in purchasing and maintaining our fleet of trucks. We also sell a limited number of trucks to third parties.

Supply

We obtain propane from over 50 vendors at approximately 85 locations. During the fiscal year ended September 30, 2001 on a pro forma basis, BP Amoco p.l.c., Louis Dreyfus Energy Services, L.P. and Exxon Mobil Corporation each accounted for approximately 11% of our volume of propane purchases. Most of these purchases were made under supply contracts that have a term of one year, are subject to annual renewal and provide various pricing formulas. No other single supplier accounted for more than 10% of our pro forma volume propane purchases for the fiscal year ended September 30, 2001. On May 1, 2002, we entered into a one-year contract with Sunoco, Inc. (R&M) to purchase all of its propane production at its Toledo, Ohio refinery, which is currently 62 million gallons. We believe that our diversification of suppliers will enable us to purchase all of our supply needs at market prices if supplies are interrupted from any of the sources without a material disruption of our operations.

We purchased approximately 90% of our propane supplies from domestic suppliers during the fiscal year ended September 30, 2001 on a pro forma basis. Our remaining purchases were from suppliers in Canada. During the fiscal year ended September 30, 2001 on a pro forma basis, we purchased approximately 55% of our propane supplies pursuant to contracts that have a term of one year; the balance of our purchases were made on the spot market. The percentage of our contract purchases varies from year to year. Supply contracts generally provide for pricing in accordance with posted prices at the time of delivery or the current prices established at major storage points, and some contracts include a pricing formula that typically is based on such market prices. Some of these agreements provide maximum and minimum seasonal purchase guidelines.

Propane is generally transported from refineries, pipeline terminals, storage facilities and marine terminals to our 175 storage facilities. We accomplish this by using our transports and contracting with common carriers, owner-operators and railroad tank cars. Our customer service centers and satellite locations typically have one or more 12,000 to 30,000 gallon storage tanks, generally adequate to meet customer usage requirements for seven days during normal winter demand. Additionally, we lease underground storage facilities from third parties under annual lease agreements.

We engage in risk management activities in order to reduce the effect of price volatility on our product costs and to help insure the availability of propane during periods of short supply. We are currently a party to propane futures transactions on the New York Mercantile Exchange and to forward and option contracts with various third parties to purchase and sell propane at fixed prices in the future. We monitor these activities through enforcement of our risk management policy.

Pricing Policy

Our pricing policy is an essential element in our successful marketing of propane. We base our pricing decisions on, among other things, prevailing supply costs, local market conditions and local management input.

We rely on our regional management to set prices based on these factors. Our local managers are advised regularly of any changes in the posted prices of our propane suppliers. We believe our propane pricing methods allow us to respond to changes in supply costs in a manner that protects our customer base and gross margins. In some cases, however, our ability to respond quickly to cost increases could occasionally cause our retail prices to rise more rapidly than those of our competitors, possibly resulting in a loss of customers.

Billing and Collection Procedures

We retain our customer billing and account collection responsibilities at the local level. We believe that this decentralized approach is beneficial for a number of reasons:

- customers are billed on a timely basis;
- customers are more apt to pay a local business;
- cash payments are received faster; and
- local personnel have current account information available to them at all times in order to answer customer inquiries.

Properties

We own 56 of our 99 customer service centers and lease the balance. Our headquarters in Kansas City, Missouri are leased. We operate bulk storage facilities at 175 locations and own 118 of the storage locations. We lease underground storage facilities with an aggregate capacity of approximately 23 million gallons of propane at eight locations under annual lease agreements. We also lease capacity in seven pipelines pursuant to annual lease agreements.

Tank ownership and control at customer locations are important components to our operations and customer retention. As of May 1, 2002, we owned the following:

- 286 bulk storage tanks with typical capacities of 12,000 to 30,000 gallons,
- approximately 119,000 stationary customer storage tanks with typical capacities of 100 to 1,200 gallons, and
- approximately 34,000 portable propane cylinders with typical capacities of up to 35 gallons.

We believe that we have satisfactory title or valid rights to use all of our material properties. Although some of these properties are subject to liabilities and leases, liens for taxes not yet due and payable, encumbrances securing payment obligations under non-competition agreements entered in connection with acquisitions and immaterial encumbrances, easements and restrictions, we do not believe that any of these burdens will materially interfere with our continued use of these properties in our business, taken as a whole. Our obligations under our borrowings are secured by liens and mortgages on all of our real and personal property.

In addition, we believe that we have, or are in the process of obtaining, all required material approvals, authorizations, orders, licenses, permits, franchises and consents of, and have obtained or made all required material registrations, qualifications and filings with, the various state and local governmental and regulatory authorities which relate to ownership of our properties or the operations of our business.

Trademark and Tradenames

We use a variety of trademarks and tradenames which we own, including "Inergy" and "Inergy Services." We believe that our strategy of retaining the names of the companies we acquire has maintained the local identification of such companies and has been important to the continued success of these businesses. Our most significant trade names are "Bradley Propane," "Country Gas," "Hoosier Propane," "McCracken,"

"Pro Gas" and "IPC." We regard our trademarks, tradenames and other proprietary rights as valuable assets and believe that they have significant value in the marketing of our products.

Employees

As of May 1, 2002, we had 654 full-time employees of which 87 were general and administrative and 567 were operational employees. We employed 28 part-time employees, all of whom were operational employees. None of our employees is a member of a labor union. We believe that our relations with our employees are satisfactory.

Government Regulation

We are subject to various federal, state and local environmental, health and safety laws and regulations related to our propane business as well as those related to our ammonia and butane transportation operations. Generally, these laws impose limitations on the discharge of pollutants and establish standards for the handling of solid and hazardous wastes. These laws generally include the Resource Conservation and Recovery Act, the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), the Clean Air Act, the Occupational Safety and Health Act, the Emergency Planning and Community Right to Know Act, the Clean Water Act and comparable state or local statutes. CERCLA, also known as the "Superfund" law, imposes joint and several liability without regard to fault or the legality of the original conduct on certain classes of persons that are considered to have contributed to the release or threatened release of a hazardous substance into the environment. While propane is not a hazardous substance within the meaning of CERCLA, other chemicals used in our operations may be classified as hazardous. These laws and regulations could result in civil or criminal penalties in cases of non-compliance or impose liability for remediation costs. To date, we have not received any notices in which we are alleged to have violated or otherwise incurred liability under any of the above laws and regulations.

For acquisitions that involve the purchase of real estate, we conduct a due diligence investigation to attempt to determine whether any substance has been sold from, or stored on, or released or spilled from any of that real estate prior to its purchase. This due diligence includes questioning the seller, obtaining representations and warranties concerning the seller's compliance with environmental laws and performing site assessments. During this due diligence our employees, and, in certain cases, independent environmental consulting firms, review historical records and databases and conduct physical investigations of the property to look for evidence of hazardous substance contamination, compliance violations and the existence of underground storage tanks.

National Fire Protection Association Pamphlets No. 54 and No. 58, which establish rules and procedures governing the safe handling of propane, or comparable regulations, have been adopted as the industry standard in all of the states in which we operate. In some states these laws are administered by state agencies, and in others they are administered on a municipal level. Regarding the transportation of propane, ammonia and butane by truck, we are subject to regulations promulgated under the Federal Motor Carrier Safety Act. These regulations cover the transportation of hazardous materials and are administered by the United States Department of Transportation. We conduct ongoing training programs to help ensure that our operations are in compliance with applicable regulations. We maintain various permits that are necessary to operate some of our facilities, some of which may be material to our operations. Management believes that the procedures currently in effect at all of our facilities for the handling, storage and distribution of propane and the transportation of ammonia and butane are consistent with industry standards and are in compliance in all material respects with applicable laws and regulations.

On August 18, 1997, the U.S. Department of Transportation published its Final Rule for Continued Operation of the Present Propane Trucks. This final rule is intended to address perceived risks during the transfer of propane and required certain immediate changes in industry operating procedures, including retrofitting all propane delivery trucks. We, as well as the National Propane Gas Association and the propane

industry in general, believe that the Final Rule for Continued Operation of the Present Propane Trucks cannot practicably be complied with in its current form. On October 15, 1997, five of the principal multi-state propane marketers, all of whom were unrelated to us, filed an action against the U.S. Department of Transportation in the United States District Court for the Western District of Missouri seeking to enjoin enforcement of the Final Rule for Continued Operation of the Present Propane Trucks. On February 13, 1998, the Court issued a preliminary injunction prohibiting the enforcement of this final rule pending further action by the Court. This suit is still pending. In addition, Congress passed, and on October 21, 1998, the President of the United States signed, the FY 1999 Transportation Appropriations Act, which included a provision restricting the authority of the U.S. Department of Transportation from enforcing specific provisions of the Final Rule for Continued Operation of the Present Propane Trucks. At this time, Inergy cannot determine the likely outcome of the litigation or the proposed legislation or what the ultimate long-term cost of compliance with the Final Rule for Continued Operation of the Present Propane Trucks will be to Inergy and the propane industry in general.

Future developments, such as stricter environmental, health or safety laws and regulations could affect our operations. It is not anticipated that our compliance with or liabilities under environmental, health and safety laws and regulations, including CERCLA, will have a material adverse effect on us. To the extent that we do not know of any environmental liabilities, or environmental, health or safety laws, or regulations are made more stringent, there can be no assurance that our results of operations will not be materially and adversely affected.

Litigation

Our operations are subject to all operating hazards and risks normally incidental to handling, storing, transporting and otherwise providing for use by consumers of combustible liquids such as propane. As a result, at any given time we are a defendant in various legal proceedings and litigation arising in the ordinary course of business. We maintain insurance policies with insurers in amounts and with coverages and deductibles as the managing general partner believes are reasonable and prudent. However, we cannot assure that this insurance will be adequate to protect us from all material expenses related to potential future claims for personal and property damage or that these levels of insurance will be available in the future at economical prices. In addition, the occurrence of an explosion may have an adverse effect on the public's desire to use our products.

Our Managing General Partner Manages Inergy, L.P.

Our managing general partner manages our operations and activities. Our managing general partner is not elected by our unitholders and will not be subject to re-election on a regular basis in the future. Our managing general partner may be removed by our unitholders under the circumstances described under "The Partnership Agreement." Unitholders do not directly or indirectly participate in our management or operation. Please see "The Partnership Agreement--Limited Liability" for a discussion of actions that might be deemed to constitute participation in the control of our business. Our managing general partner owes a fiduciary duty to the unitholders. Our managing general partner is liable, as a general partner, for all of our debts (to the extent not paid from our assets), except for specific non recourse indebtedness or other obligations. Whenever possible, our managing general partner intends to incur indebtedness or other obligations that are non-recourse.

Our managing general partner may appoint two independent directors to serve on a conflicts committee to review specific matters which the board of directors believes may involve conflicts of interest. A conflicts committee will determine if the resolution of any conflict of interest submitted to it is fair and reasonable to us. The members of the conflicts committee must meet the independence standards to serve on an audit committee of a board of directors established by the Nasdaq Stock Market and certain other requirements. Any matters approved by the conflicts committee will be conclusively deemed to be fair and reasonable to us, approved by all of our partners, and not a breach by our managing general partner of any duties it may owe us or our unitholders. For more information relating to conflicts of interest that may arise, please read "Conflicts of Interest and Fiduciary Responsibilities." Two members of the board of directors also serve on a compensation committee, which oversees compensation decisions for the officers of Inergy GP, LLC as well as the compensation plans described below. The members of the compensation committee are Richard C. Green, Jr. and David J. Schulte. In addition, three members of the board of directors serve on an audit committee which reviews our external financial reporting, recommends engagement of our independent auditors and reviews procedures for internal auditing and the adequacy of our internal accounting controls. The members of the audit committee must meet the independence standards established by the Nasdaq Stock Market. The members of the audit committee are Warren H. Gfeller, Richard C. Green, Jr. and David J. Schulte.

As is commonly the case with publicly-traded limited partnerships, we are managed and operated by the officers and are subject to the oversight of the directors of our managing general partner. Effective January 1, 2002 all employees of our general partners became employees of our operating company.

The board of directors of the managing general partner is presently composed of five directors.

Directors and Executive Officers of Inergy GP, LLC

The following table sets forth certain information with respect to the executive officers and members of the board of directors of our managing general partner. Executive officers and directors will serve until their successors are duly appointed or elected.

Executive Officers and Directors	Age	Position with the Managing General Partner
John J. Sherman.....	47	President, Chief Executive Officer and Director
Phillip L. Elbert.....	44	Executive Vice President--Operations and Director
R. Brooks Sherman Jr. ..	36	Vice President and Chief Financial Officer
Carl A. Hughes.....	48	Vice President--Business Development
Michael D. Fox.....	45	Vice President--Wholesale Marketing
William C. Gautreaux....	39	Vice President--Supply
Richard C. Green, Jr. ..	47	Director
Warren H. Gfeller.....	49	Director
David J. Schulte.....	41	Director

John J. Sherman. Mr. Sherman has been the President, Chief Executive Officer and a director of our managing general partner since March, 2001, and of our predecessor from 1997 until July, 2001. Prior to joining our predecessor, he was a vice president with Dynegy, Inc. from 1996 through 1997. He was responsible for all downstream propane marketing operations, which at the time were the country's largest. From 1991 through 1996, Mr. Sherman was the president of LPG Services Group, Inc., a company he co-founded and grew to become one of the nation's largest wholesale marketers of propane before Dynegy acquired LPG Services in 1996. From 1984 through 1991, Mr. Sherman was a vice president and member of the management committee of Ferrellgas, which is one of the country's largest retail propane marketers.

Phillip L. Elbert. Mr. Elbert has served as the Executive Vice President--Operations of our managing general partner since March 2001. He joined our predecessor as Executive Vice President--Operations in connection with our acquisition of the Hoosier Propane Group in January 2001. Mr. Elbert joined the Hoosier Propane Group in 1992 and was responsible for overall operations, including Hoosier's retail, wholesale, and transportation divisions. From 1987 through 1992, he was employed by Ferrellgas, serving in a number of management positions relating to retail, transportation and supply. Prior to joining Ferrellgas, he was employed by Buckeye Gas Products, a large propane marketer, from 1981 to 1987.

R. Brooks Sherman Jr. Mr. Brooks Sherman (no relation to Mr. John Sherman) has served as the Vice President and Chief Financial Officer of our managing general partner since March 2001. He joined our predecessor in December 2000 as Vice President and Chief Financial Officer. From 1999 until joining our predecessor, he served as chief financial officer of MCM Capital Group. From 1996 through 1999, Mr. Sherman was employed by National Propane Partners, a publicly traded master limited partnership, first as its controller and chief accounting officer and subsequently as its chief financial officer. From 1995 to 1996, Mr. Sherman served as chief financial officer for Berthel Fisher & Co. Leasing Inc. and prior to 1995, Mr. Sherman was in public accounting with Ernst & Young and KPMG Peat Marwick.

Carl A. Hughes. Mr. Hughes has served as the Vice President of Business Development of our managing general partner since March 2001. He joined our predecessor as Vice President of Business Development in 1998. From 1996 through 1998, he served as a regional manager for Dynegy, Inc., responsible for propane activities in 17 midwest and northeastern states. From 1993 through 1996, Mr. Hughes served as a regional marketing manager for LPG Services Group. From 1985 through 1992, Mr. Hughes was employed by Ferrellgas where he served in a variety of management positions.

Michael D. Fox. Mr. Fox has served as the Vice President of Wholesale Marketing Operations of our managing general partner since March 2001. He joined our predecessor in 1998 as Vice President of Wholesale Marketing Operations. From 1996 through 1998, he served as a regional manager with Dynegy, Inc., responsible for wholesale propane marketing activities in nine southeastern states. From 1992 through 1996, he served as regional marketing manager for LPG Services Group, Inc. From 1985 through 1991, Mr. Fox was employed by Ferrellgas where he served in a variety of sales and marketing positions.

William C. Gautreaux. Mr. Gautreaux has served as the Vice President of Supply of our managing general partner since March 2001. He joined our predecessor in 1998 as Vice President of Supply. From 1996 through 1998, he served as a managing director for Dynegy, Inc., responsible for bulk natural gas liquids marketing and risk management. Mr. Gautreaux was a co-founder of LPG Services Group, Inc. and served as its vice president of supply from 1991 through 1996. From 1985 through 1991, Mr. Gautreaux was employed by Ferrellgas where he served as a regional manager in the company's wholesale supply logistics division.

Richard C. Green, Jr. Mr. Green has been a member of our managing general partner's board of directors since March 2001. He was a member of our predecessor's board of directors since January 2001 until July 2001. He currently serves as chairman and chief executive officer of Aquila, Inc., a Fortune 100 global energy services company. Mr. Green is currently a special limited partner of Kansas City Equity Partners and

has previously served as its president and chairman of its advisory board. He also serves as a director of Aquila, Inc., BHA Group, Inc. and Yellow Corp.

Warren H. Gfeller. Mr. Gfeller has been a member of our managing general partner's board of directors since March 2001. He was a member of our predecessor's board of directors since January 2001 until July 2001. He has engaged in private investments since 1991. From 1985 to 1991, Mr. Gfeller served as president and chief executive officer of Ferrellgas, Inc., a retail and wholesale marketer of propane and other natural gas liquids. Mr. Gfeller began his career with Ferrellgas in 1983 as an executive vice president and financial officer. He also serves as a director of Zapata Corporation.

David J. Schulte. Mr. Schulte has been a member of our managing general partner's board of directors since March 2001. He was a member of our predecessor's board of directors since January 2001 until July 2001. He has been a managing director of private equity firm Kansas City Equity Partners since 1994, focusing on industries undergoing consolidation. Prior to joining Kansas City Equity Partners, Mr. Schulte was an investment banker with Fahnestock & Co. from 1988 to 1994. He is a member of the AICPA and the Missouri Bar Association. He also serves as a director of Elecsys Corp.

Reimbursement of Expenses of the Managing General Partner

The managing general partner does not receive any management fee or other compensation for its management of Inergy, L.P. The managing general partner and its affiliates are reimbursed for expenses incurred on our behalf. These expenses include the costs of employee, officer and director compensation and benefits properly allocable to Inergy, L.P. and all other expenses necessary or appropriate to the conduct of the business of, and allocable to, Inergy, L.P. The partnership agreement provides that the managing general partner will determine the expenses that are allocable to Inergy, L.P. in any reasonable manner determined by the managing general partner in its sole discretion.

Compensation of Directors

Officers or employees of the managing general partner who also serve as directors will not receive additional compensation. In connection with our initial public offering, each non-employee director received an option under our long term incentive plan for 22,200 common units at an exercise price equal to the initial public offering price. In addition, each director receives cash compensation of $18,000 per year for attending our regularly scheduled quarterly board meetings. Each non-employee director receives $1,000 for each special meeting of the board of directors attended. Non-employee directors receive $500 per compensation or audit committee meeting attended and $1,000 per conflicts committee meeting attended. Each non-employee director is reimbursed for out-of-pocket expenses in connection with attending meetings of the board of directors or committees. Each director is fully indemnified for actions associated with being a director to the extent permitted under Delaware law.

Executive Compensation

The following table sets forth for the periods indicated, the compensation paid or accrued by Inergy, L.P., its predecessor and our managing general partner to the chief executive officer of our managing general partner and five other executive officers (collectively, the "named executive officers") for services rendered to Inergy, L.P. and its subsidiaries.

		Annual Compensation			Long Term Compensation Awards	
Name and Principal Position	Fiscal Year	Salary(1)	Bonus	Other Annual Compensation(2)	Securities Underlying Options	All Other Compensation(3)
John. J. Sherman.....	2001	$175,000	$200,000	$5,161	--	$ --
President and Chief	2000	$150,000	$ --	$6,614	--	$ --
Executive Officer	1999	$150,000	$ --	$ 590	--	$ --
Phillip L. Elbert.....	2001	$115,160	$112,500	$7,464	55,500	$ --
Executive Vice President	2000	$ --	$ --	$ --	--	$ --
Operations	1999	$ --	$ --	$ --	--	$ --
R. Brooks Sherman, Jr...	2001	$ 98,958	$158,333	$ 730	27,750	$63,275
Vice President and	2000	$ --	$ --	$ --	--	$ --
Chief Financial Officer	1999	$ --	$ --	$ --	--	$ --
Carl A. Hughes.....	2001	$ 97,917	$228,320	$9,212	38,850	$ --
Vice President--	2000	$ 75,000	$111,159	$9,864	--	$ --
Business Development	1999	$ 75,000	$ --	$ 590	--	$ --
William C. Gautreaux....	2001	$108,542	$244,000	$9,093	27,750	$ --
Vice President--	2000	$ 80,000	$ 76,411	$7,425	--	$ --
Supply	1999	$ 42,000	$ --	$ --	--	$ --
Michael D. Fox.....	2001	$ 97,917	$130,000	$7,719	27,750	$ --
Vice President--	2000	$ 75,000	$ 37,847	$8,437	--	$ --
Wholesale Marketing Operations	1999	$ 53,125	$ 24,011	$ --	--	$ --

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(1) Salaries for Mr. Phil Elbert and Mr. Brooks Sherman in fiscal 2001 represent the pro rata portion of their annual salaries from the dates of the beginning of their employment with Inergy on January 12, 2001 and December 3, 2000, respectively.

(2) Excludes perquisites and other benefits, unless the aggregate amount of such compensation is equal to the lesser of either $50,000 or 10% of the total of annual salary and bonus reported for the named executive officer.

(3) "All Other Compensation" for Mr. Brooks Sherman in fiscal 2001 represents reimbursement of relocation expenses.

Option Grants in Last Fiscal Year

The following table sets forth information concerning grants of unit options to the named executive officers for the year ended September 30, 2001:

	Individual Grants					
	Number of Securities Underlying Options Granted(3)	Percent of Total Options Granted to Employees in Fiscal Year	Exercise or Base Price ($/Share)(1)	Expiration Date	Potential Realizable Value at Assumed Annual Rates of Unit Price Appreciation for Option Term (2) 5%	10%
John J. Sherman.....	--	--	--	--	--	--
Phillip L. Elbert.....	55,500	18%	$22.00	July 31, 2011	$767,880	$1,945,960
R. Brooks Sherman, Jr...	27,750	9%	$22.00	July 31, 2011	$383,940	$ 972,980
Carl. A. Hughes.....	38,850	13%	$22.00	July 31, 2011	$537,516	$1,362,172
William C. Gautreaux....	27,750	9%	$22.00	July 31, 2011	$383,940	$ 972,980
Michael D. Fox.....	27,750	9%	$22.00	July 31, 2011	$383,940	$ 972,980

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(1) All grants were made at 100% of the fair market value as of the grant date.
(2) The dollar amounts under these columns are the result of calculations at the 5% and 10% assumed annual growth rates mandated by the SEC and, therefore, are not intended to forecast possible future appreciation, if any, in the unit price. The calculations were based on the exercise prices and the 10-year term of the options. No gain to the optionees is possible without an increase in unit price which will benefit all unitholders proportionately.
(3) These options generally vest in proportion to the conversion of senior subordinated units into common units and are subject to forfeiture in certain cases if the executive officer retires or is terminated for cause prior to the expiration of five years from the date of the grant.

Aggregated Option/SAR Exercises in last Fiscal Year and September 30, 2001 Option Values

The following table sets forth information concerning the number and value of exercisable and unexercisable unit options held by the named executive officers as of September 30, 2001.

			Number of Securities Underlying Unexercised Options at September 30, 2001		Value of Unexercised In-the-Money Options at September 30, 2001(1)	
Name	Units Acquired on Exercise	Value Realized	Exercisable	Unexercisable	Exercisable	Unexercisable
John J. Sherman.....	--	--	--	--	--	--
Phillip L. Elbert.....	--	--	--	55,500	--	$219,225
R. Brooks Sherman, Jr.	--	--	--	27,750	--	$109,613
Carl A. Hughes.....	--	--	--	38,850	--	$153,458
William C. Gautreaux....	--	--	--	27,750	--	$109,613
Michael D. Fox.....	--	--	--	27,750	--	$109,613

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(1) Based on the $25.95 per unit fair market value of our common units on September 28, 2001, the last trading day of fiscal 2001, less the option exercise price.

Employment Agreements

The following executive officers have entered into employment agreements with the managing general partner:

- John J. Sherman, President and Chief Executive Officer;
- Phillip L. Elbert, Executive Vice President--Retail Operations;
- R. Brooks Sherman, Jr., Vice President--Chief Financial Officer;
- Carl A. Hughes, Vice President--Business Development;
- Michael D. Fox, Vice President--Wholesale Marketing; and
- William C. Gautreaux, Vice President--Supply Logistics and Risk Management.

The following is a summary of the material provisions of these employment agreements, copies of which have been filed as exhibits to the registration statement relating to this prospectus.

All of these employment agreements are substantially similar, with certain exceptions as set forth below. Except for Mr. Brooks Sherman, whose employment agreement is for a term of three years, the employment agreements are for terms of five years. The annual salaries for these individuals are as follows:

- John J. Sherman..... $250,000
- Phillip L. Elbert..... $200,000
- R. Brooks Sherman Jr..... $150,000
- Carl A. Hughes..... $125,000
- Michael D. Fox..... $125,000
- William C. Gautreaux..... $135,000

These employees will be reimbursed for all expenses in accordance with the managing general partner's policies. They are also eligible for fringe benefits normally provided to other members of executive management and any other benefits agreed to by the managing general partner. Each of these employees is eligible to participate in the Inergy Long Term Incentive Plan.

Each of these individuals (other than Mr. John Sherman) will be entitled to performance bonuses ranging from approximately $18,750 to $200,000 upon our attaining certain levels of distributable cash flow on an annual basis for each year during the term of his employment.

The employment agreements provide for additional bonuses conditioned upon the conversion of subordinated units into common units. Messrs. Fox, Gautreaux and Hughes will be entitled to bonuses in the amounts of $300,000, $300,000 and $400,000, respectively, at the end of the subordination period for the junior subordinated units. Messrs. Brooks Sherman and Elbert will be entitled to bonuses in the amounts of $200,000 and $500,000, respectively, payable upon, and in the same proportion as the conversion of senior and junior subordinated units into common units. Finally, Mr. John Sherman may receive performance bonuses at the discretion of the board of directors and will be entitled to a bonus in the amount of $625,000 at the end of the subordination period for the junior subordinated units.

Unless waived by the managing general partner, in order for any of these individuals to receive any benefits under (i) the Inergy Long Term Incentive Plan, (ii) the performance bonus based on target distributable cash flow, or (iii) the bonus tied to the expiration of the subordination period for the junior subordinated units, the individual must have been continuously employed by the managing general partner or one of our affiliates from the date of his employment agreement up to the date for determining eligibility to receive such amounts.

Each employment agreement contains confidentiality and noncompetition provisions. Also, each employment agreement contains a disclosure and assignment of inventions clause that requires the employee to disclose the existence of any invention and assign such employee's right in such invention to the managing general partner.

With respect to Mr. John Sherman, Mr. Elbert, Mr. Brooks Sherman, Mr. Hughes, Mr. Fox and Mr. Gautreaux, in the event that the managing general partner terminates such person's employment without cause, the managing general partner will be required to continue making payments to such person for the remainder of the term of such person's employment agreement.

In addition to his employment agreement, Mr. Elbert has entered into an option contract with Inergy Holdings whereby Inergy Holdings has granted Mr. Elbert the right and option to invest in Inergy Holdings an aggregate of $2,292,000, subject to adjustment, for a percentage interest in Inergy Holdings equal to 7.1%, subject to adjustment.

Pursuant to the partnership agreement, we will reimburse the managing general partner for all expenses of the employment of these individuals related to our activities.

Long-Term Incentive Plan

An affiliate of our managing general partner has adopted the Inergy Long-Term Incentive Plan for employees, consultants and directors of the managing general partner and employees and consultants of its affiliates who perform services for us. The summary of the long-term incentive plan contained herein does not purport to be complete but outlines its material provisions. The long-term incentive plan currently permits the grant of awards covering an aggregate of 589,000 common units which are granted in the form of unit options and/or restricted units; however not more than 192,000 restricted units may be granted under the plan. The plan is administered by the compensation committee of the managing general partner's board of directors.

Restricted Units. A restricted unit is a "phantom" unit that entitles the grantee to receive a common unit upon the vesting of the restricted unit, or in the discretion of the compensation committee, cash equivalent to the value of a common unit. The compensation committee may make grants under the plan to employees and directors containing such terms as the compensation committee shall determine under the plan. In general, restricted units granted to employees will vest three years from the date of grant; provided, however, that restricted units will not vest before the conversion of any senior subordinated units and will only vest upon, and in the same proportion as, the conversion of senior subordinated units into common units. In addition, the restricted units will vest upon a change of control of the managing general partner or us.

If a grantee's employment or membership on the board of directors terminates for any reason, the grantee's restricted units will be automatically forfeited unless, and to the extent, the compensation committee provides otherwise. Common units to be delivered upon the vesting of restricted units may be common units acquired by the managing general partner in the open market, common units already owned by the managing general partner, common units acquired by the managing general partner directly from us or any other person or any combination of the foregoing. The managing general partner will be entitled to reimbursement by us for the cost incurred in acquiring common units. If we issue new common units upon vesting of the restricted units, the total number of common units outstanding will increase. Following the subordination period, the compensation committee, in its discretion, may grant tandem distribution equivalent rights with respect to restricted units. Distribution equivalent rights entitle the holder to receive "distributions" with respect to the restricted unit in the same amount as if the holder owned a common unit.

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

Unit Options. The long-term incentive plan currently permits the grant of options covering common units. The compensation committee may, in the future, determine to make grants under the plan to employees and directors containing such terms as the committee shall determine. Unit options will have an exercise price equal to the fair market value of the units on the date of grant. In general, unit options granted will become exercisable over a period determined by the compensation committee; provided, however, that with the exception of approximately 28,000 unit options granted under the plan to non-executive officers in exchange for option grants in our predecessor, unit options will not vest before the conversion of any senior subordinated units and will only vest upon, and in the same proportion as, the conversion of senior subordinated units into common units. In addition, the unit options will become exercisable upon a change of control of the managing general partner or us. Generally, unit options will expire after 10 years.

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

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

Unit Purchase Plan

Our managing general partner has adopted a unit purchase plan for employees of the managing general partner and its affiliates. The unit purchase plan permits participants to purchase common units in market transactions, from us, our general partners or any other person. We currently expect such purchases to occur primarily in market transactions, although our plan allows us to issue additional units. We have reserved 50,000 units for purchase under the unit purchase plan. Pursuant to the unit purchase plan, the managing general partner has agreed to pay the brokerage commissions, transfer taxes and other transaction fees associated with a participant's purchase of common units in market transactions and will reimburse to each participant an amount up to 10% of the costs of such units. The maximum amount that a participant may be reimbursed with respect to unit purchases in any calendar year may not exceed 10% of his or her base salary or wages for the year. Further, if any participant sells or otherwise disposes of units for which he or she has been reimbursed under this plan, the participant will thereafter be precluded from participating in the unit purchase plan. The unit purchase plan is intended to serve as a means for encouraging participants to invest in our common units.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table shows the beneficial ownership of units of Inergy, L.P. as of May 23, 2002 held by:

- each person who beneficially owns more than 5% of any of such units then outstanding,
- each of the named executive officers of our managing general partner,
- all of the directors of our managing general partner, and
- all of the directors and executive officers of our managing general partner as a group.

Name of Beneficial Owner(1)	Common Units Beneficially Owned	Percentage of Common Units Beneficially Owned	Senior Subordinated Units Beneficially Owned	Percentage of Senior Subordinated Units Beneficially Owned	Junior Subordinated Units Beneficially Owned	Percentage of Junior Subordinated Units Beneficially Owned	Percentage of Total Units Beneficially Owned
Inergy Holdings, LLC (2)	404,601	15.5%	959,954	29.0%	507,063	88.6%	28.8%
Country Partners, Inc. (3) 4010 Highway 14 Crystal Lake, IL 60014	--	--	409,091	12.3%	--	--	6.3%
KCEP Ventures II, L.P. (4) 253 West 47th Street Kansas City, MO 64112	--	--	395,454	11.9%	--	--	6.1%
Hoosier Propane Group (5) P.O. Box 9 Kendallville, IN 46755	--	--	336,456	10.2%	--	--	5.2%
J.P. Morgan Partners (SBIC) LLC 1221 Avenue of the Americas, 39th Floor New York, NY 10020	314,671	12.0%	--	--	--	--	4.8%
Rocky Mountain Mezzanine Fund (6) 1125 17th Street Suite 2260 Denver, CO 80202	--	--	241,818	7.3%	--	--	3.7%
John J. Sherman (7)	404,601	15.5%	959,954	29.0%	507,063	88.6%	28.8%
Phillip L. Elbert (5)	9,000	*	--	--	--	--	*
R. Brooks Sherman Jr.	1,000	*	--	--	--	--	*
Carl A. Hughes	--	--	--	--	--	--	--
Michael D. Fox	--	--	--	--	--	--	--
William C. Gautreaux	12,200	*	--	--	--	--	*
Richard C. Green, Jr. (8)	--	--	31,818	1.0%	--	--	*
Warren H. Gfeller (9)	--	--	6,364	*	--	--	*
David J. Schulte (4)	875	*	395,454	11.9%	--	--	6.1%
All directors and executive officers as a group (9 persons)	427,676	16.3%	1,393,590	42.1%	507,063	88.6%	35.8%

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* less than 1%

(1) Unless otherwise indicated, the address of each person listed above is: 1101 Walnut, Suite 1500, Kansas City, Missouri 64106. All persons listed have sole voting power and investment power with respect to their units unless otherwise indicated.
(2) The senior and junior subordinated units indicated as beneficially owned by Inergy Holdings are held by New Inergy Propane, LLC, a wholly-owned subsidiary of Inergy Partners, LLC and an indirect subsidiary of Inergy Holdings. The common units indicated as beneficially owned by Inergy Holdings are held by Inergy Partners, LLC (10,000 units) and IPCH Acquisition Corp. (394,601 units), a wholly-owned subsidiary of Inergy Holdings.
(3) Country Partners, Inc. (formerly Country Gas Company, Inc.) is controlled by Arlene Peterson and the the estate of Leonard Peterson.
(4) KCEP Ventures II, LP ("KCEP II") owns 395,454 senior subordinated units. KCEP II is a Missouri limited partnership. Mr. Schulte in his capacity as a managing director of KCEP II may be deemed to beneficially own these units. Mr. Green is a special limited partner in KCEP II. Both Mr. Schulte and Mr. Green disclaim beneficial ownership of these units.
(5) The Hoosier Propane Group consisted of Domex, Inc., Investors, Inc. and L&L Leasing, Inc., each of which was merged into DIL, Inc. (collectively, the "Hoosier Entities"). Each of Jerry Boman, Glen Cook and Wayne Cook own 31.8% of the Hoosier Entities. Mr. Elbert, one of our executive officers, holds the remaining ownership interest in the Hoosier Entities. He disclaims beneficial ownership of the units held by the Hoosier Entities.
(6) Edward C. Brown in his capacity as managing partner of Rocky Mountain Capital Partners, LLP, the general partner of Rocky Mountain Mezzanine Fund, may be deemed to beneficially own these units.
(7) Mr. Sherman holds an ownership interest in and has voting control of Inergy Holdings, as indicated in the following table.
(8) Mr. Green in his capacity as a general partner of RNG Investments, LP, a Delaware limited partnership ("RNG Investments"), may be deemed to beneficially own 31,818 senior subordinated units held by RNG Investments.
(9) Mr. Gfeller in his capacity as managing member of Clayton-Hamilton, LLC may be deemed to beneficially own 6,364 units held by Clayton-Hamilton.

The following table shows the beneficial ownership as of May 23, 2002 of Inergy Holdings, LLC of the directors and executive officers of the managing general partner. As reflected above, Inergy Holdings owns our managing general partner, non-managing general partner, the incentive distribution rights and, through a subsidiary, approximately 24% of our outstanding units.

Name of Beneficial Owner (1)	Inergy Holdings, LLC Percent of Class (2)
John J. Sherman	66.7%
Phillip L. Elbert(3)	--
R. Brooks Sherman Jr	--
Carl A. Hughes	8.3
Michael D. Fox	8.3
William C. Gautreaux	8.3
Richard C. Green, Jr.	--
Warren H. Gfeller	--
David J. Schulte	--
All directors and executive officers as a group (9 persons) (3)	91.6%

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(1) The address of each person listed above is 1101 Walnut, Suite 1500, Kansas City, Missouri 64106.

(2) The ownership of Inergy Holdings has not been certificated. As of the date of this prospectus, voting rights attach only to Mr. John Sherman's ownership interest. In the event Mr. John Sherman's ownership fails to exceed 50%, the remaining owners of Inergy Holdings will acquire voting rights in proportion to the ownership interest.

(3) Mr. Elbert holds an option to acquire 7.7% of Inergy Holdings, which option is subject to the terms of the Inergy Holdings, LLC Employee Option Plan. The option vests fully at the end of five years and upon a sale of control as defined in the plan. The option vests 20% each year in the event Mr. Elbert's employment terminates as a result of his death, disability or termination without cause (as defined in Mr. Elbert's employment agreement). Mr. Elbert's option expires on January 12, 2011. In the event Mr. Elbert exercises his option, the respective ownership interests of the persons listed above will be reduced on a pro rata basis.

SELLING UNITHOLDERS

The following table shows the beneficial ownership of common units held by the selling unitholders as of May 23, 2002 and to be held following the offering. Each of the selling unitholders acquired its common units in connection with the IPC acquisition. Please read "Business--Recent Acquisitions."

Name of Selling Unitholder	Common Units Beneficially Owned Prior to this Offering		Units Offered in this Offering	Common Units Beneficially Owned Following this Offering	
	Number	Percentage Owned		Number	Percentage Owned
JP Morgan Partners (SBIC), LLC.... 1221 Avenue of the Americas 39th Floor New York, NY 10020	314,671	12.0%	314,671	--	0.0%
Heller Financial, Inc. ..... 500 West Monroe Street 17th Floor Chicago, IL 60661	12,587	*	12,587	--	0.0%
Triad Ventures Limited II, L.P. .. 4600 Post Oak Place No. 100 Houston, TX 77027	12,587	*	12,587	--	0.0%
Summit Capital, Inc. ..... 600 Travis Suite 6110 Houston, TX 77002	10,069	*	4,825	5,244	*
Stephen Boane..... 9333 Memorial Drive Suite 116 Houston, TX 77024	378	*	378	--	0.0%
Summit Capital Group, LLC..... 600 Travis Suite 6110 Houston, TX 77002	315	*	151	164	*
John L. Long, Jr. ..... 2600 Via Fortuna Suite 150 Austin, TX 78746	126	*	60	66	*
Total.....	350,733	13.4%	345,259	5,474	*

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* less than 1%

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Related Party Transactions

1999 KCEP Investment. On December 31, 1999, KCEP Ventures II, L.P. ("KCEP II") acquired a preferred interest in a predecessor entity of Inergy, L.P., for $2.0 million in cash ("KCEP II 1999 Investment"). David Schulte, one of our directors, holds voting power in KCEP II. Richard Green, one of our directors, is a limited partner of KCEP II. Under the terms of its investment in us, KCEP II's preferred interest automatically converted into 204,545 senior subordinated units concurrently with the closing of our initial public offering. As a result of favorable conversion terms, there was a beneficial conversion feature associated with the KCEP II 1999 Investment. Further, pursuant to the terms of the KCEP II 1999 Investment, KCEP II has the right to elect one member of the board of directors of our managing general partner until certain events related to subordination occur. David Schulte is currently serving as KCEP II's board designee. The terms of this investment also provide for certain limited registration rights which are described below.

Country Gas Acquisition. On June 1, 2000, a predecessor entity of Inergy, L.P. acquired all of the propane assets of Country Gas Company, Inc. for a purchase price of approximately $18.6 million. The consideration paid in respect of the purchase price consisted of approximately $9.6 million in cash and assumed liabilities and a $9.0 million preferred interest in a predecessor entity. Under the terms of its preferred interest, Country Gas exchanged its preferred interest for 409,091 senior subordinated units concurrently with the closing of our initial public offering.

As a result of the Country Gas acquisition, we lease three properties from Country Enterprises, an Illinois general partnership ("Country Enterprises"). Country Enterprises is controlled by Arlene Peterson and the estate of Leonard Peterson, the controlling shareholders of Country Partners (formerly Country Gas). The leases provide for aggregate monthly payments of $16,000 through June 30, 2002 and $14,000 thereafter, which are subject to adjustment based on the consumer price index. During the fiscal year ended September 30, 2001, we paid Country Enterprises an aggregate of $186,000 in respect of these leases. In addition, we pay for all utilities, taxes, insurance and normal maintenance on these properties. Each lease has an initial term of five years expiring on May 31, 2005. We have the right to extend each lease for one successive term of five years.

2001 Investor Group. On January 12, 2001, a predecessor entity of Inergy, L.P. sold preferred interests to various investors (the "2001 Investor Group"), including KCEP II, RNG Investments, L.P. and Clayton-Hamilton, LLC for $15 million in cash. KCEP II invested, as part of the 2001 Investor Group, $3.0 million in our predecessor. Mr. Schulte, one of our directors, is a managing director of KCEP II. Mr. Green, one of our directors, is a limited partner of KCEP II and is the managing general partner of RNG Investments. Clayton-Hamilton is an affiliate of Mr. Gfeller, one of our directors. KCEP II, RNG Investments and Clayton-Hamilton acquired their preferred interests, for $3.0 million, $500,000 and $100,000, respectively. Concurrently with the closing of our initial public offering, the preferred interests held by these investors automatically converted into 190,909, 31,818 and 6,364 senior subordinated units, respectively. As a result of favorable conversion terms, there was a beneficial conversion feature associated with the investment of the 2001 Investor Group. As a group, all members of the 2001 Investor Group have the right to elect one director to the board of directors of our managing general partner until certain events related to subordination occur. Mr. Green is currently the board designee of these investors. These investors are also entitled to registration rights, which are described below.

On January 12, 2001, our predecessor entered into an Investors Rights Agreement with the 2001 Investor Group. That agreement provides the members of the 2001 Investor Group with the following registration rights:

- The 2001 Investor Group may demand registration once following each date senior subordinated units are converted to common units. This demand, if made, must be made with respect to 50% or more of the common units then held by the 2001 Investor Group.

- If we meet the eligibility requirements of Form S-3, then members of the 2001 Investor Group representing 33 1/3% or more of the common units held by the 2001 Investor Group can demand that we file a registration statement on Form S-3 to register their common units.

- We are not required to effect more than one registration in any twelve-month period.

- If we file a registration statement (other than one relating to employee benefit plans or exchange offers), the members of the 2001 Investor Group have piggy-back registration rights subject to limitations specified in the Investors Rights Agreement.

- The right of the 2001 Investor Group to demand registration of their common units expires on the third anniversary of the final subordination release date and their right to piggy-back registration rights expires on the fifth anniversary of the final subordination release date.

- We will bear all costs of any registration exclusive of any underwriting discounts or commissions.

Hoosier Propane Group Acquisition. On January 12, 2001, a predecessor entity of Inergy, L.P., acquired all of the propane assets of Investors 300, Inc., Domex, Inc. and L&L Leasing, Inc. (collectively, the "Hoosier Propane Group"), for a purchase price of approximately $74.0 million. Mr. Elbert, one of our executive officers, is a stockholder of the companies comprising the Hoosier Propane Group. The consideration paid in respect of the purchase price consisted of approximately $61.6 million in cash and assumed liabilities, a subordinated promissory note of $5.0 million and a preferred interest in our predecessor entity of $7.4 million. The subordinated promissory note will be repaid at the closing of this offering. The preferred interest held by the Hoosier Propane Group was exchanged for 336,456 senior subordinated units concurrently with our initial public offering.

IPC Acquisition. In order to consummate the IPC acquisition, we and several of our affiliates entered into various transactions. IPCH Acquisition Corp., an affiliate of our managing general partner, borrowed approximately $27 million under a bridge facility financed by one of our lenders. $9.6 million of these loan proceeds was used to acquire 365,019 common units from us. IPCH Acquisition Corp. utilized these common units to provide a portion of the consideration paid to some of the former stockholders of IPC's parent corporation, including the selling unitholders in this offering. The balance of the loan proceeds of approximately $17.4 million was applied to the purchase price. Immediately thereafter, IPCH Acquisition Corp. sold, assigned and transferred its interest in IPC and certain rights under the IPC acquisition agreement and related escrow agreement to our operating company. In consideration for this sale, assignment and transfer, we issued to IPCH Acquisition Corp. 394,601 common units, which were valued at $10.4 million, and paid $82.2 million in cash (including $9.6 million of cash received from the sale of 365,019 common units to IPCH Acquisition Corp.) and our operating company assumed $2.5 million of notes payable. We also issued 18,252 common units to members of IPC's management, who are current employees of our operating company, for approximately $0.5 million in cash. Each common unit issued in connection with the IPC transaction was valued at $26.30, the 30-day average trading price of the common units on Nasdaq immediately prior to December 19, 2001.

In connection with the IPC transaction, we entered into a registration rights agreement with J.P. Morgan Partners (SBIC), LLC, Summit Capital, Inc., Heller Financial, Inc. and Triad Ventures Limited, L.P. (the "IPC Investors"), which provides the IPC Investors with the following registration rights:

- We shall use our best efforts to file a shelf registration statement and to register the common units issued to former IPC shareholders, including the IPC Investors, subject to various conditions and limitations specified in the registration rights agreement.

- If we file a registration statement, the IPC Investors have piggy-back registration rights subject to various conditions and limitations specified in the registration rights agreement.

- The right of the IPC Investors to demand registration of their common units expires upon the registration of all common units held by the IPC Investors.

- We will bear all costs of any registration exclusive of any underwriting discounts or commissions.

On December 19, 2001, Inergy, L.P. entered into a registration rights agreement with IPCH Acquisition Corp., which provides IPCH Acquisition Corp. with the following registration rights:

- If Inergy, L.P. proposes to register any of its common units or other units under applicable securities laws, IPCH Acquisition Corp. will have piggy-back registration rights subject to various conditions and limitations specified in the registration rights agreement.

- The right of IPCH Acquisition Corp. to demand piggy-back registration rights of its common units expires upon the registration of all common units held by IPCH Acquisition Corp.

- We will bear all costs of any registration exclusive of any underwriting discounts or commissions.

CONFLICTS OF INTEREST AND FIDUCIARY RESPONSIBILITIES

Conflicts of Interest

Conflicts of interest exist and may arise in the future as a result of the relationships between the general partners and their affiliates (including Inergy Holdings), on the one hand, and Inergy, L.P. and its limited partners, on the other hand. The directors and officers of our managing general partner and the non-managing general partner have fiduciary duties to manage each general partner in a manner beneficial to its owners. At the same time, the general partners have a fiduciary duty to manage Inergy, L.P. in a manner beneficial to Inergy, L.P. and the unitholders.

The partnership agreement contains provisions that allow our managing general partner to take into account the interests of parties in addition to ours in resolving conflicts of interest. In effect, these provisions limit the general partners' fiduciary duties to the unitholders. The partnership agreement also restricts the remedies available to unitholders for actions taken that might, without those limitations, constitute breaches of fiduciary duty. Whenever a conflict arises between a general partner or its affiliates, on the one hand, and Inergy, L.P. or any other partner, on the other, the managing general partner will resolve that conflict. Our managing general partner may appoint a conflicts committee of at least two independent directors to review specific matters which the board of directors believes may involve conflicts of interest. Our managing general partner will not be in breach of its obligations under the partnership agreement or its duties to us or the unitholders if the resolution of the conflict is considered to be fair and reasonable to us. Any resolution is considered to be fair and reasonable to us if that resolution is:

- approved by the conflicts committee, although no party is obligated to seek approval of the conflicts committee and the managing general partner may adopt a resolution or course of action that has not received approval,

- on terms no less favorable to us than those generally being provided to or available from unrelated third parties, or

- fair to us, taking into account the totality of the relationships between the parties involved, including other transactions that may be particularly favorable or advantageous to us.

In resolving a conflict, our managing general partner may, unless the resolution is specifically provided for in the partnership agreement, consider:

- the relative interests of the parties involved in the conflict or affected by the action,

- any customary or accepted industry practices or historical dealings with a particular person or entity, and

- generally accepted accounting practices or principles and other factors it considers relevant, if applicable.

Conflicts of interest could arise in the situations described below, among others:

Actions taken by our managing general partner may affect the amount of cash available for distribution to unitholders or accelerate the right to convert subordinated units.

The amount of cash that is available for distribution to unitholders is affected by decisions of our managing general partner regarding matters, including:

- amount and timing of asset purchases and sales,

- cash expenditures,

- borrowings,

- issuance of additional units, and

- the creation, reduction or increase of reserves in any quarter.

In addition, borrowings by Inergy, L.P. and its affiliates do not constitute a breach of any duty owed by the managing general partner to the unitholders, including borrowings that have the purpose or effect of:

- enabling an affiliate of our managing general partner to receive distributions on any subordinated units held by it or the incentive distribution rights; or

- hastening the expiration of the subordination period.

The partnership agreement provides that Inergy and our subsidiaries may borrow funds from our managing general partner and its affiliates. Our managing general partner and its affiliates may not borrow funds from us, our operating company or its subsidiaries.

We reimburse the managing general partner and its affiliates for expenses.

We reimburse the managing general partner and its affiliates for costs incurred in managing and operating Inergy, L.P., including costs incurred in rendering corporate staff and support services to Inergy, L.P. The partnership agreement provides that the managing general partner will determine the expenses that are allocable to Inergy, L.P. in any reasonable manner determined by the managing general partner in its sole discretion.

The managing general partner intends to limit the liability of the general partners regarding Inergy, L.P.'s obligations.

The managing general partner intends to limit the liability of the general partners under contractual arrangements so that the other party has recourse only to Inergy, L.P.'s assets and not against the general partners or their assets. The partnership agreement provides that any action taken by the managing general partner to limit its liability or the liability of the non-managing general partner is not a breach of the managing general partner's fiduciary duties, even if we could have obtained more favorable terms without the limitation on liability.

Common unitholders have no right to enforce obligations of the managing general partner and its affiliates under agreements with us.

Any agreements between Inergy, L.P. on the one hand, and the managing general partner and its affiliates, on the other, will not grant to the unitholders, separate and apart from Inergy, L.P., the right to enforce the obligations of the managing general partner and its affiliates in our favor.

Contracts between us, on the one hand, and the managing general partner and its affiliates, on the other, will not be the result of arm's-length negotiations.

The partnership agreement allows the managing general partner to pay itself or its affiliates for any services rendered, provided these services are rendered on terms that are fair and reasonable to us. The managing general partner may also enter into additional contractual arrangements with any of its affiliates on our behalf. Neither the partnership agreement nor any of the other agreements, contracts and arrangements between us and the managing general partner and its affiliates are or will be the result of arm's-length negotiations. All of these transactions are to be on terms that are fair and reasonable to Inergy, L.P., however.

The managing general partner and its affiliates have no obligation to permit us to use any facilities or assets of the managing general partner and its affiliates, except as may be provided in contracts entered into specifically dealing with that use. There is no obligation of the managing general partner and its affiliates to enter into any contracts of this kind.

Common units are subject to the managing general partner's limited call right.

The managing general partner may exercise its limited right to call and purchase common units as provided in the partnership agreement or assign this right to one of its affiliates or to us. The managing general partner may use its own discretion, free of fiduciary duty restrictions, in determining whether to exercise this right. As a result, a common unitholder may have his common units purchased from him at an undesirable time or price. Please read "The Partnership Agreement--Limited Call Right."

We may not choose to retain separate counsel for ourselves or for the holders of common units.

The attorneys, independent accountants and others who perform services for us have been retained by the managing general partner. Attorneys, independent accountants and others who perform services for us are selected by the managing general partner or the conflicts committee and also may perform services for the managing general partner and its affiliates. We may retain separate counsel for ourselves or the holders of common units in the event of a conflict of interest between the managing general partner and its affiliates, on the one hand, and us or the holders of common units, on the other, depending on the nature of the conflict. We do not intend to do so in most cases.

The general partners' affiliates may compete with us.

The partnership agreement provides that the managing general partner is restricted from engaging in any business activities other than those incidental to its ownership of interests in us. Affiliates of the general partners are not prohibited from engaging in other businesses or activities, including those that might be in direct competition with us.

Fiduciary duties owed to unitholders by the general partners are prescribed by law and the partnership agreement

The general partners are accountable to us and our unitholders as fiduciaries. The Delaware Act provides that Delaware limited partnerships may, in their partnership agreements, restrict or expand the fiduciary duties owed by the managing general partner to limited partners and the partnership.

Our partnership agreement contains various provisions restricting the fiduciary duties that might otherwise be owed by the managing general partner. The following is a summary of the material restrictions of the fiduciary duties owed by our managing general partner to the limited partners:

State-law fiduciary duty standards.....	Fiduciary duties are generally considered to include an obligation to act with due care and loyalty. The duty of care, in the absence of a provision in a partnership agreement providing otherwise, would generally require a general partner to act for the partnership in the same manner as a prudent person would act on his own behalf. The duty of loyalty, in the absence of a provision in a partnership agreement providing otherwise, would generally prohibit a general partner of a Delaware limited partnership from taking any action or engaging in any transaction where a conflict of interest is present. The Delaware Act generally provides that a limited partner may institute legal action on behalf of the partnership to recover damages from a third party where a general partner has refused to institute the action or where an effort to cause a general partner to do so is not likely to succeed. In addition, the statutory or case law of some jurisdictions may permit a limited partner to institute legal action on behalf of himself and all other similarly situated limited

	partners to recover damages from a general partner for violations of its fiduciary duties to the limited partners.
Partnership agreement modified standards.....	Our partnership agreement contains provisions that waive or consent to conduct by our general partners and their affiliates that might otherwise raise issues as to compliance with fiduciary duties or applicable law. For example, our partnership agreement permits our managing general partner to make a number of decisions in its "sole discretion." This entitles the managing general partner to consider only the interests and factors that it desires and it has no duty or obligation to give any consideration to any interest of, or factors affecting, us, our affiliates or any limited partner. Other provisions of the partnership agreement provide that the managing general partner's actions must be made in its reasonable discretion. Our partnership agreement generally provides that affiliated transactions and resolutions of conflicts of interest not involving a required vote of unitholders must be "fair and reasonable" to us under the factors previously set forth. In determining whether a transaction or resolution is "fair and reasonable" our managing general partner may consider interests of all parties involved, including its own. Unless our managing general partner has acted in bad faith, the action taken by our managing general partner shall not constitute a breach of its fiduciary duty. These standards reduce the obligations to which our managing general partner would otherwise be held. In addition to the other more specific provisions limiting the obligations of the general partners, our partnership agreement further provides that the general partners and their officers and directors will not be liable for monetary damages to us, the limited partners or assignees for errors of judgment or for any acts or omissions if the general partners and those other persons acted in good faith.

In order to become one of our limited partners, a common unitholder is required to agree to be bound by the provisions in the partnership agreement, including the provisions discussed above. This is in accordance with the policy of the Delaware Act favoring the principle of freedom of contract and the enforceability of partnership agreements. The failure of a limited partner or assignee to sign a partnership agreement does not render the partnership agreement unenforceable against that person.

We must indemnify our general partners and their respective officers, directors, employees, affiliates, partners, members, agents and trustees, to the fullest extent permitted by law, against liabilities, costs and expenses incurred by the general partners or these other persons. We must provide this indemnification if our general partners or these persons acted in good faith and in a manner they reasonably believed to be in, or (in the case of a person other than the general partners) not opposed to, our best interests. We also must provide this indemnification for criminal proceedings if our general partners or these other persons had no reasonable cause to believe their conduct was unlawful. Thus, our general partners and their respective affiliates could be indemnified for their negligent acts if they meet these requirements concerning good faith and our best interests. Please read "The Partnership Agreement--Indemnification."

DESCRIPTION OF THE COMMON UNITS

The Units

The common units and the subordinated units represent limited partner interests in us. The holders of units are entitled to participate in partnership distributions and exercise the rights or privileges available to limited partners under our partnership agreement. For a description of the relative rights and preferences of holders of common units and subordinated units in and to partnership distributions, please read "Cash Distribution Policy" and "Description of Subordinated Units." For a description of the rights and privileges of limited partners under our partnership agreement, including voting rights, please read "The Partnership Agreement."

Transfer Agent and Registrar Duties

Duties

American Stock Transfer & Trust Company serves as registrar and transfer agent for the common units. We pay all fees charged by the transfer agent for transfers of common units, except the following that must be paid by unitholders:

- surety bond premiums to replace lost or stolen certificates, taxes and other governmental charges,
- special charges for services requested by a holder of a common unit, and
- other similar fees or charges.

There is no charge to unitholders for disbursements of our cash distributions. We will indemnify the transfer agent, its agents and each of their stockholders, directors, officers and employees against all claims and losses that may arise out of acts performed or omitted for its activities in that capacity, except for any liability due to any gross negligence or intentional misconduct of the indemnified person or entity.

Resignation or Removal

The transfer agent may resign, by notice to us, or be removed by us. The resignation or removal of the transfer agent will become effective upon our appointment of a successor transfer agent and registrar and its acceptance of the appointment. If no successor has been appointed and accepted the appointment within 30 days after notice of the resignation or removal, the managing general partner may act as the transfer agent and registrar until a successor is appointed.

Transfer of Common Units

The transfer of the common units to persons that purchase directly from the underwriters will be accomplished through the completion, execution and delivery of a transfer application by the investor. Any later transfers of a common unit will not be recorded by the transfer agent or recognized by us unless the transferee executes and delivers a transfer application. By executing and delivering a transfer application, the transferee of common units:

- becomes the record holder of the common units and is an assignee until admitted into our partnership as a substituted limited partner,
- automatically requests admission as a substituted limited partner in our partnership,
- agrees to be bound by the terms and conditions of, and executes, our partnership agreement,
- represents that the transferee has the capacity, power and authority to enter into the partnership agreement,

- grants powers of attorney to officers of our managing general partner and any liquidator of us as specified in the partnership agreement, and

- makes the consents and waivers contained in the partnership agreement.

An assignee will become a substituted limited partner of our partnership for the transferred common units upon the consent of our managing general partner and the recording of the name of the assignee on our books and records. The managing general partner may withhold its consent in its sole discretion.

A transferee's broker, agent or nominee may complete, execute and deliver a transfer application. We are entitled to treat the nominee holder of a common unit as the absolute owner. In that case, the beneficial holder's rights are limited solely to those that it has against the nominee holder as a result of any agreement between the beneficial owner and the nominee holder.

Common units are securities and are transferable according to the laws governing transfer of securities. In addition to other rights acquired upon transfer, the transferor gives the transferee the right to request admission as a substituted limited partner in our partnership for the transferred common units. A purchaser or transferee of common units who does not execute and deliver a transfer application obtains only:

- the right to assign the common unit to a purchaser or other transferee, and

- the right to transfer the right to seek admission as a substituted limited partner in our partnership for the transferred common units.

Thus, a purchaser or transferee of common units who does not execute and deliver a transfer application:

- will not receive cash distributions or federal income tax allocations, unless the common units are held in a nominee or "street name" account and the nominee or broker has executed and delivered a transfer application, and

- may not receive some federal income tax information or reports furnished to record holders of common units.

The transferor of common units has a duty to provide the transferee with all information that may be necessary to transfer the common units. The transferor does not have a duty to insure the execution of the transfer application by the transferee and has no liability or responsibility if the transferee neglects or chooses not to execute and forward the transfer application to the transfer agent. Please read "The Partnership Agreement--Status as Limited Partner or Assignee."

Until a common unit has been transferred on our books, we and the transfer agent, may treat the record holder of the unit as the absolute owner for all purposes, except as otherwise required by law or stock exchange regulations.

DESCRIPTION OF THE SUBORDINATED UNITS

The senior subordinated units and junior subordinated units are separate classes of limited partner interests in our partnership, and the rights of holders to participate in distributions to partners differ from, and are subordinated to, the rights of the holders of common units. For any given quarter, any available cash will first be distributed to the non-managing general partner and to the holders of common units, until the holders of common units have received the minimum quarterly distribution plus any arrearages, and then will be distributed to the holders of subordinated units. The subordination period will end once we meet the financial tests in the partnership agreement, but it generally cannot end before June 30, 2006 with respect to the senior subordinated units and June 30, 2008 with respect to the junior subordinated units. Please read "Cash Distribution Policy."

Limited Voting Rights

Holders of subordinated units sometimes vote as a single class together with the common units and sometimes vote as a class separate from the holders of common units. Holders of senior subordinated units and junior subordinated units sometimes vote together as a class and sometimes vote as separate classes. Holders of subordinated units, like holders of common units, have very limited voting rights. During the subordination period, common units and subordinated units each vote separately as a class on the following matters:

- a sale or exchange of all or substantially all of our assets,
- the election of a successor managing general partner in connection with the removal of the managing general partner,
- dissolution or reconstitution of Inergy, L.P.,
- a merger,
- issuance of limited partner interests in some circumstances, and
- some amendments to the partnership agreement, including any amendment that would cause us to be treated as an association taxable as a corporation.

The subordinated units are not entitled to vote on approval of the withdrawal of the managing general partner or the transfer by the managing general partner of its general partner interest. Removal of the managing general partner requires:

- a 66 2/3% vote of all outstanding units voting as a single class, and
- the election of a successor general partner by the holders of a majority of the outstanding common units and subordinated units, voting as separate classes.

Under the partnership agreement, the managing general partner generally will be permitted to effect amendments to the partnership agreement that do not materially adversely affect unitholders without the approval of any unitholders. Please read "The Partnership Agreement--Opinion of Counsel and Unitholder Approval."

Distributions Upon Liquidation

If we liquidate during the subordination period, in some circumstances holders of outstanding common units will be entitled to receive more per unit in liquidating distributions than holders of outstanding subordinated units. The per unit difference will be dependent upon the amount of gain or loss that we recognize in liquidating our assets. Following conversion of the subordinated units into common units, all units will be treated the same upon liquidation.

The following is a summary of the material provisions of our partnership agreement. Our partnership agreement and the limited liability company agreement governing our operating company are included as exhibits to the registration statement of which this prospectus constitutes a part. We will provide prospective investors with a copy of these agreements upon request at no charge.

We summarize the following provisions of the partnership agreement elsewhere in this prospectus:

- With regard to the transfer of common units, please read "Description of the Common Units--Transfer of Common Units."
- With regard to distributions of available cash, please read "Cash Distribution Policy."
- With regard to allocations of taxable income and taxable loss, please read "Tax Considerations."

Organization

We were organized on March 7, 2001 and will have a perpetual existence.

Purpose

Our purpose under the partnership agreement is limited to serving as a member of the operating company and engaging in any business activities that may be engaged in by the operating company or that are approved by the managing general partner. All of our operations are conducted through our operating company, Inergy Propane, LLC, and its subsidiaries. We own 100% of the outstanding membership interest of the operating company. The limited liability company agreement of the operating company provides that the operating company may, directly or indirectly, engage in:

(1) its operations as conducted immediately before our initial public offering,

(2) any other activity approved by the managing general partner but only to the extent that the managing general partner reasonably determines that, as of the date of the acquisition or commencement of the activity, the activity generates "qualifying income" as this term is defined in Section 7704 of the Internal Revenue Code, or

(3) any activity that enhances the operations of an activity that is described in (1) or (2) above.

Although the managing general partner has the ability to cause Inergy, L.P., the operating company or its subsidiaries to engage in activities other than the wholesale and retail marketing and transportation of propane, the managing general partner has no current plans to do so. The managing general partner is authorized in general to perform all acts deemed necessary to carry out our purposes and to conduct our business.

Power of Attorney

Each limited partner, and each person who acquires a unit from a unitholder and executes and delivers a transfer application, grants to the managing general partner and, if appointed, a liquidator, a power of attorney to, among other things, execute and file documents required for our qualification, continuance or dissolution. The power of attorney also grants the managing general partner the authority to amend, and to make consents and waivers under, the partnership agreement.

Capital Contributions

Unitholders are not obligated to make additional capital contributions, except as described below under "--Limited Liability."

Limited Liability

Assuming that a limited partner does not participate in the control of our business within the meaning of the Delaware Act and that he otherwise acts in conformity with the provisions of the partnership agreement, his liability under the Delaware Act will be limited, subject to possible exceptions, to the amount of capital he is obligated to contribute to us for his common units plus his share of any undistributed profits and assets. If it were determined, however, that the right, or exercise of the right, by the limited partners as a group:

- to remove or replace the managing general partner,
- to approve some amendments to the partnership agreement, or
- to take other action under the partnership agreement,

constituted "participation in the control" of our business for the purposes of the Delaware Act, then the limited partners could be held personally liable for our obligations under the laws of Delaware, to the same extent as the managing general partner. This liability would extend to persons who transact business with us who reasonably believe that the limited partner is a general partner. Neither the partnership agreement nor the Delaware Act specifically provides for legal recourse against the general partners if a limited partner were to lose limited liability through any fault of the general partners. While this does not mean that a limited partner could not seek legal recourse, we know of no precedent for this type of a claim in Delaware case law.

Under the Delaware Act, a limited partnership may not make a distribution to a partner if, after the distribution, all liabilities of the limited partnership, other than liabilities to partners on account of their partnership interests and liabilities for which the recourse of creditors is limited to specific property of the partnership, would exceed the fair value of the assets of the limited partnership. For the purpose of determining the fair value of the assets of a limited partnership, the Delaware Act provides that the fair value of property subject to liability for which recourse of creditors is limited shall be included in the assets of the limited partnership only to the extent that the fair value of that property exceeds the nonrecourse liability. The Delaware Act provides that a limited partner who receives a distribution and knew at the time of the distribution that the distribution was in violation of the Delaware Act shall be liable to the limited partnership for the amount of the distribution for three years. Under the Delaware Act, an assignee who becomes a substituted limited partner of a limited partnership is liable for the obligations of his assignor to make contributions to the partnership, except the assignee is not obligated for liabilities unknown to him at the time he became a limited partner and that could not be ascertained from the partnership agreement.

Our subsidiaries conduct business in 14 states. Maintenance of our limited liability as a member of the operating company, may require compliance with legal requirements in the jurisdictions in which the operating company conducts business, including qualifying our subsidiaries to do business there. Limitations on the liability of members for the obligations of a limited liability company have not been clearly established in many jurisdictions. If it were determined that we were, by virtue of our membership interest in the operating company or otherwise, conducting business in any state without compliance with the applicable limited partnership or limited liability company statute, or that the right or exercise of the right by the limited partners as a group to remove or replace the managing general partner, to approve some amendments to the partnership agreement, or to take other action under the partnership agreement constituted "participation in the control" of our business for purposes of the statutes of any relevant jurisdiction, then the limited partners could be held personally liable for our obligations under the law of that jurisdiction to the same extent as the managing general partner under the circumstances. We will operate in a manner that the managing general partner considers reasonable and necessary or appropriate to preserve the limited liability of the limited partners.

Issuance of Additional Securities

The partnership agreement authorizes us to issue an unlimited number of additional limited partner interests and other equity securities for the consideration and on the terms and conditions established by the

managing general partner in its sole discretion without the approval of any limited partners. While any senior subordinated units remain outstanding, however, except as we discuss in the following paragraph, we may not issue equity securities ranking senior to the common units or an aggregate of more than 800,000 additional common units or units on a parity with the common units, in each case, without the approval of the holders of a majority of the outstanding common units and subordinated units, voting as separate classes.

During or after the subordination period, we may issue an unlimited number of common units as follows:

- upon exercise of the underwriters' over-allotment option,
- upon conversion of the subordinated units,
- under employee benefit plans,
- upon conversion of the general partner interests and incentive distribution rights as a result of a withdrawal of a general partner,
- in the event of a combination or subdivision of common units, or
- in connection with an acquisition or a capital improvement that would have resulted, on a pro forma basis, in an increase in adjusted operating surplus on a per unit basis for the preceding four-quarter period.

It is possible that we will fund acquisitions through the issuance of additional common units or other equity securities. Holders of any additional common units we issue will be entitled to share equally with the then-existing holders of common units in our distributions of available cash. In addition, the issuance of additional partnership interests may dilute the value of the interests of the then-existing holders of common units in our net assets.

In accordance with Delaware law and the provisions of our partnership agreement, we may also issue additional partnership interests that, in the sole discretion of the managing general partner, have special voting rights to which the common units are not entitled.

Upon issuance of additional partnership interests, the non-managing general partner will be required to make additional capital contributions to the extent necessary to maintain its 2% general partner interest in us and the operating company. Moreover, the non-managing general partner will have the right, which it may from time to time assign in whole or in part to any of its affiliates, to purchase common units, subordinated units or other equity securities whenever, and on the same terms that, we issue those securities to persons other than the non-managing general partner and its affiliates, to the extent necessary to maintain its percentage interest, including its interest represented by common units and subordinated units, that existed immediately prior to each issuance. The holders of common units will not have preemptive rights to acquire additional common units or other partnership interests.

Amendment of the Partnership Agreement

General

Amendments to the partnership agreement may be proposed only by or with the consent of the managing general partner, which consent may be given or withheld in its sole discretion. In order to adopt a proposed amendment, other than the amendments discussed below, the managing general partner must seek written approval of the holders of the number of units required to approve the amendment or call a meeting of the limited partners to consider and vote upon the proposed amendment. Except as we describe below, an amendment must be approved:

- during the subordination period, by a majority of the common units, excluding those common units held by our general partners and their affiliates, voting as a class, and a majority of the senior subordinated units and the junior subordinated units, voting together as a class, and

. after the subordination period, by a majority of the common units.

We refer to the voting provisions described above as a "unit majority."

Prohibited Amendments

No amendment may be made that would:

(1) enlarge the obligations of any limited partner without its consent, unless approved by at least a majority of the type or class of limited partner interests so affected,

(2) enlarge the obligations of, restrict in any way any action by or rights of, or reduce in any way the amounts distributable, reimbursable or otherwise payable by us to the general partners or any of their affiliates without the consent of the managing general partner, which may be given or withheld in its sole discretion,

(3) change the term of our partnership,

(4) provide that our partnership is not dissolved upon an election to dissolve our partnership by the managing general partner that is approved by the holders of a majority of the outstanding common units and subordinated units, voting as separate classes, or

(5) give any person the right to dissolve our partnership other than the managing general partner's right to dissolve our partnership with the approval of the holders of a majority of the outstanding common units and subordinated units, voting as separate classes.

The provision of the partnership agreement preventing the amendments having the effects described in clauses (1) through (5) above can be amended upon the approval of the holders of at least 90% of the outstanding units voting as a single class.

No Unitholder Approval

The managing general partner may generally make amendments to the partnership agreement without the approval of any limited partner or assignee to reflect:

(1) a change in our name, the location of our principal place of business, our registered agent or our registered office,

(2) the admission, substitution, withdrawal or removal of partners in accordance with the partnership agreement,

(3) a change that, in the sole discretion of the managing general partner, is necessary or advisable for us to qualify or to continue our qualification as a limited partnership or a partnership in which the limited partners have limited liability under the laws of any state or to ensure that neither we, the operating company nor its subsidiaries will be treated as an association taxable as a corporation or otherwise taxed as an entity for federal income tax purposes,

(4) an amendment that is necessary, in the opinion of our counsel, to prevent us or our managing general partner or its directors, officers, agents or trustees, from in any manner being subjected to the provisions of the Investment Company Act of 1940, the Investment Advisors Act of 1940, or "plan asset" regulations adopted under the Employee Retirement Income Security Act of 1974, whether or not substantially similar to plan asset regulations currently applied or proposed,

(5) subject to the limitations on the issuance of additional common units or other limited or general partner interests described above, an amendment that in the discretion of the managing general partner is necessary or advisable for the authorization of additional limited or general partner interests,

(6) any amendment expressly permitted in the partnership agreement to be made by the managing general partner acting alone,

(7) an amendment effected, necessitated or contemplated by a merger agreement that has been approved under the terms of the partnership agreement,

(8) any amendment that, in the discretion of the managing general partner, is necessary or advisable for the formation by us of, or our investment in, any corporation, partnership or other entity, as otherwise permitted by the partnership agreement,

(9) a change in our fiscal year or taxable year and related changes, and

(10) any other amendments substantially similar to any of the matters described in (1) through (9) above.

In addition, the managing general partner may make amendments to the partnership agreement without the approval of any limited partner or assignee if those amendments, in the discretion of the managing general partner:

(1) do not adversely affect the limited partners (or any particular class of limited partners) in any material respect,

(2) are necessary or advisable to satisfy any requirements, conditions or guidelines contained in any opinion, directive, order, ruling or regulation of any federal or state agency or judicial authority or contained in any federal or state statute,

(3) are necessary or advisable to facilitate the trading of limited partner interests or to comply with any rule, regulation, guideline or requirement of any securities exchange on which the limited partner interests are or will be listed for trading, compliance with any of which the managing general partner deems to be in our best interest and the best interest of limited partners,

(4) are necessary or advisable for any action taken by the managing general partner relating to splits or combinations of units under the provisions of the partnership agreement, or

(5) are required to effect the intent expressed in this prospectus or the intent of the provisions of the partnership agreement or are otherwise contemplated by the partnership agreement.

Opinion of Counsel and Unitholder Approval

Our managing general partner will not be required to obtain an opinion of counsel that an amendment will not result in a loss of limited liability to the limited partners or result in our being treated as an entity for federal income tax purposes if one of the amendments described above under "--No Unitholder Approval" should occur. No other amendments to the partnership agreement will become effective without the approval of holders of at least 90% of the units unless we obtain an opinion of counsel to the effect that the amendment will not affect the limited liability under applicable law of any of our limited partners or cause us, the operating company or its subsidiaries to be taxable as a corporation or otherwise to be taxed as an entity for federal income tax purposes (to the extent not previously taxed as such).

Any amendment that would have a material adverse effect on the rights or preferences of any type or class of outstanding units in relation to other classes of units will require the approval of at least a majority of the type or class of units so affected. Any amendment that reduces the voting percentage required to take any action must be approved by the affirmative vote of limited partners constituting not less than the voting requirement sought to be reduced.

Action Relating to the Operating Company

Without the approval of the holders of units representing a unit majority, our managing general partner is prohibited from consenting on our behalf, as the sole member of the operating company, to any amendment to

the limited liability company agreement of the operating company or taking any action on our behalf permitted to be taken by a member of the operating company, in each case that would adversely affect our limited partners (or any particular class of limited partners) in any material respect.

Merger, Sale or Other Disposition of Assets

The partnership agreement generally prohibits the managing general partner, without the prior approval of the holders of units representing a unit majority, from causing us to, among other things, sell, exchange or otherwise dispose of all or substantially all of our assets in a single transaction or a series of related transactions, including by way of merger, consolidation or other combination, or approving on our behalf the sale, exchange or other disposition of all or substantially all of the assets of our subsidiaries. The managing general partner may, however, mortgage, pledge, hypothecate or grant a security interest in all or substantially all of our assets without that approval. The managing general partner may also sell all or substantially all of our assets under a foreclosure or other realization upon those encumbrances without that approval.

If conditions specified in the partnership agreement are satisfied, the managing general partner may merge us or any of our subsidiaries into, or convey some or all of our assets to, a newly formed entity if the sole purpose of that merger or conveyance is to effect a mere change in our legal form into another limited liability entity. The unitholders are not entitled to dissenters' rights of appraisal under the partnership agreement or applicable Delaware law in the event of a merger or consolidation, a sale of substantially all of our assets or any other transaction or event.

Termination and Dissolution

We will continue as a limited partnership until terminated under the partnership agreement. We will dissolve upon:

(1) the election of the managing general partner to dissolve us, if approved by the holders of units representing a unit majority,

(2) the sale, exchange or other disposition of all or substantially all of our assets and properties and those of our subsidiaries,

(3) the entry of a decree of judicial dissolution of Inergy, L.P., or

(4) the withdrawal or removal of our managing general partner or any other event that results in its ceasing to be the managing general partner other than by reason of a transfer of its general partner interest in accordance with the partnership agreement or withdrawal or removal of the managing general partner following approval and admission of a successor.

Upon a dissolution under clause (4), the holders of a majority of the outstanding common units and subordinated units, voting as separate classes, may also elect, within specific time limitations, to reconstitute us and continue our business on the same terms and conditions described in the partnership agreement by forming a new limited partnership on terms identical to those in the partnership agreement and having as managing general partner an entity approved by the holders of a majority of the outstanding common units and subordinated units, voting as separate classes, subject to our receipt of an opinion of counsel to the effect that:

(1) the action would not result in the loss of limited liability of any limited partner, and

(2) neither us, the reconstituted limited partnership nor the operating company would be treated as an association taxable as a corporation or otherwise be taxable as an entity for federal income tax purposes upon the exercise of that right to continue.

Liquidation and Distribution of Proceeds

Upon our dissolution, unless we are reconstituted and continued as a new limited partnership, the liquidator authorized to wind up our affairs will, acting with all of the powers of the managing general partner

that the liquidator deems necessary or desirable in its judgment, liquidate our assets and apply the proceeds of the liquidation as provided in "Cash Distribution Policy--Distributions of Cash upon Liquidation." The liquidator may defer liquidation of our assets for a reasonable period of time or distribute assets to partners in kind if it determines that a sale would be impractical or would cause undue loss to the partners.

Withdrawal or Removal of the General Partners

Except as described below, our managing general partner has agreed not to withdraw voluntarily as a general partner prior to June 30, 2011 without obtaining the approval of the holders of at least a majority of the outstanding common units, excluding common units held by the general partners and their affiliates, and furnishing an opinion of counsel regarding limited liability and tax matters. On or after June 30, 2011 our managing general partner may withdraw as managing general partner without first obtaining approval of any unitholder by giving 90 days' written notice, and that withdrawal will not constitute a violation of the partnership agreement. Notwithstanding the information above, our managing general partner may withdraw without unitholder approval upon 90 days' notice to the limited partners if at least 50% of the outstanding common units are held or controlled by one person and its affiliates other than the general partners and their affiliates. Our non-managing general partner must withdraw as a general partner at any time after a transfer of its general partner interest upon obtaining the consent of the managing general partner. If our non-managing general partner is removed or withdraws and no successor is appointed, the managing general partner will continue the business of Inergy, L.P.

Upon the withdrawal of the managing general partner under any circumstances, other than as a result of a transfer by the managing general partner of all or a part of its general partner interest in us, the holders of a majority of the outstanding common units and subordinated units, voting as separate classes, may select a successor to that withdrawing managing general partner. If a successor is not elected, or is elected but an opinion of counsel regarding limited liability and tax matters cannot be obtained, we will be dissolved, wound up and liquidated, unless within 180 days after that withdrawal, the holders of a majority of the outstanding common units and subordinated units, voting as separate classes, agree in writing to continue our business and to appoint a successor general partner. Please read "--Termination and Dissolution."

The managing general partner may not be removed unless that removal is approved by the vote of the holders of not less than 66 2/3% of the outstanding units, including units held by the general partners and their affiliates, and we receive an opinion of counsel regarding limited liability and tax matters. Any removal of the managing general partner is also subject to the approval of a successor managing general partner by the vote of the holders of a majority of the outstanding common units and subordinated units, voting as separate classes. The ownership of more than 33 1/3% of the outstanding units by the general partners and their affiliates give the managing general partner the practical ability to prevent its removal. At the closing of this offering, our general partners and their affiliates, including our executive officers and directors, will control approximately 31% of the outstanding units.

The partnership agreement also provides that if Inergy GP, LLC is removed as our managing general partner under circumstances where cause does not exist and units held by the managing general partner and its affiliates are not voted in favor of that removal:

(1) the subordination period will end and all outstanding subordinated units will immediately convert into common units on a one-for-one basis,

(2) any existing arrearages in payment of the minimum quarterly distribution on the common units will be extinguished, and

(3) the non-managing general partner will have the right to convert its general partner interest and Inergy Holdings will have the right to convert its incentive distribution rights into common units or to receive cash in exchange for those interests.

In the event of removal of the managing general partner under circumstances where cause exists or withdrawal of the managing general partner where that withdrawal violates the partnership agreement, a

successor general partner will have the option to purchase the general partner interest of the departing general partner for a cash payment equal to the fair market value of those interests. Under all other circumstances where a general partner withdraws or is removed by the limited partners, the departing general partner will have the option to require the successor general partner to purchase the general partner interests of the departing general partner and, in the case of the withdrawal or removal of the managing general partner, Inergy Holdings will have the option to require the successor managing general partner to purchase the incentive distribution rights and the general partner interest held by the nonmanaging general partners for fair market value. In each case, this fair market value will be determined by agreement between the departing general partner, and the successor general partner and, in the case of a purchase of incentive distribution rights and the non-managing partner's general partner interest, Inergy Holdings. If no agreement is reached, an independent investment banking firm or other independent expert selected by the departing general partner, Inergy Holdings and the successor general partner will determine the fair market value. Or, if the departing general partner, Inergy Holdings and the successor general partner cannot agree upon an expert, then an expert chosen by agreement of the experts selected by each of them will determine the fair market value.

If the option described above is not exercised by either the departing managing general partner or the successor managing general partner, the departing managing general partner's general partner interest and Inergy Holdings' incentive distribution rights and the non-managing partner's general partner interest will automatically convert into common units equal to the fair market value of those interests as determined by an investment banking firm or other independent expert selected in the manner described in the preceding paragraph.

In addition, we will be required to reimburse the departing general partner for all amounts due the departing general partner, including, without limitation, all employee-related liabilities, including severance liabilities, incurred for the termination of any employees employed by the departing general partner or its affiliates for our benefit.

Transfer of General Partner Interests

Except for a transfer by either general partner of all, but not less than all, of its general partner interest to:

(1) an affiliate of the general partner (other than an individual), or

(2) another entity as part of the merger or consolidation of the general partner with or into another entity or the transfer by the general partner of all or substantially all of its assets to another entity,

the managing general partner may not transfer all or any part of its general partner interest to another person prior to June 30, 2011 without the approval of the holders of at least a majority of the outstanding common units, excluding common units held by the general partners and their affiliates. As a condition of this transfer, the transferee must, among other things, assume the rights and duties of the managing general partner, agree to be bound by the provisions of the partnership agreement and furnish an opinion of counsel regarding limited liability and tax matters.

The general partners and their affiliates may at any time transfer units to one or more persons, without unitholder approval, except that they may not transfer subordinated units to us.

Transfer of Incentive Distribution Rights

Inergy Holdings or a later holder of the incentive distribution rights may transfer its incentive distribution rights to an affiliate of the holder (other than an individual) without the approval of the unitholders, provided, in each case, the transferee agrees to be bound by the provisions of the partnership agreement. Prior to June 30, 2011, other transfers of the incentive distribution rights will require the affirmative vote of holders of a majority of the outstanding common units, excluding common units held by the general partners and their affiliates. On or after June 30, 2011 the incentive distribution rights will be freely transferable.

Transfer of Ownership Interests in General Partners

At any time, the members of either general partner may sell or transfer all or part of their membership interests in the managing general partner or the non-managing general partner without the approval of the unitholders.

Change of Management Provisions

The partnership agreement contains specific provisions that are intended to discourage a person or group from attempting to remove Inergy GP, LLC as our managing general partner or otherwise change management.

If any person or group other than the general partners and their affiliates acquires beneficial ownership of 20% or more of any class of units, that person or group loses voting rights on all of its units. This loss of voting rights does not apply to any person or group that acquires the units concurrently with this offering from our general partners or their affiliates and any transferees of that person or group approved by our managing general partner.

The partnership agreement also provides that if the managing general partner is removed under circumstances where cause does not exist and units held by the general partners and their affiliates are not voted in favor of that removal:

(1) the subordination period will end and all outstanding subordinated units will immediately convert into common units on a one-for-one basis,

(2) any existing arrearages in payment of the minimum quarterly distribution on the common units will be extinguished, and

(3) the non-managing general partner will have the right to convert its general partner interest and Inergy Holdings will have the right to convert its incentive distribution rights into common units or to receive cash in exchange for those interests.

Limited Call Right

If at any time not more than 20% of the then-issued and outstanding limited partner interests of any class are held by persons other than the general partners and their affiliates, the managing general partner will have the right, which it may assign in whole or in part to any of its affiliates or to us, to acquire all, but not less than all, of the remaining limited partner interests of the class held by unaffiliated persons as of a record date to be selected by the managing general partner, on at least ten but not more than 60 days' notice. The purchase price in the event of this purchase is the greater of:

(1) the highest cash price paid by either of the general partners or any of their affiliates for any limited partner interests of the class purchased within the 90 days preceding the date on which the managing general partner first mails notice of its election to purchase those limited partner interests, and

(2) the current market price as of the date three days before the date the notice is mailed.

As a result of the managing general partner's right to purchase outstanding limited partner interests, a holder of limited partner interests may have his limited partner interests purchased at an undesirable time or price. The tax consequences to a unitholder of the exercise of this call right are the same as a sale by that unitholder of his common units in the market. Please read "Tax Considerations--Disposition of Common Units."

Meetings; Voting

Except as described below regarding a person or group owning 20% or more of any class of units then outstanding, unitholders or assignees who are record holders of units on the record date will be entitled to

notice of, and to vote at, meetings of our limited partners and to act upon matters for which approvals may be solicited. Common units that are owned by an assignee who is a record holder, but who has not yet been admitted as a limited partner, will be voted by the managing general partner at the written direction of the record holder. Absent direction of this kind, the common units will not be voted, except that, in the case of common units held by the managing general partner on behalf of non-citizen assignees, the managing general partner will distribute the votes on those common units in the same ratios as the votes of limited partners on other units are cast.

The managing general partner does not anticipate that any meeting of unitholders will be called in the foreseeable future. Any action that is required or permitted to be taken by the unitholders may be taken either at a meeting of the unitholders or without a meeting if consents in writing describing the action so taken are signed by holders of the number of units as would be necessary to authorize or take that action at a meeting. Meetings of the unitholders may be called by the managing general partner or by unitholders owning at least 20% of the outstanding partnership securities of the class for which a meeting is proposed. Unitholders may vote either in person or by proxy at meetings. The holders of a majority of the outstanding partnership securities of the class or classes for which a meeting has been called, represented in person or by proxy, will constitute a quorum unless any action by the unitholders requires approval by holders of a greater percentage, in which case the quorum will be the greater percentage.

Each record holder of a unit has a vote according to his percentage interest in us, although additional limited partner interests having special voting rights could be issued. Please read "--Issuance of Additional Securities." However, if at any time any person or group, other than the managing general partner and its affiliates, or a direct or subsequently approved transferee of the managing general partner or its affiliates, acquires, in the aggregate, beneficial ownership of 20% or more of any class of units then outstanding, that person or group will lose voting rights on all of its units and the units may not be voted on any matter and will not be considered to be outstanding when sending notices of a meeting of unitholders, calculating required votes, determining the presence of a quorum or for other similar purposes. Common units held in nominee or street name account will be voted by the broker or other nominee in accordance with the instruction of the beneficial owner unless the arrangement between the beneficial owner and his nominee provides otherwise. Except as the partnership agreement otherwise provides, subordinated units will vote together with common units as a single class.

Any notice, demand, request, report or proxy material required or permitted to be given or made to record holders of common units under the partnership agreement will be delivered to the record holder by us or by the transfer agent.

Status as Limited Partner or Assignee

Except as described above under "--Limited Liability," the common units will be fully paid, and unitholders will not be required to make additional contributions.

An assignee of a common unit, after executing and delivering a transfer application, but pending its admission as a substituted limited partner, is entitled to an interest equivalent to that of a limited partner for the right to share in allocations and distributions from us, including liquidating distributions. The managing general partner will vote and exercise other powers attributable to common units owned by an assignee that has not become a substitute limited partner at the written direction of the assignee. See "--Meetings; Voting." Transferees that do not execute and deliver a transfer application will be treated neither as assignees nor as record holders of common units, and will not receive cash distributions, federal income tax allocations or reports furnished to holders of common units. Please read "Description of the Common Units--Transfer of Common Units."

Non-Citizen Assignees; Redemption

If we are or become subject to federal, state or local laws or regulations that, in the reasonable determination of the managing general partner, create a substantial risk of cancellation or forfeiture of any

property that we have an interest in because of the nationality, citizenship or other related status of any limited partner or assignee, we may redeem the units held by the limited partner or assignee at their current market price. In order to avoid any cancellation or forfeiture, the managing general partner may require each limited partner or assignee to furnish information about his nationality, citizenship or related status. If a limited partner or assignee fails to furnish information about this nationality, citizenship or other related status within 30 days after a request for the information or the managing general partner determines after receipt of the information that the limited partner or assignee is not an eligible citizen, the limited partner or assignee may be treated as a non-citizen assignee. In addition to other limitations on the rights of an assignee that is not a substituted limited partner, a non-citizen assignee does not have the right to direct the voting of his units and may not receive distributions in kind upon our liquidation.

Indemnification

Under the partnership agreement, in most circumstances, we will indemnify the following persons, to the fullest extent permitted by law, from and against all losses, claims, damages or similar events:

- the general partners,
- any departing general partner,
- any person who is or was an affiliate of a general partner or any departing general partner,
- any person who is or was a member, partner, officer, director, employee, agent or trustee of the managing general partner or any departing general partner or any affiliate of a managing general partner or any departing general partner, or
- any person who is or was serving at the request of a managing general partner or any departing general partner or any affiliate of a managing general partner or any departing general partner as an officer, director, employee, member, partner, agent or trustee of another person.

Any indemnification under these provisions will only be out of our assets. The general partners and their affiliates will not be personally liable for, or have any obligation to contribute or loan funds or assets to us to enable us to effectuate, indemnification. We may purchase insurance against liabilities asserted against and expenses incurred by persons for our activities, regardless of whether we would have the power to indemnify the person against liabilities under the partnership agreement.

Books and Reports

The managing general partner is required to keep appropriate books of our business at our principal offices. The books will be maintained for both tax and financial reporting purposes on an accrual basis. For fiscal reporting purposes, our fiscal year ends September 30 of each calendar year. For tax reporting purposes, our tax year ends December 31 each year.

We will furnish or make available to record holders of common units, within 120 days after the close of each fiscal year, an annual report containing audited financial statements and a report on those financial statements by our independent public accountants. Except for our fourth quarter, we will also furnish or make available summary financial information within 90 days after the close of each quarter.

We will furnish each record holder of a unit with information reasonably required for tax reporting purposes within 90 days after the close of each calendar year. This information is expected to be furnished in summary form so that some complex calculations normally required of partners can be avoided. Our ability to furnish this summary information to unitholders will depend on the cooperation of unitholders in supplying us with specific information. Every unitholder will receive information to assist him in determining his federal and state tax liability and filing his federal and state income tax returns, regardless of whether he supplies us with information.

Right to Inspect our Books and Records

The partnership agreement provides that a limited partner can, for a purpose reasonably related to his interest as a limited partner, upon reasonable demand and at his own expense, have furnished to him:

- a current list of the name and last known address of each partner,
- a copy of our tax returns,
- information as to the amount of cash, and a description and statement of the agreed value of any other property or services, contributed or to be contributed by each partner and the date on which each became a partner,
- copies of the partnership agreement, the certificate of limited partnership of the partnership, related amendments and powers of attorney under which they have been executed,
- information regarding the status of our business and financial condition, and
- any other information regarding our affairs as is just and reasonable.

The managing general partner may, and intends to, keep confidential from the limited partners trade secrets or other information the disclosure of which the managing general partner believes in good faith is not in our best interests or which we are required by law or by agreements with third parties to keep confidential.

Registration Rights

Under the partnership agreement, we have agreed to register for resale under the Securities Act of 1933 and applicable state securities laws any common units, senior or junior subordinated units or other partnership securities proposed to be sold by the general partners or any of their affiliates or their assignees if an exemption from the registration requirements is not otherwise available. These registration rights continue for two years following any withdrawal or removal of Inergy GP, LLC as our managing general partner. We are obligated to pay all expenses incidental to the registration, excluding underwriting discounts and commissions. Please read "Units Eligible for Future Sale." We have granted registration rights to certain investors. For a summary description of these registration rights, please read "Certain Relations and Related Transactions."

UNITS ELIGIBLE FOR FUTURE SALE

After the sale of the common units offered by this prospectus, affiliates of the managing general partner, former owners of propane businesses we have acquired and some of our original investors will hold 404,601 common units, 3,313,367 senior subordinated units and 572,542 junior subordinated units. All of the subordinated units will convert into common units at the end of the subordination period and some may convert earlier. The sale of any of these units could have an adverse impact on the price of the common units or on any trading market that may develop. These common units, and upon conversion, these subordinated units will be entitled to registration rights as described under "Certain Relationships and Related Transactions" or will be freely transferable without restriction or further registration under the Securities Act of 1933, subject to the affiliate restrictions described below.

The common units sold in the offering will generally be freely transferable without restriction or further registration under the Securities Act of 1933, except that any resale of common units purchased by an "affiliate" of Inergy, L.P. will be subject to the volume limitations contained in Rule 144 of the Securities Act.

While any senior subordinated units remain outstanding, we may not issue equity securities of the partnership ranking prior or senior to the common units or an aggregate of more than 800,000 additional common units or an equivalent amount of securities ranking on a parity with the common units, without the approval of the holders of a majority of the outstanding common units and subordinated units, voting as separate classes, subject to certain exceptions described under "The Partnership Agreement--Issuance of Additional Securities."

The partnership agreement provides that, once no senior subordinated units remain outstanding, we may issue an unlimited number of limited partner interests of any type without a vote of the unitholders. The partnership agreement does not restrict our ability to issue equity securities ranking junior to the common units at any time. Any issuance of additional common units or other equity securities would result in a corresponding decrease in the proportionate ownership interest in us represented by, and could adversely affect the cash distributions to and market price of, common units then outstanding. Please read "The Partnership Agreement--Issuance of Additional Securities."

Under the partnership agreement, the general partners and their affiliates have the right to cause us to register under the Securities Act of 1933 and state laws the offer and sale of any units that they hold.

Subject to the terms and conditions of the partnership agreement, these registration rights allow the general partners and their affiliates or their assignees holding any units to require registration of any of these units and to include any of these units in a registration by us of other units, including units offered by us or by any unitholder. Each general partner will continue to have these registration rights for two years following its withdrawal or removal as a general partner. In connection with any registration of this kind, we will indemnify each unitholder participating in the registration and its officers, directors and controlling persons from and against any liabilities under the Securities Act of 1933 or any state securities laws arising from the registration statement or prospectus. We will bear all costs and expenses incidental to any registration, excluding any underwriting discounts and commissions. Except as described below, the general partners and their affiliates may sell their units in private transactions at any time, subject to compliance with applicable laws.

Inergy, L.P., New Inergy Propane, LLC, the general partners and certain of their affiliates have agreed not to sell any common units they beneficially own for a period of 90 days from the date of this prospectus. Please read "Underwriting" for a description of these lock-up provisions.

TAX CONSIDERATIONS

This section addresses all of the material tax considerations that may be relevant to prospective unitholders who are individual citizens or residents of the United States and, unless otherwise noted in the following discussion, is the opinion of Vinson & Elkins L.L.P., special counsel to the general partners and us, insofar as it relates to legal conclusions with respect to United States federal income tax law. This section is based upon current provisions of the Internal Revenue Code, existing and proposed regulations and current administrative rulings and court decisions, all of which are subject to change. Later changes in these authorities may cause the tax consequences to vary substantially from the consequences described below. Unless the context otherwise requires, references in this section to "us" or "we" are references to Inergy, L.P. and the operating company.

No attempt has been made in the following discussion to comment on all federal income tax matters affecting us or the unitholders. Moreover, the discussion focuses on unitholders who are individual citizens or residents of the United States and has only limited application to corporations, estates, trusts, nonresident aliens or other unitholders subject to specialized tax treatment, such as tax-exempt institutions, non-U.S. persons, individual retirement accounts (IRAs) , real estate investment trusts (REITs) or mutual funds. Accordingly, each prospective unitholder is urged to consult with, and is urged to depend on, his own tax advisor in analyzing the federal, state, local and foreign tax consequences particular to him of the ownership or disposition of common units.

All statements as to matters of law and legal conclusions, but not as to factual matters, contained in this section, unless otherwise noted, are the opinion of Vinson & Elkins L.L.P., unless otherwise noted, and are based on the accuracy of the representations made by us.

No ruling has been or will be requested from the IRS regarding any matter affecting us or prospective unitholders. Instead, we will rely on opinions and advice of Vinson & Elkins L.L.P. Unlike a ruling, an opinion of counsel represents only that counsel's best legal judgment and does not bind the IRS or the courts. Accordingly, the opinions and statements made here may not be sustained by a court if contested by the IRS. Any contest of this sort with the IRS may materially and adversely impact the market value of the common units. In addition, the costs of any contest with the IRS will be borne indirectly by the unitholders and our general partners. Furthermore, the tax treatment of Inergy, L.P., or of an investment in Inergy, L.P., may be significantly modified by future legislative or administrative changes or court decisions. Any modifications may or may not be retroactively applied.

For the reasons described below, Vinson & Elkins L.L.P. has not rendered an opinion with respect to the following specific federal income tax issues:

(l) the treatment of a unitholder whose common units are loaned to a short seller to cover a short sale of common units (please read "--Tax Consequences of Unit Ownership--Treatment of Short Sales"),

(2) whether our monthly convention for allocating taxable income and losses is permitted by existing Treasury regulations (please read "--Disposition of Common Units--Allocations Between Transferors and Transferees"), and

(3) whether our method for depreciating Section 743 adjustments is sustainable (please read "--Tax Consequences of Unit Ownership--Section 754 Election").

Partnership Status

A partnership is not a taxable entity and incurs no federal income tax liability. Instead, each partner of a partnership is required to take into account his share of items of income, gain, loss and deduction of the partnership in computing his federal income tax liability, regardless of whether cash distributions are made to him by the partnership. Distributions by a partnership to a partner are generally not taxable unless the amount of cash distributed is in excess of his adjusted basis in his partnership interest.

Section 7704 of the Internal Revenue Code provides that publicly-traded partnerships will, as a general rule, be taxed as corporations. However, an exception, referred to as the "Qualifying Income Exception," exists with respect to publicly-traded partnerships whose gross income for every taxable year consists of at least 90% "qualifying income." Qualifying income includes income and gains derived from the wholesale and retail marketing and transportation of propane. Other types of qualifying income include interest other than from a financial business, dividends, gains from the sale of real property and gains from the sale or other disposition of assets held for the production of income that otherwise constitutes qualifying income. We estimate that less than 7% of our current income is not qualifying income; however, this estimate could change from time to time. Based upon and subject to this estimate, the factual representations made by us and the managing general partner and a review of the applicable legal authorities, counsel is of the opinion that at least 90% of our current gross income constitutes qualifying income.

No ruling has been or will be sought from the IRS and the IRS has made no determination as to our status as a partnership for federal income tax purposes, the status of the operating company for federal income tax purposes or whether our operations generate "qualifying income" under Section 7704 of the Code. Instead, we will rely on the opinion of Vinson & Elkins L.L.P. that, based upon the Internal Revenue Code, its regulations, published revenue rulings and court decisions and the representations described below, Inergy, L.P. has been and will be treated as a partnership for federal income tax purposes and the operating company has been and will be disregarded as an entity separate from us for federal income tax purposes.

In rendering its opinion, Vinson & Elkins L.L.P. has relied on factual representations made by us and the managing general partner. The representations made by us and our managing general partner upon which counsel has relied are:

(a) Neither Inergy, L.P. nor the operating company has elected or will elect to be treated as a corporation, and

(b) For each taxable year, more than 90% of our gross income has been and will be income from sources that Vinson & Elkins, L.L.P. has opined, or will opine, is "qualifying income" within the meaning of Section 7704(d) of the Internal Revenue Code.

If we fail to meet the Qualifying Income Exception, other than a failure which is determined by the IRS to be inadvertent and which is cured within a reasonable time after discovery, we will be treated as if we had transferred all of our assets, subject to liabilities, to a newly formed corporation, on the first day of the year in which we fail to meet the Qualifying Income Exception, in return for stock in that corporation, and then distributed that stock to the unitholders in liquidation of their interests in us. This contribution and liquidation should be tax-free to unitholders and Inergy, L.P. so long as we, at that time, do not have liabilities in excess of the tax basis of our assets. Thereafter, we would be treated as a corporation for federal income tax purposes.

If we were treated as a corporation in any taxable year, either as a result of a failure to meet the Qualifying Income Exception or otherwise, our items of income, gain, loss and deduction would be reflected only on our tax return rather than being passed through to the unitholders, and our net income would be taxed to us at corporate rates. In addition, any distribution made to a unitholder would be treated as either taxable dividend income, to the extent of our current or accumulated earnings and profits, or, in the absence of earnings and profits, a nontaxable return of capital, to the extent of a unitholder's tax basis in his common units, or taxable capital gain, after the unitholder's tax basis in his common units is reduced to zero. Accordingly, treatment as a corporation would materially reduce a unitholder's cash flow and after-tax return and thus would reduce the value of the units.

The remainder of this section is based on Vinson & Elkins L.L.P.'s opinion that we will be treated as a partnership for federal income tax purposes.

Limited Partner Status

Unitholders who have become limited partners of Inergy, L.P. will be treated as partners of Inergy, L.P. for federal income tax purposes. Also:

(a) assignees who have executed and delivered transfer applications, and are awaiting admission as limited partners, and

(b) unitholders whose common units are held in street name or by a nominee and who have the right to direct the nominee in the exercise of all substantive rights attendant to the ownership of their common units,

will be treated as partners of Inergy, L.P. for federal income tax purposes.

As there is no direct authority addressing assignees of common units who are entitled to execute and deliver transfer applications and thereby become entitled to direct the exercise of attendant rights, but who fail to execute and deliver transfer applications, the opinion of Vinson & Elkins L.L.P. does not extend to these persons. Furthermore, a purchaser or other transferee of common units who does not execute and deliver a transfer application may not receive some federal income tax information or reports furnished to record holders of common units unless the common units are held in a nominee or street name account and the nominee or broker has executed and delivered a transfer application for those common units.

A beneficial owner of common units whose units have been transferred to a short seller to complete a short sale would appear to lose his status as a partner with respect to those units for federal income tax purposes. Please read "--Tax Consequences of Unit Ownership--Treatment of Short Sales."

Income, gain, deductions or losses would not appear to be reportable by a unitholder who is not a partner for federal income tax purposes, and any cash distributions received by a unitholder who is not a partner for federal income tax purposes would therefore be fully taxable as ordinary income. These holders are urged to consult their own tax advisors with respect to their status as partners in Inergy, L.P. for federal income tax purposes.

Tax Consequences of Unit Ownership

Flow-through of Taxable Income. We will not pay any federal income tax. Instead, each unitholder will be required to report on his income tax return his share of our income, gains, losses and deductions without regard to whether we make cash distributions to him. Consequently, we may allocate income to a unitholder even if he has not received a cash distribution from us. Each unitholder will be required to include in income his allocable share of our income, gains, losses and deductions for our taxable year ending with or within his taxable year.

Treatment of Distributions. Except as described below with respect to certain non-pro rata distributions, our distributions to a unitholder will not be taxable to the unitholder for federal income tax purposes to the extent of his tax basis in his common units immediately before the distribution. Our cash distributions in excess of a unitholder's tax basis will be considered to be gain from the sale or exchange of the common units, taxable in accordance with the rules described under "--Disposition of Common Units" below. To the extent our distributions cause a unitholder's "at risk" amount to be less than zero at the end of any taxable year, he must recapture any losses deducted in previous years. Please read "--Limitations on Deductibility of Losses."

Any reduction in a unitholder's share of our liabilities for which no partner, including our general partners, bears the economic risk of loss, known as "nonrecourse liabilities," will be treated as a distribution of cash to that unitholder. We do not currently have any nonrecourse liabilities. A decrease in a unitholder's percentage interest in us because of our issuance of additional common units will decrease his share of our nonrecourse liabilities, and thus will result in a corresponding deemed distribution of cash. A non-pro rata distribution of cash may result in ordinary income to a unitholder, regardless of his tax basis in his common units, if the distribution reduces his share of our "unrealized receivables," including depreciation recapture, and/or substantially appreciated "inventory items," both as defined in the Internal Revenue Code, and collectively, "Section 751 Assets."

To that extent, he will be treated as having received his proportionate share of our Section 751 Assets and having exchanged those assets with us in return for the non-pro rata portion of the distribution made to him. This latter deemed exchange will generally result in the unitholder's realization of ordinary income. That income will equal the excess of (1) the non-pro rata portion of that distribution over (2) the unitholder's tax basis for the share of Section 751 Assets deemed relinquished in the exchange.

Ratio of Taxable Income to Distributions. We estimate that a purchaser of common units in this offering who owns those common units from the date of closing of this offering through December 31, 2004, will be allocated an amount of federal taxable income for that period that will be no more than 20% of the cash distributed with respect to that period. These estimates are based upon the assumption that gross income from operations will approximate the amount required to make the minimum quarterly distribution on all units and other assumptions with respect to capital expenditures, cash flow and anticipated cash distributions. These estimates and assumptions are subject to, among other things, numerous business, economic, regulatory, competitive and political uncertainties beyond our control. Further, the estimates are based on current tax law and tax reporting positions that we will adopt and with which the IRS could disagree. Accordingly, these estimates may prove to be incorrect. The actual percentage that will constitute taxable income could be higher or lower, and any differences could be material and could materially affect the value of the common units.

Basis of Common Units. A unitholder's initial tax basis for his common units will be the amount he paid for the common units plus his share of our nonrecourse liabilities. That basis will be increased by his share of our income and by any increases in his share of our nonrecourse liabilities. That basis will be decreased, but not below zero, by our distributions to him, by his share of our losses, by any decreases in his share of our nonrecourse liabilities and by his share of our expenditures that are not deductible in computing taxable income and are not required to be capitalized. A unitholder will have no share of our debt which is recourse to either general partner, but will have a share of our nonrecourse liabilities, generally based on his share of profits. Please read "--Disposition of Common Units--Recognition of Gain or Loss."

Limitations on Deductibility of Losses. The deduction by a unitholder of his share of our losses will be limited to the tax basis in his units and, in the case of an individual unitholder or a corporate unitholder, if more than 50% of the value of the corporate unitholder's stock is owned directly or indirectly by five or fewer individuals or some tax-exempt organizations, to the amount for which the unitholder is considered to be "at risk" with respect to our activities, if that is less than his tax basis. A unitholder must recapture losses deducted in previous years to the extent that distributions cause his at risk amount to be less than zero at the end of any taxable year. Losses disallowed to a unitholder or recaptured as a result of these limitations will carry forward and will be allowable to the extent that his tax basis or at risk amount, whichever is the limiting factor, is subsequently increased. Upon the taxable disposition of a unit, any gain recognized by a unitholder can be offset by losses that were previously suspended by the at risk limitation but may not be offset by losses suspended by the basis limitation. Any excess loss above that gain previously suspended by the at risk or basis limitations is no longer utilizable.

In general, a unitholder will be at risk to the extent of the tax basis of his units, excluding any portion of that basis attributable to his share of our nonrecourse liabilities, reduced by any amount of money he borrows to acquire or hold his units, if the lender of those borrowed funds owns an interest in us, is related to the unitholder or can look only to the units for repayment. A unitholder's at risk amount will increase or decrease as the tax basis of the unitholder's units increases or decreases, other than tax basis increases or decreases attributable to increases or decreases in his share of our nonrecourse liabilities.

The passive loss limitations generally provide that individuals, estates, trusts and some closely-held corporations and personal service corporations can deduct losses from passive activities, which are generally partnership or corporate activities in which the taxpayer does not materially participate, only to the extent of the taxpayer's income from those passive activities. The passive loss limitations are applied separately with

respect to each publicly-traded partnership. Consequently, any passive losses we generate will only be available to offset our passive income generated in the future and will not be available to offset income from other passive activities or investments, including any dividend income we derive or from our investments or investments in other publicly-traded partnerships, or salary or active business income. Passive losses that are not deductible because they exceed a unitholder's share of our income may be deducted in full when he disposes of his entire investment in us in a fully taxable transaction with an unrelated party. The passive activity loss rules are applied after other applicable limitations on deductions, including the at risk rules and the basis limitation.

A unitholder's share of our net income may be offset by any suspended passive losses, but it may not be offset by any other current or carryover losses from other passive activities, including those attributable to other publicly-traded partnerships.

Limitations on Interest Deductions. The deductibility of a non-corporate taxpayer's "investment interest expense" is generally limited to the amount of that taxpayer's "net investment income." Investment interest expense includes:

- interest on indebtedness properly allocable to property held for investment;
- our interest expense attributed to portfolio income; and
- the portion of interest expense incurred to purchase or carry an interest in a passive activity to the extent attributable to portfolio income.

The computation of a unitholder's investment interest expense will take into account interest on any margin account borrowing or other loan incurred to purchase or carry a unit.

Net investment income includes gross income from property held for investment and amounts treated as portfolio income under the passive loss rules, less deductible expenses, other than interest, directly connected with the production of investment income, but generally does not include gains attributable to the disposition of property held for investment.

The IRS has indicated that the net passive income earned by a publicly traded partnership will be treated as investment income to its unitholders. In addition, a unitholder's share of our portfolio income will be treated as investment income.

Entity-Level Collections. If we are required or elect under applicable law to pay any federal, state, foreign or local income tax on behalf of any unitholder or the non-managing general partner or any former unitholder, we are authorized to pay those taxes from our funds. That payment, if made, will be treated as a distribution of cash to the unitholder on whose behalf the payment was made. If the payment is made on behalf of a person whose identity cannot be determined, we are authorized to treat the payment as a distribution to all current unitholders. We are authorized to amend the partnership agreement in the manner necessary to maintain uniformity of intrinsic tax characteristics of units and to adjust later distributions, so that after giving effect to these distributions, the priority and characterization of distributions otherwise applicable under the partnership agreement is maintained as nearly as is practicable. Payments by us as described above could give rise to an overpayment of tax on behalf of an individual unitholder in which event the unitholder would be required to file a claim in order to obtain a credit or refund.

Allocation of Income, Gain, Loss and Deduction. In general, if we have a net profit, our items of income, gain, loss and deduction will be allocated among the non-managing general partner and the unitholders in accordance with their percentage interests in us. At any time that distributions are made to the common units in excess of distributions to the senior subordinated units or junior subordinated units, or incentive distributions are made to Inergy Holdings, gross income will be allocated to the recipients to the extent of these distributions. If we have a net loss for the entire year, that loss will be allocated first to the non-managing general partner and the unitholders in accordance with their percentage interests in us to the extent of their positive capital accounts and, second, to the non-managing general partner.

Specified items of our income, gain, loss and deduction will be allocated to account for the difference between the tax basis and fair market value of property contributed to us by the non-managing general partner and its affiliates, referred to in this discussion as "Contributed Property." The effect of these allocations to a unitholder purchasing common units will be essentially the same as if the tax basis of our assets were equal to their fair market value at the time of contribution. In addition, recapture income will be allocated to the extent possible to the unitholder who was allocated the deduction giving rise to the treatment of that gain as recapture income in order to minimize the recognition of ordinary income by other unitholders. Finally, although we do not expect that our operations will result in the creation of negative capital accounts, if negative capital accounts nevertheless result, our income and gain will be allocated in an amount and manner to eliminate the negative balance as quickly as possible.

An allocation of our income, gain, loss or deduction, other than an allocation required by the Internal Revenue Code to eliminate the difference between a partner's "book" capital account, credited with the fair market value of Contributed Property, and "tax" capital account, credited with the tax basis of Contributed Property, referred to in this discussion as the "Book-Tax Disparity," will generally be given effect for federal income tax purposes in determining a unitholder's share of an item of income, gain, loss or deduction only if the allocation has substantial economic effect. In any other case, a unitholder's share of an item will be determined on the basis of his interest in us, which will be determined by taking into account all the facts and circumstances, including his relative contributions to us, the interests of all the unitholders in profits and losses, the interest of all the unitholders in cash flow and other nonliquidating distributions and the rights of all the unitholders to distributions of capital upon liquidation.

Vinson & Elkins L.L.P. is of the opinion that, with the exception of the issues described in "--Tax Consequences of Unit Ownership--Section 754 Election" and "--Disposition of Common Units--Allocations Between Transferors and Transferees," allocations under our partnership agreement will be given effect for federal income tax purposes in determining a unitholder's share of our income, gain, loss or deduction.

Treatment of Short Sales. A unitholder whose units are loaned to a "short seller" to cover a short sale of units may be considered as having disposed of those units. If so, he would no longer be a partner for tax purposes with respect to those units during the period of the loan and may recognize gain or loss from the disposition. As a result, during this period:

- any of our income, gain, loss or deduction with respect to those units would not be reportable by the unitholder,
- any cash distributions received by the unitholder as to those units would be fully taxable, and
- all of these distributions would appear to be ordinary income.

Vinson & Elkins L.L.P. has not rendered an opinion regarding the treatment of a unitholder whose common units are loaned to a short seller. Therefore, unitholders desiring to assure their status as partners and avoid the risk of gain recognition should modify any applicable brokerage account agreements to prohibit their brokers from loaning their units. The IRS has announced that it is studying issues relating to the tax treatment of short sales of partnership interests. Please also read "--Disposition of Common Units--Recognition of Gain or Loss."

Alternative Minimum Tax. Each unitholder will be required to take into account his share of any items of our income, gain, loss or deduction for purposes of the alternative minimum tax. The current minimum tax rate for noncorporate taxpayers is 26% on the first $175,000 of alternative minimum taxable income in excess of the exemption amount and 28% on any additional alternative minimum taxable income. Prospective unitholders are urged to consult with their tax advisors as to the impact of an investment in units on their liability for the alternative minimum tax.

Tax Rates. In general the highest effective United States federal income tax rate for individuals for 2002 is 38.6% and the maximum United States federal income tax rate for net capital gains of an individual for 2002 is 20% if the asset disposed of was held for more than 12 months at the time of disposition.

Section 754 Election. We have made the election permitted by Section 754 of the Internal Revenue Code. That election is irrevocable without the consent of the IRS. The election will generally permit us to adjust a common unit purchaser's tax basis in our assets ("inside basis") under Section 743(b) of the Internal Revenue Code to reflect his purchase price. The Section 743(b) adjustment belongs to the purchaser and not to other unitholders. For purposes of this discussion, a unitholder's inside basis in our assets will be considered to have two components: (1) his share of our tax basis in our assets ("common basis") and (2) his Section 743(b) adjustment to that basis.

Treasury regulations under Section 743 of the Internal Revenue Code require, if the remedial allocation method is adopted (which we have adopted), a portion of the Section 743(b) adjustment attributable to recovery property to be depreciated over the remaining cost recovery period for the Section 704(c) built-in gain. Under Treasury Regulation Section l.167(c)-l(a)(6), a Section 743(b) adjustment attributable to property subject to depreciation under Section 167 of the Internal Revenue Code rather than cost recovery deductions under Section 168 is generally required to be depreciated using either the straight-line method or the 150% declining balance method. Under our partnership agreement, the managing general partner is authorized to take a position to preserve the uniformity of units even if that position is not consistent with these Treasury Regulations. Please read "--Tax Treatment of Operations--Uniformity of Units."

Although Vinson & Elkins L.L.P. is unable to opine as to the validity of this approach because there is no clear authority on this issue, we intend to depreciate the portion of a Section 743(b) adjustment attributable to unrealized appreciation in the value of Contributed Property, to the extent of any unamortized Book-Tax Disparity, using a rate of depreciation or amortization derived from the depreciation or amortization method and useful life applied to the common basis of the property, or treat that portion as non-amortizable to the extent attributable to property the common basis of which is not amortizable. This method is consistent with the regulations under Section 743 but is arguably inconsistent with Treasury Regulation Section l.167(c)-l(a)(6) which is not expected to directly apply to a material portion of our assets. To the extent a Section 743(b) adjustment is attributable to appreciation in value in excess of the unamortized Book-Tax Disparity, we will apply the rules described in the Treasury Regulations and legislative history. If we determine that this position cannot reasonably be taken, we may take a depreciation or amortization position under which all purchasers acquiring units in the same month would receive depreciation or amortization, whether attributable to common basis or a Section 743(b) adjustment, based upon the same applicable rate as if they had purchased a direct interest in our assets. This kind of aggregate approach may result in lower annual depreciation or amortization deductions than would otherwise be allowable to some unitholders. Please read "--Tax Treatment of Operations--Uniformity of Units."

A Section 754 election is advantageous if the transferee's tax basis in his units is higher than the units' share of the aggregate tax basis of our assets immediately prior to the transfer. In that case, as a result of the election, the transferee would have, among other items, a greater amount of depreciation and depletion deductions and his share of any gain or loss on a sale of our assets would be less. Conversely, a Section 754 election is disadvantageous if the transferee's tax basis in his units is lower than those units' share of the aggregate tax basis of our assets immediately prior to the transfer. Thus, the fair market value of the units may be affected either favorably or unfavorably by the election.

The calculations involved in the Section 754 election are complex and will be made on the basis of assumptions as to the value of our assets and other matters. For example, the allocation of the Section 743(b) adjustment among our assets must be made in accordance with the Internal Revenue Code. The IRS could seek to reallocate some or all of any Section 743(b) adjustment allocated by us to our tangible assets to goodwill instead. Goodwill, as an intangible asset, is generally amortizable over a longer period of time or under a less

accelerated method than tangible assets. We cannot assure you that the determinations we make will not be successfully challenged by the IRS and that the deductions resulting from them may not be reduced or disallowed altogether. Should the IRS require a different basis adjustment to be made, and should, in our opinion, the expense of compliance exceed the benefit of the election, we may seek permission from the IRS to revoke our Section 754 election. If permission is granted, a subsequent purchaser of units may be allocated more income than he would have been allocated had the election not been revoked.

Tax Treatment of Operations

Accounting Method and Taxable Year. We use the year ending December 31 as our taxable year and the accrual method of accounting for federal income tax purposes. Each unitholder will be required to include in income his share of our income, gain, loss and deduction for our taxable year ending within or with his taxable year. In addition, a unitholder who has a taxable year ending on a date other than December 31 and who disposes of all of his units following the close of our taxable year but before the close of his taxable year must include his share of our income, gain, loss and deduction in income for his taxable year, with the result that he will be required to include in income for his taxable year his share of more than one year of our income, gain, loss and deduction. Please read "--Disposition of Common Units--Allocations Between Transferors and Transferees."

Initial Tax Basis, Depreciation and Amortization. The tax basis of our assets is used for purposes of computing depreciation and cost recovery deductions and, ultimately, gain or loss on the disposition of these assets. The federal income tax burden associated with the difference between the fair market value of our assets and their tax basis immediately prior to this offering will be borne by the non-managing general partner, its affiliates and the owners of units immediately prior to this offering. Please read "--Allocation of Income, Gain, Loss and Deduction."

To the extent allowable, we may elect to use the depreciation and cost recovery methods that will result in the largest deductions being taken in the early years after assets are placed in service. We will not take any amortization deductions with respect to any goodwill conveyed to us on formation. Property we subsequently acquire or construct may be depreciated using accelerated methods permitted by the Internal Revenue Code.

If we dispose of depreciable property by sale, foreclosure, or otherwise, all or a portion of any gain, determined by reference to the amount of depreciation previously deducted and the nature of the property, may be subject to the recapture rules and taxed as ordinary income rather than capital gain. Similarly, a unitholder who has taken cost recovery or depreciation deductions with respect to property we own will likely be required to recapture some or all of those deductions as ordinary income upon a sale of his interest in us. Please read "--Tax Consequences of Unit Ownership--Allocation of Income, Gain, Loss and Deduction" and "--Disposition of Common Units--Recognition of Gain or Loss."

The costs incurred in selling our units (called "syndication expenses") must be capitalized and cannot be deducted currently, ratably or upon termination of Inergy, L.P. There are uncertainties regarding the classification of costs as organization expenses, which may be amortized by us, and as syndication expenses, which may not be amortized by us. The underwriting discounts and commissions we incur will be treated as syndication expenses.

Valuation and Tax Basis of Our Properties. The federal income tax consequences of the ownership and disposition of units will depend in part on our estimates of the relative fair market values, and determination of the initial tax basis, of our assets. Although we may from time to time consult with professional appraisers regarding valuation matters, we will make many of the relative fair market value estimates ourselves. These estimates, and determination of basis, are subject to challenge and will not be binding on the IRS or the courts. If the estimates of fair market value are later found to be incorrect, the character and amount of items of income, gain, loss or deductions previously reported by unitholders might change, and unitholders might be required to adjust their tax liability for prior years and incur interest and penalties with respect to those adjustments.

Disposition of Common Units

Recognition of Gain or Loss. Gain or loss will be recognized on a sale of units equal to the difference between the amount realized and the unitholder's tax basis for the units sold. A unitholder's amount realized will be measured by the sum of the cash or the fair market value of other property received plus his share of our nonrecourse liabilities. Because the amount realized includes a unitholder's share of our nonrecourse liabilities, the gain recognized on the sale of units could result in a tax liability in excess of any cash received from the sale. We do not currently have any nonrecourse liabilities.

Prior distributions from us in excess of cumulative net taxable income for a common unit that decreased a unitholder's tax basis in that common unit will, in effect, become taxable income if the common unit is sold at a price greater than the unitholder's tax basis in that common unit, even if the price is less than his original cost.

Except as noted below, gain or loss recognized by a unitholder, other than a "dealer" in units, on the sale or exchange of a unit held for more than one year will generally be taxable as capital gain or loss. Capital gain recognized by an individual on the sale of units held more than 12 months will generally be taxed at a maximum rate of 20%. A portion of this gain or loss, which will likely be substantial, however, will be separately computed and taxed as ordinary income or loss under Section 751 of the Internal Revenue Code to the extent attributable to Section 751 Assets. Ordinary income attributable to Section 751 Assets may exceed net taxable gain realized upon the sale of a unit and may be recognized even if there is a net taxable loss realized on the sale of a unit. Thus, a unitholder may recognize both ordinary income and a capital loss upon a sale of units. Net capital loss may offset capital gains and no more than $3,000 of ordinary income, in the case of individuals, and may only be used to offset capital gain in the case of corporations.

The IRS has ruled that a partner who acquires interests in a partnership in separate transactions must combine those interests and maintain a single adjusted tax basis for all those interests. Upon a sale or other disposition of less than all of those interests, a portion of that tax basis must be allocated to the interests sold using an "equitable apportionment" method. Treasury regulations under Section 1223 of the Internal Revenue Code allow a selling unitholder who can identify common units transferred with an ascertainable holding period to elect to use the actual holding period of the common units transferred. Thus, according to the ruling, a common unitholder will be unable to select high or low basis common units to sell as would be the case with corporate stock, but, under the Treasury regulations, can designate specific common units sold for purposes of determining the holding period of the units sold. A unitholder electing to use the actual holding period of common units transferred must consistently use that identification method for all subsequent sales or exchanges of common units. A unitholder considering the purchase of additional units or a sale of common units purchased in separate transactions is urged to consult his tax advisor as to the possible consequences of this ruling and application of the regulations.

Specific provisions of the Internal Revenue Code affect the taxation of some financial products and securities, including partnership interests such as our units, by treating a taxpayer as having sold an "appreciated" partnership interest, one in which gain would be recognized if it were sold, assigned or terminated at its fair market value, if the taxpayer or related persons enter(s) into:

. a short sale,

.an offsetting notional principal contract, or

.a futures or forward contract with respect to the partnership interest or substantially identical property.

Moreover, if a taxpayer has previously entered into a short sale, an offsetting notional principal contract or a futures or forward contract with respect to the partnership interest, the taxpayer will be treated as having sold that position if the taxpayer or a related person then acquires the partnership interest or substantially identical property. The Secretary of Treasury is also authorized to issue regulations that treat a taxpayer that enters into

transactions or positions that have substantially the same effect as the preceding transactions as having constructively sold the financial position.

Allocations Between Transferors and Transferees. In general, our taxable income and losses will be determined annually, will be prorated on a monthly basis and will be subsequently apportioned among the unitholders in proportion to the number of units owned by each of them as of the opening of the applicable exchange on the first business day of the month (the "Allocation Date"). However, gain or loss realized on a sale or other disposition of our assets other than in the ordinary course of business will be allocated among the unitholders on the Allocation Date in the month in which that gain or loss is recognized. As a result, a unitholder transferring units may be allocated income, gain, loss and deduction realized after the date of transfer.

The use of this method may not be permitted under existing Treasury Regulations. Accordingly, Vinson & Elkins L.L.P. is unable to opine on the validity of this method of allocating income and deductions between the transferors and transferees of units. If this method is not allowed under the Treasury Regulations or only applies to transfers of less than all of the unitholder's interest, our taxable income or losses might be reallocated among the unitholders. We are authorized to revise our method of allocation between transferors and transferees, as well as among, unitholders whose interest otherwise vary during a taxable period, to conform to a method which is permitted.

A unitholder who owns units at any time during a quarter and who disposes of them prior to the record date set for a cash distribution for that quarter will be allocated a share of our income, gain, loss and deductions attributable to that quarter but will not be entitled to receive that cash distribution.

Notification Requirements. A unitholder who sells or exchanges units is required to notify us in writing of that sale or exchange within 30 days after the sale or exchange. We are required to notify the IRS of that transaction and to furnish specified information to the transferor and transferee. However, these reporting requirements do not apply to a sale by an individual who is a citizen of the United States and who effects the sale or exchange through a broker. Failure to notify us of a purchase may lead to the imposition of substantial penalties.

Constructive Termination. We will be considered to have been terminated for tax purposes if there is a sale or exchange of 50% or more of the total interests in our capital and profits within a 12-month period. A constructive termination results in the closing of our taxable year for all unitholders. In the case of a unitholder reporting on a taxable year other than a fiscal year ending December 31, the closing of our taxable year may result in more than 12 months of our taxable income or loss being includable in his taxable income for the year of termination. We would be required to make new tax elections after a termination, including a new election under Section 754 of the Internal Revenue Code, and a termination would result in a deferral of any deductions for depreciation. A termination could also result in penalties if we were unable to determine that the termination had occurred. Moreover, a termination might either accelerate the application of, or subject us to, any tax legislation enacted before the termination.

Uniformity of Units

Because we cannot match transferors and transferees of units, we must maintain uniformity of the economic and tax characteristics of the units to a purchaser of these units. In the absence of uniformity, we may be unable to completely comply with a number of federal income tax requirements, both statutory and regulatory. A lack of uniformity can result from a literal application of Treasury Regulation Section l.167(c)-l(a)(6). Any non-uniformity could have a negative impact on the value of the units. Please read "--Tax Consequences of Unit Ownership--Section 754 Election."

We depreciate the portion of a Section 743(b) adjustment attributable to unrealized appreciation in the value of Contributed Property, to the extent of any unamortized Book-Tax Disparity, using a rate of

depreciation or amortization derived from the depreciation or amortization method and useful life applied to the common basis of that property, or treat that portion as nonamortizable, to the extent attributable to property the common basis of which is not amortizable. This method is consistent with the regulations under Section 743, but is arguably inconsistent with Treasury Regulation Section l.167(c)-l(a)(6) which is not expected to directly apply to a material portion of our assets. Please read "--Tax Consequences of Unit Ownership--Section 754 Election." To the extent that the Section 743(b) adjustment is attributable to appreciation in value in excess of the unamortized Book-Tax Disparity, we apply the rules described in the Treasury Regulations and legislative history. If we determine that this position cannot reasonably be taken, we may adopt a depreciation and amortization position under which all purchasers acquiring units in the same month would receive depreciation and amortization deductions, whether attributable to a common basis or Section 743(b) adjustment, based upon the same applicable rate as if they had purchased a direct interest in our property. If this position is adopted, it may result in lower annual depreciation and amortization deductions than would otherwise be allowable to some unitholders and risk the loss of depreciation and amortization deductions not taken in the year that these deductions are otherwise allowable. This position will not be adopted if we determine that the loss of depreciation and amortization deductions will have a material adverse effect on the unitholders. If we choose not to utilize this aggregate method, we may use any other reasonable depreciation and amortization method to preserve the uniformity of the intrinsic tax characteristics of any units that would not have a material adverse effect on the unitholders. The IRS may challenge any method of depreciating the Section 743(b) adjustment described in this paragraph. If this challenge were sustained, the uniformity of units might be affected, and the gain from the sale of units might be increased without the benefit of additional deductions. Please read "--Disposition of Common Units--Recognition of Gain or Loss."

Tax-Exempt Organizations and Other Investors

Ownership of units by employee benefit plans, other tax-exempt organizations, non-resident aliens, foreign corporations, other non-U.S. persons and regulated investment companies (mutual funds) raises issues unique to those investors and, as described below, may have substantially adverse tax consequences to them. Employee benefit plans and most other organizations exempt from federal income tax, including individual retirement accounts and other retirement plans, are subject to federal income tax on unrelated business taxable income. Virtually all of our income allocated to a unitholder which is a tax-exempt organization will be unrelated business taxable income and will be taxable to them.

A regulated investment company or "mutual fund" is required to derive 90% or more of its gross income from interest, dividends and gains from the sale of stocks or securities or foreign currency or specified related sources. It is not anticipated that any significant amount of our gross income will include that type of income.

Non-resident aliens and foreign corporations, trusts or estates that own units will be considered to be engaged in business in the United States because of the ownership of units. As a consequence they will be required to file federal tax returns to report their share of our income, gain, loss or deduction and pay federal income tax at regular rates on their share of our net income or gain. Under rules applicable to publicly traded partnerships, we will withhold at the highest marginal tax rate applicable to individuals on cash distributions made quarterly to foreign unitholders. Each foreign unitholder must obtain a taxpayer identification number from the IRS and submit that number to our transfer agent on a Form W-8 BEN or applicable substitute form in order to obtain credit for these withholding taxes. A change in applicable law may require us to change these procedures.

In addition, because a foreign corporation that owns units will be treated as engaged in a United States trade or business, that corporation may be subject to the United States branch profits tax at a rate of 30%, in addition to regular federal income tax, on its share of our income and gain, as adjusted for changes in the foreign corporation's "U.S. net equity," which are effectively connected with the conduct of a United States trade or business. That tax may be reduced or eliminated by an income tax treaty between the United States and the country in which the foreign corporate unitholder is a "qualified resident." In addition, this type of

unitholder is subject to special information reporting requirements under Section 6038C of the Internal Revenue Code.

Under a ruling of the IRS, a foreign unitholder who sells or otherwise disposes of a unit will be subject to federal income tax on gain realized on the sale or disposition of that unit to the extent that this gain is effectively connected with a United States trade or business of the foreign unitholder. Apart from the ruling, a foreign unitholder will not be taxed or subject to withholding upon the sale or disposition of a unit if he has owned less than 5% in value of the units during the five-year period ending on the date of the disposition and if the units are regularly traded on an established securities market at the time of the sale or disposition.

Administrative Matters

Information Returns and Audit Procedures. We intend to furnish to each unitholder, within 90 days after the close of each calendar year, specific tax information, including a Schedule K-l, which describes his share of our income, gain, loss and deduction for our preceding taxable year. In preparing this information, which will not be reviewed by counsel, we will take various accounting and reporting positions, some of which have been mentioned earlier, to determine the unitholders share of income, gain, loss and deduction. We cannot assure you that those positions will yield a result that conforms to the requirements of the Internal Revenue Code, Treasury Regulations or administrative interpretations of the IRS. Neither we nor Vinson & Elkins L.L.P. can assure prospective unitholders that the IRS will not successfully contend in court that those positions are impermissible. Any challenge by the IRS could negatively affect the value of the units.

The IRS may audit our federal income tax information returns. Adjustments resulting from an IRS audit may require each unitholder to adjust a prior year's tax liability, and possibly may result in an audit of that unitholder's own return. Any audit of a unitholder's return could result in adjustments not related to our returns as well as those related to our returns.

Partnerships generally are treated as separate entities for purposes of federal tax audits, judicial review of administrative adjustments by the IRS and tax settlement proceedings. The tax treatment of partnership items of income, gain, loss and deduction are determined in a partnership proceeding rather than in separate proceedings with the partners. The Internal Revenue Code requires that one partner be designated as the "Tax Matters Partner" for these purposes. The partnership agreement names Inergy GP, LLC as our Tax Matters Partner.

The Tax Matters Partner has made and will make some elections on our behalf and on behalf of unitholders. In addition, the Tax Matters Partner can extend the statute of limitations for assessment of tax deficiencies against unitholders for items in our returns. The Tax Matters Partner may bind a unitholder with less than a 1% profits interest in us to a settlement with the IRS unless that unitholder elects, by filing a statement with the IRS, not to give that authority to the Tax Matters Partner. The Tax Matters Partner may seek judicial review, by which all the unitholders are bound, of a final partnership administrative adjustment and, if the Tax Matters Partner fails to seek judicial review, judicial review may be sought by any unitholder having at least a 1% interest in profits or by any group of unitholders having in the aggregate at least a 5% interest in profits. However, only one action for judicial review will go forward, and each unitholder with an interest in the outcome may participate.

A unitholder must file a statement with the IRS identifying the treatment of any item on his federal income tax return that is not consistent with the treatment of the item on our return. Intentional or negligent disregard of this consistency requirement may subject a unitholder to substantial penalties.

Nominee Reporting. Persons who hold an interest in us as a nominee for another person are required to furnish to us:

(a) the name, address and taxpayer identification number of the beneficial owner and the nominee;

(b) whether the beneficial owner is:

(1) a person that is not a United States person,

(2) a foreign government, an international organization or any wholly owned agency or instrumentality of either of the foregoing, or

(3) a tax-exempt entity;

(c) the amount and description of units held, acquired or transferred for the beneficial owner; and

(d) specific information including the dates of acquisitions and transfers, means of acquisitions and transfers, and acquisition cost for purchases, as well as the amount of net proceeds from sales.

Brokers and financial institutions are required to furnish additional information, including whether they are United States persons and specific information on units they acquire, hold or transfer for their own account. A penalty of $50 per failure, up to a maximum of $100,000 per calendar year, is imposed by the Internal Revenue Code for failure to report that information to us. The nominee is required to supply the beneficial owner of the units with the information furnished to us.

Registration as a Tax Shelter. The Internal Revenue Code requires that "tax shelters" be registered with the Secretary of the Treasury. The temporary Treasury Regulations interpreting the tax shelter registration provisions of the Internal Revenue Code are extremely broad. It is arguable that we are not subject to the registration requirement on the basis that we will not constitute a tax shelter. However, we have registered as a tax shelter with the Secretary of Treasury in the absence of assurance that we will not be subject to tax shelter registration and in light of the substantial penalties which might be imposed if registration is required and not undertaken.

Our tax shelter registration number is 01204000001. A unitholder who sells or otherwise transfers a unit in a later transaction must furnish the registration number to the transferee. The penalty for failure of the transferor of a unit to furnish the registration number to the transferee is $100 for each failure. The unitholders must disclose our tax shelter registration number on Form 8271 to be attached to the tax return on which any deduction, loss or other benefit we generate is claimed or on which any of our income is included. A unitholder who fails to disclose the tax shelter registration number on his return, without reasonable cause for that failure, will be subject to a $250 penalty for that failure. Any penalties discussed are not deductible for federal income tax purposes.

Issuance of this registration number does not indicate that investment in us or the claimed tax benefits have been reviewed, examined or approved by the IRS.

Accuracy-related Penalties. An additional tax equal to 20% of the amount of any portion of an underpayment of tax that is attributable to one or more specified causes, including negligence or disregard of rules or regulations, substantial understatements of income tax and substantial valuation misstatements, is imposed by the Internal Revenue Code. No penalty will be imposed, however, for any portion of an underpayment if it is shown that there was a reasonable cause for that portion and that the taxpayer acted in good faith regarding that portion.

A substantial understatement of income tax in any taxable year exists if the amount of the understatement exceeds the greater of 10% of the tax required to be shown on the return for the taxable year or $5,000 ($10,000 for most corporations). The amount of any understatement subject to penalty generally is reduced if any portion is attributable to a position adopted on the return:

(1) for which there is, or was, "substantial authority"; or

(2) as to which there is a reasonable basis and the pertinent facts of that position are disclosed on the return.

More stringent rules apply to "tax shelters," a term that in this context does not appear to include us. If any item of income, gain, loss or deduction included in the distributive shares of unitholders might result in that kind of an "understatement" of income for which no "substantial authority" exists, we must disclose the pertinent facts on our return. In addition, we will make a reasonable effort to furnish sufficient information for unitholders to make adequate disclosure on their returns to avoid liability for this penalty.

A substantial valuation misstatement exists if the value of any property, or the adjusted basis of any property, claimed on a tax return is 200% or more of the amount determined to be the correct amount of the valuation or adjusted basis. No penalty is imposed unless the portion of the underpayment attributable to a substantial valuation misstatement exceeds $5,000 ($10,000 for most corporations). If the valuation claimed on a return is 400% or more than the correct valuation, the penalty imposed increases to 40%.

State, Local and Other Tax Considerations

In addition to federal income taxes, you will be subject to other taxes, including state and local income taxes, unincorporated business taxes, and estate, inheritance or intangible taxes that may be imposed by the various jurisdictions in which we do business or own property. Although an analysis of those various taxes is not presented here, each prospective unitholder is urged to consider their potential impact on his investment in us. We presently anticipate that substantially all of our income will be generated in the following states: Arkansas, Florida, Georgia, Illinois, Indiana, Michigan, North Carolina, Ohio, Oklahoma, South Carolina, Tennessee, Texas and Wisconsin. Each of these states, except Florida and Texas, currently imposes a personal income tax. A unitholder will likely be required to file state income tax returns and to pay state income taxes in these states and may be subject to penalties for failure to comply with these requirements. In some states, tax losses may not produce a tax benefit in the year incurred and also may not be available to offset income in subsequent taxable years. Some of the states may require us, or we may elect, to withhold a percentage of income from amounts to be distributed to a unitholder who is not a resident of the state. Withholding, the amount of which may be greater or less than a particular unitholder's income tax liability to the state, generally does not relieve a nonresident unitholder from the obligation to file an income tax return. Amounts withheld may be treated as if distributed to unitholders for purposes of determining the amounts distributed by us. Please read "--Tax Consequences of Unit Ownership--Entity-Level Collections." Based on current law and our estimate of our future operations, the managing general partner anticipates that any amounts required to be withheld will not be material. We may also own property or do business in other states in the future.

It is the responsibility of each unitholder to investigate the legal and tax consequences, under the laws of pertinent states and localities, of his investment in us. Accordingly, each prospective unitholder should consult, and must depend upon, his own tax counsel or other advisor with regard to those matters. Further, it is the responsibility of each unitholder to file all state and local, as well as federal tax returns, that may be required of him. Vinson & Elkins L.L.P. has not rendered an opinion on the state or local tax consequences of an investment in us.

INVESTMENT IN INERGY, L.P. BY EMPLOYEE BENEFIT PLANS

An investment in us by an employee benefit plan is subject to additional considerations because the investments of these plans are subject to the fiduciary responsibility and prohibited transaction provisions of ERISA, and restrictions imposed by Section 4975 of the Internal Revenue Code. For these purposes the term "employee benefit plan" includes, but is not limited to, qualified pension, profit-sharing and stock bonus plans, Keogh plans, simplified employee pension plans and tax deferred annuities or IRAs established or maintained by an employer or employee organization. Among other things, consideration should be given to:

(a) whether the investment is prudent under Section 404(a)(1)(B) of ERISA,

(b) whether in making the investment, that plan will satisfy the diversification requirements of Section 404(a)(1)(C) of ERISA, and

(c) whether the investment will result in recognition of unrelated business taxable income by the plan and, if so, the potential after-tax investment return.

The person with investment discretion with respect to the assets of an employee benefit plan, often called a fiduciary, should determine whether an investment in us is authorized by the appropriate governing instrument and is a proper investment for the plan.

Section 406 of ERISA and Section 4975 of the Internal Revenue Code prohibit employee benefit plans, and also IRAs that are not considered part of an employee benefit plan, from engaging in specified transactions involving "plan assets" with parties that are "parties in interest" under ERISA or "disqualified persons" under the Internal Revenue Code with respect to the plan.

In addition to considering whether the purchase of common units is a prohibited transaction, a fiduciary of an employee benefit plan should consider whether the plan will, by investing in us, be deemed to own an undivided interest in our assets, with the result that the managing general partner also would be a fiduciary of the plan and our operations would be subject to the regulatory restrictions of ERISA, including its prohibited transaction rules, as well as the prohibited transaction rules of the Internal Revenue Code.

The Department of Labor regulations provide guidance with respect to whether the assets of an entity in which employee benefit plans acquire equity interests would be deemed "plan assets" under some circumstances. Under these regulations, an entity's assets would not be considered to be "plan assets" if, among other things,

(a) the equity interests acquired by employee benefit plans are publicly offered securities; i.e., the equity interests are widely held by 100 or more investors independent of the issuer and each other, freely transferable and registered under some provisions of the federal securities laws,

(b) the entity is an "operating company," i.e., it is primarily engaged in the production or sale of a product or service other than the investment of capital either directly or through a majority owned subsidiary or subsidiaries, or

(c) there is no significant investment by benefit plan investors, which is defined to mean that less than 25% of the value of each class of equity interest, disregarding some interests held by the managing general partner, its affiliates, and some other persons, is held by the employee benefit plans referred to above, IRAs and other employee benefit plans not subject to ERISA, including governmental plans.

Our assets should not be considered "plan assets" under these regulations because it is expected that the investment will satisfy the requirements in (a) above.

Plan fiduciaries contemplating a purchase of common units should consult with their own counsel regarding the consequences under ERISA and the Internal Revenue Code in light of the serious penalties imposed on persons who engage in prohibited transactions or other violations.

UNDERWRITING

Subject to the terms and conditions of the underwriting agreement among us, the selling unitholders and the underwriter, the underwriter has agreed to purchase from us and the selling unitholders the following number of common units at the offering price less the underwriting discount set forth on the cover page of this prospectus.

Underwriter	Number of Common Units
A.G. Edwards & Sons, Inc.	1,400,000

The underwriting agreement provides that the obligations of the underwriter are subject to certain conditions and that the underwriter will purchase all such common units if any of the units are purchased. The underwriter is obligated to take and pay for all of the common units offered hereby, other than those covered by the over-allotment option described below, if any are taken.

The underwriter has advised us that it proposes to offer the common units to the public at the offering price set forth on the cover page of this prospectus and to certain dealers at such price less a concession not in excess of $ per unit. The underwriter may allow, and such dealers may re-allow, a concession not in excess of $ per unit to certain other dealers. After the offering, the offering price and other selling terms may be changed by the underwriter.

Pursuant to the underwriting agreement, we have granted to the underwriter an option, exercisable for 30 days after the date of this prospectus, to purchase up to 210,000 additional common units at the offering price, less the underwriting discount set forth on the cover page of this prospectus, solely to cover over-allotments.

To the extent the underwriter exercises such option, the underwriter will become obligated, subject to certain conditions, to purchase the additional units, and we will be obligated, pursuant to the option, to sell such units to the underwriter.

Inergy, L.P., New Inergy Propane, LLC, the general partners and certain other affiliates have agreed that during the 90 days after the date of this prospectus, they will not, without the prior written consent of the underwriter, directly or indirectly, offer for sale, contract to sell, sell, distribute, grant any option, right or warrant to purchase, pledge, hypothecate or otherwise dispose of any common units, any securities convertible into, or exercisable or exchangeable for, common units or any other rights to acquire such common units, other than pursuant to employee benefit plans as in existence as of the date of this prospectus.

The underwriter may, in its sole discretion, allow any of these parties to offer for sale, contract to sell, sell, distribute, grant any option, right or warrant to purchase, pledge, hypothecate or otherwise dispose of any common units, any securities convertible into, or exercisable or exchangeable for, common units or any other rights to acquire such common units prior to the expiration of such 90-day period in whole or in part at anytime without notice. There are, however, no agreements between the underwriter and these parties that would allow them to do so as of the date of this prospectus. The underwriter has informed us that in the event that consent to a waiver of these restrictions is requested by us or any other person, the underwriter, in deciding whether to grant its consent, will consider, among other factors, the unitholder's reasons for requesting the release, the number of units for which the release is being requested, and market conditions at the time of the request for such release. However, the underwriter has informed us that as of the date of this prospectus there

are no agreements between the underwriter and any party that would allow such party to transfer any common units, nor does it have any intention of releasing any of the common units subject to the lock-up agreements prior to the expiration of the lock-up period at this time.

The following table summarizes the discounts that Inergy, L.P. and the selling unitholders will pay to the underwriter in this offering. These amounts assume both no exercise and full exercise of the underwriter's option to purchase additional common units.

	No Exercise	Full Exercise
Per Unit	$	$
Total	$	$

We expect to incur expenses of approximately $1.2 million in connection with this offering.

Inergy, L.P., New Inergy Propane, LLC, the general partners and certain other affiliates and the selling unitholders have agreed to indemnify the underwriter against certain liabilities, including liabilities under the Securities Act.

In connection with this offering, the underwriter may engage in stabilizing transactions, over-allotment transactions, syndicate covering transactions and penalty bids in accordance with Regulation M under the Securities Exchange Act of 1934.

- Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum.

- Over-allotment transactions involve sales by the underwriter of the common units in excess of the number of units the underwriter is obligated to purchase, which creates a syndicate short position. The short position may be either a covered short position or a naked short position. In a covered short position, the number of units over-allotted by the underwriter is not greater than the number of units it may purchase in the over-allotment option. In a naked short position, the number of units involved is greater than the number of units in the over- allotment option. The underwriter may close out any short position by either exercising its over-allotment option and/or purchasing common units in the open market.

- Syndicate covering transactions involve purchases of the common units in the open market after the distribution has been completed in order to cover syndicate short positions. In determining the source of the common units to close out the short position, the underwriter will consider, among other things, the price of common units available for purchase in the open market as compared to the price at which it may purchase common units through the over-allotment option. If the underwriter sells more common units than could be covered by the over-allotment option, a naked short position, the position can only be closed out by buying common units in the open market. A naked short position is more likely to be created if the underwriter is concerned that there could be downward pressure on the price of the common units in the open market after pricing that could adversely affect investors who purchase in the offering.

- Penalty bids permit the underwriter to reclaim a selling concession from a syndicate member when the common units originally sold by the syndicate member are purchased in a stabilizing or syndicate covering transaction to cover syndicate short positions.

Similar to other purchase transactions, the underwriter's purchase to cover the syndicate short sales may have the effect of raising or maintaining the market price of the common units or preventing or retarding a decline in the market price of the common units. As a result, the price of the common units may be higher than the price that might otherwise exist in the open market.

The underwriter will deliver a prospectus to all purchasers of common units in the short sales. The purchasers of common units in short sales are entitled to the same remedies under the federal securities laws as any other purchaser of common units covered by this prospectus.

The underwriter is not obligated to engage in any of the transactions described above. If it does engage in any of these transactions, it may discontinue them at any time.

Neither Inergy, L.P. nor the underwriter make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the common units. In addition, neither Inergy, L.P. nor the underwriter make any representation that the underwriter will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Because the National Association for Securities Dealers, Inc. views the common units offered hereby as interests in a direct participation program, the offering is being made in compliance with Rule 2810 of the NASD's Conduct Rules. Investor suitability with respect to the common units should be judged similarly to the suitability with respect to other securities that are listed for trading on a national securities exchange.

A.G. Edwards served as one of the underwriters in our initial public offering that closed on July 31, 2001. Additionally, A.G. Edwards has provided financial advisory services to Inergy, L.P. and Inergy Partners, L.L.C. for which it received customary compensation. A.G. Edwards may, from time to time, engage in transactions with and perform services for us in the ordinary course of its business.

VALIDITY OF THE COMMON UNITS

The validity of the common units will be passed upon for us by Vinson & Elkins L.L.P., Houston, Texas. Certain legal matters in connection with the common units offered hereby will be passed upon for the underwriter by Baker Botts L.L.P., Houston, Texas.

EXPERTS

Ernst & Young LLP, independent auditors, have audited the consolidated financial statements of Inergy, L.P. and Subsidiary (successor to Inergy Partners, LLC and subsidiaries) at September 30, 2000 and 2001, and for each of the three years in the period ended September 30, 2001, the combined financial statements of the Hoosier Propane Group at September 30, 1999 and 2000 and December 31, 2000, and for each of the three years in the period ended September 30, 2000 and the three months ended December 31, 2000 and the balance sheet of Inergy GP, LLC at September 30, 2001, as set forth in their reports. We have included these financial statements in the prospectus and elsewhere in the registration statement in reliance on Ernst & Young LLP's reports, given on their authority as experts in accounting and auditing.

Arthur Andersen LLP, independent auditors, have audited the consolidated financial statements of Independent Propane Company Holdings at September 30, 2000 and 2001, and for each of the three years in the period ended September 30, 2001, as set forth in their report. We have included these financial statements in the prospectus and elsewhere in the registration statement in reliance on Arthur Andersen LLP's report, given on their authority as experts in accounting and auditing.

OTHER MATTERS

Arthur Andersen LLP, the independent public accountants for IPC, provided us with an audit report with respect to IPC's financial statements contained in this prospectus. Arthur Andersen LLP is the subject of litigation and was indicted with respect to its activities in connection with Enron Corp. Arthur Andersen LLP may fail, may merge with or have its assets sold to a third party, may lose critical personnel or may seek protection from creditors. In the event that Arthur Andersen LLP fails, does not otherwise continue in business or seeks protection from creditors, it may become difficult for you to seek remedies against Arthur Andersen LLP for material misstatements or omissions, if any, in the registration statement, including the financial statements covered by their report.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the Securities and Exchange Commission a registration statement on Form S-1 regarding the common units. This prospectus does not contain all of the information found in the registration statement. For further information regarding Inergy and the common units offer by this prospectus, you may desire to review the full registration statement, including its exhibits and schedules, filed under the Securities Act of 1933. The registration statement of which this prospectus forms a part, including its exhibits and schedules, may be inspected and copied at the public reference room maintained by the SEC at Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of the materials may also be obtained from the SEC at prescribed rates by writing to the public reference room maintained by the SEC at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549. You may obtain information on the operation of the public reference room by calling the SEC at l-800-SEC-0330.

The SEC maintains a World Wide Web site on the Internet at http://www.sec.gov. Our registration statement, of which this prospectus constitutes a part, can be downloaded from the SEC's web site.

We furnish our unitholders with annual reports containing our audited financial statements and furnish or make available quarterly reports containing our unaudited interim financial information for the first three fiscal quarters of each fiscal year.

FORWARD-LOOKING STATEMENTS

Some of the information in this prospectus may contain forward-looking statements. All statements other than statements of historical fact are forward-looking statements. These statements can be identified by the use of forward-looking terminology including "may," "believe," "will," "expect," "anticipate," "estimate," "continue" or other similar words. These statements discuss future expectations, contain projections of results of operations or of financial condition or state other "forward-looking" information. These forward-looking statements involve risks and uncertainties. When considering these forward-looking statements, you should keep in mind the risk factors and other cautionary statements in this prospectus. Specific factors could cause our actual results to differ materially from those contained in any forward-looking statement. These factors include, but are not limited to:

- the effect of weather conditions on demand for propane;
- the price volatility and availability of propane;
- the availability of capacity to transport propane to market areas and our customers;
- competition from other energy sources and within the propane industry;
- improvements in energy efficiency and technology trends resulting in reduced demand for propane;
- our ability to achieve expected operating cost savings, synergies and productivity improvements from the integration of the propane distribution businesses we acquire, including Independent Propane Company Holdings;
- our inability to make business acquisitions on economically acceptable terms;
- our ability to obtain new customers and retain existing customers;
- operating hazards and risks incidental to transporting, storing and distributing propane and related products, including the risk of explosions and fires resulting in personal injury and property damage;
- liability for environmental claims;
- adverse labor relations;

- governmental legislation and regulation;

- the condition of the capital markets in the United States; and

- the political and economic stability of oil producing nations of the world.

When considering our forward-looking statements, you should keep in mind the risk factors described in the "Risk Factors" section of this prospectus. These risk factors could cause our actual results to differ materially from those contained in any forward-looking statement. We will not update our forward-looking statements unless applicable securities laws require us to do so.

INDEX TO FINANCIAL STATEMENTS

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Members
Inergy, L.P. and Subsidiary
(Successor to Inergy Partners, LLC and Subsidiaries)

We have audited the accompanying consolidated balance sheets of Inergy, L.P. and Subsidiary (Successor to Inergy Partners, LLC and Subsidiaries) (the "Partnership") as of September 30, 2000 and 2001, and the related consolidated statements of operations, redeemable preferred members' interest and members' equity/partners' capital and cash flows for each of the three years in the period ended September 30, 2001. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Inergy, L.P. and Subsidiary (Successor to Inergy Partners, LLC and Subsidiaries) at September 30, 2000 and 2001, and the consolidated results of their operations and their cash flows for each of the three years in the period ended September 30, 2001 in conformity with accounting principles generally accepted in the United States.

/s/ Ernst & Young LLP

Kansas City, Missouri
December 10, 2001, except for
Notes 4 and 12, as to which
the date is December 20, 2001

INERGY, L.P. AND SUBSIDIARY
(Successor to Inergy Partners, LLC and Subsidiaries)

CONSOLIDATED BALANCE SHEETS
(In Thousands, Except Unit Data)

	September 30,		March 31,
	2000	2001	2002
			(Unaudited)
ASSETS (Note 4)			
Current assets:			
Cash	$ 1,373	$ 2,171	$ 2,475
Accounts receivable, less allowance for doubtful accounts of $225 and $186 at September 30, 2000 and 2001, respectively and $1,537 at March 31, 2002	12,602	11,457	24,111
Inventories	3,630	12,694	16,591
Prepaid expenses and other current assets	1,014	1,411	1,975
Assets from price risk management activities	3,580	9,187	8,897
Total current assets	22,199	36,920	54,049
Property, plant and equipment, at cost:			
Land and buildings	740	4,511	11,205
Office furniture and equipment	808	1,172	5,857
Vehicles	4,138	11,435	17,644
Tanks and plant equipment	30,283	58,737	100,147
	35,969	75,855	134,853
Less accumulated depreciation	(2,533)	(5,812)	(9,378)
Net property, plant and equipment	33,436	70,043	125,475
Intangible assets (Note 2):			
Covenants not to compete	3,228	3,771	6,124
Deferred financing costs	333	2,985	4,977
Deferred acquisition costs	460	115	--
Customer accounts	3,500	14,000	41,411
Goodwill	6,880	32,121	47,053
	14,401	52,992	99,565
Less accumulated amortization	(1,246)	(4,431)	(6,489)
Net intangible assets	13,155	48,561	93,076
Other	134	129	473
Total assets	$68,924	$155,653	$273,073
LIABILITIES AND MEMBERS' EQUITY/PARTNERS' CAPITAL			
Current liabilities:			
Accounts payable	$11,502	$ 8,416	$ 9,041
Accrued expenses	3,715	5,679	6,743
Customer deposits	1,676	10,060	5,314
Liabilities from price risk management activities	2,294	4,612	4,618
Current portion of long-term debt (Note 4)	605	10,469	3,722
Total current liabilities	19,792	39,236	29,438
Deferred income taxes (Note 6)	942	--	--
Long-term debt, less current portion (Note 4)	34,322	43,663	138,442
Redeemable preferred members' interest (Notes 2 and 7)	10,896	--	--
Members' equity/partners' capital (Notes 2, 4, 7 and 8):			
Class A preferred interest	4,892	--	--
Common interest	(1,686)	--	--
Deferred compensation	(234)	--	--
Common unitholders (1,840,000 and 2,617,872 units issued and outstanding as of September 30, 2001 and March 31, 2002, respectively)	--	24,981	49,514
Senior subordinated unitholders (3,313,367 units issued and outstanding as of September 30, 2001 and March 31, 2002)	--	45,060	51,421
Junior subordinated unitholders (572,542 units issued and outstanding as of September 30, 2001 and March 31, 2002)	--	1,258	2,358
Non-managing general partner (2% interest with dilutive effect equivalent to 116,855 and 132,730 units issued and outstanding as of September 30, 2001 and March 31, 2002, respectively)	--	1,455	1,900
Total members' equity/partners' capital	2,972	72,754	105,193
Total liabilities and members' equity/partners' capital	$68,924	$155,653	$273,073

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See accompanying notes.

INERGY, L.P. AND SUBSIDIARY
(Successor to Inergy Partners, LLC and Subsidiaries)

CONSOLIDATED STATEMENTS OF OPERATIONS
(In Thousands, Except Per Unit Data)

	Year Ended September 30,			Six Months Ended March 31,	
	1999	2000	2001	2001	2002
				(unaudited)	
Revenue:					
Propane	$16,227	$89,042	$212,441	$165,209	$156,442
Other	2,984	4,553	10,698	5,230	7,618
	19,211	93,595	223,139	170,439	164,060
Cost of product sold	13,754	81,636	182,582	141,425	113,787
Gross profit	5,457	11,959	40,557	29,014	50,273
Expenses:					
Operating and administrative	4,119	8,990	23,501	11,464	23,326
Depreciation and amortization	690	2,286	6,532	2,588	5,145
Operating income	648	683	10,524	14,962	21,802
Other income (expense):					
Interest expense (Note 4)	(962)	(2,740)	(6,670)	(3,020)	(3,236)
Gain (loss) on sale of property, plant and equipment	101	--	37	--	(119)
Finance charges	79	176	290	158	85
Other	5	59	168	87	36
Income (loss) before income taxes	(129)	(1,822)	4,349	12,187	18,568
Provision for income taxes	56	7	--	--	52
Net income (loss)	$ (185)	$(1,829)	$ 4,349	$ 12,187	$ 18,516
Predecessor net income for the period from October 1, 2000 to July 31, 2001			$ 6,664		
Inergy, L.P. net loss for the period from July 31, 2001 through September 30, 2001			$ (2,315)		
Partners' interest information for the period from July 31, 2001 through September 30, 2001 and six months ended March 31, 2002:					
Non-managing general partners' interest in net income (loss)			$ (46)		$ 370

INERGY, L.P. AND SUBSIDIARY
(Successor to Inergy Partners, LLC and Subsidiaries)

CONSOLIDATED STATEMENTS OF OPERATIONS (Continued)
(In Thousands, Except Per Unit Data)

	Year Ended September 30,			Six Months Ended March 31,	
	1999	2000	2001	2001	2002
				(Unaudited)	
Limited partners' interest in net loss:					
Common unit interest:					
Allocation of net income (loss)...			$ (729)		$ 6,702
Less beneficial conversion value allocated to senior subordinated units (Notes 1 and 7).....			(8,600)		--
Net common unit interest.....			(9,329)		6,702
Senior subordinated interest:					
Allocation of net income (loss)...			(1,313)		9,758
Plus beneficial conversion value allocated to senior subordinated units (Notes 1 and 7).....			8,600		--
Net senior subordinated unit interest.....			7,287		9,758
Junior subordinated unit interest...			(227)		1,686
Total limited partners' interest in net income (loss).....			$(2,269)		$18,146
Net income (loss) per limited partner unit:					
Basic.....			$ (0.40)		$ 2.94
Diluted.....			$ (0.40)		$ 2.90
Weighted average limited partners' units outstanding:					
Basic.....			5,726		6,162
Diluted.....			5,726		6,249

See accompanying notes.

INERGY, L.P. AND SUBSIDIARY
(Successor to Inergy Partners, LLC and Subsidiaries)

CONSOLIDATED STATEMENTS OF REDEEMABLE PREFERRED MEMBERS' INTEREST AND MEMBERS' EQUITY/PARTNERS' CAPITAL
(In Thousands)

		Members' Equity			Partners' Capital				
	Redeemable Preferred Members' Interest	Class A Preferred Interest	Common Interest	Deferred Compensation	Common Unit Capital	Senior Subordinated Unit Capital	Junior Subordinated Unit Capital	Non-Managing General Partner	Total Members' Equity/Partners' Capital
Balance at September 30, 1998	$ --	$ 2,345	$ 658	$ (392)	$ --	$ --	$ --	$ --	$ 2,611
Common and preferred interests issued in acquisitions (Note 2)	--	2,548	397	--	--	--	--	--	2,945
Amortization of deferred compensation	--	--	--	78	--	--	--	--	78
Members' distributions	--	--	(180)	--	--	--	--	--	(180)
Net loss	--	--	(185)	--	--	--	--	--	(185)
Balance at September 30, 1999	--	4,893	690	(314)	--	--	--	--	5,269
Redeemable preferred interests issued in acquisitions (Note 2)	9,000	--	--	--	--	--	--	--	--
Redeemable preferred interests issued for cash, net of offering costs of $104	1,896	--	--	--	--	--	--	--	--
Redemption of preferred interest	--	(1)	--	1	--	--	--	--	--
Amortization of deferred compensation	--	--	--	79	--	--	--	--	79
Members' distributions	--	--	(547)	--	--	--	--	--	(547)
Net loss	--	--	(1,829)	--	--	--	--	--	(1,829)
Balance at September 30, 2000	10,896	4,892	(1,686)	(234)	--	--	--	--	2,972

INERGY, L.P. AND SUBSIDIARY
(Successor to Inergy Partners, LLC and Subsidiaries)

CONSOLIDATED STATEMENTS OF REDEEMABLE PREFERRED MEMBERS' INTEREST AND MEMBERS' EQUITY/PARTNERS' CAPITAL (Continued)
(In Thousands)

		Members' Equity			Partners' Capital				
	Redeemable Preferred Members' Interest	Class A Preferred Interest	Common Interest	Deferred Compensation	Common Unit Capital	Senior Subordinated Unit Capital	Junior Subordinated Unit Capital	Non-Managing General Partner	Total Members' Equity/Partners' Capital
Balance at September 30, 2000	$ 10,896	$ 4,892	$(1,686)	$ (234)	$ --	$ --	$ --	$ --	$ 2,972
Net income October 1, 2000 to July 31, 2001	--	--	6,664	--	--	--	--	--	6,664
Redeemable preferred interests issued for cash, net of offering costs of $513	16,087	--	--	--	--	--	--	--	--
Redeemable preferred interests issued in acquisition (Note 2)	7,402	--	--	--	--	--	--	--	--
Inergy Partners, LLC members' distributions	--	--	(2,554)	--	--	--	--	--	(2,554)
Redemption of preferred interest	--	(41)	8	--	--	--	--	--	(33)
Amortization of deferred compensation	--	--	--	65	--	--	--	--	65
Assets (liabilities) retained by Inergy Partners LLC	--	--	(909)	--	--	--	--	--	(909)
Accelerated vesting of deferred compensation due to initial public offering	--	--	--	169	--	--	--	--	169
Net proceeds from initial public offering	--	--	--	--	34,310	--	--	--	34,310
Transfers of capital in accordance with initial public offering	(34,385)	(4,851)	(1,523)	--	--	37,773	1,485	1,501	34,385
Net loss July 31, 2001 through September 30, 2001	--	--	--	--	(729)	(1,313)	(227)	(46)	(2,315)
Beneficial conversion feature of the conversion of certain Redeemable Preferred Members' Interests to Senior Subordinated Units	--	--	--	--	(8,600)	8,600	--	--	--
Balance at September 30, 2001	--	--	--	--	24,981	45,060	1,258	1,455	72,754

INERGY, L.P. AND SUBSIDIARY
(Successor to Inergy Partners, LLC and Subsidiaries)

CONSOLIDATED STATEMENTS OF REDEEMABLE PREFERRED MEMBERS' INTEREST AND MEMBERS' EQUITY/PARTNERS' CAPITAL (Continued)
(In Thousands)

		Members' Equity			Partners' Capital				
	Redeemable Preferred Members' Interest	Class A Preferred Interest	Common Interest	Deferred Compensation	Common Unit Capital	Senior Subordinated Unit Capital	Junior Subordinated Unit Capital	Non-Managing General Partner	Total Members' Equity/Partners' Capital
Balance at September 30, 2001	$ --	$ --	$ --	$ --	$24,981	$45,060	$1,258	$1,455	$ 72,754
Proceeds from issuance of common units (unaudited)	--	--	--	--	480	--	--	--	480
Issuance of common units in connection with acquisition of retail propane company (unaudited)	--	--	--	--	19,723	--	--	--	19,723
Contribution from non-managing general partner (unaudited)	--	--	--	--	--	--	--	205	205
Partners' distributions (unaudited)	--	--	--	--	(2,372)	(3,396)	(587)	(130)	(6,485)
Net income (unaudited)	--	--	--	--	6,702	9,757	1,687	370	18,516
Balance at March 31, 2002 (unaudited)	$ --	$ --	$ --	$ --	$49,514	$51,421	$2,358	$1,900	$105,193

See accompanying notes.

INERGY, L.P. AND SUBSIDIARY
(Successor to Inergy Partners, LLC and Subsidiaries)

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)

	Year Ended September 30			Six Months Ended March 31	
	1999	2000	2001	2001	2002
				(Unaudited)	
Operating activities					
Net income (loss).....	$ (185)	$ (1,829)	$ 4,349	$ 12,187	$ 18,516
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:					
Provision for doubtful accounts.....	77	139	912	812	680
Depreciation.....	440	1,427	3,438	1,368	3,634
Amortization.....	250	859	3,094	1,220	1,511
Amortization of deferred financing costs.....	73	87	424	160	547
Loss (gain) on disposal of property, plant and equipment.....	(101)	--	(37)	--	119
Net assets (liabilities) from price risk management activities....	1,206	(2,492)	(3,289)	946	296
Deferred income taxes.....	8	--	--	39	--
Deferred compensation.....	78	79	234	--	--
Changes in operating assets and liabilities, net of effects from acquisition of retail propane companies:					
Accounts receivable.....	(3,451)	(5,842)	13,370	(10,869)	(6,532)
Inventories.....	(3,812)	1,660	(6,154)	2,922	(65)
Prepaid expenses and other current assets...	(86)	(388)	(321)	22	(36)
Other assets.....	(13)	(121)	5	(3)	(93)
Accounts payable.....	2,642	3,836	(19,115)	(3,596)	(1,410)
Accrued expenses.....	913	2,049	1,871	807	(911)
Customer deposits.....	1,187	314	5,878	(3,421)	(5,623)
Net cash provided by (used in) operating activities...	(774)	(222)	4,659	2,594	10,633
Investing activities					
Acquisition of retail propane companies, net of cash acquired.....	(11,430)	(9,600)	(56,263)	(56,263)	(84,553)
Purchases of property, plant and equipment.....	(1,354)	(2,275)	(4,758)	(1,861)	(2,525)
Deferred financing and acquisition costs incurred.....	(473)	(573)	(3,114)	(1,989)	(1,979)
Proceeds from sale of property, plant and equipment.....	127	--	118	--	91
Other.....	--	(16)	(8)	(66)	--
Net cash used in investing activities.....	(13,130)	(12,464)	(64,025)	(60,179)	(88,966)

INERGY, L.P. AND SUBSIDIARY
(Successor to Inergy Partners, LLC and Subsidiaries)

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
(In Thousands)

	Year Ended September 30			Six Months Ended March 31	
	1999	2000	2001	2001	2002
				(Unaudited)	
Financing activities					
Proceeds from issuance of long-term debt	$ 25,373	$ 35,787	$ 178,054	$106,675	$ 220,621
Principal payments on long-term debt and noncompete obligations	(11,137)	(23,229)	(163,849)	(62,205)	(136,184)
Contribution from non-managing general partner	--	--	--	--	205
Net proceeds from issuance of redeemable preferred members' interest	--	1,896	16,087	16,015	--
Net proceeds from issuance of common units in initial public offering	--	--	34,310	--	--
Proceeds from issuance of common units	--	--	--	--	480
Cash retained by Inergy Partners LLC	--	--	(1,851)	--	--
Redemption of preferred stock	--	--	(33)	--	--
Distributions to members	(180)	(547)	(2,554)	(745)	(6,485)
Net cash provided by financing activities	14,056	13,907	60,164	59,740	78,637
Net increase in cash	152	1,221	798	2,155	304
Cash at beginning of period	--	152	1,373	1,373	2,171
Cash at end of period	$ 152	$ 1,373	$ 2,171	$ 3,528	$ 2,475
Supplemental disclosure of cash flow information					
Cash paid during the year for interest	$ 823	$ 2,538	$ 6,171	$ 1,929	$ 3,025
Supplemental schedule of noncash investing and financing activities					
Additions to covenants not to compete through the issuance of noncompete obligations	$ 2,052	$ 32	$ --	$ --	$ --
Acquisitions of retail propane companies through the issuances of common units	$ 2,945	$ 9,000	$ 7,402	$ 7,402	$ 19,723
Acquisition of retail propane company through the issuance of subordinated debt, which was subsequently retired in 2001	$ --	$ --	$ 5,000	$ 5,000	$ --

See accompanying notes.

INERGY, L.P. AND SUBSIDIARY
(Successor to Inergy Partners, LLC and Subsidiaries)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In Thousands Except Unit and Per Unit Data)

September 30, 2000 and 2001
(Information Pertaining to the Six Months Ended March 31, 2001 and 2002 is Unaudited)

1. Accounting Policies

Organization

Inergy, L.P. (the Partnership) was formed on March 7, 2001 as a Delaware limited partnership. The Partnership and its subsidiary Inergy Propane, LLC (the Operating Company) were formed to acquire, own and operate the propane business and substantially all the assets and liabilities (other than a portion of the cash and deferred income tax liabilities) of Inergy Partners, LLC and subsidiaries (Inergy Partners and referred to subsequent to the initial public offering described below as the Non-managing General Partner). In addition, Inergy Sales and Service, Inc. (Services), a subsidiary of the Operating Company, was formed to acquire and operate the service, work and appliance parts and sales business of Inergy Partners. The Partnership, the Operating Company, and Services are collectively referred to hereinafter as the Partnership Entities. In order to simplify the Partnership's obligations under the laws of several jurisdictions in which the Partnership will conduct business, the Partnership's activities are conducted through the Operating Company.

The Partnership Entities consummated in July 2001, an initial public offering (the Offering) of 1,840,000 common units representing limited partner interests in the Partnership (the Common Units) for an offering price of $22.00 per Common Unit aggregating $40,480 before approximately $6,170 of underwriting discounts and commissions and other expenses related to the Offering. The Operating Company assumed the Non-managing General Partner's obligation under its funded debt in connection with the conveyance in July 2001 (the Partnership Conveyance) by Inergy GP, LLC (the Managing General Partner) and the Non-managing General Partner (together referred to as the General Partners), of substantially all of their assets and liabilities (excluding $1,851 of cash and the deferred tax liabilities associated with the subsidiaries of Wilson Oil Company of Johnston County, Inc. (Wilson) and Rolesville Gas & Oil Company, Inc. (Rolesville)). The net proceeds from the Offering were used to repay the subordinated debt issued in connection with the acquisition of the Hoosier Propane Group (Note 2) and a portion of the outstanding credit agreement borrowings.

Pursuant to the terms of certain of the redeemable Class A preferred interest agreements issued by Inergy Partners prior to the Offering, in the event of an initial public offering, these interests would automatically convert into senior subordinated units of a master limited partnership. As such, in conjunction with the Offering, an additional 2,006,456 Senior Subordinated Units were issued to holders of the remaining redeemable Class A preferred interests of Inergy Partners, representing a 34.3% limited partner interest in the Partnership Entities.

Certain of the redeemable Class A preferred interests of Inergy Partners contained conversion terms that were more advantageous than the terms of the other preferred interests issued by Inergy Partners as further described in Note 7. These beneficial conversion terms resulted in Inergy, L.P. recognizing a decrease in common unit capital of $8.6 million with a corresponding increase in senior subordinated unit capital in the fourth quarter of fiscal 2001 following the Offering. Net income available to common unitholders for the fourth quarter and year ended September 30, 2001 is decreased by $8.6 million while net income attributable to senior subordinated unitholders is increased by the same amount.

Inergy, L.P. has no employees and is managed by Inergy GP, LLC. Pursuant to the Partnership Agreement, Inergy GP, LLC or any of its affiliates is entitled to reimbursement for all direct and indirect expenses incurred or payments it makes on behalf of Inergy, L.P., and all other necessary or appropriate expenses allocable to Inergy, L.P. or otherwise reasonably incurred by the Inergy GP, LLC in connection with

operating Inergy, L.P. business. These costs, which totaled approximately $2,435 and $4,556 for the period from August 1, 2001 through September 30, 2001 and the six months ended March 31, 2002, respectively, include compensation and benefits paid to officers and employees of Inergy GP, LLC.

The General Partners own general partner interests representing an aggregate 2% unsubordinated general partner interest in the Partnership and the Operating Company on a combined basis. In addition, the Non-managing General Partner owns 1,306,911 Senior Subordinated Units and 572,542 Junior Subordinated Units representing a 32.2% limited partner interest in the Partnership Entities.

Basis of Presentation

The accompanying consolidated financial statements presented herein reflect the effects of the Partnership Conveyance, in which the Partnership Entities became the successor to the businesses of Inergy Partners. As such, the consolidated financial statements represent Inergy Partners prior to the Partnership Conveyance and the Partnership Entities subsequent to the Partnership Conveyance. Because the Partnership Conveyance was a transfer of assets and liabilities in exchange for partnership interests among a controlled group of companies, it has been accounted for in a manner similar to a pooling of interests, resulting in the presentation of the Partnership Entities as the successor to the continuing businesses of Inergy Partners. The entity representative of both the operations of (i) Inergy Partners prior to the Partnership Conveyance; and (ii) the Partnership Entities subsequent to the Partnership Conveyance, is referred to herein as "Inergy'. The Non-Managing General Partner retained those assets and liabilities not conveyed to the Partnership. All significant intercompany balances and transactions have been eliminated in consolidation.

Nature of Operations

Inergy is engaged primarily in the sale, distribution, marketing and trading of propane and other natural gas liquids. The retail market is seasonal because propane is used primarily for heating in residential and commercial buildings, as well as for agricultural purposes. Inergy's operations are concentrated in the Midwest and Southeast regions of the United States.

Accounting for Price Risk Management

Inergy, through its wholesale operations, offers price risk management services to its customers and, in addition, trades for its own account (see Note 3). Financial instruments utilized in connection with trading activities are accounted for using the mark-to-market method. Under the mark-to-market method of accounting, forwards, swaps, options and storage contracts are reflected at fair value, inclusive of reserves, and are shown in the consolidated balance sheet as assets and liabilities from price risk management activities. Unrealized gains and losses from newly originated contracts, contract restructuring and the impact of price movements are recognized in cost of products sold. Changes in the assets and liabilities from trading and price risk management activities result primarily from changes in the market prices, newly originated transactions and the timing of settlement relative to the receipt of cash for certain contracts. The market prices used to value these transactions reflect management's best estimate considering various factors including closing exchange and over-the-counter quotations, time value and volatility factors underlying the commitments. The values are adjusted to reflect the potential impact of liquidating Inergy's position in an orderly manner over a reasonable period of time under present market conditions.

The cash flow impact of financial instruments is reflected as cash flows from operating activities in the consolidated statements of cash flows. See Note 3 for further discussion of Inergy's price risk management activities.

Revenue Recognition

Sales of propane are recognized at the time product is shipped or delivered to the customer. Revenue from the sale of propane appliances and equipment is recognized at the time of sale or installation. Revenue from repairs and maintenance is recognized upon completion of the service.

Credit Concentrations

Inergy is both a retail and wholesale supplier of propane gas. Inergy generally extends unsecured credit to its wholesale customers throughout the Midwestern and Eastern portions of the United States. Credit is generally extended to retail customers through delivery into company and customer owned propane gas storage tanks. Provisions for doubtful accounts receivable are reflected in Inergy's consolidated financial statements and have generally been within management's expectations.

Unaudited Financial Information

The financial information as of March 31, 2002 and for the six-month periods ended March 31, 2001 and 2002 contained herein is unaudited. The Company believes this information has been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and Article 10 of Regulation S-X. The Company also believes this information includes all adjustments (consisting only of normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows for the periods then ended. The results of operations for the six-month period ended March 31, 2002 are not necessarily indicative of the results of operations that may be expected for the entire year.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

Inventories

Inventories for retail operations, which mainly consist of liquid propane, are stated at the lower of cost, determined using the average cost method or market. Inventories for wholesale operations, which consist mainly of liquid propane commodities, are stated at market, as discussed in Note 3. The market adjustment was an unrealized gain (loss) of $39 and $(396) at September 30, 2000 and 2001, respectively, and $(68) and $1,824 at March 31, 2001 and 2002, respectively.

Shipping and Handling Costs

Shipping and handling costs are recorded as part of cost of products sold at the time product is shipped or delivered to the customer.

Property, Plant, and Equipment

Property, plant, and equipment are stated at cost. Depreciation is computed by the straight-line method over the assets' estimated useful lives, as follows:

	Years
Buildings and improvements	25
Office furniture and equipment	5-10
Vehicles	5-10
Tanks and plant equipment	10-30

Intangible Assets

Intangible assets are amortized on a straight-line basis over their estimated economic lives, as follows:

	Years
Covenants not to compete	5-10
Deferred financing costs	1-3
Customer accounts	15
Goodwill (prior to adoption of SFAS No. 142 effective October 1, 2001)	15

Deferred financing costs represent financing costs incurred in obtaining financing and are being amortized over the term of the debt. Covenants not to compete, customer accounts and goodwill arose from the various acquisitions by Inergy and are discussed in Notes 2 and 12.

Deferred acquisition costs represent costs incurred to date on acquisitions that Inergy is actively pursuing, most of which relate to the acquisitions completed subsequent to year end, as discussed in Note 12.

Inergy reviews its long-lived assets in accordance with Statement of Financial Accounting Standards (SFAS) No. 121, "Accounting for the Impairment of Long-Lived Assets and Long-lived Assets to be Disposed of," for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If such events or changes in circumstances are present, a loss is recognized if the carrying value of the asset is in excess of the sum of the undiscounted cash flows expected to result from the use of the asset and its eventual disposition. An impairment loss is measured as the amount by which the carrying amount of the asset exceeds the fair value of the asset. See Recently Issued Accounting Pronouncements discussion below.

Income Taxes

The earnings of the Partnership and Operating Company are included in the Federal and state income tax returns of the individual partners. As a result, no income tax expense has been reflected in Inergy's consolidated financial statements relating to the earnings of the Partnership and Operating Company. Federal and state income taxes are, however, provided on the earnings of Services. The Partnership entities provide deferred income taxes to recognize the effect of temporary differences between Services' basis of assets and liabilities for income tax and financial statement purposes. No income tax provision was necessary at September 30, 2001. Net earnings for financial statement purposes may differ significantly from taxable income reportable to unitholders as a result of differences between the tax basis and the financial reporting basis of assets and liabilities and the taxable income allocation requirements under the partnership agreement. Federal and state income tax expense for periods prior to the Partnership Conveyance relate to Wilson and Rolesville,

wholly owned subsidiaries of Inergy Partners, which were C Corporations and accounted for income taxes in accordance with SFAS No. 109, Accounting for Income Taxes. In connection with the Partnership Conveyance, all income tax liabilities of Inergy Partners were retained by the Non-managing General Partner.

Customer Deposits

Customer deposits primarily represent cash received by Inergy from wholesale and retail customers for propane purchased that will be delivered at a future date.

Fair Value

The carrying amounts of cash, accounts receivable and accounts payable approximate their fair value. Based on the estimated borrowing rates currently available to Inergy for long-term debt with similar terms and maturities, the aggregate fair value of Inergy's floating rate long-term debt approximates the aggregate carrying amount as of September 30, 2000 and 2001 and March 31, 2002.

Income (Loss) per Limited Partner Unit

Basic net income (loss) per limited partner unit is computed by dividing net income (loss), after considering the General Partner's interest, by the weighted average number of Common and Subordinated Units outstanding. Diluted net income (loss) per limited partner unit is computed by dividing net income (loss), after considering the General Partner's interest, by the weighted average number of Common and Subordinated Units outstanding and the dilutive effect of unit options granted under the long-term incentive plan. Unit options were antidilutive in 2001 due to the loss incurred for the period from July 31, 2001 through September 30, 2001. As such, basic and diluted net income (loss) per limited partner unit are identical in 2001.

Segment Information

In fiscal 1999, the Company adopted SFAS No. 131, Disclosures about Segments of an Enterprise and Related Information. SFAS No. 131 establishes standards for reporting information about operating segments, as well as related disclosures about products and services, geographic areas, and major customers. Further, SFAS No. 131 defines operating segment as components of an enterprise for which separate financial information is available that is evaluated regularly by the chief operating decision-maker in deciding how to allocate resources and assessing performance. In determining the Company's reportable segments under the provisions of SFAS No. 131, the Company examined the way it organizes its business internally for making operating decisions and assessing business performance. See Note 11 for disclosures related to the Company's retail and wholesale segments. No single customer represents 10% or more of consolidated revenues. In addition, nearly all of the Company's revenues are derived from sources within the United States, and all of its long-lived assets are located in the United States.

Recently Issued Accounting Pronouncements

In June 2001, the FASB issued Statement No. 141, Business Combinations, and Statement No. 142, Goodwill and Other Intangible Assets. Statement No. 141 requires all business combinations initiated after June 30, 2001, to be accounted for using the purchase method of accounting. Under Statement No. 142, goodwill is no longer subject to amortization over its estimated useful life. Rather, goodwill will be subject to at least an annual assessment for impairment by applying a fair-value-based test. Additionally, an acquired intangible asset

should be separately recognized if the benefit of the intangible asset is obtained through contractual or other legal rights, or if the intangible asset can be sold, transferred, licensed, rented or exchanged, regardless of the acquirer's intent to do so. Those assets will be amortized over their useful lives, other than assets what have an indefinite life. Statement No. 142 is required to be applied starting with fiscal years beginning after December 15, 2001.

Inergy adopted Statement No. 142 on October 1, 2001 and accordingly has discontinued the amortization of goodwill existing at the time of adoption. Under the provisions of Statement No. 142, Inergy has six months from the time of adoption to have completed the valuation of each of Inergy's operating segments to determine whether any impairment exists on the date of adoption. However, management does not believe that any impairment existed at adoption. The adoption of Statement No. 142 will eliminate goodwill amortization that would have totaled approximately $2,079 in fiscal 2002, based on the balances of September 30, 2001, and totaled approximately $1,720 in fiscal 2001.

In August 2001, the FASB issued Statement No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. This Statement supersedes FASB Statement No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of, and the accounting and reporting provisions of APB Opinion No. 30, Reporting the Results of Operations--Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions. This statement retains the fundamental provisions of Statement No. 121 for recognition and measurement of the impairment of long-lived assets to be held and used, and measurement of long-lived assets to be disposed of by sale. This statement is effective for financial statements issued for fiscal years beginning after December 15, 2001 and interim periods within those fiscal years, with early application encouraged. Management has not determined the method, timing, or impact of adopting Statement No. 144.

Reclassifications

Certain reclassifications have been made to the 1999 and 2000 consolidated financial statements to conform to the 2001 presentation.

2. Acquisitions

During fiscal 1999, Inergy acquired substantially all of the assets of Ernie Lee Oil & LP Gas, LLC (December 1998), Longston Gas & Oil Company, Inc. (May 1999), Castleberry's, Inc. (July 1999), and Bradley Propane, Inc. (September 1999). In addition, Inergy acquired 100% of the oustanding stock of Wilson Oil Company of Johnston County, Inc. (December 1998) and Rolesville Gas & Oil Company, Inc. (August 1999) through a stock exchange and a purchase agreement. These acquired retail companies are involved in the sale and distribution of propane to local customer bases throughout the United States. The acquisitions have been accounted for using the purchase method of accounting. The acquired companies were purchased in separate transactions for an aggregate purchase price of $19,659 including acquisition costs and $3,232 in liabilities assumed. The consideration utilized in the fiscal 1999 acquisitions consisted of cash payments of $11,430 funded by the issuance of long-term debt, common and Class A preferred interests issued to certain former owners of these companies totaling $2,945, and the issuance of noncompete obligations in the amount of $2,052. Of the aggregate purchase price, $2,810 (including cash paid at closing) was allocated to covenants not to compete. The excess of aggregate purchase price over the fair market values of the net tangible and

identifiable intangible assets acquired amounted to $942 and has been recorded as an increase in goodwill. The operating results of all acquisitions are included in Inergy's consolidated results of operations from the dates of acquisition.

During fiscal year 2000, Inergy acquired substantially all of the assets of Butane-Propane Gas Company of Tenn., Inc. (November 1999) and substantially all of the assets of Country Gas Company, Inc. (June 2000). These acquired retail companies are involved in the sale of propane to local customer bases throughout the United States. The acquisitions have been accounted for using the purchase method of accounting. The acquired companies were purchased in separate transactions for an aggregate purchase price of $19,787, including acquisition costs, and $1,155 in liabilities assumed. The consideration utilized in the 2000 acquisitions consisted of cash payments of $9,600 funded by the issuance of long-term debt, redeemable Class A preferred interests issued to certain former owners of these companies totaling $9,000 (see Note 7) and the issuance of noncompete obligations in the amount of $32. Of the aggregate purchase price, $102 (including cash paid at closing) was allocated to covenants not to compete. The excess of aggregate purchase prices over the fair market values of the net tangible and identifiable intangible assets acquired, including $3,500 allocated to customer accounts, amounted to $5,594 and has been recorded as an increase in goodwill. The operating results of all acquisitions are included in Inergy's consolidated results of operations from the dates of acquisition.

On January 12, 2001, Inergy acquired substantially all of the assets and assumed certain liabilities of Investors 300, Inc., Domex, Inc. and L&L Leasing, Inc., three companies owned by a common group of shareholders (referred to as the Hoosier Propane Group). The acquisition has been accounted for using the purchase method of accounting. The Hoosier Propane Group is involved in the sale and transportation of propane to local customer bases throughout the United States. The purchase price of approximately $74.0 million consisted of cash payments of approximately $55.4 million funded by the issuance of long-term debt and redeemable Class A preferred interests, acquisition costs of $0.6 million, a redeemable Class A preferred interest issued to certain former owners of the Hoosier Propane Group totaling $7.4 million, subordinated debentures issued to the Hoosier Propane Group shareholders totaling $5.0 million, and $5.6 million of liabilities assumed. The excess of purchase price over the fair market value of the net tangible and identifiable intangible assets acquired, including $10,500 allocated to customer accounts, amounted to $25,241 and has been recorded as an increase in goodwill. The acquisition was effective January 1, 2001 and Inergy's consolidated results of operations for the year ended September 30, 2001 include the Hoosier Propane Group operating results from the effective date.

During November 2000, Inergy also acquired substantially all the assets of Bear-Man Propane for $520 in cash. Inergy's consolidated results of operations for the year ended September 30, 2001 include Bear-Man Propane from the date of acquisition.

The following unaudited pro forma data summarize the results of operations for the periods indicated as if these acquisitions had been completed October 1, 1999 and 2000, the beginning of the 2000 and 2001 fiscal years. The pro forma data give effect to actual operating results prior to the acquisitions and adjustments to interest expense, goodwill and customer accounts amortization, and income taxes. These pro forma amounts do not purport to be indicative of the results that would have actually been obtained if the acquisitions had occurred on October 1, 1999 and 2000 or that will be obtained in the future. The pro forma data does not give effect to acquisitions completed subsequent to September 30, 2001.

	Year Ended September 30,	
	2000	2001
Sales	$167,031	$254,680
Net income (loss)	(3,522)	6,012

3. Price Risk Management and Financial Instruments

Inergy has recorded its trading activities at fair value in accordance with Emerging Issues Task Force Issue (EITF) No. 98-10, "Accounting for Contracts Involved in Energy Trading and Risk Management Activities." EITF No. 98-10 requires energy trading contracts to be recorded at fair value on the consolidated balance sheet, with the changes in fair value included in earnings.

Trading Activities

Inergy, through its wholesale operations, offers price risk management services to energy related businesses through a variety of financial and other instruments including forward contracts involving physical delivery of propane. In addition, Inergy manages its own trading portfolio using forward physical and futures contracts. Inergy attempts to balance its contractual portfolio in terms of notional amounts and timing of performance and delivery obligations. However, net unbalanced positions can exist or are established based on assessment of anticipated short-term needs or market conditions.

The price risk management services are offered to propane retailers and other related businesses through a variety of financial and other instruments including forward contracts involving physical delivery of propane, swap agreements, which require payments to (or receipt of payments from) counterparties based on the differential between a fixed and variable price for propane, options and other contractual arrangements.

Instruments used for trading purposes include forwards, swaps and options, as defined above, as well as futures contracts.

Notional Amounts and Terms

The notional amounts and terms of these financial instruments at September 30, 2000 and 2001 include fixed price payor for 1,526 and 2,505 barrels, respectively, and fixed price receiver for 1,479 and 2,862 barrels, respectively. The notional amounts and terms of these financial instruments at March 31, 2002 include fixed price payor 3,578 barrels and fixed price receiver for 4,160 barrels.

Notional amounts reflect the volume of the transactions, but do not represent the amounts exchanged by the parties to the financial instruments. Accordingly, notional amounts do not accurately measure Inergy's exposure to market or credit risks.

Fair Value

The fair value of the financial instruments related to price risk management activities as of September 30, 2000 and 2001 was assets of $3,580 and $9,187, respectively, and liabilities of $2,294 and $4,612, respectively, related to propane. The fair value of the financial instruments related to price risk management activities as of March 31, 2002 was assets of $8,897 and liabilities of $4,618 related to propane. The effects of all intercompany transactions have been appropriately eliminated.

The net change in unrealized gains and losses related to trading and price risk management activities for the years ended September 30, 1999, 2000, and 2001 of $(154), $1,479, and $2,214, respectively, and $(1,055) and $1,925 for the six months ended March 31, 2001 and 2002, respectively, are included in cost of product sold in the accompanying consolidated statements of operations.

Market and Credit Risk

Inherent in the resulting contractual portfolio are certain business risks, including market risk and credit risk. Market risk is the risk that the value of the portfolio will change, either favorably or unfavorably, in response to changing market conditions. Credit risk is the risk of loss from nonperformance by suppliers, customers, or financial counterparties to a contract. Inergy takes an active role in managing and controlling market and credit risk and has established control procedures, which are reviewed on an ongoing basis. Inergy monitors market risk through a variety of techniques, including daily reporting of the portfolio's value to senior management. Inergy provides for such risks at the time trading activities are adjusted to fair value and when specific risks become known. Inergy attempts to minimize credit risk exposure through credit policies and periodic monitoring procedures and obtaining customer deposits on sales contracts. The counterparties associated with assets from price risk management activities as of September 30, 2000 and 2001 and March 31, 2002 are energy marketers.

4. Long-Term Debt

Long-term debt consisted of the following:

	September 30,		March
	2000	2001	31, 2002
Credit agreement	$33,250	$53,000	$138,215
Obligations under noncompetition agreements and notes to former owners of businesses acquired	1,625	1,101	3,929
Other	52	31	20
	34,927	54,132	142,164
Less current portion	605	10,469	3,722
	$34,322	$43,663	$138,422

During fiscal 2000, Inergy had a credit agreement with a financial institution providing Inergy with the capacity to borrow up to $41,000 ($9,000 under working capital lines of credit and $32,000 under a long-term acquisition line of credit). At September 30, 2000, borrowings under the working capital lines of credit and the acquisition line of credit were $4,900 and $28,350, respectively. The prime rate and LIBOR plus the applicable spreads were 9.5% and 9.37% to 9.93%, respectively, at September 30, 2000.

Inergy's credit agreement was amended in January 2001 in connection with the Hoosier Propane Group acquisition and resulted in a $96 million facility consisting of a $25 million revolving working capital line of

credit and an acquisition term note of $71 million, with a maturity date of January 10, 2004. On July 25, 2001, in conjunction with the Offering (July 2001 amendment), the credit facility was again amended such that Inergy Propane, LLC was made the sole borrower and resulted in a $30 million revolving working capital line of credit and a $70 million revolving acquisition facility for acquisition and growth capital borrowings. The credit facility has a term of three years expiring July 2004 and is guaranteed by Inergy, L.P. and each subsidiary of Inergy Propane, LLC. Inergy is required to reduce the principal outstanding on the revolving working capital line of credit to $4,000 or less for a minimum of 30 consecutive days during the period commencing March 1 and ending September 30. As such $4,000 of the outstanding balance at September 30, 2001 has been classified as a long-term liability in the accompanying 2001 consolidated balance sheet. At September 30, 2001, the balance outstanding under this amended credit facility was $53,000, including $14,000 under the working capital facility. The prime rate and LIBOR plus the applicable spreads were between 5.10% and 6.00% for all outstanding debt.

Inergy's credit agreement was again amended in December 2001 in connection with the IPC Acquisition (December 2001 amendment), as discussed in Note 12. This December 2001 amendment resulted in a $195 million facility comprised of a $50 million revolving working capital facility, a $75 million revolving acquisition facility and a $70 million term note. The December 2001 amendment has a term of three years, expiring December 2004 except for the term note which is due in April 2003, and has similar interest terms to the July 2001 amendment.

During fiscal 2001, Inergy entered into interest rate hedging agreements in the form of interest rate swaps. Immediately prior to the closing of the Offering in July 2001, the interest rate hedging agreements were terminated in connection with the repayment of the long-term debt with offering proceeds. The termination of the interest rate swaps resulted in an interest expense charge of $507 in the fourth quarter of fiscal 2001.

The credit agreement, including the December 2001 amendment, contains several covenants which, among other things, require the maintenance of various financial performance ratios, restrict the payment of dividends to unitholders, and require financial reports to be submitted periodically to the financial institutions. Unused borrowings under the credit agreement amounted to $47 million at September 30, 2001.

Noninterest-bearing obligations due under noncompetition agreements consist of agreements between Inergy and the sellers of retail propane companies acquired from fiscal years 1999 through 2001 with payments due through 2009 with imputed interest at 8.5% to 9.0%. Noninterest-bearing obligations consist of $2,130 and $1,448 in total payments due under noncompetition agreements, less unamortized discount based on imputed interest of $505 and $347 at September 30, 2000 and 2001, respectively.

The aggregate amounts of principal to be paid on the outstanding long-term debt during the next five years ending September 30 and thereafter, considering the terms of the credit facilities amended in December 2001 as discussed above, are as follows:

Year Ending September 30,	
2002	$10,469
2003	75
2004	43,081
2005	86
2006	92
Thereafter	329
	$54,132

5. Leases

Inergy has several noncancelable operating leases mainly for office space, which expire at various times over the next nine years.

Future minimum lease payments under noncancelable operating leases for the next five years ending September 30 and thereafter consist of the following:

Year Ending September 30,	
2002	$ 513
2003	406
2004	359
2005	222
2006	50
Thereafter	68
Total minimum lease payments	$1,618

Rent expense for all operating leases during 1999, 2000, and 2001 amounted to $196, $424 and $581, respectively, and $265 and $760 for the six months ended March 31, 2001 and 2002, respectively.

6. Income Taxes

Deferred income taxes related to Wilson and Rolesville reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Components of the deferred taxes at September 30, 2000 are a noncurrent deferred tax liability of $942 related to book/tax basis differences. This liability was excluded from the Partnership Conveyance as discussed in Note 1.

The provision for income taxes for the years ended September 30, 1999 and 2000 and the six months ended March 31, 2002 consists of the following:

	September 30,		March 31,
	1999	2000	2002
Current:			
Federal	$ 41	$ --	$45
State	7	7	7
Total current	48	7	52
Deferred:			
Federal	7	--	--
State	1	--	--
Total deferred	8	--	--
	$56	$ 7	$52

For the years ended September 30, 1999 and 2000, the Wilson and Rolesville effective tax rate differed from the statutory rate primarily due to the effect of graduated rates and state taxes. There was no provision for income taxes in fiscal 2001 or for the six months ended March 31, 2001.

7. Redeemable Preferred Members' Interests and Members' Equity

During December 1999, Inergy issued redeemable Class A preferred interests to a new member for total proceeds of $2,000 less offering costs of $104. During June 2000, Inergy issued redeemable Class A preferred interests to certain former owners of Country Gas Company, Inc. totaling $9,000 in connection with the acquisition of Country Gas Company, Inc. These preferred interests were automatically converted into Senior Subordinated Units of Inergy, L.P. in connection with the Offering. The conversion rates were determined as of the issuance date based on negotiations between Inergy and the unrelated third parties and were derived by multiplying the recorded value of each party's preferred interest by a multiple of 2.25 for the December 1999 transaction and 1.0 for the June 2000 transaction and dividing the resulting total by the $22.00 unit price in the Offering. The beneficial conversion feature present in the December 1999 issuance, valued at $2 million, has been recognized upon completion of the Offering as discussed in Note 1.

During January 2001, Inergy issued redeemable Class A preferred interests to new and existing members for total proceeds of $15,000, less offering costs of $485. The preferred interests were issued to facilitate the refinancing of Inergy's credit facilities described in Note 4 on a long-term basis and complete the Hoosier Propane Group acquisition in January 2001. In March and May 2001, additional redeemable preferred interests were issued at the same valuation for total proceeds of $1,600 less offering costs of $28.

These preferred interests were automatically converted into Senior Subordinated Units of Inergy, L.P. in connection with the Offering. The conversion rates were determined as of the issuance date based on negotiations between Inergy and the third party investors and were derived by multiplying the recorded value of each party's preferred interest by a multiple of 1.4 and dividing the resulting total by the $22.00 unit price in the Offering. The beneficial conversion feature present in these preferred interest issuances valued at $6.6 million has been recognized upon completion of the Offering as described in Note 1.

The redeemable preferred interests issued in December 1999, June 2000, and January 2001 provided the holders the option to require Inergy to redeem the preferred interests, as provided in the agreements, but no earlier than the fifth anniversary of the issuance. The preferred interest issued to members for cash in December 1999 and January 2001 were redeemable in an amount between one and two times face value at issuance, depending on Inergy's operating performance, as defined in the agreement. The preferred interests issued to certain former owners of Country Gas Company, Inc. and the Hoosier Propane Group were redeemable in an amount equal to face value at issuance plus any unpaid dividends. No amounts were required to be redeemed during the next five years following issuance, except in certain circumstances, as provided for in the agreements. All preferred interests were converted into Senior Subordinated Units as described above.

The Class A preferred interest earned cumulative dividends of 8% to 10% per annum, depending on the date and amount of the preferred interest issued. Class A preferred members were not entitled to any voting rights. In the event of a public offering, Inergy was to use its best efforts to permit the holders of Class A preferred interest units to exchange their Class A preferred interest units for Common Units, notwithstanding the conversion terms discussed above. Upon liquidation, Class A preferred members were entitled to an aggregate preference distribution of the unpaid dividends prior to any liabilities. Additionally, Class A preferred members were also entitled to preference over common interests subsequent to the payment of the Company's liabilities. Distributions totaling $180, $547, and $2,554 were paid to Class A preferred members in 1999, 2000, and 2001, respectively. Unpaid distributions on preferred interests as of September 30, 2001 amounted to $0.4 million and were declared and paid in October 2001.

8. Partners' Capital

Partners' capital at September 30, 2001 consists of 1,840,000 Common Units representing a 31.5% limited partner interest, 3,313,367 Senior Subordinated Units representing a 56.7% limited partner interest, 572,542 Junior Subordinated Units representing a 9.8% limited partner interest and a 2% general partner interest.

The amended and restated Agreement of Limited Partnership of Inergy, L.P. (Partnership Agreement) contains specific provisions for the allocation of net earnings and losses to each of the partners for purposes of maintaining the partner capital accounts.

During the Subordination Period (as defined below), the Partnership may issue up to 800,000 additional Common Units (excluding Common Units issued in connection with conversion of Subordinated Units into Common Units) or an equivalent number of securities ranking on a parity with the Common Units and an unlimited number of partnership interests junior to the Common Units without a Unitholder vote. The Partnership may also issue additional Common Units during the Subordination Period in connection with certain acquisitions or the repayment of certain indebtedness. After the Subordination Period, the Partnership Agreement authorizes the General Partner to cause the Partnership to issue an unlimited number of limited partner interests of any type without the approval of any Unitholders.

Quarterly Distributions of Available Cash

The Partnership is expected to make quarterly cash distributions of all of its Available Cash, generally defined as income (loss) before income taxes plus depreciation and amortization, maintenance capital expenditures and net changes in reserves established by the General Partner for future requirements. These reserves are retained to provide for the proper conduct of the Partnership business, or to provide funds for distributions with respect to any one or more of the next four fiscal quarters.

Distributions by the Partnership in an amount equal to 100% of its Available Cash will generally be made 98% to the Common and Subordinated Unitholders and 2% to the General Partner, subject to the payment of incentive distributions to the holders of Incentive Distribution Rights to the extent that certain target levels of cash distributions are achieved. To the extent there is sufficient Available Cash, the holders of Common Units have the right to receive the Minimum Quarterly Distribution ($0.60 per Unit), plus any arrearages, prior to any distribution of Available Cash to the holders of Subordinated Units. Common Units will not accrue arrearages for any quarter after the Subordination Period (as defined below) and Subordinated Units will not accrue any arrearages with respect to distributions for any quarter.

In general, the Subordination Period will continue indefinitely until the first day of any quarter beginning after June 30, 2006 for the Senior Subordinated Units and June 30, 2008 for the Junior Subordinated Units in which distributions of Available Cash equal or exceed the Minimum Quarterly Distribution on the Common Units and the Subordinated Units for each of the three consecutive four-quarter periods immediately preceding such data. Prior to the end of the Subordination Period, 828,342 Senior Subordinated Units will convert to Common Units after June 30, 2004 and 143,136 Junior Subordinated Units will convert to Common Units after June 30, 2006 and another 828,342 Senior Subordinated Units will convert to Common Units after June 30, 2005 and 143,136 Junior Subordinated Units will convert to Common Units after June 30, 2007, if distributions of Available Cash on the Common Units and Subordinated Units equal or exceed the Minimum Quarterly Distribution for each of the three consecutive four-quarter periods preceding such date. Upon expiration of the Subordination Period, all remaining Subordinated Units will convert to Common Units.

The Partnership is expected to make distributions of its Available Cash within 45 days after the end of each fiscal quarter ending December, March, June, and September to holders of record on the applicable record date. The Partnership made distributions to unitholders amounting to $6,485 during the six months ended March 31, 2002.

Long-Term Incentive Plan

An affiliate of Inergy's managing general partners adopted the Inergy Long-Term Incentive Plan for employees, consultants, and directors of the managing general partner and employees of its affiliates that perform services for Inergy. The long-term incentive plan currently permits the grant of awards covering an aggregate of 589,000 common units, which can be granted in the form of unit options and/or restricted units; however, not more than 192,000 restricted units may be granted under the plan. With the exception of 28,038 unit options (exercise prices from $3.83 to $10.67) granted to non-executive employees in exchange for option grants made by the predecessor in fiscal 1999, all unit options and restricted units granted under the plan will vest no sooner than, and in the same proportion as, Senior Subordinated Units convert into Common Units as described above. The compensation committee of the managing general partner's board of directors administers the plan.

Restricted Units

A restricted unit is a "phantom" unit that entitles the grantee to receive a common unit upon the vesting of the phantom unit, or in the discretion of the compensation committee, cash equivalent to the value of a common unit. In general, restricted units granted to employees will vest three years from the date of grant and are subject to the vesting provisions described above in connection with the subordination period. In addition, the restricted units will become exercisable upon a change of control of the managing general partner or Inergy.

The restricted units are intended to serve as a means of incentive compensation for performance and not primarily as an opportunity to participate in the equity appreciation of the common units. Therefore, plan participants will not pay any consideration for the common units they receive, and Inergy will receive no remuneration for the units.

As of September 30, 2001 and March 31, 2002, there were no restricted units issued under the long-term incentive plan.

Unit Options

Unit options issued under the long-term incentive plan will generally have an exercise price equal to the fair market value of the units on the date of grant. In general, unit options will expire after 10 years and are subject to the vesting provisions described above in connection with the subordination period. In addition, the unit options will become exercisable upon a change of control of the managing general partner or Inergy. Subsequent to the Offering, 292,782 unit options were granted to various Inergy employees with exercise prices ranging from $16.37 to $22.00 per unit. Total unit options outstanding at September 30, 2001 were 321,820 with exercise prices ranging from $3.83 to $22.00. During the six months ended March 31, 2002, 77,500 unit options were granted with exercise prices ranging from $22.49 to $27.65. None of the outstanding unit options were exercisable at September 30, 2001 or March 31, 2002.

Inergy applies APB Opinion No. 25, Accounting for Stock Issued to Employees. Inergy follows the disclosure only provision of SFAS No. 123, Accounting for Stock-based Compensation. Pro forma net income (loss) and net income (loss) per limited partner unit under the fair value method of accounting for equity instruments under SFAS No. 123 would not be materially different from reported net income (loss) and net income (loss) per limited partner unit.

9. Employee Benefit Plans

Inergy's subsidiaries have a 401(k) profit-sharing plan for those employees who have completed one year of service and have attained the age of 21. The plan permits employees to make contributions up to 15% of their salary and provides for matching contributions by Inergy. Matching contributions made by Inergy were $21, $52, and $101 as of September 30, 1999, 2000, and 2001, respectively.

10. Commitments

Inergy periodically enters into agreements to purchase fixed quantities of liquid propane at fixed prices with suppliers. At September 30, 2001, the total of these firm purchase commitments was approximately $40,244.

At September 30, 2001, Inergy is contingently liable for letters of credit outstanding totaling $900, which guarantees various trade activities.

11. Segments

Inergy's financial statements reflect two reportable segments: retail sales operations and wholesale sales operations. Inergy's retail sales operations include propane sales to end users, the sale of propane-related appliances and service work for propane-related equipment. The wholesale sales operations, which originated in April 1999, provide marketing and distribution services to other resellers of propane, including Inergy's retail operations. Inergy's President and Chief Executive Officer has been identified as the Chief Operating Decision Maker (CODM). The CODM evaluates performance and allocates resources based on revenues and gross profit of each segment. The accounting policies of the segments are the same as those described in the summary of significant accounting policies. All intersegment revenues and profits associated with propane sales and other services between the wholesale and retail segments have been eliminated.

The identifiable assets associated with each reportable segment reviewed by the CODM include accounts receivable and inventories. The net asset/liability from price risk management, as reported in the accompanying consolidated balance sheet, is related to the wholesale trading activities and is specifically reviewed by the CODM. Capital expenditures, reported as purchases of property, plant and equipment in the accompanying consolidated statements of cash flows, substantially all relate to the retail sales segment. Inergy does not report property, plant and equipment, intangible assets, and depreciation and amortization by segment to the CODM.

Revenues, gross profit, and identifiable assets for each of Inergy's reportable segments are presented below.

	Six Months Ended March 31, 2002			
	Retail Sales Operations	Wholesale Sales Operations	Intersegment Eliminations	Total
Revenues	$77,229	$104,405	$(17,574)	$164,060
Gross profit	46,901	3,822	(450)	50,273
Identifiable assets	19,292	21,410	--	40,702

	Six Months Ended March 31, 2001			
	Retail Sales Operations	Wholesale Sales Operations	Intersegment Eliminations	Total
Revenues	$53,488	$143,623	$(26,672)	$170,439
Gross profit	24,251	6,802	(2,039)	29,014
Identifiable assets	12,919	14,835	(1,477)	26,277

	Year Ended September 30, 2001			
	Retail Sales Operations	Wholesale Sales Operations	Intersegment Eliminations	Total
Revenues	$71,340	$187,521	$(35,722)	$223,139
Gross profit	34,633	8,747	(2,823)	40,557
Identifiable assets	5,704	18,447	--	24,151

	Year Ended September 30, 2000			
	Retail Sales Operations	Wholesale Sales Operations	Intersegment Eliminations	Total
Revenues	$23,461	$ 78,517	$ (8,383)	$ 93,595
Gross profit	10,693	2,179	(913)	11,959
Identifiable assets	5,006	11,623	(397)	16,232

	Year Ended September 30, 1999			
	Retail Sales Operations	Wholesale Sales Operations	Intersegment Eliminations	Total
Revenues	$ 9,860	$ 10,276	$ (925)	$ 19,211
Gross profit	4,946	511	--	5,457
Identifiable assets	2,993	8,032	(925)	10,100

12. Subsequent Events

Effective November 1, 2001, Inergy acquired substantially all of the assets and assumed certain liabilities of Pro Gas Sales & Service, Spe-D Gas Company, Great Lakes Propane Company and Ottawa LP Gas Company, four companies under common control (collectively Pro Gas) $12.5 million in total consideration. Pro Gas is a retail propane distributor located in central Michigan. Inergy purchased Pro Gas with cash funded through its credit facility.

Effective December 20, 2001, IPC Acquisition Corporation, a newly formed and wholly-owned subsidiary of Inergy Holdings, LLC, purchased all of the outstanding stock and assumed the outstanding debt of Independent Propane Company, Inc. for total consideration of $84.8 million including working capital acquired. Immediately thereafter, Inergy purchased from Inergy Holdings, LLC substantially all of the assets and assumed certain liabilities of IPC Acquisition Corporation for $74.6 million in cash, funded through its credit facility, and the issuance of 759,620 common units with a fair value of $19.7 million, and $2.5 million of assumed liabilities, for total consideration of $96.8 million, including $7.5 million paid for working capital acquired (the IPC Acquisition). The $10.3 million greater consideration paid by Inergy over that paid by IPC Acquisition Corp. relates to the tax liability generated by the sale of the assets by IPC Acquisition Corp. to Inergy. Independent Propane Company, Inc. operates as a retail distributor of propane in seven states, with its primary operations in Texas.

The following unaudited pro forma data summarize the results of operations for the periods indicated as if the Pro Gas and IPC acquisitions had been completed October 1, 2000 and 2001, the beginning of the 2001 and 2002 fiscal years and as if the Hoosier Propane Group acquisition effective January 1, 2001 (see Note 2) had been completed October 1, 2000. The pro forma data give effect to actual operating results prior to the acquisitions and adjustments to interest expense, goodwill (amortization prior to the October 1, 2001 adoption of SFAS No. 142) and customer accounts amortization, among other things. These pro forma amounts do not purport to be indicative of the results that would have actually been obtained if the acquisitions had occurred on October 1, 2000 and 2001 or that will be obtained in the future.

	Year ended September 30,	Six-Month Period Ended March 31,	
	2001	2001	2002
Revenue	$350,420	$242,327	$178,823
Net income	$ 14,877	23,051	20,148

As discussed in Note 4, Inergy's credit facility was amended in December 2001 in conjunction with the IPC Acquisition.

On November 14, 2001, Inergy paid a distribution of $0.40 per Common and Subordinated Unit with a proportionate amount to the 2% nonmanaging general partner, or an aggregate of $2,337, including $47 to the nonmanaging general partner.

13. Quarterly Financial Data (Unaudited)

Summarized unaudited quarterly financial data is presented below. Inergy's business is seasonal due to weather conditions in its service areas. Propane sales to residential and commercial customers are affected by winter heating season requirements, which generally results in higher operating revenues and net income during the period from October through March of each year and lower operating revenues and either net losses or lower net income during the period from April through September of each year. Sales to industrial and agricultural customers are much less weather sensitive.

	Quarter Ended			
	December 31	March 31	June 30	September 30
Fiscal 2001				
Revenues	$72,411	$98,028	$21,803	$30,897
Operating income (loss)	4,076	10,726	(2,200)	(2,078)
Net income (loss)	3,209	8,978	(4,162)	(3,676)
Basic and diluted net income (loss) per limited partner unit for the period from July 31, 2001 through September 30, 2001				(0.40)
Fiscal 2000				
Revenues	$20,563	$29,894	$13,208	$29,930
Operating income (loss)	1,198	2,225	(1,298)	(1,442)
Net income (loss)	698	1,663	(1,953)	(2,237)

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors of
Independent Propane Company Holdings:

We have audited the accompanying consolidated balance sheets of Independent Propane Company Holdings (a Delaware corporation) and subsidiaries (the "Company") as of September 30, 2000 and 2001, and the related consolidated statements of operations, changes in shareholders' deficit, and cash flows for each of the three years in the period ended September 30, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Independent Propane Company Holdings and subsidiaries as of September 30, 2000 and 2001, and the results of their operations and their cash flows for each of the three years in the period ended September 30, 2001, in conformity with accounting principles generally accepted in the United States.

/s/ ARTHUR ANDERSEN LLP

Dallas, Texas,
November 16, 2001

INDEPENDENT PROPANE COMPANY HOLDINGS AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
September 30, 2000 and 2001

	2000	2001
ASSETS		
CURRENT ASSETS:		
Cash	$ 809,997	$ 1,003,667
Accounts receivable, net of allowance for doubtful accounts of approximately $707,000 and $867,000, respectively	5,831,190	5,772,793
Inventories, net	3,601,690	3,324,495
Other current assets	396,306	586,764
Total current assets	10,639,183	10,687,719
PROPERTY, PLANT, AND EQUIPMENT:		
Land	1,663,412	1,515,322
Buildings	2,666,662	2,747,273
Office furniture and equipment	3,276,085	3,169,399
Shop equipment	950,540	1,232,236
Tanks	37,083,629	38,166,897
Vehicles	9,122,812	10,028,647
	54,763,140	56,859,774
Less--Accumulated depreciation	(14,158,003)	(18,201,121)
Net property, plant, and equipment	40,605,137	38,658,653
GOODWILL, net of accumulated amortization of $5,175,632 and $6,840,356, respectively	20,702,730	19,216,266
NONCOMPETITION AGREEMENTS, net of accumulated amortization of $1,993,740 and $2,696,431, respectively	2,031,873	1,341,582
DEBT ISSUANCE COSTS, net of accumulated amortization of $1,373,892 and $1,730,298, respectively	1,039,870	683,464
OTHER NONCURRENT ASSETS, net	389,017	490,517
Total assets	$ 75,407,810	$ 71,078,201
LIABILITIES AND SHAREHOLDERS' DEFICIT		
CURRENT LIABILITIES:		
Accounts payable	$ 5,322,396	$ 4,879,937
Accrued liabilities	1,399,882	1,466,905
Short-term notes payable	466,000	--
Current maturities of long-term debt	4,721,242	6,408,576
Total current liabilities	11,909,520	12,755,418
CUSTOMER DEPOSITS	241,495	174,823
DEFERRED TAXES, net	100,000	100,000
DIVIDENDS PAYABLE ON SERIES E SENIOR REDEEMABLE PREFERRED STOCK	9,466,691	15,143,381
LONG-TERM DEBT, net of current maturities	56,687,136	48,557,593
SERIES E SENIOR REDEEMABLE PREFERRED STOCK, 35,000 shares authorized, 29,000 issued and outstanding, $1,000 redemption and carrying value	29,000,000	29,000,000
COMMITMENTS AND CONTINGENCIES (Notes 9 and 12)		
SHAREHOLDERS' DEFICIT:		
Common stock--par value $.01 per share, 170,613 and 168,113 shares issued, respectively	1,706	1,681
Additional paid-in capital	1,221,127	1,221,152
Retained deficit	(24,361,528)	(27,017,510)
	(23,138,695)	(25,794,677)
Treasury stock--86,033 shares, at cost	(8,858,337)	(8,858,337)
Total shareholders' deficit	(31,997,032)	(34,653,014)
Total liabilities and shareholders' deficit	$ 75,407,810	$ 71,078,201

The accompanying notes are an integral part of these consolidated balance sheets.

INDEPENDENT PROPANE COMPANY HOLDINGS AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
For the Years Ended September 30, 1999, 2000, and 2001

	1999	2000	2001
SALES:			
Propane	$37,685,218	$ 49,372,705	$67,358,523
Other	7,304,299	9,600,372	9,061,668
Total sales	44,989,517	58,973,077	76,420,191
COST OF SALES:			
Propane	12,405,337	24,078,875	34,130,449
Other	3,631,276	4,249,833	3,630,779
Total cost of sales	16,036,613	28,328,708	37,761,228
GROSS PROFIT	28,952,904	30,644,369	38,658,963
OPERATING EXPENSES:			
Selling, general, and administrative	21,305,182	21,922,915	22,321,832
Depreciation and amortization	5,544,293	6,883,411	7,018,730
Total operating expenses	26,849,475	28,806,326	29,340,562
OPERATING PROFIT	2,103,429	1,838,043	9,318,401
INTEREST EXPENSE, net	5,094,672	7,393,941	6,297,693
NET INCOME (LOSS) BEFORE INCOME TAXES	(2,991,243)	(5,555,898)	3,020,708
INCOME TAXES	--	--	--
NET INCOME (LOSS)	(2,991,243)	(5,555,898)	3,020,708
LESS: DIVIDENDS ON PREFERRED STOCK	(4,309,777)	(4,945,571)	(5,676,690)
NET LOSS AVAILABLE TO COMMON SHAREHOLDERS	$(7,301,020)	$(10,501,469)	$(2,655,982)
NET LOSS PER COMMON SHARE:			
Basic and diluted	$ (42.13)	$ (61.07)	$ (15.68)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES AND COMMON SHARE EQUIVALENTS OUTSTANDING:			
Basic and diluted	173,304	171,959	169,363

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

INDEPENDENT PROPANE COMPANY HOLDINGS AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIT
For the Years Ended September 30, 1999, 2000, and 2001

	Common Stock	Additional Paid-in Capital	Retained Deficit	Treasury Stock	Total Shareholders' Equity
BALANCE, September 30, 1998	$1,733	$1,221,100	$ (6,559,039)	$(8,858,337)	$(14,194,543)
Preferred stock dividends	--	--	(4,309,777)	--	(4,309,777)
Net loss	--	--	(2,991,243)	--	(2,991,243)
BALANCE, September 30, 1999	1,733	1,221,100	(13,860,059)	(8,858,337)	(21,495,563)
Cancellation of subscription receivable	(27)	27	--	--	--
Preferred stock dividends	--	--	(4,945,571)	--	(4,945,571)
Net loss	--	--	(5,555,898)	--	(5,555,898)
BALANCE, September 30, 2000	1,706	1,221,127	(24,361,528)	(8,858,337)	(31,997,032)
Cancellation of subscription receivable	(25)	25	--	--	--
Preferred stock dividends	--	--	(5,676,690)	--	(5,676,690)
Net income	--	--	3,020,708	--	3,020,708
BALANCE, September 30, 2001	$1,681	$1,221,152	$(27,017,510)	$(8,858,337)	$(34,653,014)

The accompanying notes are an integral part of these consolidated balance sheets.

INDEPENDENT PROPANE COMPANY HOLDINGS AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended September 30, 1999 , 2000, and 2001

	1999	2000	2001
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	$ (2,991,243)	$(5,555,898)	$ 3,020,708
Adjustments to reconcile net income (loss) to net cash provided by operating activities--			
Depreciation and amortization	5,544,293	6,883,411	7,018,730
Amortization of debt issuance costs	707,265	389,508	356,406
Changes in, (net of effects from acquisitions)--			
Accounts receivable, net	(1,019,744)	(2,090,924)	58,397
Inventories, net	(398,640)	(308,756)	277,195
Other current assets	(103,580)	(5,883)	(190,458)
Accounts payable and accrued liabilities	1,174,654	1,517,475	(375,436)
Customer deposits	14,150	(45,224)	(66,672)
Net cash provided by operating activities	2,927,155	783,709	10,098,870
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures, net	(3,739,147)	(2,799,446)	(2,736,547)
Net cash paid in acquisitions	(18,675,845)	(5,273,317)	--
(Increase) decrease in other noncurrent assets	580,909	18,588	(260,444)
Net cash used in investing activities	(21,834,083)	(8,054,175)	(2,996,991)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Payments on short-term notes payable	(160,000)	(1,212,000)	(466,000)
Net (payments) proceeds from credit agreement	19,490,330	10,200,878	(4,382,528)
Proceeds from long-term debt	959,873	--	--
Payments on long-term debt	(1,393,486)	(1,601,984)	(2,059,681)
Debt issuance costs	(134,148)	(8,445)	--
Net cash (used in) provided by financing activities	18,762,569	7,378,449	(6,908,209)
NET INCREASE (DECREASE) IN CASH	(144,359)	107,983	193,670
CASH, beginning of period	846,373	702,014	809,997
CASH, end of period	$ 702,014	$ 809,997	$ 1,003,667
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Cash paid during the year for interest	$ 4,340,771	$ 6,904,101	$ 5,864,832
Noncash activities--			
Debt issued in acquisitions	$ 1,919,000	$ 696,500	$ --
Preferred stock dividends	$ 4,309,777	$ 4,945,571	$ 5,676,690

The accompanying notes are an integral part of these consolidated balance sheets.

1. The Company:

Independent Propane Company Holdings, a Delaware corporation, and subsidiaries (the "Company"), is a distributor of propane gas and related merchandise with operations primarily in the Southern and Southeastern United States. At September 30, 2001, the Company had 44 branch locations and 24 satellite locations. The Company's business expansion to date has occurred mainly through the acquisitions of other propane outlets. Acquisitions which occurred during the periods presented in the accompanying consolidated financial statements are discussed in Note 6.

2. Summary of Significant Accounting Policies:

Consolidation

All significant intercompany accounts and transactions have been eliminated in the accompanying consolidated financial statements.

Inventories

Inventories are stated at the lower of cost (weighted average for propane and first-in, first-out for merchandise) or market.

Property, Plant, and Equipment

Property, plant, and equipment are stated at cost. Depreciation on property, plant, and equipment is calculated using the straight-line method over the estimated useful lives of the assets. Original cost and related accumulated depreciation are removed from the accounts in the year assets are retired. Maintenance and repairs are charged to expense as incurred.

Intangibles

Intangible assets include the cost of noncompetition agreements and purchase price in excess of the estimated fair value of net assets acquired ("goodwill"). The cost of noncompetition agreements is being amortized over periods of 2 to 7 years, while goodwill is being amortized over 15 years, using the straight-line method.

Accounting for the Impairment of Long-Lived Assets

In accordance with Statement of Financial Accounting Standards ("SFAS") No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of," the Company records impairment for losses on its long-lived assets and goodwill when events or circumstances indicate that the assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amount of the assets. No such impairment losses have been recognized to date.

Debt Issuance Costs

Debt issuance costs incurred in connection with obtaining and amending the debt are being amortized over the life of the related loan and are included in interest expense in the accompanying consolidated statements of operations.

Income Taxes

Deferred income taxes are recorded, where appropriate, to reflect the estimated future tax effects of differences between financial statement bases and tax bases of assets and liabilities.

Revenue Recognition

Propane sales are recognized when the product is delivered to the customer. Other revenue, which primarily includes other fuel sales, merchandise sales, and tank rental income, is recognized when products are delivered and as services are rendered.

Use of Estimates

The preparation of these consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Credit Concentration

The Company generally extends credit to its retail customers through delivery into company and customer owned propane tanks. No individual customer comprises more than 5% of the Company's business thus reducing the risk as a result of the large volume of customers. Provisions for doubtful accounts receivable are reflected in the consolidated financial statements and have generally been within management's expectations.

Fair Value of Financial Instruments

The Company enters into various financial instruments in the normal course of business. The carrying values of the Company's short-term financial instruments, including cash, receivables, and short-term notes payable approximate their fair value because of the short maturity of the instruments. The carrying value of the long-term debt approximates fair value because of its variable interest rate.

New Accounting Standard

In July 2001, SFAS No. 142 "Goodwill and Other Intangible Assets" was issued. The Company is required to adopt this new standard at the beginning of fiscal 2003, although early adoption is permitted at the beginning of fiscal 2002. Subsequent to the adoption of SFAS No. 142, recorded goodwill is not amortized. Adoption of the standard also includes transitional impairment testing of previously recorded goodwill. The Company has not early adopted this new standard and has not determined if impairment of goodwill will be required at the date of adoption.

3. Inventories:

As of September 30, 2000 and 2001, inventories consisted of:

	2000	2001
Propane	$2,080,454	$1,845,677
Merchandise	1,616,826	1,585,827
Other fuels	164,410	152,991
Reserves	(260,000)	(260,000)
	$3,601,690	$3,324,495

4. Property, Plant, and Equipment:

A summary of the estimated useful lives utilized for depreciation purposes is as follows:

	Estimated Lives (Years)
Buildings	40
Office furniture and equipment	5 to 10
Shop equipment	10
Tanks	20
Vehicles	5

Depreciation expense related to property, plant, and equipment in 1999, 2000, and 2001 was approximately $3,759,000, $4,658,000, and $4,363,000, respectively. Certain of the Company's property, plant, and equipment has been pledged as security under certain long-term debt agreements and the Amended and Restated Credit Agreement (see Note 8).

5. Intangibles:

As of September 30, 2000 and 2001, intangibles consisted primarily of goodwill and noncompetition agreements (see Note 2). Amortization expense related to intangible assets for 1999, 2000, and 2001 totaled approximately $1,785,000, $2,225,000, and $2,656,000, respectively.

6. Acquisitions:

In fiscal 2000, the Company acquired assets of nine Texas propane companies. The total purchase price for those acquisitions included approximately $6,044,000 in cash and $697,000 in promissory notes with terms ranging from 1 to 7 years. In fiscal 2001, the Company did not complete any acquisitions.

In connection with one acquisition, the Company also entered into a certain noncompetition agreement with the previous owner for approximately $235,000 for 7 years. Purchase price in excess of the fair value of assets acquired of approximately $3,067,000 was allocated to intangible assets.

7. Short-Term Notes Payable:

As of September 30, 2000 and 2001, short-term notes payable consisted of notes payable, at varying interest rates, to previous owners of acquired companies totaling $466,000 and $0, respectively, payable within one year of the related acquisition date.

8. Long-Term Debt:

As of September 30, 2000 and 2001 long-term debt consisted of the following:

	2000	2001
Revolving line of credit up to a maximum of $21,000,000 at September 30, 2000 and 2001, matures on September 30, 2003, requires monthly payments of interest at either the Bank Prime Loan Rate or LIBOR, plus an incremental interest rate of up to 4% (10.6% and 7.1% at September 30, 2000 and 2001, respectively).....	$17,724,262	$16,541,734
Term A Loan, matures on September 30, 2003, requires quarterly payments of principal and interest at either the Bank Prime Loan Rate or LIBOR, plus an incremental interest rate of up to 4% (10.6% and 7.1% at September 30, 2000 and 2001, respectively), quarterly installments range from $50,000 beginning after June 30, 2000, to $2,500,000 beginning after December 31, 2002.....	19,000,000	16,000,000
Term B Loan, matures on September 30, 2003, requires quarterly payments of principal and interest at either the Bank Prime Loan Rate or LIBOR, plus an incremental interest rate of up to 4% (10.6% and 7.1% at September 30, 2000 and 2001, respectively), payable quarterly in installments of 0.25% of Term B loan outstanding.....	19,650,000	19,450,000
Notes payable to sellers for acquisitions, mature on various dates from February 2001 through June 2010, principal and interest varying from 8% to 12% payable in monthly installments.....	4,143,209	2,611,987
Other.....	890,907	362,448
	61,408,378	54,966,169
Less--Current maturities.....	4,721,242	6,408,576
Total long-term debt, net of current maturities.....	$56,687,136	$48,557,593

The Company has a credit agreement which consists of a revolving line of credit, Term A loan, and Term B loan (collectively, the "Credit Agreement"). The Credit Agreement matures on September 30, 2003, and is collateralized by the assets of the Company.

The Credit Agreement contains various financial covenants under which the Company is obligated. These financial covenants, among others, include requirements for debt to cash flow, interest coverage, and fixed charge coverage. As of September 30, 2001, the Company is in compliance with these covenants.

At September 30, 2000 and 2001, the weighted average interest rate for outstanding balances under this agreement equaled 10.6% and 7.2%, respectively.

As part of the Credit Agreement, the lender received a warrant to purchase 100 shares of Series D Convertible Preferred Stock (see Note 12). The lender also invested $1,000,000 in exchange for Series E Preferred Stock and a related warrant.

Principal maturities of long-term debt outstanding at September 30, 2001, over the next five fiscal years and thereafter are as follows:

2002	$ 6,408,576
2003	47,836,207
2004	263,561
2005	189,356
2006	116,607
Thereafter	151,862
	$54,966,169

9. Leases:

The Company rents most of its office and branch location space under leases which range from 1 to 15 years. The Company also leases vehicles, equipment, and land under leases ranging from 6 months to 15 years. At September 30, 2001, the Company was committed to make future rental payments under several long-term operating lease agreements. The future minimum payments required over the next five fiscal years and thereafter are summarized below:

2002	$ 909,784
2003	833,316
2004	688,668
2005	571,441
2006	229,369
Thereafter	290,675
Total minimum lease payments	$3,523,253

Total rent expense for the years ended September 30, 1999, 2000, and 2001, was approximately $820,000, $848,000, and $797,000, respectively, and is included in selling, general, and administrative expenses.

10. Income Taxes:

The Company recorded no income tax benefit for the years ended September 30, 1999 and 2000, due to an offsetting amount increasing the valuation allowance. The Company made no provision for income taxes for the year ended September 30, 2001, due to the utilization of the net operating loss carryforward and a corresponding reduction in the valuation allowance.

As of September 30, 2000 and 2001, the tax effects of temporary differences which gave rise to the net deferred income tax liability were as follows:

	2000	2001
Allowance for doubtful accounts	$ 240,380	$ 294,780
Property, plant, and equipment	(2,007,482)	(2,331,079)
Net operating loss carryforwards	4,458,587	3,464,470
Other	(58,380)	35,567
Valuation allowance	(2,733,105)	(1,563,738)
Net noncurrent deferred tax liability	$ (100,000)	$ (100,000)

As of September 30, 2001, the Company had net operating loss carryforwards of approximately $10,190,000 for federal income tax purposes. The Company's income tax provision differed from the federal statutory rate of 34% due to the establishment of a valuation allowance for the net operating loss carryforwards, the realization of which cannot be assured at this time. Substantially all of the net operating loss carryforwards at September 30, 2001, are subject to certain limitations under Internal Revenue Code Section 382.

11. Other Related-Party Transactions:

For the years ended September 30, 1999, 2000, and 2001, the Company had purchased legal services totaling approximately $102,000, $86,000, and $32,000, respectively, from certain shareholders. These legal costs were primarily associated with the various acquisitions, and the amendments to the Credit Agreement.

As of September 30, 1999, 2000, and 2001, in connection with the sale of stock, the Company had a note receivable from officers of the Company totaling $653,650, $250,000, and $0, respectively, which are included as a reduction in additional paid-in capital. The notes bore interest at 8%.

12. Put Warrants:

In connection with the Credit Agreement, the lender received a warrant to purchase 100 shares of the Series D Convertible Preferred Stock, $.01 par value, at an exercise price of $1.00 per share. The warrant is exercisable from September 11, 1998, through September 11, 2008. The holder of the warrant has the right to put its warrant to the Company at a price as defined in the Credit Agreement. The put exercise period is anytime after September 11, 2003. The warrant is adjusted annually to its fair market value through earnings.

Series E Senior Redeemable Preferred Stock (Note 13) includes warrants to purchase 82,492 shares of common stock at an exercise price of $.01 per share. The warrants may be exercised at any time up to the expiration date of September 11, 2008. These warrants have a put feature that allows the holder to put the warrants to the Company after September 11, 2003, at current market price as defined in the stock purchase agreement. The warrants are adjusted annually to their fair market value through earnings.

The fair market value assigned to the warrants upon issuance was $0 and there has been no change in market value since their issuance.

13. Series E Redeemable Preferred Stock:

Series E Senior Redeemable Preferred Stock ("Series E") consist of 35,000 designated shares of which 29,000 were issued and outstanding as of September 30, 2000 and 2001. Each share of Series E stock has a liquidation value of $1,000 plus accrued and unpaid dividends. Dividends accrue at a rate of 14% per year and are compounded on a quarterly basis and totaled approximately $15,144,000 at September 30, 2001. Series E stock has an optional redemption feature that allows the Company to redeem shares at a percentage of liquidation value. These percentages range from 112% in 1998, to 100% in 2004 and thereafter, and the percentage reduces 2% per year for all years between 1998 and 2004. The Series E stock is mandatorily redeemed beginning August 31, 2003, in 6.25% increments of original shares outstanding at the issuance date, payable quarterly. Any remaining shares outstanding as of August 31, 2005, must be redeemed in full as of that date.

14. Shareholders' Deficit:

As of September 30, 2000 and 2001, the Company's authorized capital structure consisted of 500,000 shares of common stock and 50,000 shares of preferred stock, all of which have a par value of $.01 per share. Following is a summary of each class of stock:

- Common stock--500,000 authorized shares of which 170,613 and 168,113 shares were issued as of September 30, 2000 and 2001, respectively, including 86,033 treasury shares.

- Series D Convertible Preferred Stock ("Series D")--100 shares designated of which no shares are issued. Each share of Series D stock has no dividends, unless declared by the Board of Directors of the Company. The Series D stock can also be converted into a total of 7,228 shares of common stock.

Certain current and former employees of the Company and other individuals have stock options exercisable beginning at a date subject to the grant date and vesting period. The remaining 1,250 unvested stock options vest in March 2002. These options are to purchase shares of common stock of the Company at values from $5 to $165 per share. At September 30, 2001, the Company had allocated 28,044 shares of common stock for issuance under the plan. During 2001, 5,000 options were granted that qualify for variable accounting treatment, which requires the recognition of compensation expense based on changes in the fair value of the common stock. During 2001, no compensation expense was recognized. A summary of stock option activity for the years ended September 30, 1999, 2000, and 2001, is presented in the table below:

	September 30, 1999		September 30, 2000		September 30, 2001	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding, beginning of year	8,299	$121.58	8,299	$121.58	6,210	$106.97
Granted	--	--	--	--	5,000	5.00
Exercised	--	--	--	--	--	--
Expired	--	--	--	--	3,044	100.00
Cancelled	--	--	2,089	165.00	2,500	100.00
Outstanding, end of year	8,299	$121.58	6,210	$106.97	5,666	$ 23.81
Exercisable at end of year	4,335	$109.99	4,960	$108.73	4,416	$ 29.13

The Company has elected to account for stock-based compensation programs using the intrinsic value method under Accounting Principles Board Opinion No. 25. The following pro forma disclosures are presented to reflect amounts as if the fair value method defined in SFAS No. 123 were applied:

	September 30,		
	1999	2000	2001
Net loss available to common shareholders	$(7,792,528)	$(10,764,686)	$(2,718,513)
Net loss per common share--basic and diluted	$ (44.96)	$ (62.60)	$ (16.05)

The Company used the minimum value method to estimate the fair values of options for the above pro forma information. For purposes of the minimum value method, the Company used risk-free interest rates of 6.7%, 5.1% and 6.3%, respectively, assumed no volatility or future dividends, and assumed the expected life of the options to be through the applicable expiration dates.

The following table summarized information about stock options outstanding at September 30, 2001:

Exercise Price	Number Outstanding	Number Exercisable	Remaining Contractual Life
$5.00	5,000	3,750	9.1
$165.00	666	666	1.9

15. Subsequent Events (Unaudited):

On December 19, 2001, IPCH Acquisition Corp., a newly formed and wholly owned subsidiary of Inergy Holdings, LLC purchased all of the outstanding stock and assumed the outstanding debt of the Company.

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Domex, Inc., Investors 300, Inc., L & L Leasing, Inc.

We have audited the accompanying combined balance sheets as of September 30, 1999 and 2000 and December 31, 2000, of Domex, Inc., Investors 300, Inc. and L & L Leasing, Inc. (the "Hoosier Propane Group"), and the related combined statements of income, stockholders' equity and cash flows for each of the three years in the period ended September 30, 2000 and the three months ended December 31, 2000. These financial statements are the responsibility of the Hoosier Propane Group's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined financial position at September 30, 1999 and 2000 and December 31, 2000, of the Hoosier Propane Group, and the combined results of their operations and their cash flows for each of the three years in the period ended September 30, 2000 and the three months ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

/s/ ERNST & YOUNG LLP

Kansas City, Missouri
May 2, 2001

HOOSIER PROPANE GROUP

COMBINED BALANCE SHEETS
(In thousands, except share data)

	September 30, 1999	September 30, 2000	December 31, 2000
ASSETS (Note 3)			
Current assets:			
Cash and cash equivalents	$ 777	$ 702	$ 1,711
Marketable securities	424	460	453
Accounts receivable	2,482	4,423	13,134
Inventories	7,537	2,301	3,172
Prepaid expenses and other current assets	211	491	207
Total current assets	11,431	8,377	18,677
Property, plant and equipment:			
Land and buildings	2,283	2,310	2,310
Office furniture and equipment	698	704	704
Vehicles	11,894	12,296	12,363
Tanks and plant equipment	17,523	18,215	18,401
	32,398	33,525	33,778
Less accumulated depreciation	(10,291)	(11,299)	(11,643)
	22,107	22,226	22,135
Intangible assets (Note 2)	1,566	1,566	1,566
Less accumulated amortization	(119)	(223)	(249)
	1,447	1,343	1,317
Notes receivable from stockholders (Note 6)	352	292	285
Other assets	742	879	884
Total assets	$ 36,079	$ 33,117	$ 43,298
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Notes payable to bank (Note 3)	$ 3,000	$ 1,575	$ 5,575
Accounts payable	2,204	1,552	7,576
Customer deposits	3,678	3,927	2,626
Accrued expenses	689	933	1,460
Notes payable to stockholders (Note 6)	--	--	995
Current portion of long-term debt (Note 3)	803	4,950	4,668
Total current liabilities	10,374	12,937	22,900
Long-term debt, less current portion (Note 3)	8,740	2,609	1,600
Notes payable to stockholders (Note 6)	1,265	1,065	--
Stockholders' equity:			
Common stock, no par value (Note 4)	1,218	1,218	1,218
Retained earnings	15,735	16,506	18,805
Accumulated other comprehensive income	359	394	387
Less 520 shares of treasury stock, at cost	(1,612)	(1,612)	(1,612)
Total stockholders' equity	15,700	16,506	18,798
Total liabilities and stockholders' equity	$ 36,079	$ 33,117	$ 43,298

See accompanying notes.

HOOSIER PROPANE GROUP

COMBINED STATEMENTS OF INCOME
(In thousands)

	Year Ended September 30,			Three Months Ended December 31,	
	1998	1999	2000	1999	2000
				(Unaudited)	
Revenue:					
Propane	$50,646	$38,792	$58,712	$19,050	$29,174
Freight	4,806	4,530	5,669	1,367	2,037
Other	288	356	1,214	363	330
	55,740	43,678	65,595	20,780	31,541
Cost of product sold	42,823	28,889	49,049	15,604	25,172
Gross profit	12,917	14,789	16,546	5,176	6,369
Operating and administrative expenses	7,617	8,274	9,375	2,493	2,538
Depreciation and amortization	1,529	1,690	1,623	389	373
Operating income	3,771	4,825	5,548	2,294	3,458
Other income (expense):					
Interest expense	(594)	(941)	(1,029)	(287)	(246)
Interest and dividend income	239	205	230	32	57
Gain (loss) on sale of property, plant and equipment	(43)	(63)	51	17	10
Other income, net	158	130	184	81	90
	(240)	(669)	(564)	(157)	(89)
Net income	$ 3,531	$ 4,156	$ 4,984	$ 2,137	$ 3,369

See accompanying notes.

HOOSIER PROPANE GROUP

COMBINED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands)

	Common Stock	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Total Stockholders' Equity
Balance at September 30, 1997	$1,218	$13,477	$510	$(1,612)	$13,593
Net income	--	3,531	--	--	3,531
Net unrealized loss on available-for-sale securities	--	--	(77)	--	(77)
Comprehensive income					3,454
Distributions to stockholders	--	(3,137)	--	--	(3,137)
Balance at September 30, 1998	1,218	13,871	433	(1,612)	13,910
Net income	--	4,156	--	--	4,156
Net unrealized loss on available-for-sale securities	--	--	(74)	--	(74)
Comprehensive income					4,082
Distributions to stockholders	--	(2,292)	--	--	(2,292)
Balance at September 30, 1999	1,218	15,735	359	(1,612)	15,700
Net income	--	4,984	--	--	4,984
Net unrealized gain on available-for-sale securities	--	--	35	--	35
Comprehensive income					5,019
Distributions to stockholders	--	(4,213)	--	--	(4,213)
Balance at September 30, 2000	1,218	16,506	394	(1,612)	16,506
Net income	--	3,369	--	--	3,369
Net unrealized loss on available-for-sale securities	--	--	(7)	--	(7)
Comprehensive income					3,362
Distributions to stockholders	--	(1,070)	--	--	(1,070)
Balance at December 31, 2000	$1,218	$18,805	$387	$(1,612)	$18,798

See accompanying notes.

HOOSIER PROPANE GROUP

COMBINED STATEMENTS OF CASH FLOWS
(In thousands)

	Year Ended September 30,			Three Months Ended December 31,	
	1998	1999	2000	1999	2000
				(Unaudited)	
Operating activities					
Net income	$ 3,531	$ 4,156	$ 4,984	$ 2,137	$ 3,369
Adjustments to reconcile net income to net cash provided by (used in) operating activities:					
Depreciation	1,515	1,586	1,519	363	347
Amortization	14	104	104	26	26
(Gain) loss on sale of property, plant and equipment	43	63	(51)	(17)	(10)
Changes in operating assets and liabilities:					
Accounts receivable	(244)	397	(1,941)	(3,698)	(8,711)
Inventories	3,909	(2,557)	5,236	4,214	(871)
Prepaid expenses and other current assets	(277)	232	(280)	197	284
Other assets	545	(50)	(137)	(12)	(5)
Accounts payable	1,240	(1,157)	(652)	1,069	6,024
Customer deposits	(1,617)	(1,605)	249	(986)	(1,301)
Accrued expenses	186	(17)	243	441	527
Net cash provided by (used in) operating activities	8,845	1,152	9,274	3,734	(321)
Investing activities					
Acquisitions	(1,266)	(3,850)	--	--	--
Purchases of property, plant and equipment	(2,697)	(2,361)	(1,935)	(709)	(278)
Proceeds from sale of property, plant and equipment	172	385	348	89	32
Purchases of short-term investments	(901)	--	--	--	--
Proceeds from sale of short-term investments	--	901	--	--	--
Collections on note receivable from stockholder	44	32	60	5	7
Net cash used in investing activities	(4,648)	(4,893)	(1,527)	(615)	(239)
Financing activities					
Proceeds from issuance of notes payable	--	3,000	2,575	1,000	4,000
Principal payments on notes payable	--	--	(4,000)	(2,000)	--
Proceeds from issuance of long-term debt	2,000	5,000	500	500	--
Principal payments on long-term debt	(1,503)	(3,168)	(2,484)	(176)	(1,291)
Principal payments on notes payable to stockholders	--	--	(200)	--	(70)
Distributions to stockholders	(3,137)	(2,292)	(4,213)	(331)	(1,070)
Net cash provided by (used in) financing activities	(2,640)	2,540	(7,822)	(1,007)	1,569
Net increase (decrease) in cash and cash equivalents	1,557	(1,201)	(75)	2,112	1,009
Cash and cash equivalent at beginning of period	421	1,978	777	777	702
Cash and cash equivalents at end of period	$ 1,978	$ 777	$ 702	$ 2,889	$ 1,711
Supplemental disclosure of cash flow information					
Cash paid for interest during the period	$ 596	$ 937	$ 1,042	$ 224	$ 245
Supplemental schedule of noncash financing activity					
Acquisition of covenants not to compete through the issuance of noncompete obligations	$ 949	$ --	$ --	$ --	$ --

Note payable issued to seller of acquired company.....	$ 200	$ --	$ --	$ --	$ --

See accompanying notes.

NOTES TO COMBINED FINANCIAL STATEMENTS
(Information pertaining to the three months ended
December 31, 1999 is unaudited)
(In thousands except share data)

1. Significant Accounting Policies

Principles of Combination

The combined financial statements of the Hoosier Propane Group include the accounts of three companies under common ownership: Domex, Inc., Investors 300, Inc. and L & L Leasing, Inc. (collectively referred to as the Hoosier Propane Group). All significant intercompany accounts and transactions have been eliminated in the combination. Although Domex, Inc.'s year end has historically been October 31, Investors 300, Inc.'s year end has historically been September 30, and L & L Leasing, Inc.'s year end has historically been December 31, all accounts have been presented in these combined financial statements as of September 30, 1999 and 2000 and December 31, 2000 and for each of the three years in the period ended September 30, 2000 and the three months ended December 31, 1999 and 2000.

Business Activities and Credit Concentrations

The Hoosier Propane Group is involved in the transportation and wholesale and retail distribution of propane gas. The Hoosier Propane Group also builds and services trucks used to transport propane gas. The Hoosier Propane Group generally extends unsecured credit to their wholesale customers in the midwestern United States. Credit is generally extended to retail customers through delivery into company and customer owned propane gas storage tanks.

Unaudited Financial Information

The financial information for the three-month period ended December 31, 1999 contained herein is unaudited. The Hoosier Propane Group believes this information has been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and Article 10 of Regulation S-X. The Hoosier Propane Group also believes this information includes all adjustments (consisting only of normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows for the periods then ended.

Use of Estimates

The preparation of combined financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the combined financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and Cash Equivalents

All highly liquid debt instruments purchased with a maturity of three months or less are deemed to be cash and cash equivalents. Cash and cash equivalents are carried at cost, which approximates fair value.

Inventories

Propane inventories are stated at the lower of cost or market. Cost is determined using a weighted average method for propane and an actual cost basis for parts and materials. The major components of inventory consist of the following:

	September 30, 1999	September 30, 2000	December 31, 2000
Propane	$6,769	$1,647	$2,606
Parts and materials	653	623	561
Other	115	31	5
	$7,537	$2,301	$3,172

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation of the cost of the related asset, less estimated salvage value on certain vehicles, is determined using straight-line and accelerated depreciation methods over the estimated useful lives of the assets, as follows:

	Years
Buildings	30 to 40
Office furniture and equipment	5 to 7
Vehicles	5 to 7
Tanks and plant equipment	7 to 50

Marketable Securities

Investments in marketable equity securities are classified as available for sale and are carried at their fair market value. Unrealized gains and losses are recorded as a separate component of stockholders' equity. The aggregate cost of the marketable equity securities was $65 at September 30, 1999 and 2000 and at December 31, 2000.

Intangible Assets

Intangible assets consist of goodwill and covenants not to compete which were acquired primarily in the 1998 and 1999 acquisitions described in Note 2 and are amortized on a straight-line basis over their estimated useful lives, not to exceed 15 years.

The Hoosier Propane Group reviews its long-lived assets in accordance with Statement of Financial Accounting Standards (SFAS) No. 121, "Accounting for the Impairment of Long-lived Assets and Long-lived Assets to be Disposed of," for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If such events or changes in circumstances are present, a loss is recognized if the carrying value of the asset is in excess of the sum of the undiscounted cash flows expected to result from the use of the asset and its eventual disposition. An impairment loss is measured as the amount by which the carrying amount of the asset exceeds the fair value of the asset.

Customer Deposits

Customer deposits primarily represent cash received by the Hoosier Propane Group from wholesale and retail customers for propane purchased that will be delivered at a future date.

Income Taxes

The stockholders of each of Domex, Inc., Investors 300, Inc. and L & L Leasing, Inc. have elected under Subchapter S of the Internal Revenue Code to include the income of each of Domex, Inc., Investors 300, Inc. and L & L Leasing, Inc. in the stockholders' income for income tax reporting purposes. Accordingly, Domex, Inc., Investors 300, Inc. and L & L Leasing, Inc. are not subject to income taxes.

Revenue Recognition

The sales and related cost of products and services sold are recognized upon delivery.

Fair Value

The carrying amounts of cash and cash equivalents, short-term investments, accounts receivable, investments and accounts payable approximate their fair value. Based on the estimated borrowing rates currently available to the Hoosier Propane Group for notes payable and long-term debt with similar terms and maturities, the aggregate fair value of the Hoosier Propane Group's long-term debt approximates the aggregate carrying amount as of September 30, 1999 and 2000 and December 31, 2000.

Segment Information

The Hoosier Propane Group adopted SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," in fiscal 1999. SFAS No. 131 established standards for reporting information about operating segments as well as related disclosures about products and services, geographic areas and major customers. In determining the Hoosier Propane Group's reportable segments under the provisions of SFAS No. 131, the Hoosier Propane Group examined the way they organize their business internally for making operating decisions and assessing business performance. Based on this examination, the Hoosier Propane Group has determined that it has a single reportable segment which engages in the distribution of propane and related equipment and supplies. No single customer represents 10% or more of combined revenues. In addition, all of the Hoosier Propane Group's revenues are derived from sources within the United States, and all of its long-lived assets are located in the United States.

Pending Accounting Pronouncement

In June 1988, the Financial Accounting Standards Board (FASB) issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 requires that an entity recognize all derivative instruments as either assets or liabilities and measure them at fair value. The accounting for changes in fair value depends on the purpose of the derivative instrument and whether it is designated and qualifies for hedge accounting. In June 1999, the FASB issued SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities--Deferral of the Effective Date of FASB Statement No. 133 (an amendment of FASB Statement No. 133)," which deferred the effective date of SFAS No. 133. The Hoosier Propane Group will be required to adopt SFAS No. 133 in fiscal 2001. As of September 30, 2000, the Hoosier Propane Group's only derivatives consist of contracts to purchase and sell fixed quantities of propane at fixed prices over specified periods, aggregating approximately $5,200 and $5,700, respectively. As of December 31, 2000, the Hoosier Propane Group had contracts to purchase and sell fixed quantities of propane aggregating approximately $2,000 and $2,400, respectively. As these commitments are generally settled by the physical delivery of propane in the normal course of the Hoosier Propane Group's business, they are excluded from scope of SFAS No. 133. As such, the fair value of the contracts will not be required to be reflected in the Hoosier Propane Group's financial position or results of operations, and the method of accounting for these contracts will be unaffected by SFAS No. 133.

2. Acquisitions

In October 1998, the Hoosier Propane Group acquired certain assets of Dekalb Agra, Inc. (Dekalb) for a cash purchase price of $3,850 which was financed through the issuance of long-term debt.

During August 1998, the Hoosier Propane Group acquired certain assets of Tri-State Propane, Inc. and Wolverine Propane, Inc. for an aggregate purchase price of $2,416. The acquisitions were financed through cash in the amount of $1,266, a note payable to the sellers of one of the companies in the amount of $200 and the issuance of noncompete obligations in the amount of $950.

Each of the acquired companies is involved in the retail sale of propane to local customer bases in northern Indiana. The acquisitions have been accounted for using the purchase method of accounting. Accordingly, the purchase price of each acquisition has been allocated to assets acquired based on the fair market values at the date of acquisition. The excess of the purchase price over the fair market values of the tangible and identifiable intangible assets acquired has been recorded as goodwill. The Hoosier Propane Group recorded goodwill of $400 in connection with the Dekalb acquisition and $209 in connection with the 1998 acquisitions. In addition, $950 of the aggregate purchase price in the 1998 acquisitions was allocated to covenants not to compete.

The operating results of all acquisitions are included in the Hoosier Propane Group's combined results of operations from the dates of acquisitions. The following unaudited pro forma data summarize the results of operations for the year indicated as if this acquisition had been completed October 1, 1997, the beginning of fiscal 1998. The pro forma data give effect to actual operating results prior to the acquisitions and adjustments to interest expense, depreciation expense and amortization of intangible assets. These pro forma amounts do not purport to be indicative of the results that would have actually been obtained if the acquisitions had occurred on October 1, 1997 or that the Hoosier Propane Group will obtain in the future. Reported operating results for 1999 and 2000 include the results of the acquired companies due to the dates of acquisition.

	Pro Forma Fiscal 1998 (Unaudited)
Revenue	$60,235
Net income	3,475

3. Notes Payable and Long-Term Debt

In May 2000, L & L Leasing, Inc. entered into a revolving credit agreement with a bank which provides available borrowings up to $2,000 collateralized by L & L Leasing, Inc.'s accounts receivable, inventory and machinery and equipment balances, under which $1,575 was outstanding at September 30, 2000. Interest is payable monthly at the bank's prime rate less 0.5% or at the London Interbank Offered Rate (LIBOR) plus 2%, with principal payable on June 1, 2001. The effective interest rate was 9% at September 30, 2000 and December 31, 2000. At December 31, 2000, the outstanding balance under this revolving credit agreement was $1,575.

During 1999, Domex, Inc. entered into a revolving credit agreement with a bank which provided available borrowings up to $6,000, subject to specified percentages of Domex, Inc.'s accounts receivable, inventory and machinery and equipment balances, under which $2,500 and $0 was outstanding at September 30, 1999 and 2000, respectively. Interest was payable monthly at the bank's prime rate less 0.25% or a formula based on eurocurrency funding plus 2%, with principal payable on May 1, 2000. The effective interest rate was 7.44% at September 30, 1999. Effective May 1, 2000, Domex, Inc. entered into a new revolving credit agreement with the bank which provides available borrowings up to $5,000, collateralized by Domex, Inc.'s accounts receivable and inventory

balances, under which no borrowings were outstanding at September 30, 2000. Interest is payable monthly at the bank's prime rate less 0.5% or at LIBOR plus 2%, with principal payable on May 1, 2001. At December 31, 2000, the outstanding balance under this revolving credit agreement was $4,000. The effective interest rate was 7.51% at December 31, 2000.

Investors 300, Inc. entered into a revolving credit agreement with a bank which provides available borrowings up to $500, subject to a specified percentage of Investors 300, Inc.'s accounts receivable balance, under which $500 and $-0- was outstanding at September 30, 1999 and 2000, respectively. Interest on this credit agreement was payable monthly at 8.25%, with principal payable on May 1, 2000.

Long-term debt consists of the following:

	September 30,		December 31,
	1999	2000	2000
Revolving credit agreement with a bank with interest payable monthly at the bank's prime rate or a formula based on eurocurrency funding plus 2.25% (effective interest rate of 7.63% and 8.88% at September 30, 1999 and 2000, respectively and 9.5% at December 31, 2000) and principal payable on May 1, 2002	$2,281	$ 1,000	$ 1,000
Term loan with a bank with monthly payments of $50 plus interest at the bank's prime rate or a formula based on eurocurrency funding plus 2.25% (effective interest rate of 7.75% and 9% at September 30, 1999 and 2000, respectively and 9% at December 31, 2000) with the remaining principal balance payable on June 1, 2003, as discussed further below	6,000	5,400	5,250
Term loan with a bank with monthly payments of $4, including interest at the bank's prime rate (effective interest rate of 8.25% and 9.5% at September 30, 1999 and 2000, respectively), with the remaining principal balance payable on December 15, 2000	109	76	--
Term loan with a bank with monthly payments of $2 plus interest at the bank's prime rate (effective interest rate of 8.25% and 9.5% at September 30, 1999 and 2000, respectively and 8.25% at December 31, 2000) with the remaining principal balance payable on March 30, 2001	47	24	18
Noncompete obligations with monthly payments of $9, including interest at 7.5%, repaid in December 2000	913	875	--
Note payable to sellers of retail propane companies acquired in 1998 with monthly payments of $2, including interest at 7.5%, repaid in December 2000	193	184	--
	9,543	7,559	6,268
Less current portion	(803)	(4,950)	(4,668)
	$8,740	$ 2,609	$ 1,600

In July 1999, Investors 300, Inc. entered into an amended and restated credit agreement with its bank to increase the level of financing and to refinance most of Investors 300, Inc.'s outstanding long-term debt. This credit agreement consisted of a $6,000 term loan and a revolving loan of up to $6,000, subject to specified percentages of the company's accounts receivable, inventory, and machinery and equipment balances. Investors 300, Inc. must pay sufficient principal to reduce the outstanding revolving loan balance to an amount not greater than $5,400 on May 1, 2000 and $600 on May 1, 2001, with the remaining principal due on June 1, 2003. All of the credit agreements with the Hoosier Propane Group's bank are collateralized by substantially all of the assets of

the Hoosier Propane Group and contain covenants which, among other things, require the maintenance of various financial performance ratios. Repayment of borrowings pursuant to the credit agreements of each of Domex, Inc., Investors 300, Inc. and L & L Leasing, Inc. is guaranteed by the other companies and, to a lesser extent, by the stockholders of each of Domex, Inc., Investors 300, Inc. and L & L Leasing, Inc.

Due to the sale of the Hoosier Propane Group, as discussed in Note 7, management elected not to renew or negotiate extensions of its revolving credit and term loan agreements. As such, much of the Hoosier Propane Group's outstanding long-term debt is classified as a current liability in the accompanying fiscal year 2000 combined balance sheet.

The noncompete obligations and notes payable to sellers of retail propane companies acquired in 1998 are collateralized by the assets purchased in the acquisition. These obligations and notes payable are subordinate to the obligations owed by the Hoosier Propane Group to its bank.

Principal payments of long-term debt for each of the next five years ended September 30 and thereafter are as follows:

Year Ending September 30,	
2001	$4,950
2002	1,054
2003	658
2004	63
2005	67
Thereafter	767
	$7,559

4. Common Stock

Shares of common stock of each of Domex, Inc., Investors 300, Inc. and L & L Leasing, Inc. are as follows:

	Domex, Inc.	Investors 300, Inc.	L & L Leasing, Inc.
Authorized shares	1,000	1,000	1,000
Issued shares	666	315	515
Outstanding shares	346	315	315

5. Employee Benefit Plan

The Hoosier Propane Group sponsors a multiemployer 401(k) profit-sharing plan for employees who have completed one year of service and have attained the age of 21. The Hoosier Propane Group's discretionary contributions charged to expense were $56, $54 and $55 in 1998, 1999 and 2000, respectively, and $14 for the three months ended December 31, 2000.

6. Related-Party Transactions

The Hoosier Propane Group has notes receivable from and notes payable to various stockholders of each of Domex, Inc., Investors 300, Inc. and L & L Leasing, Inc. The notes receivable bear interest of 7% and are due October 31, 2004. The Hoosier Propane Group received interest income from these notes of $31, $28 and

$25 in 1998, 1999 and 2000, respectively, and $5 for the three months ended December 31, 2000. The unsecured notes payable bear interest of 7% and mature on October 1, 2001. The Hoosier Propane Group recorded interest expense related to these notes of $89, $89 and $88 in 1998, 1999 and 2000, respectively, and $18 for the three months ended December 31, 2000.

7. Subsequent Event

On January 12, 2001, the Hoosier Propane Group sold substantially all of their assets to Inergy Partners, LLC for an aggregate purchase price of approximately $74,000 including assumed liabilities. A portion of these proceeds was used to repay in full the Hoosier Propane Group's notes payable to bank, notes payable to stockholders and long-term debt.

REPORT OF INDEPENDENT AUDITORS

The Board of Directors
Inergy Partners, LLC

We have audited the accompanying balance sheet of Inergy GP, LLC as of September 30, 2001. This balance sheet is the responsibility of Inergy Partners, LLC's management. Our responsibility is to express an opinion on this balance sheet based on our audit.

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

In our opinion, the balance sheet referred to above presents fairly, in all material respects, the financial position of Inergy GP, LLC at September 30, 2001, in conformity with accounting principles generally accepted in the United States.

/s/ ERNST & YOUNG LLP

Kansas City, Missouri
May 22, 2002

INERGY GP, LLC

BALANCE SHEET

ASSETS	September 30, 2001
Current assets:	
Cash	$ 1,000
Total assets	$ 1,000
OWNER'S EQUITY	
Owner's equity	$ 1,000
Total owner's equity	$ 1,000

See accompanying note.

INERGY GP, LLC

NOTE TO BALANCE SHEET

1. Nature of Operations

Inergy GP, LLC is a Delaware limited liability company formed on March 2, 2001 to become the managing general partner of Inergy Partners, L.P. Inergy GP, LLC is a wholly-owned subsidiary of Inergy Holdings, LLC. Inergy GP, LLC owns a non-economic managing general partner interest in Inergy, L.P.

On March 2, 2001, Inergy Holdings, LLC contributed $1,000 to Inergy GP, LLC in exchange for a 100% ownership interest.

On March 7, 2001, Inergy GP, LLC received a managing general partner interest in Inergy, L.P. There have been no other transactions involving Inergy GP, LLC as of September 30, 2001.

GLOSSARY OF TERMS

adjusted operating surplus: For any period, operating surplus generated during that period is adjusted to:

(a) decrease operating surplus by:

(1) any net increase in working capital borrowings during that period; and

(2) any net reduction in cash reserves for operating expenditures during that period not relating to an operating expenditure made during that period; and

(b) increase operating surplus by:

(1) any net decrease in working capital borrowings during that period; and

(2) any net increase in cash reserves for operating expenditures during that period required by any debt instrument for the repayment of principal, interest or premium.

Adjusted operating surplus does not include that portion of operating surplus included in clause (a)(1) of the definition of operating surplus.

available cash: For any quarter ending prior to liquidation:

(a) the sum of:

(1) all cash and cash equivalents of Inergy, L.P. and its subsidiaries on hand at the end of that quarter; and

(2) all additional cash and cash equivalents of Inergy, L.P. and its subsidiaries on hand on the date of determination of available cash for that quarter resulting from working capital borrowings made after the end of that quarter;

(b) less the amount of any cash reserves that is necessary or appropriate in the reasonable discretion of the managing general partner to:

(1) provide for the proper conduct of the business of Inergy, L.P. and its subsidiaries (including reserves for future capital expenditures and for future credit needs of Inergy, L.P. and its subsidiaries) after that quarter;

(2) comply with applicable law or any debt instrument or other agreement or obligation to which Inergy, L.P. or any of its subsidiaries is a party or its assets are subject; and

(3) provide funds for minimum quarterly distributions and cumulative common unit arrearages for any one or more of the next four quarters;

provided, however, that the managing general partner may not establish cash reserves for distributions to the subordinated units unless the managing general partner has determined that in its judgment the establishment of reserves will not prevent Inergy, L.P. from distributing the minimum quarterly distribution on all common units and any cumulative common unit arrearages thereon for the next four quarters; and

provided, further, that disbursements made by Inergy, L.P. or any of its subsidiaries or cash reserves established, increased or reduced after the end of that quarter but on or before the date of determination of available cash for that quarter shall be deemed to have been made, established, increased or reduced, for purposes of determining available cash, within that quarter if the managing partner so determines.

capital account: The capital account maintained for a partner under the partnership agreement. The capital account of a partner for a common unit, a senior subordinated unit, a junior subordinated unit, an

incentive distribution right or any other partnership interest will be the amount which that capital account would be if that common unit, senior subordinated unit, junior subordinated unit, incentive distribution right or other partnership interest were the only interest in Inergy, L.P. held by a partner.

capital surplus: All available cash distributed by us from any source will be treated as distributed from operating surplus until the sum of all available cash distributed since the closing of the initial public offering equals the operating surplus as of the end of the quarter before that distribution. Any excess available cash will be deemed to be capital surplus.

closing price: The last sale price on a day, regular way, or in case no sale takes place on that day, the average of the closing bid and asked prices on that day, regular way, in either case, as reported in the principal consolidated transaction reporting system for securities listed or admitted to trading on the principal national securities exchange on which the units of that class are listed or admitted to trading. If the units of that class are not listed or admitted to trading on any national securities exchange, the last quoted price on that day. If no quoted price exists, the average of the high bid and low asked prices on that day in the over-the-counter market, as reported by the Nasdaq Stock Market or any other system then in use. If on any day the units of that class are not quoted by any organization of that type, the average of the closing bid and asked prices on that day as furnished by a professional market maker making a market in the units of the class selected by the managing general partner. If on that day no market maker is making a market in the units of that class, the fair value of the units on that day as determined reasonably and in good faith by the managing general partner.

common unit arrearage: The amount by which the minimum quarterly distribution for a quarter during the subordination period exceeds the distribution of available cash from operating surplus actually made for that quarter on a common unit, cumulative for that quarter and all prior quarters during the subordination period.

current market price: For any class of units listed or admitted to trading on any national securities exchange as of any date, the average of the daily closing prices for the 20 consecutive trading days immediately prior to that date.

incentive distribution right: A non-voting limited partner partnership interest issued to Inergy Holdings, LLC in connection with the transfer of substantially all of its member interest in Inergy Propane, LLC to Inergy, L.P. under the partnership agreement. The partnership interest will confer upon its holder only the rights and obligations specifically provided in the partnership agreement for incentive distribution rights.

incentive distributions: The distributions of available cash from operating surplus initially made to Inergy Holdings, LLC that are in excess of the non-managing general partner's 2% general partner interest.

interim capital transactions: The following transactions if they occur prior to liquidation:

- borrowings, refinancings or refundings of indebtedness and sales of debt securities (other than for working capital borrowings and other than for items purchased on open account in the ordinary course of business) by Inergy, L.P. or any of its subsidiaries;

- sales of equity interests by Inergy, L.P. or any of its subsidiaries;

- sales or other voluntary or involuntary dispositions of any assets of Inergy, L.P. or any of its subsidiaries (other than sales or other dispositions of inventory, accounts receivable and other assets in the ordinary course of business, and sales or other dispositions of assets as a part of normal retirements or replacements).

operating expenditures: All expenditures of Inergy, L.P. and its subsidiaries, including, but not limited to, taxes, reimbursements of the general partners, repayment of working capital borrowings, debt service payments and capital expenditures, subject to the following:

(a) Payments (including prepayments) of principal of and premium on indebtedness other than working capital borrowings will not constitute operating expenditures.

(b) Operating expenditures will not include:

(1) capital expenditures made for acquisitions or for capital improvements;

(2) payment of transaction expenses relating to interim capital transactions; or

(3) distributions to partners.

operating surplus: For any period prior to liquidation, on a cumulative basis and without duplication:

(a) the sum of

(1) $8.5 million plus all the cash of Inergy, L.P. and its subsidiaries on hand as of the closing date of our initial public offering;

(2) all cash receipts of Inergy, L.P. and its subsidiaries for the period beginning on the closing date of our initial public offering and ending with the last day of that period, other than cash receipts from interim capital transactions; and

(3) all cash receipts of Inergy, L.P. and its subsidiaries after the end of that period but on or before the date of determination of operating surplus for the period resulting from working capital borrowings; less

(b) the sum of:

(1) operating expenditures for the period beginning on the closing date of our initial public offering and ending with the last day of that period; and

(2) the amount of cash reserves that is necessary or advisable in the reasonable discretion of the managing general partner to provide funds for future operating expenditures; provided however, that disbursements made (including contributions to Inergy, L.P. or its subsidiaries or disbursements on behalf of Inergy, L.P. or its subsidiaries) or cash reserves established, increased or reduced after the end of that period but on or before the date of determination of available cash for that period shall be deemed to have been made, established, increased or reduced for purposes of determining operating surplus, within that period if the managing general partner so determines.

subordination period: The subordination period will generally extend from the closing of the initial public offering until the first to occur of:

(a) the first day of any quarter beginning after June 30, 2006, in the case of the senior subordinated units, or June 30, 2008, in the case of the junior subordinated units, for which:

(1) distributions of available cash from operating surplus on each of the outstanding common units, senior subordinated units and junior subordinated units equaled or exceeded the sum of the minimum quarterly distribution on all of the outstanding common units, senior subordinated units and junior subordinated units for each of the three consecutive non-overlapping four-quarter periods immediately preceding that date;

(2) the adjusted operating surplus generated during each of the three immediately preceding, non-overlapping four-quarter periods equaled or exceeded the sum of the minimum quarterly distribution on all of the common units, senior subordinated units and junior subordinated units that were outstanding during those periods on a fully-diluted basis, and the related distribution on the general partner interest in Inergy, L.P.; and

(3) there are no outstanding cumulative common units arrearages.

(b) the date on which the managing general partner is removed as general partner of Inergy, L.P. upon the requisite vote by the limited partners under circumstances where cause does not exist and units held by the general partners and their affiliates are not voted in favor of the removal.

working capital borrowings: Borrowings exclusively for working capital purposes made pursuant to a credit facility or other arrangement requiring all borrowings thereunder to be reduced to a relatively small amount each year for an economically meaningful period of time.

You may rely on the information contained in this prospectus. We have not authorized anyone to provide information different from that contained in this prospectus. Neither the delivery of this prospectus nor the sale of common units means that information contained in this prospectus is correct after the date of this prospectus. This prospectus is not an offer to sell or solicitation of an offer to buy these common units in any circumstances under which the offer or solicitation is unlawful.

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1,400,000 Common Units

[INERGY LOGO]

Representing
Limited Partner Interests

PROSPECTUS

A.G. Edwards & Sons, Inc.

, 2002

PART II

INFORMATION REQUIRED IN THE REGISTRATION STATEMENT

Item 13. Other Expenses of Issuance and Distribution.

Set forth below are the expenses (other than underwriting discounts and commissions) expected to be incurred in connection with the issuance and distribution of the securities registered hereby. With the exception of the Securities and Exchange Commission registration fee and the NASD filing fee, the amounts set forth below are estimates.

Registration fee	$ 4,925
NASD filing fee	5,854
Nasdaq Stock Market listing fee	16,100
Printing and engraving expenses	300,000
Fees and expenses of legal counsel	400,000
Accounting fees and expenses	250,000
Transfer agent and registrar fees	5,000
Miscellaneous	218,121
Total	$1,200,000

Item 14. Indemnification of Directors and Officers.

The section of the Prospectus entitled "The Partnership Agreement--Indemnification" is incorporated herein by this reference. Reference is made to the Underwriting Agreement filed as Exhibit 1.1 to the Registration Statement. Subject to any terms, conditions or restrictions set forth in the Partnership Agreement, Section 17-108 of the Delaware Revised Uniform Limited Partnership Act empowers a Delaware limited partnership to indemnify and hold harmless any partner or other person from and against all claims and demands whatsoever.

Item 15. Recent Sales of Unregistered Securities

No securities of Inergy, L.P. which were not registered under the Securities Act have been sold by Inergy, L.P. within the past three years, except as follows:

1. On December 19, 2001, Inergy, L.P. sold 365,019 common units to IPCH Acquisition Corp. in exchange for approximately $9.6 million in cash.

2. On December 19, 2001, Inergy, L.P. issued 394,601 common units to IPCH Acquisition Corp. as partial consideration for the transfer of its interest in IPC.

3. On December 19, 2001, Inergy, L.P. sold 9,126 common units to David L. Scott in exchange for approximately $240,000 in cash.

4. On December 19, 2001, Inergy, L.P. sold 9,126 common units to Robert R. Galvin in exchange for approximately $240,000 in cash.

Each common unit issued in connection with the IPC transaction was valued at $26.30, the 30-day average trading price of the common units on Nasdaq immediately prior to December 19, 2001. The issuances of the securities described above were made in reliance upon the exemption from the registration requirements provided by Section 4(2) of the Securities Act for transactions by an issuer not involving a public offering.

Item 16. Exhibits

(a) The following documents are filed as exhibits to this registration statement:

Exhibit Number	Description
*1.1	Form of Underwriting Agreement
3.1	Certificate of Limited Partnership of Inergy, L.P. (incorporated by reference to Exhibit 3.1 to Inergy, L.P.'s Registration Statement on Form S-1 (Registration No. 333-56976) filed on March 14, 2001)
*3.2	Amended and Restated Agreement of Limited Partnership of Inergy, L.P.
3.3	Certificate of Formation as relating to Inergy Propane, LLC, as amended (incorporated by reference to Exhibit 3.3 to Inergy, L.P.'s Registration Statement on Form S-1/A (Registration No. 333-56976) filed on May 7, 2001)
*3.4	Third Amended and Restated Limited Liability Company Agreement of Inergy Propane, LLC, dated as of July 31, 2001
3.5	Certificate of Formation of Inergy GP, LLC (incorporated by reference to Exhibit 3.5 to Inergy, L.P.'s Registration Statement on Form S-1/A (Registration No. 333-56976) filed on May 7, 2001)
3.6	Limited Liability Company Agreement of Inergy GP, LLC (incorporated by reference to Exhibit 3.6 to Inergy, L.P.'s Registration Statement on Form S-1/A (Registration No. 333-56976) filed on May 7, 2001)
3.7	Certificate of Formation as relating to Inergy Partners, LLC, as amended (incorporated by reference to Exhibit 3.7 to Inergy, L.P.'s Registration Statement on Form S-1/A (Registration No. 333-56976) filed on May 7, 2001)
*3.8	Second Amended and Restated Limited Liability Company Agreement of Inergy Partners, LLC, dated as of July 31, 2001
4.1	Specimen Unit Certificate for Senior Subordinated Units (incorporated by reference to Exhibit 4.1 to Inergy, L.P.'s Registration Statement on Form S-1/A (Registration No. 333-56976) filed on May 7, 2001)
4.2	Specimen Unit Certificate for Junior Subordinated Units (incorporated by reference to Exhibit 4.2 to Inergy, L.P.'s Registration Statement on Form S-1/A (Registration No. 333-56976) filed on May 7, 2001)
4.3	Specimen Unit Certificate for Common Units (incorporated by reference to Exhibit 4.3 to Inergy, L.P.'s Registration Statement on Form S-1/A (Registration No. 333-56976) filed on May 7, 2001)
*5.1	Opinion of Vinson & Elkins L.L.P. as to the legality of the securities being registered
*8.1	Opinion of Vinson & Elkins L.L.P. relating to tax matters
10.1	Fourth Amended and Restated Credit Agreement by and among Inergy Propane, LLC and the lenders named therein, dated as of December 20, 2001 (incorporated by reference to Exhibit 10.1 to Inergy, L.P.'s Annual Report on Form 10-K filed on December 28, 2001)
*10.1A	Amendment No. 1 to Fourth Amended and Restated Credit Agreement
10.2	Asset Purchase Agreement by and between Inergy Partners, LLC and Country Gas Company, Inc., dated as of May 20, 2000 (incorporated by reference to Exhibit 10.2 to Inergy, L.P.'s Registration Statement on Form S-1/A (Registration No. 333-56976) filed on May 7, 2001)
10.3	Securities Purchase Agreement by and among Inergy Partners, LLC and various investors, dated as of January 12, 2001 (incorporated by reference to Exhibit 10.3 to Inergy, L.P.'s Registration Statement on Form S-1/A (Registration No. 333-56976) filed on May 7, 2001)

10.4 Investor Rights Agreement by and among Inergy Partners, LLC and various investors, dated as of January 12, 2001 (incorporated by reference to Exhibit 10.4 to Inergy, L.P.'s Registration Statement on Form S-1/A (Registration No. 333-56976) filed on May 7, 2001)

10.5 Asset Purchase Agreement by and among Inergy Partners, LLC and the Hoosier Group, dated as of September 8, 2000 (incorporated by reference to Exhibit 10.5 to Inergy, L.P.'s Registration Statement on Form S-1/A (Registration No. 333-56976) filed on May 7, 2001)

10.6 Inergy Employee Long-Term Incentive Plan (incorporated by reference to Exhibit 10.6 to Inergy, L.P.'s Registration Statement on Form S-1/A (Registration No. 333-56976) filed on July 2, 2001)

10.7 Inergy Unit Purchase Plan (incorporated by reference to Exhibit 10.1 to Inergy, L.P.'s Registration Statement on Form S-8 filed on March 6, 2002)

10.8 Employment Agreement--John J. Sherman (incorporated by reference to Exhibit 10.8 to Inergy, L.P.'s Registration Statement on Form S-1/A (Registration No. 333-56976) filed on July 2, 2001)

10.9 Employment Agreement--Phillip L. Elbert (incorporated by reference to Exhibit 10.9 to Inergy, L.P.'s Registration Statement on Form S-1/A (Registration No. 333-56976) filed on May 7, 2001)

10.9A First Amendment to Employment Agreement--Phillip L. Elbert (incorporated by reference to Exhibit 10.9A to Inergy, L.P.'s Registration Statement on Form S-1/A (Registration No. 333-56976) filed on July 20, 2001)

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10.16 Transaction Agreement dated as of December 19, 2001 by and among Inergy, L.P., Inergy GP, LLC, Inergy Propane, LLC, Inergy Sales and Service, Inc., Inergy Holdings, LLC, IPCH Acquisition Corp., and IPCH Merger Corp. (incorporated by reference to Exhibit 2.2 of Inergy, L.P.'s Current Report on Form 8-K filed on January 4, 2002)

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*21.1 List of subsidiaries of Inergy, L.P.

*23.1 Consent of Ernst & Young LLP

*23.2 Consent of Arthur Andersen LLP

*23.3 Consent of Vinson & Elkins L.L.P. (contained in Exhibits 5.1 and 8.1)

*24.1 Powers of Attorney (included on page II-5)

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* Filed herewith

Item 17. Undertakings.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned Registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this Registration Statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this Registration Statement as of the time it was declared effective.

(2) For the purposes of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant has duly caused this Registration Statement on Form S-1 to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Kansas City, State of Missouri, on May 23, 2002.

Inergy, L.P.
By: Inergy GP, LLC
its Managing General Partner

/s/ R. Brooks Sherman, Jr.
By: _____
Name: R. Brooks Sherman Jr.
Title: Vice President and Chief Financial Officer

Each person whose signature appears below appoints John J. Sherman and R. Brooks Sherman Jr., and each of them, any of whom may act without the joinder of the other, as his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this Registration Statement and any Registration Statement (including any amendment thereto) for this offering that is to be effective upon filing pursuant to Rule 462(b) under the Securities Act of 1933, as amended, and to file the same, with all exhibits thereto, and all other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as he might or would do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them of their or his substitute and substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement on Form S-1 has been signed below by the officers and directors of Inergy GP, LLC, as managing general partner of Inergy, L.P., the registrant, in the capacities indicated on the dates indicated.

Signature	Title	Date
/s/ John J. Sherman John J. Sherman	President and Chief Executive Officer and Chairman of the Board (principal executive officer)	May 23, 2002
/s/ Philip L. Elbert Philip L. Elbert	Senior Vice President--Operations and Director	May 23, 2002
/s/ R. Brooks Sherman, Jr. R. Brooks Sherman Jr.	Chief Financial Officer (principal accounting and financial officer)	May 23, 2002
Richard C. Green, Jr.	Director	May , 2002
/s/ Warren H. Gfeller Warren H. Gfeller	Director	May 23, 2002
/s/ David J. Schulte David J. Schulte	Director	May 23, 2002

EXHIBIT INDEX

Exhibit Number	Description
*1.1	Form of Underwriting Agreement
3.1	Certificate of Limited Partnership of Inergy, L.P. (incorporated by reference to Exhibit 3.1 to Inergy, L.P.'s Registration Statement on Form S-1 (Registration No. 333-56976) filed on March 14, 2001)
*3.2	Amended and Restated Agreement of Limited Partnership of Inergy, L.P.
3.3	Certificate of Formation as relating to Inergy Propane, LLC, as amended (incorporated by reference to Exhibit 3.3 to Inergy, L.P.'s Registration Statement on Form S-1/A (Registration No. 333-56976) filed on May 7, 2001)
*3.4	Third Amended and Restated Limited Liability Company Agreement of Inergy Propane, LLC, dated as of July 31, 2001
3.5	Certificate of Formation of Inergy GP, LLC (incorporated by reference to Exhibit 3.5 to Inergy, L.P.'s Registration Statement on Form S-1/A (Registration No. 333-56976) filed on May 7, 2001)
3.6	Limited Liability Company Agreement of Inergy GP, LLC (incorporated by reference to Exhibit 3.6 to Inergy, L.P.'s Registration Statement on Form S-1/A (Registration No. 333-56976) filed on May 7, 2001)
3.7	Certificate of Formation as relating to Inergy Partners, LLC, as amended (incorporated by reference to Exhibit 3.7 to Inergy, L.P.'s Registration Statement on Form S-1/A (Registration No. 333-56976) filed on May 7, 2001)
*3.8	Second Amended and Restated Limited Liability Company Agreement of Inergy Partners, LLC, dated as of July 31, 2001
4.1	Specimen Unit Certificate for Senior Subordinated Units (incorporated by reference to Exhibit 4.1 to Inergy, L.P.'s Registration Statement on Form S-1/A (Registration No. 333-56976) filed on May 7, 2001)
4.2	Specimen Unit Certificate for Junior Subordinated Units (incorporated by reference to Exhibit 4.2 to Inergy, L.P.'s Registration Statement on Form S-1/A (Registration No. 333-56976) filed on May 7, 2001)
4.3	Specimen Unit Certificate for Common Units (incorporated by reference to Exhibit 4.3 to Inergy, L.P.'s Registration Statement on Form S-1/A (Registration No. 333-56976) filed on May 7, 2001)
*5.1	Opinion of Vinson & Elkins L.L.P. as to the legality of the securities being registered
*8.1	Opinion of Vinson & Elkins L.L.P. relating to tax matters
10.1	Fourth Amended and Restated Credit Agreement by and among Inergy Propane, LLC and the lenders named therein, dated as of December 20, 2001 (incorporated by reference to Exhibit 10.1 to Inergy, L.P.'s Annual Report on Form 10-K filed on December 28, 2001)
*10.1A	Amendment No. 1 to Fourth Amended and Restated Credit Agreement
10.2	Asset Purchase Agreement by and between Inergy Partners, LLC and Country Gas Company, Inc., dated as of May 20, 2000 (incorporated by reference to Exhibit 10.2 to Inergy, L.P.'s Registration Statement on Form S-1/A (Registration No. 333-56976) filed on May 7, 2001)
10.3	Securities Purchase Agreement by and among Inergy Partners, LLC and various investors, dated as of January 12, 2001 (incorporated by reference to Exhibit 10.3 to Inergy, L.P.'s Registration Statement on Form S-1/A (Registration No. 333-56976) filed on May 7, 2001)

10.4 Investor Rights Agreement by and among Inergy Partners, LLC and various investors, dated as of January 12, 2001 (incorporated by reference to Exhibit 10.4 to Inergy, L.P.'s Registration Statement on Form S-1/A (Registration No. 333-56976) filed on May 7, 2001)

10.5 Asset Purchase Agreement by and among Inergy Partners, LLC and the Hoosier Group, dated as of September 8, 2000 (incorporated by reference to Exhibit 10.5 to Inergy, L.P.'s Registration Statement on Form S-1/A (Registration No. 333-56976) filed on May 7, 2001)

10.6 Inergy Employee Long-Term Incentive Plan (incorporated by reference to Exhibit 10.6 to Inergy, L.P.'s Registration Statement on Form S-1/A (Registration No. 333-56976) filed on July 2, 2001)

10.7 Inergy Unit Purchase Plan (incorporated by reference to Exhibit 10.1 to Inergy, L.P.'s Registration Statement on Form S-8 filed on March 6, 2002)

10.8 Employment Agreement--John J. Sherman (incorporated by reference to Exhibit 10.8 to Inergy, L.P.'s Registration Statement on Form S-1/A (Registration No. 333-56976) filed on July 2, 2001)

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10.16 Transaction Agreement dated as of December 19, 2001 by and among Inergy, L.P., Inergy GP, LLC, Inergy Propane, LLC, Inergy Sales and Service, Inc., Inergy Holdings, LLC, IPCH Acquisition Corp., and IPCH Merger Corp. (incorporated by reference to Exhibit 2.2 of Inergy, L.P.'s Current Report on Form 8-K filed on January 4, 2002)

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*24.1 Powers of Attorney (included on page II-5)

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* Filed herewith

EXHIBIT 1.1

DRAFT _____, 2002

1,400,000 Common Units

UNDERWRITING AGREEMENT

_____, 2002

A.G. Edwards & Sons, Inc.
[Other Co-Managers]
One North Jefferson Avenue
St. Louis, Missouri 63103

The undersigned, Inergy, L.P., a Delaware limited partnership (the "Partnership"), Inergy Propane, LLC, a Delaware limited liability company (the "Operating Company"), New Inergy Propane, LLC, a Delaware limited liability company ("New Propane"), IPCH Acquisition Corp., a Delaware corporation ("Acquisition Corp."), Inergy Partners, LLC, a Delaware limited liability company (the "Non-Managing General Partner"), Inergy GP, LLC, a Delaware limited liability company (the "Managing General Partner") (the Managing General Partner and the Non-Managing General Partner are sometimes collectively referred to herein as the "General Partners"), Inergy Holdings, LLC, a Delaware limited liability company ("Holdings"), Inergy Sales & Service, Inc., a Delaware corporation ("Service Sub"), L&L Transportation, LLC, a Delaware limited liability company ("L&L Transportation"), Inergy Transportation, LLC, a Delaware limited liability company ("Inergy Transportation") and the persons listed on Schedule I attached hereto (the "Selling Unitholders"), hereby address you as the "Underwriters" and hereby confirm their agreement with the Underwriters as set forth below. The Partnership, the Operating Company, Service Sub, L&L Transportation and Inergy Transportation are referred to as the "Partnership Group." L&L Transportation and Inergy Transportation are sometimes collectively referred to herein as the "Operating Subs." The Partnership, the Operating Company, New Propane, Acquisition Corp., the General Partners, Holdings, Service Sub and the Operating Subs are referred to as the "Inergy Parties." The Inergy Parties, Wilson Oil Company of Johnston County, Inc., a North Carolina corporation ("Wilson"), and Rolesville Gas and Oil Company, Inc., a North Carolina corporation ("Rolesville"), are collectively referred to herein as the "Inergy Entities."

It is understood and agreed by all parties that the Partnership was formed to acquire, own and operate the business and assets of subsidiaries of Holdings. The partnership agreement of the Partnership was adopted by the Managing General Partner and the Non-Managing General Partner, in its capacity as the Non-Managing General Partner and as the organizational limited partner of the Partnership (the "Organizational Limited Partner"), on March 7, 2001 (as the

same has been and may be amended or restated at or prior to the Closing Date, the "Partnership Agreement"). The Partnership operates its business through the Operating Company. The Operating Company operates its business through itself, the Operating Subs and Service Sub. The Managing General Partner serves as the managing general partner of the Partnership. The Non-Managing General Partner serves as the non-managing general partner of the Partnership.

1. Description of Common Units. The Partnership and the Selling Unitholders propose to issue and sell to the Underwriter an aggregate of 1,400,000 common units (the "Firm Units") representing limited partner interests in the Partnership (the "Common Units"). The Firm Units consist of 1,054,741 Common Units to be issued and sold by the Partnership, and 345,259 Common Units to be sold by the Selling Unitholders. Solely for the purpose of covering over-allotments in the sale of the Firm Units, the Partnership further proposes to grant to the Underwriters the right to purchase up to an additional 210,000 Common Units (the "Option Units"), as provided in Section 3 of this Agreement. The Firm Units and the Option Units are herein sometimes referred to as the "Units" and are more fully described in the Prospectus hereinafter defined.

2. Purchase, Sale and Delivery of Firm Units. On the basis of the representations, warranties and agreements herein contained, but subject to the terms and conditions herein set forth, the Partnership and the Selling Unitholders agree, severally and not jointly, to sell to the Underwriters, and each such Underwriter agrees, severally and not jointly, (a) to purchase from the Partnership and the Selling Unitholders, at a purchase price of [$33.00] per unit, the number of Firm Units set forth opposite the name of such Underwriter in Schedule II hereto and (b) to purchase from the Partnership any additional number of Option Units which such Underwriter may become obligated to purchase pursuant to Section 3 hereof.

Delivery of the Firm Units will be in book-entry form through the facilities of The Depository Trust Company, New York, New York ("DTC"). Delivery of the documents required by Section 7 hereof with respect to the Units shall be made at or prior to 11:00 a.m. on _____, 2002 at Vinson & Elkins LLP, 2300 First City Tower, 1001 Fannin, Houston, Texas 77002-6760 or at such other place as may be agreed upon between you and the Partnership (the "Place of Closing"), or at such other time and date not later than five full business days thereafter as you and the Partnership may agree, such time and date of payment and delivery being herein called the "Closing Date."

The Partnership will cause its transfer agent to deposit as original issue the Firm Units pursuant to the Full Fast Delivery Program of the DTC.

It is understood that an Underwriter, individually, may (but shall not be obligated to) make payment on behalf of the other Underwriters whose funds shall not have been received prior to the Closing Date for Units to be purchased by such Underwriter. Any such payment by an Underwriter shall not relieve the other Underwriters of any of their obligations hereunder.

It is understood that the Underwriters propose to offer the Units to the public upon the terms and conditions set forth in the Registration Statement hereinafter defined.

3. Purchase, Sale and Delivery of the Option Units. The Partnership hereby grants an option to the Underwriters to purchase from the Partnership up to 210,000 Option Units, on the same terms and conditions as the Firm Units; provided, however, that such option may be exercised only for the purpose of covering any over-allotments that may be made by them in the sale of the Firm Units. No Option Units shall be sold or delivered unless the Firm Units previously have been, or simultaneously are, sold and delivered.

The option is exercisable by you at any time, and from time to time, before the expiration of 30 days from the date of the Prospectus (or, if such 30th day shall be a Saturday or Sunday or a holiday, on the next day thereunder when The Nasdaq National Market (the "Nasdaq") is open for trading), for the purchase of all or part of the Option Units covered thereby, by notice given by you to the Partnership in the manner provided in Section 14 hereof, setting forth the number of Option Units as to which the Underwriters are exercising the option, and the date of delivery of said Option Units, which date shall not be more than five business days after such notice unless otherwise agreed to by the parties. You may terminate the option at any time, as to any unexercised portion thereof, by giving written notice to the Partnership to such effect.

You shall make such allocation of the Option Units among the Underwriters as may be required to eliminate purchases of fractional units.

Delivery of the Option Units will be in book-entry form through the facilities of DTC. Delivery of the documents required by Section 8 hereof with respect to the Units shall be made at the Place of Closing at or prior to 11:00 a.m. on the date designated in the notice given by you as provided above, or at such other time and date as you and the Partnership may agree (which may be the same as the Closing Date), such time and date of payment and delivery being herein called the "Option Closing Date." On the Option Closing Date, the Partnership shall provide the Underwriters such representations, warranties, agreements, opinions, letters, certificates and covenants with respect to the Option Units as are required to be delivered on the Closing Date with respect to the Firm Units.

The Partnership will cause its transfer agent to deposit as original issue the Option Units pursuant to the Full Fast Delivery Program of the DTC.

4. Representations, Warranties and Agreements of the Inergy Parties. The Inergy Parties jointly and severally represent and warrant to and agree with each Underwriter that:

(a) Definitions. A registration statement (Registration No.[_____]) on Form S-1 with respect to the Units, including a preliminary prospectus, and such amendments to such registration statement as may have been required to the date of this Agreement, has been prepared by the Partnership pursuant to and in conformity with the requirements of the Securities Act of 1933, as amended (the "1933 Act"), and the rules and regulations thereunder (the "1933 Act Rules and Regulations") of the Securities and Exchange Commission (the "SEC") and has been filed and declared effective by the SEC under the 1933 Act. Copies of such registration statement, including any amendments thereto, each related preliminary prospectus contained therein, and the exhibits, financial statements and schedules thereto have heretofore been delivered by the Partnership to you. A final prospectus containing information permitted to be omitted at the time of effectiveness by Rule 430A of the 1933 Act Rules and Regulations will be filed promptly by the Partnership with the SEC in accordance with Rule 424(b) of the 1933 Act Rules and Regulations. The term "Registration Statement" as used herein means the registration statement as amended at the time it became effective under the 1933 Act (the "Effective Date"), including financial statements and all exhibits and, if applicable, the information deemed to be included by Rule 430A of the 1933 Act Rules and Regulations. If it is contemplated, at the time this Agreement is executed, that a post-effective amendment to such registration statement will be filed and must be declared effective before the offering of Units may commence, the term "Registration Statement" as used herein means the registration statement as amended by said post-effective amendment. If an abbreviated registration statement is prepared and filed with the SEC in accordance with Rule 462(b) or Rule 462(d) under the 1933 Act (an "Abbreviated Registration Statement"), the term "Registration Statement" as used in this Agreement includes the Abbreviated Registration Statement. The term "Prospectus" as used herein means the prospectus as first filed with the SEC pursuant to Rule 424(b) of the 1933 Act Rules and Regulations. The term "Preliminary Prospectus" as used herein shall mean the preliminary prospectus, dated _____, 2002, relating to the Units as such preliminary prospectus shall have been amended from time to time prior to the date of the Prospectus. For purposes of this Agreement, the words "amend," "amendment," "amended," "supplement" or "supplemented" with respect to the Registration Statement or the Prospectus shall mean amendments or supplements to the Registration Statement or the Prospectus, as the case may be.

(b) No Material Misstatements or Omissions. Neither the SEC nor any state or other jurisdiction or other regulatory body has issued, and neither is, to the knowledge of the Inergy Parties, threatening to issue, any stop order under the 1933 Act or other order suspending the effectiveness of the Registration Statement (as amended or supplemented) or preventing or suspending the use of the Preliminary Prospectus or the Prospectus or suspending the qualification or registration of the Units for offering or sale in any jurisdiction nor instituted or, to the knowledge of the Inergy Parties, threatened to institute proceedings for any such purpose. The Registration Statement, in the form in

which it became effective and also in such form as it may be when any post-effective amendment thereto becomes effective, and the Prospectus comply or will comply, as the case may be, in all material respects with the requirements of the 1933 Act and the 1933 Act Rules and Regulations. Neither the Registration Statement nor any amendment thereto, as of the applicable effective date, contains or will contain, as the case may be, any untrue statement of a material fact or omits or will omit to state any material fact required to be stated therein or necessary to make the statements therein, not misleading, and neither the Preliminary Prospectus, the Prospectus nor any supplement thereto contains or will contain, as the case may be, any untrue statement of a material fact or omits or will omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, however, that the Partnership makes no representation or warranty as to information contained in or omitted from the Registration Statement, the Preliminary Prospectus or the Prospectus, or any such amendment or supplement, in reliance upon, and in conformity with, written information furnished to the Partnership relating to the Underwriters by or on behalf of the Underwriters expressly for use in the preparation thereof (as provided in Section 15 hereof). Each of the statements made by the Partnership in such documents within the coverage of Rule 175(b) of the 1933 Act Rules and Regulations, including (but not limited to) any statements with respect to future available cash or future cash distributions of the Partnership or the anticipated ratio of taxable income to distributions was made or will be made with a reasonable basis and in good faith.

(c) Formation and Due Qualification of the Partnership. The Partnership has been duly formed and is validly existing in good standing as a limited partnership under the Delaware Revised Uniform Limited Partnership Act ("Delaware LP Act") with full partnership power and authority to own or lease its properties to be owned or leased at the Closing Date and to conduct its business to be conducted at the Closing Date in all material respects as described in the Registration Statement and the Prospectus. The Partnership is duly registered or qualified as a foreign limited partnership for the transaction of business under the laws of each jurisdiction in which the character of the business conducted by it or the nature or location of the properties owned or leased by it makes such registration or qualification necessary, except where the failure so to register or qualify would not (i) have a material adverse effect on the business, financial condition or results of operations of the Partnership Group, taken as a whole ("Material Adverse Effect"), or (ii) subject the limited partners of the Partnership to any material liability or disability.

(d) Formation and Due Qualification of Holdings, New Propane, the Operating Company and the Operating Subs. Each of Holdings, New Propane, the Operating Company and the Operating Subs has been duly formed and is validly existing in good standing as a limited liability company under the Delaware Limited Liability

Company Act (the "Delaware LLC Act") with full limited liability company power and authority to own or lease its properties to be owned or leased at the Closing Date and to conduct its business to be conducted at the Closing Date, in each case in all material respects as described in the Registration Statement and the Prospectus. Each of Holdings, New Propane, the Operating Company and the Operating Subs is duly registered or qualified as a foreign limited liability company for the transaction of business under the laws of each jurisdiction in which the character of the business conducted by it or the nature or location of the properties owned or leased by it makes such registration or qualification necessary, except where the failure so to register or qualify would not (i) have a Material Adverse Effect or (ii) subject the limited partners of the Partnership to any material liability or disability.

(e) Formation and Due Qualification of the General Partners. Each of the General Partners has been duly formed and is validly existing in good standing as a limited liability company under the Delaware LLC Act with full limited liability company power and authority to own or lease its properties to be owned or leased at the Closing Date, to conduct its business to be conducted at the Closing Date and to act as a general partner of the Partnership, in each case in all material respects as described in the Registration Statement and the Prospectus. Each of the General Partners is duly registered or qualified as a foreign limited liability company for the transaction of business under the laws of each jurisdiction in which the character of the business conducted by it or the nature or location of the properties owned or leased by it makes such registration or qualification necessary, except where the failure so to register or qualify would not (i) have a Material Adverse Effect or (ii) subject the limited partners of the Partnership to any material liability or disability.

(f) Formation and Due Qualification of Service Sub and Acquisition Corp. Each of Service Sub and Acquisition Corp. has been duly incorporated and is validly existing in good standing under the Delaware General Corporation Law ("DGCL") with full corporate power and authority to own or lease its properties to be owned or leased at the Closing Date and to conduct its business to be conducted at the Closing Date, in all material respects as described in the Registration Statement and the Prospectus. Each of Service Sub and Acquisition Corp. is duly registered or qualified as a foreign corporation for the transaction of business under the laws of each jurisdiction in which the character of the business conducted by it or the nature or location of the properties owned or leased by it makes such registration or qualification necessary, except where the failure so to register or qualify would not (i) have a Material Adverse Effect or (ii) subject the limited partners of the Partnership to any material liability or disability.

(g) Ownership of the General Partner Interests in the Partnership. The Managing General Partner and the Non-Managing General Partner are the sole general partners of the Partnership. The Non-Managing General Partner owns a 2% general

partner interest and the Managing General Partner owns a non-economic, managing general partner interest; such general partner interests have been duly authorized and validly issued in accordance with the Partnership Agreement; and each General Partner owns its general partner interest free and clear of all liens, encumbrances, security interests, equities, charges or claims.

(h) Ownership of the Subordinated Units, Common Units and the Incentive Distribution Rights. (i) New Propane owns 959,954 senior subordinated units ("Senior Subordinated Units") representing senior subordinated limited partnership interests in the Partnership and 507,063 junior subordinated units ("Junior Subordinated Units") representing junior subordinated limited partnership interests in the Partnership (the Junior Subordinated Units and the Senior Subordinated Units are collectively referred to herein as the "Subordinated Units"), (ii) the persons and entities listed on Schedule III collectively own 2,353,413 Senior Subordinated Units and 65,479 Junior Subordinated Units, (iii) Acquisition Corp. owns 394,601 Common Units, and (iv) Holdings owns 10,000 Common Units and all of the incentive distribution rights, as defined in the Partnership Agreement (the "Incentive Distribution Rights"); and New Propane owns its Subordinated Units and Holdings owns its Common Units and the Incentive Distribution Rights free and clear of all liens, encumbrances (except restrictions on transferability as described in the Prospectus), security interests, charges or claims.

(i) Valid Issuance of the Common Units. At the Closing Date, there will be issued to the Underwriters the Firm Units (assuming no purchase by the Underwriters of Option Units); at the Closing Date or the Option Closing Date, as the case may be, the Firm Units or the Option Units, as the case may be, and the limited partner interests represented thereby, and all outstanding Common Units, Subordinated Units and the Incentive Distribution Rights of the Partnership, including without limitation the Firm Units to be sold by the Selling Unitholders hereunder, will be duly authorized by the Partnership Agreement and, when issued and delivered to the Underwriters against payment therefor in accordance with the terms hereof, will be validly issued, fully paid (to the extent required under the Partnership Agreement) and nonassessable (except as such nonassessability may be affected by matters described in the Prospectus under the caption "The Partnership Agreement--Limited Liability"); and other than the Subordinated Units and the Incentive Distribution Rights, the Units and the Common Units sold to the public in connection with the Partnership's initial public offering will be the only limited partner interests of the Partnership issued and outstanding at the Closing Date or the Option Closing Date.

(j) Ownership of the Membership Interests in the Operating Company. The Partnership owns 100% of the issued and outstanding membership interests in the Operating Company; such membership interests have been duly authorized and validly issued in accordance with the limited liability company agreement of the Operating

Company (the "Operating Company LLC Agreement") and are fully paid (to the extent required under the Operating Company LLC Agreement) and nonassessable (except as such nonassessability may be affected by Section 18-607 of the Delaware LLC Act); and the Partnership owns its membership interests free and clear of all liens, encumbrances, security interests, equities, charges or claims.

(k) Ownership of Service Sub. The Operating Company owns 100% of the issued and outstanding capital stock of Service Sub; such capital stock has been duly authorized and validly issued and is fully paid and nonassessable; and the Operating Company owns such capital stock free and clear of all liens, encumbrances, security interests, equities, charges or claims.

(l) Ownership of the Operating Subs. The Operating Company owns 100% of the issued and outstanding membership interests in each of the Operating Subs; such membership interests have been duly authorized and validly issued in accordance with the limited liability company agreements of the Operating Subs (as the same may be amended or restated at or prior to the Closing Date, the "Operating Subs LLC Agreements") and are fully paid (to the extent required under the Operating Subs LLC Agreements) and nonassessable (except as such nonassessability may be affected by Section 18-607 of the Delaware LLC Act); and the Operating Company owns such membership interests free and clear of all liens, encumbrances, security interests, equities, charges or claims.

(m) Ownership of New Propane. The Non-Managing General Partner owns a 100% common membership interest in New Propane, Wilson owns 48.4% of the preferred membership interests in New Propane, and Rolesville owns 51.6% of the preferred membership interests in New Propane; such membership interests have been duly authorized and validly issued in accordance with New Propane's limited liability company agreement (as the same may be amended or restated at or prior to the Closing Date, the "New Propane LLC Agreement") and are fully paid (to the extent required under the New Propane LLC Agreement) and nonassessable (except as such nonassessability may be affected by Section 18-607 of the Delaware LLC Act); and the Non-Managing General Partner, Wilson and Rolesville own such membership interests free and clear of all liens, encumbrances, security interests, equities, charges or claims.

(n) Ownership of the Managing General Partner. Holdings owns 100% of the issued and outstanding membership interests in the Managing General Partner; such membership interests have been duly authorized and validly issued in accordance with the Managing General Partner's limited liability company agreement (as the same may be amended or restated at or prior to the Closing Date, the "Managing General Partner LLC Agreement") and are fully paid (to the extent required under the Managing General Partner LLC Agreement) and nonassessable (except as such nonassessability may be affected by Section 18-607 of the Delaware LLC Act); and Holdings owns such

membership interests free and clear of all liens, encumbrances, security interests, equities, charges or claims.

(o) Ownership of the Non-Managing General Partner. Holdings owns 100% of the issued and outstanding common membership interests in the Non-Managing General Partner. Such membership interests have been duly authorized and validly issued in accordance with the Non-Managing General Partner's limited liability company agreement (as the same may be amended or restated at or prior to the Closing Date, the "Non-Managing General Partner LLC Agreement") and are fully paid (to the extent required under the Non-Managing General Partner LLC Agreement) and nonassessable (except as such nonassessability may be affected by Section 18-607 of the Delaware LLC Act); and Holdings owns its membership interests free and clear of all liens, encumbrances, security interests, equities, charges or claims.

(p) Ownership of Acquisition Corp. Holdings owns 100% of the issued and outstanding capital stock of Acquisition Corp.; such capital stock has been duly authorized and validly issued and is fully paid and nonassessable; and Holdings owns such capital stock free and clear of all liens, encumbrances, security interests, equities, charges or claims.

(q) No Other Subsidiaries. Other than the Partnership's ownership of its membership interest in the Operating Company and the Operating Company's ownership of its membership interest in the Operating Subs and its shares of capital stock of Service Sub, neither the Partnership nor the Operating Company own, and at the Closing Date and the Option Closing Date, neither will own, directly or indirectly, any equity or long term debt securities of any corporation, partnership, limited liability company, joint venture, association or other entity. Other than its ownership of its partnership interests in the Partnership, the Managing General Partner does not own, and at the Closing Date and the Option Closing Date will not own, directly or indirectly, any equity or long-term debt securities of any corporation, partnership, limited liability company, joint venture, association or other entity.

(r) No Preemptive Rights, Registration Rights or Options. Except as described in the Prospectus, there are no preemptive rights or other rights to subscribe for or to purchase, nor any restriction upon the voting or transfer of, (i) any limited partner interests of the Partnership, (ii) any membership interests of the Managing General Partner, the Operating Company, or the Operating Subs or (iii) any shares of Service Sub, in each case pursuant to the partnership agreement or limited liability company agreement of such entity (collectively, the "Organizational Agreements") or the certificates of incorporation, bylaws and other organizational documents (together with the Organization Agreements, the "Organizational Documents") or any other agreement or instrument to which any of such entities is a party or by which any one of them may be

bound. Neither the filing of the Registration Statement nor the offering or sale of the Units as contemplated by this Agreement gives rise to any rights for or relating to the registration of any Units or other securities of the Partnership, other than as have been waived. Except as described in the Prospectus, there are no outstanding options or warrants to purchase (A) any Common Units, Senior Subordinated Units, Junior Subordinated Units or Incentive Distribution Rights or other interests in the Partnership, (B) any membership interests in the Managing General Partner, the Operating Company, or the Operating Subs or (C) any shares of Service Sub.

(s) Authority and Authorization. The Partnership has all requisite power and authority to issue, sell and deliver the Units in accordance with and upon the terms and conditions set forth in this Agreement, the Partnership Agreement and the Registration Statement and the Prospectus. At the Closing Date and the Option Closing Date, all corporate, partnership and limited liability company action, as the case may be, required to be taken by the Inergy Entities or any of their stockholders, members or partners for the authorization, issuance, sale and delivery of the Units shall have been validly taken.

(t) Enforceability of the Underwriting Agreement. This Agreement has been duly executed and delivered by each of the Inergy Parties, and constitutes the valid and legally binding agreement of each of the Inergy Parties, enforceable against each of the Inergy Parties in accordance with its terms, provided that the enforceability thereof may be limited by bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws relating to or affecting creditors' rights generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law); provided, further, that the indemnity and contribution provisions hereunder may be limited by federal or state securities laws.

(u) Enforceability of Other Agreements. At or before the Closing Date:

(i) The Partnership Agreement has been duly authorized, executed and delivered by the General Partners and the Organizational Limited Partner and is a valid and legally binding agreement of the General Partners and the Organizational Limited Partner, enforceable against the General Partners and the Organizational Limited Partner in accordance with its terms;

(ii) The Operating Company LLC Agreement has been duly authorized, executed and delivered by the Partnership and is a valid and legally binding agreement of the Partnership, enforceable against it in accordance with its terms;

(iii) The New Propane LLC Agreement has been duly authorized, executed and delivered by the Non-Managing General Partner and will be a valid and

binding agreement of the Non-Managing General Partner against it in accordance with its terms;

(iv) The Managing General Partner LLC Agreement has been duly authorized, executed and delivered by Holdings and is a valid and legally binding agreement of Holdings, enforceable against it in accordance with its terms;

(v) The Non-Managing General Partner LLC Agreement has been duly authorized, executed and delivered by Holdings and is a valid and legally binding agreement of Holdings, enforceable against it in accordance with its terms;

provided that, with respect to each agreement described in this Section 4(u), the enforceability thereof may be limited by bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws relating to or affecting creditors' rights generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law); and provided, further, that the indemnity, contribution and exoneration provisions contained in any of such agreements may be limited by applicable laws and public policy.

(v) No Conflicts. None of the offering, issuance and sale by the Partnership of the Units, the execution, delivery and performance of this Agreement or the consummation of the transactions contemplated hereby (i) conflicted, conflicts or will conflict with or constituted, constitutes or will constitute a violation of the Organizational Documents, (ii) conflicted, conflicts or will conflict with or constituted, constitutes or will constitute a breach or violation of, or a default (or an event which, with notice or lapse of time or both, would constitute such a default) under any indenture, mortgage, deed of trust, loan agreement, lease or other agreement or instrument to which any of the Inergy Entities is a party or by which any of them or any of their respective properties may be bound, (iii) violated, violates or will violate any statute, law or regulation or any order, judgment, decree or injunction of any court or governmental agency or body directed to any of the Inergy Entities or any of their properties in a proceeding to which any of them or their property is a party or (iv) resulted, results or will result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of any of the Inergy Entities, which conflicts, breaches, violations or defaults, in the case of clauses (ii), (iii) or (iv), would, individually or in the aggregate, have a Material Adverse Effect.

(w) No Consents. No permit, consent, approval, authorization, order, registration, filing or qualification ("consent") of or with any court, governmental agency or body having jurisdiction over the Inergy Parties or any of their respective properties is required for the offering, issuance and sale by the Partnership of the Units, the execution, delivery and performance of this Agreement or the consummation by the Inergy Entities of the transactions contemplated by this Agreement, except (i) as described in the

Prospectus, (ii) for such consents required under the 1933 Act, the Securities Exchange Act of 1934, as amended (the "1934 Act") and state securities or "Blue Sky" laws, (iii) for such consents which have been, or prior to the Closing Date will be, obtained, and (iv) for such consents which, if not obtained, would not, individually or in the aggregate, have a Material Adverse Effect.

(x) No Default. None of the Inergy Entities is (i) in violation of its Organizational Documents, or (ii) in violation of any law, statute, ordinance, administrative or governmental rule or regulation applicable to it or of any decree of any court or governmental agency or body having jurisdiction over it or (iii) in breach, default (or an event which, with notice or lapse of time or both, would constitute such a default) or violation in the performance of any obligation, agreement or condition contained in any bond, debenture, note or any other evidence of indebtedness or in any agreement, indenture, lease or other instrument to which it is a party or by which it or any of its properties may be bound, which breach, default or violation in the case of clause (ii) or (iii) would, if continued, have a Material Adverse Effect or could materially impair the ability of any of the Inergy Parties to perform their obligations under this Agreement. To the knowledge of the Inergy Parties, no third party to any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which any of the Inergy Entities is a party or by which any of them is bound or to which any of their properties is subject, is in default under any such agreement, which breach, default or violation would, if continued, have a Material Adverse Effect.

(y) Conformity of Securities to Descriptions in the Prospectus. The Units, when issued and delivered against payment therefor as provided herein will conform in all material respects to the description thereof contained in the Prospectus.

(z) Independent Public Accountants - Ernst & Young. The accountants, Ernst & Young LLP, who have certified or shall certify the audited financial statements included in the Registration Statement and the Prospectus (or any amendment or supplement thereto), are independent public accountants with respect to the Partnership and the General Partners as required by the 1933 Act and the applicable published rules and regulations thereunder.

(aa) Independent Public Accountants - Arthur Andersen LLP. The accountants, Arthur Andersen LLP, who have certified or shall certify the audited financial statements included in the Registration Statement and the Prospectus (or any amendment or supplement thereto), are independent public accountants with respect to Independent Propane Company as required by the 1933 Act and the applicable published rules and regulations thereunder.

(bb) Financial Statements. At March 31, 2002, the Partnership would have had, on the consolidated pro forma basis indicated in the Prospectus (and any amendment or supplement thereto), a capitalization as set forth therein. The historical financial statements (including the related notes and supporting schedules) included in the Registration Statement and the Prospectus (and any amendment or supplement thereto) present fairly in all material respects the financial position, results of operations and cash flows of the entities purported to be shown thereby on the basis stated therein at the respective dates or for the respective periods to which they apply and have been prepared in accordance with generally accepted accounting principles consistently applied throughout the periods involved, except to the extent disclosed therein. The summary historical and pro forma information set forth in the Registration Statement and the Prospectus (and any amendment or supplement thereto) under the caption "Summary Pro Forma Financial and Operating Data and the selected historical information set forth under the caption "Selected Historical Financial and Operating Data" is accurately presented in all material respects and prepared on a basis consistent with the audited and unaudited historical consolidated financial statements and pro forma financial statements, as applicable, from which it has been derived. The pro forma financial statements of the Partnership included in the Registration Statement and the Prospectus (and any amendment or supplement thereto) have been prepared in all material respects in accordance with the applicable accounting requirements of Article 11 of Regulation S-X of the Commission; the assumptions used in the preparation of such pro forma financial statements are, in the opinion of the management of the Managing General Partner, reasonable; and the pro forma adjustments reflected in such pro forma financial statements have been properly applied to the historical amounts in compilation of such pro forma financial statements.

(cc) No Material Adverse Change. None of the Inergy Parties has sustained since the date of the latest audited financial statements included in the Registration Statement and the Prospectus any material loss or interference with its business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labor dispute or court or governmental action, investigation, order or decree, otherwise than as set forth or contemplated in the Registration Statement and the Prospectus. Except as disclosed in the Registration Statement and the Prospectus (or any amendment or supplement thereto), subsequent to the respective dates as of which such information is given in the Registration Statement and the Prospectus (or any amendment or supplement thereto), (i) none of the Inergy Parties has incurred any liability or obligation, indirect, direct or contingent, or entered into any transactions, not in the ordinary course of business, that, singly or in the aggregate, is material to the Partnership Group, (ii) there has not been any material change in the capitalization, or material increase in the short-term debt or long-term debt, of the Inergy Parties and (iii) there has not been any material adverse change, or any development involving or which may reasonably be expected to involve, singly or in the aggregate, a prospective material adverse change in or affecting

the general affairs, business, prospects, properties, management, condition (financial or other), partners' capital, stockholders' equity, net worth or results of operations of the Partnership Group.

(dd) Legal Proceedings or Contracts to be Described or Filed. There are no legal or governmental proceedings pending or, to the knowledge of the Inergy Parties, threatened, against any of the Inergy Parties, or to which any of the Inergy Parties is a party, or to which any of their respective properties is subject, that are required to be described in the Registration Statement or the Prospectus but are not described as required, and there are no agreements, contracts, indentures, leases or other instruments that are required to be described in the Registration Statement or the Prospectus or to be filed as exhibits to the Registration Statement that are not described or filed as required by the Act.

(ee) Title to Properties. The Operating Company, Service Sub and the Operating Subs will have good and indefeasible title to all real property and good title to all personal property described in the Prospectus to be owned by the Operating Company, Service Sub and the Operating Subs, free and clear of all liens, claims, security interests or other encumbrances except (i) such as are described in the Registration Statement or Prospectus or (ii) such as do not materially interfere with the use of such properties taken as a whole as they have been used in the past and are proposed to be used in the future as described in the Registration Statement and the Prospectus. All real property and buildings held under lease or license by the Operating Company, Service Sub and the Operating Subs are held by the Operating Company, Service Sub and the Operating Subs and enforceable leases or licenses with such exceptions as do not materially interfere with the use of such properties taken as a whole as they have been used in the past and are proposed to be used in the future as described in the Registration Statement and the Prospectus.

(ff) Permits. Each of the Operating Company, Service Sub and the Operating Subs has, and at the Closing Date will have, such permits, consents, licenses, franchises, certificates and authorizations of governmental or regulatory authorities ("permits") as are necessary to own its properties and to conduct its business in the manner described in the Prospectus, subject to such qualifications as may be set forth in the Registration Statement and the Prospectus and except for such permits which, if not obtained, would not, individually or in the aggregate, have a Material Adverse Effect; each of the Operating Company, Service Sub and the Operating Subs has fulfilled and performed all its material obligations with respect to such permits which are due to have been fulfilled and performed by such date and no event has occurred which allows, or after notice or lapse of time would allow, revocation or termination thereof or results in any impairment of the rights of the holder of any such permit, except for such revocations, terminations and impairments that would not, individually or in the aggregate, have a Material Adverse

Effect, subject in each case to such qualification as may be set forth in the Registration Statement and the Prospectus; and, except as described in the Registration Statement and the Prospectus, none of such permits contains any restriction that is materially burdensome to the Partnership Group taken as a whole.

(gg) Books and Records. The Partnership (i) makes and keeps books, records and accounts, which, in reasonable detail, accurately and fairly reflect the transactions and dispositions of assets and (ii) maintains systems of internal accounting controls sufficient to provide reasonable assurances that (A) transactions are executed in accordance with management's general or specific authorization; (B) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain accountability for assets; (C) access to assets is permitted only in accordance with management's general or specific authorization; and (D) the recorded accountability for assets is compared with existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

(hh) Tax Returns. Each of the Inergy Parties has filed (or has obtained extensions with respect to) all material federal, state and foreign income and franchise tax returns required to be filed through the date hereof, which returns are complete and correct in all material respects, and has timely paid all taxes shown to be due pursuant to such returns, other than those (i) which are being contested in good faith or (ii) which, if not paid, would not have a Material Adverse Effect.

(ii) Investment Company/Public Utility Holding Company. None of the Inergy Parties is now, and after sale of the Units to be sold by the Partnership hereunder and application of the net proceeds from such sale as described in the Prospectus under the caption "Use of Proceeds," none of the Inergy Parties will be, (i) an "investment company" or a company "controlled by" an "investment company" within the meaning of the Investment Company Act of 1940, as amended, or (ii) a "public utility company," "holding company" or a "subsidiary company" of a "holding company" or an "affiliate" thereof, under the Public Utility Holding Company Act of 1935, as amended.

(jj) No Environmental Problems. The Inergy Entities (i) are in compliance with any and all applicable foreign, federal, state and local laws and regulations relating to the protection of human health and safety and the environment or imposing liability or standards of conduct concerning any Hazardous Material (as hereinafter defined) ("Environmental Laws"), (ii) have received all permits required of them under applicable Environmental Laws to conduct their respective businesses and (iii) are in compliance with all terms and conditions of any such permit, except where such noncompliance with Environmental Laws, failure to receive required permits, or failure to comply with the terms and conditions of such permits would not, individually or in the

aggregate, have a Material Adverse Effect. The term "Hazardous Material" means (A) any "hazardous substance" as defined in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, (B) any "hazardous waste" as defined in the Resource Conservation and Recovery Act, as amended, (C) any petroleum or petroleum product, (D) any polychlorinated biphenyl and (E) any pollutant or contaminant or hazardous, dangerous or toxic chemical, material, waste or substance regulated under or within the meaning of any other Environmental Law.

(kk) No Labor Dispute. No material labor dispute with the employees of the Inergy Entities exists or, to the knowledge of the Inergy Parties, is imminent.

(ll) Insurance. The Inergy Entities maintain insurance covering their properties, operations, personnel and businesses against such losses and risks as are reasonably adequate to protect them and their businesses in a manner consistent with other businesses similarly situated. None of the Inergy Entities has received notice from any insurer or agent of such insurer that substantial capital improvements or other expenditures will have to be made in order to continue such insurance, and all such insurance is outstanding and duly in force on the date hereof and will be outstanding and duly in force on the Closing Date.

(mm) Litigation. Except as described in the Prospectus, there is (i) no action, suit or proceeding before or by any court, arbitrator or governmental agency, body or official, domestic or foreign, now pending or, to the knowledge of the Inergy Parties, threatened, to which any of the Inergy Entities is or may be a party or to which the business or property of any of the Inergy Entities is or may be subject, (ii) no statute, rule, regulation or order that has been enacted, adopted or issued by any governmental agency or proposed by any governmental agency and (iii) no injunction, restraining order or order of any nature issued by a federal or state court or foreign court of competent jurisdiction to which any of the Inergy Entities is or may be subject, that, in the case of clauses (i), (ii) and (iii) above, is reasonably likely to (A) individually or in the aggregate have a Material Adverse Effect, (B) prevent or result in the suspension of the offering and issuance of the Units, or (C) in any manner draw into question the validity of this Agreement.

(nn) Private Placement. The sale and issuance of the Subordinated Units and the Incentive Distribution Rights pursuant to the Partnership Agreement are exempt from the registration requirements of the Act and the securities laws of any state having jurisdiction with respect thereto.

(oo) No Distribution of Other Offering Materials. The Inergy Entities have not distributed and, prior to the later to occur of (i) the Closing Date and (ii) completion of the distribution of the Units, will not distribute, any prospectus (as defined under the Act) in connection with the offering and sale of the Units other than the Registration

Statement, the Preliminary Prospectus, the Prospectus or other materials, if any, permitted by the Act, including Rule 134 of the general rules and regulations thereunder.

(pp) Listing. The Units have been approved for quotation on the Nasdaq, subject only to official notice of issuance.

(qq) Price Manipulation. Except as stated in this Agreement and the Prospectus, the Inergy Entities and the directors, officers or controlling persons of any such entity have not taken, and will not take, directly or indirectly, any action designed to or that might reasonably be expected to cause or result in stabilization or manipulation of the price of the Common Units to facilitate the sale or resale of the Units.

Any certificate signed by any officer of any Inergy Party and delivered to you or to counsel for the Underwriters shall be deemed a representation and warranty by such Inergy Party to each Underwriter as to the matters covered thereby.

5. Representations, Warranties and Agreements of the Selling Unitholders. Each Selling Unitholder severally represents, warrants and agrees with each Underwriter solely with respect to itself that:

(a) No Material Misstatements or Omissions. With respect to any statements or omissions, if any, made in the section entitled "Selling Unitholders" in the Registration Statement and the Prospectus in reliance upon and in conformity with written information furnished to the Partnership by such Selling Unitholder expressly for use therein, (i) neither the Registration Statement nor any amendment thereto omits or will, as of the applicable effective date, contains, or will contain, as the case may be, any untrue statement of a material fact or omits to or will omit state any material fact required to be stated therein or necessary to make the statements therein, not misleading, and (ii) neither the Preliminary Prospectus, the Prospectus nor any supplement thereto contains or will contain, as the case may be, will contain any untrue statement of a material fact or omits or will omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(b) Formation and Due Qualification of the Selling Unitholder. In the event that such Selling Unitholder is a corporation, such Selling Unitholder has been duly incorporated and is validly existing in good standing as a corporation under the laws of the jurisdiction of its incorporation; in the event that such Selling Unitholder is a limited partnership, such Selling Unitholder has been duly formed and is validly existing in good standing as a limited partnership under the laws of the jurisdiction of its formation; and, in the event that such Selling Unitholder is a limited liability company, such Selling Unitholder has been duly formed and is validly existing under the laws as a limited liability company of the jurisdiction of its formation.

(c) No Consents. No permit, consent, approval, authorization, order, registration, filing or qualification ("consent") of any court, governmental agency or body having jurisdiction over such Selling Unitholder or any of its respective properties is required for the offering, issuance and sale by such Selling Unitholder of the Firm Units, the execution, delivery and performance of this Agreement, the Power of Attorney (the "Power of Attorney") hereinafter referred to and the Custody Agreement (the "Custody Agreement") hereinafter referred to, except (i) as described in the Prospectus, (ii) for such consents required under the 1933 Act, the 1934 Act and "Blue Sky" laws, (iii) for such consents which have been, or prior to the Closing Date will be, obtained, and (iv) for such consents which, if not obtained, would not, individually or in the aggregate, have a Material Adverse Effect.

(d) Authority and Authorization. Such Selling Unitholder has all requisite power, authority and capacity to issue, sell and deliver the Firm Units in accordance with and upon the terms and conditions set forth in this Agreement, and the Registration Statement and the Prospectus. At the Closing Date all corporate, partnership and limited liability company action, as the case may be, required to be taken by such Selling Unitholder for the authorization, issuance, sale and delivery of the Firm Units shall have been validly taken.

(f) Enforceability of this Agreement. This Agreement, the Power of Attorney and the Custody Agreement have been duly by such Selling Unitholder, the transactions contemplated by this Agreement have been duly authorized by the Selling Unitholder and, when this Agreement is executed and delivered by an Attorney-in-Fact (as defined herein) on behalf of such Selling Unitholder, this Agreement will be duly executed and delivered, and the Power of Attorney and the Custody Agreement constitute, and this Agreement, when executed by an Attorney-in-Fact consistent with the Power of Attorney, will constitute, the valid and legally binding agreements of such Selling Unitholder enforceable against such Selling Unitholder in accordance with their terms provided that the enforceability thereof may be limited by bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws relating to or affecting creditors' rights generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law); provided, further, that the indemnity and contribution provisions hereunder may be limited by federal or state securities laws.

(g) No Conflicts. None of the offering, issuance and sale by such Selling Unitholder of the Firm Units, the execution, delivery and performance of this Agreement, the Power of Attorney and the Custody Agreement or the consummation of the transactions contemplated hereby (i) conflicted, conflicts or will conflict with or constituted, constitutes or will constitute a violation of the organizational documents of such Selling Unitholder, if not an individual, (ii) conflicted, conflicts or will conflict with

or constituted, constitutes or will constitute a breach or violation of, or a default (or an event which, with notice or lapse of time or both, would constitute such a default) under any indenture, mortgage, deed of trust, loan agreement, lease or other agreement or instrument to which such Selling Unitholder is a party or by which any of it or any of its respective properties may be bound, (iii) violated, violates or will violate any statute, law or regulation or any order, judgment, decree or injunction of any court or governmental agency or body directed to such Selling Unitholder or any of its properties in a proceeding to which it or its property is a party or (iv) resulted, results or will result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of such Selling Unitholder which conflicts, breaches, violations or defaults, in the case of clauses (ii), (iii) or (iv), would, individually or in the aggregate, have a Material Adverse Effect.

(g) Title to Firm Units. The Selling Unitholder has, and immediately prior to the transfer of the Units to the Underwriter on the Closing Date, the Selling Unitholder will have, good and valid title to the Firm Units, free and clear of all liens, encumbrances, equities or claims; and, upon delivery of the Firm Units and payment therefor, as contemplated in this Agreement, the Power of Attorney and the Custody Agreement, good and valid title to the Firm Units, free and clear of all liens, pledges, encumbrances, equities, or claims, will pass to the several Underwriters. No person has any right to acquire from such Selling Unitholder any Units to be sold hereunder and such Selling Unitholder is under no obligation, whether absolute or contingent, to sell any such Units to any person, except as contemplated by this Agreement.

(h) No Price Manipulation. Except as stated in this Agreement and the Prospectus, such Selling Unitholder has not taken, and will not take, directly or indirectly, any action to or that might reasonably be expected to cause or result in stabilization or manipulation of the price of the Common Units to facilitate the sale or resale of the Firm Units.

(i) Power of Attorney. Such Selling Unitholder has placed in custody under the Custody Agreement furnished to such Selling Unitholder and duly executed and delivered by such Selling Unitholder to _____, as custodian (the "Custodian"), for delivery under this Agreement, certificates in negotiable form representing the Firm Units to be sold by such Selling Unitholder hereunder. Such Selling Unitholder specifically agrees that the Firm Units represented by the certificates so held in custody for such Selling Unitholder are subject to the interest of the Underwriters, that the arrangements made by such Selling Unitholder for custody are to that extent irrevocable except as provided in the Custody Agreement and in the Power of Attorney and that the obligations of such Selling Unitholder hereunder shall not be terminated by any act of such Selling Unitholder, by operation of law or the occurrence of any other event. Such Selling Unitholder has duly and irrevocably executed and delivered a Power of Attorney appointing _____ and _____ as such Selling Unitholder's Attorneys-in-

Fact (the "Attorneys-in-Fact") upon the terms and subject to the conditions set forth therein to execute and deliver this Agreement and to take certain other action on behalf of such Selling Unitholder as may be necessary or desirable in connection with the transactions contemplated by this Agreement and the Custody Agreement.

6. Additional Covenants. The Inergy Parties covenant and agree with the Underwriters that:

(a) The Partnership will timely transmit copies of the Prospectus, and any amendments or supplements thereto, to the SEC for filing pursuant to Rule 424(b) of the 1933 Act Rules and Regulations.

(b) The Partnership will deliver to the Underwriters, and to counsel for the Underwriters (i) a signed copy of the Registration Statement as originally filed, including copies of exhibits thereto, of any amendments and supplements to the Registration Statement and (ii) a signed copy of each consent and certificate included in, or filed as an exhibit to, the Registration Statement as so amended or supplemented; the Partnership will deliver to the Underwriters as soon as practicable after the date of this Agreement as many copies of the Prospectus as the Underwriters may reasonably request for the purposes contemplated by the 1933 Act; if there is a post-effective amendment to the Registration Statement that is not effective under the 1933 Act, the Partnership will use its best efforts to cause the post-effective amendment to the Registration Statement to become effective as promptly as possible, and it will notify you, promptly after it shall receive notice thereof, of the time when the post-effective amendment to the Registration Statement has become effective; the Partnership will promptly advise the Underwriters of any request of the SEC for amendment of the Registration Statement or for supplement to the Prospectus or for any additional information, and of the issuance by the SEC or any state or other jurisdiction or other regulatory body of any stop order under the 1933 Act or other order suspending the effectiveness of the Registration Statement (as amended or supplemented) or preventing or suspending the use of the Preliminary Prospectus or the Prospectus or suspending the qualification or registration of the Units for offering or sale in any jurisdiction, and of the institution or threat of any proceedings therefor, of which the Partnership shall have received notice or otherwise have knowledge prior to the completion of the distribution of the Units; and the Partnership will use its best efforts to prevent the issuance of any such stop order or other order and, if issued, to secure the prompt removal thereof.

(c) The Partnership will not file any amendment or supplement to the Registration Statement, the Prospectus (or any other prospectus relating to the Units filed pursuant to Rule 424(b) of the 1933 Act Rules and Regulations that differs from the Prospectus as filed pursuant to such Rule 424(b)), of which the Underwriters shall not previously have been advised or to which the Underwriters shall have reasonably objected

in writing after being so advised unless the Partnership shall have determined based upon the advice of counsel that such amendment or supplement is required by law; and the Partnership will promptly notify you after it shall have received notice thereof of the time when any amendment to the Registration Statement becomes effective or when any supplement to the Prospectus has been filed.

(d) During the period when a prospectus relating to any of the Units is required to be delivered under the 1933 Act by any Underwriter or dealer, the Partnership will comply, at its own expense, with all requirements imposed by the 1933 Act and the 1933 Act Rules and Regulations, so far as necessary to permit the continuance of sales of or dealing in the Units during such period in accordance with the provisions hereof and as contemplated by the Prospectus.

(e) If, during the period when a prospectus relating to any of the Units is required to be delivered under the 1933 Act by any Underwriter or dealer, (i) any event relating to or affecting the Partnership or of which the Partnership shall be advised in writing by the Underwriters shall occur as a result of which, in the opinion of the Partnership or the counsel for the Underwriters, the Prospectus as then amended or supplemented would include any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading or (ii) it shall be necessary to amend or supplement the Registration Statement or the Prospectus to comply with the 1933 Act, the 1933 Act Rules and Regulations, the 1934 Act or the 1934 Act Rules and Regulations, the Partnership will forthwith at its expense prepare and file with the SEC, and furnish to the Underwriters a reasonable number of copies of, such amendment or supplement or other filing that will correct such statement or omission or effect such compliance.

(f) During the period when a prospectus relating to any of the Units is required to be delivered under the 1933 Act by the Underwriter or dealer, the Partnership will furnish such proper information as may be lawfully required and otherwise cooperate with you in qualifying the Units for offer and sale under the securities or blue sky laws of such jurisdictions as the Underwriters may reasonably designate and will file and make such statements or reports as are or may be reasonably necessary; provided, however, that the Partnership shall not be required to qualify as a foreign corporation or to qualify as a dealer in securities or to file a general consent to service of process under the laws of any jurisdiction.

(g) In accordance with Section 11(a) of the 1933 Act and Rule 158 of the 1933 Act Rules and Regulations, the Partnership will make generally available to its security holders, an earning statement (which need not be audited) in reasonable detail covering the 12-month period beginning not later than the first day of the month next

succeeding the month in which occurred the effective date (within the meaning of Rule 158) of the Registration Statement as soon as practicable after the end of such period.

(h) The Partnership will furnish to its security holders annual reports containing financial statements audited by independent public accountants and quarterly reports containing financial statements and financial information which may be unaudited. The Partnership will, for a period of two years from the Closing Date, furnish or make available to the Underwriters a copy of each annual report, quarterly report, current report and all other documents, reports and information furnished by the Partnership to holders of Units or filed with any securities exchange or market pursuant to the requirements of such exchange or market or with the SEC pursuant to the 1933 Act or the 1934 Act. The Partnership will deliver to the Underwriters similar reports with respect to any significant subsidiaries, as that term is defined in the 1933 Act Rules and Regulations, which are not consolidated in the Partnership's financial statements. Any report, document or other information required to be furnished under this paragraph (h) shall be furnished as soon as practicable after such report, document or information becomes publicly available.

(j) The Partnership, New Propane and the General Partners will not, during the 90 days after the date of this prospectus, without the prior written consent of A.G. Edwards & Sons, Inc., directly or indirectly, offer for sale, contract to sell, sell, distribute, grant any option, right or warrant to purchase, pledge, hypothecate or otherwise dispose of any Common Units, any securities convertible into, or exercisable or exchangeable for, Common Units (other than the Senior Subordinated Units and the Junior Subordinated Units) or any other rights to acquire such Common Units, other than pursuant to employee benefit plans as in existence as of the date of the Prospectus.

(k) The Partnership will apply the proceeds from the sale of the Units as set forth in the description under "Use of Proceeds" in the Prospectus.

(l) The Partnership will promptly provide you with copies of all correspondence to and from, and all documents issued to and by, the SEC in connection with the registration of the Units under the 1933 Act.

(m) The Partnership will use its best efforts to obtain approval for, and maintain the quotation of the Units on, the Nasdaq.

(n) The Partnership will cause its directors and officers to furnish to you, on or prior to the date of this Agreement, a letter or letters, in form and substance satisfactory to counsel for the Underwriters, pursuant to which each such person shall agree not to directly or indirectly, offer for sale, contract to sell, sell, distribute, grant any option, right or warrant to purchase, pledge, hypothecate or otherwise dispose of any Common Units,

or any securities convertible into, or exercisable or exchangeable for, Common Units (other than Senior Subordinated Units and Junior Subordinated Units) or any other rights to acquire such Common Units, during the 90 days after the date of the Prospectus, without the prior written consent of A. G. Edwards & Sons, Inc.

(o) If the Partnership elects to rely on Rule 462(b) under the 1933 Act, the Partnership shall both file an Abbreviated Registration Statement with the SEC in compliance with Rule 462(b) and pay the applicable fees in accordance with Rule 111 of the 1933 Act by the earlier of (i) 10:00 p.m., New York time, on the date of this Agreement, and (ii) the time that confirmations are given or sent, as specified by Rule 462(b)(2).

(p) The Partnership shall timely complete all required filings and otherwise fully comply in a timely manner with all provisions of the 1934 Act, including the rules and regulations promulgated thereunder, in connection with the registration of the Units thereunder.

7. Covenants of the Selling Unitholder. Each Selling Unitholder severally, and not jointly, agrees:

(a) Such Selling Unitholder will furnish to you, on or prior to the date of this Agreement, a letter or letters, in form and substance satisfactory to counsel for the Underwriters, pursuant to which each such Selling Unitholder shall agree not to directly or indirectly, offer for sale, contract to sell, sell, distribute, grant any option, right or warrant to purchase, pledge, hypothecate or otherwise dispose of any Common Units, or any securities convertible into, or exercisable or exchangeable for, Common Units or any other rights to acquire such Common Units, during the 90 days after the date of the Prospectus, without the prior written consent of A.G. Edwards & Sons, Inc.

(b) That the Firm Units to be sold by such Selling Unitholder hereunder is subject to the interest of the Underwriter and that the obligations of such Selling Unitholder hereunder shall not be terminated by any act of such Selling Unitholder or by operation of law.

(c) To deliver to the Underwriter at the Closing Date a properly completed and executed United States Treasury Department Form W-9.

(d) To pay the fees and expenses of its counsel and any transfer taxes payable in connection with its sale of the Firm Units to the Underwriter.

(e) To deliver to the Underwriter a properly completed and executed United States Treasury Department Form W-9 (or other applicable form or statement specified by Treasury Department regulations in lieu thereof).

(f) To deliver to the Attorneys-in-Fact such documentation as the Attorneys-in-Fact, the Partnership or the Underwriters or their counsel may reasonably request to effectuate any of the provisions hereof, the Custody Agreement or the Power of Attorney, all of the foregoing to be in form and substance reasonably satisfactory to the Attorneys-in-Fact and the Underwriters.

8. Conditions of Underwriters' Obligations. The several obligations of the Underwriters to purchase and pay for the Units, as provided herein, shall be subject to the accuracy, as of the date hereof and as of the Closing Date (and, if applicable, the Option Closing Date), of the representations and warranties of the Inergy Parties and the Selling Unitholders contained herein, to the performance by the Inergy Parties and the Selling Unitholders of their covenants and obligations hereunder, and to the following additional conditions:

(a) The Registration Statement and all post-effective amendments thereto shall have become effective not later than 5:30 p.m., New York time, on the date hereof, or, with your consent, at a later date and time, not later than 1:00 p.m., New York time, on the first business day following the date hereof, or at such later date and time as may be approved by the Underwriters; if the Partnership has elected to rely on Rule 462(b) under the 1933 Act, the Abbreviated Registration Statement shall have become effective not later than the earlier of (x) 10:00 p.m. New York time, on the date hereof, or (y) at such later date and time as may be approved by the Underwriters. All filings required by Rule 424 and Rule 430A of the 1933 Act Rules and Regulations shall have been made. No stop order suspending the effectiveness of the Registration Statement, shall have been issued and no proceeding for that purpose shall have been initiated or, to the knowledge of the Partnership or any Underwriter, threatened or contemplated by the SEC, and any request of the SEC for additional information (to be included in the Registration Statement or the Prospectus or otherwise) shall have been complied with to the reasonable satisfaction of the Underwriters.

(b) No Underwriter shall have advised the Partnership on or prior to the Closing Date (and, if applicable, the Option Closing Date), that the Registration Statement or Prospectus or any amendment or supplement thereto contains an untrue statement of fact which, in the opinion of counsel to the Underwriters, is material, or omits to state a fact which, in the opinion of such counsel, is material and is required to be stated therein or is necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(c) On the Closing Date (and, if applicable, the Option Closing Date), you shall have received the opinion of Vinson & Elkins L.L.P., counsel for the Partnership, addressed to you and dated the Closing Date (and, if applicable, the Option Closing Date), to the effect that:

(i) The Partnership has been duly formed and is validly existing in good standing as a limited partnership under the Delaware LP Act with all necessary partnership power and authority to own or lease its properties and to conduct its business in all material respects as described in the Registration Statement and the Prospectus.

(ii) The Operating Company has been duly formed and is validly existing in good standing as a limited liability company under the Delaware LLC Act with all necessary limited liability company power and authority to own or lease its properties and to conduct its business in all material respects as described in the Registration Statement and the Prospectus.

(iii) The Managing General Partner has been duly formed and is validly existing in good standing as a limited liability company under the Delaware LLC Act with all necessary limited liability company power and authority to own or lease its properties, to conduct its business and to act as general partner of the Partnership, in each case in all material respects as described in the Registration Statement and the Prospectus.

(iv) The Managing General Partner and the Non-Managing General Partner are the sole general partners of the Partnership. The Non-Managing General Partner owns a 2% general partner interest in the Partnership and the Managing General Partner owns a non-economic, managing general partner interest in the Partnership; such general partner interests have been duly authorized and validly issued in accordance with the Partnership Agreement; and each General Partner owns its general partner interest free and clear of all liens, encumbrances, security interests, charges or claims (i) in respect of which a financing statement under the Uniform Commercial Code of the State of Delaware naming either of such General Partners as debtors is on file in the office of the Secretary of State of the State of Delaware or (ii) otherwise known to such counsel, without independent investigation, other than those created by or arising under the Delaware LP Act.

(v) The Sponsor Units, the Incentive Distribution Rights and the limited partner interests represented thereby have been duly authorized and validly issued in accordance with the Partnership Agreement, and are fully paid (to the extent required under the Partnership Agreement) and nonassessable (except as

such nonassessability may be affected by matters described in the Prospectus under the caption "The Partnership Agreement--Limited Liability"); and New Propane owns 959,954 Senior Subordinated Units and 507,063 Junior Subordinated Units and Holdings owns the Incentive Distribution Rights and 10,000 Common Units, in each case, free and clear of all liens, encumbrances (except restrictions on transferability as described in the Prospectus), security interests, charges or claims (i) in respect of which a financing statement under the Uniform Commercial Code of the State of Delaware naming New Propane or Holdings as debtor is on file in the office of the Secretary of State of the State of Delaware or (ii) otherwise known to such counsel, without independent investigation, other than those created by or arising under the Delaware LP Act.

(vi) The Units to be issued and sold to the Underwriters by the Partnership pursuant to this Agreement and the limited partner interests represented thereby, and all outstanding Common Units, Subordinated Units and the Incentive Distribution Rights of the Partnership, including without limitation the Firm Units to be sold by the Selling Unitholders hereunder have been duly authorized by the Partnership Agreement and, when issued and delivered to the Underwriters against payment therefor in accordance with the terms hereof, will be validly issued, fully paid (to the extent required under the Partnership Agreement) and nonassessable (except as such nonassessability may be affected by matters described in the Prospectus under the caption "The Partnership Agreement--Limited Liability"); and other than the Subordinated Units and the Incentive Distribution Rights, the Units and the Common Units sold to the public in connection with the Partnership's initial public offering will be the only limited partner interests of the Partnership issued and outstanding at the Closing Date.

(vii) The Partnership owns a 100% membership interest in the Operating Company; such membership interest has been duly authorized and validly issued in accordance with the Operating Company LLC Agreement and is fully paid (to the extent required under the Operating Company LLC Agreement) and nonassessable (except as such nonassessability may be affected by matters described in the Prospectus under the caption "The Partnership Agreement--Limited Liability"); and the Partnership owns its membership interest free and clear of all liens, encumbrances, security interests, charges or claims (i) in respect of which a financing statement under the Uniform Commercial Code of the State of Delaware naming the Partnership as debtor is on file in the office of the Secretary of State of the State of Delaware or (ii) otherwise known to such counsel, without independent investigation, other than those created by or arising under the Delaware LP Act.

(viii) Except as described in the Prospectus, there are no preemptive rights or other rights to subscribe for or to purchase, nor any restriction upon the voting or transfer of, (i) any limited partner interests of the Partnership or (ii) any membership interests of the Managing General Partner or the Operating Company pursuant to the Partnership Agreement, the Managing General Partner LLC Agreement or the Operating Company LLC Agreement, respectively, or, to the knowledge of such counsel after due inquiry, any other agreement or instrument to which such entities are a party or by which any of them may be bound. To the knowledge of such counsel, neither the filing of the Registration Statement nor the offering or sale of the Units as contemplated by this Agreement gives rise to any rights for or relating to the registration of any Units or other securities of the Partnership, other than as have been waived. To such counsel's knowledge after due inquiry, except as described in the Prospectus, there are no outstanding options or warrants to purchase (A) any Common Units, Senior Subordinated Units, Junior Subordinated Units or Incentive Distribution Rights or other partnership interests in the Partnership or (B) membership interests of the Managing General Partner or the Operating Company.

(ix) The Partnership has all requisite power and authority to issue, sell and deliver the Units in accordance with and upon the terms and conditions set forth in this Agreement, the Partnership Agreement and the Registration Statement and the Prospectus in accordance with and upon the terms and conditions set forth in the Partnership Agreement.

(x) The Underwriting Agreement has been duly executed and delivered by the Partnership, the Managing General Partner and the Operating Company.

(xi) Each of the Partnership Agreement, the Managing General Partner LLC Agreement and the Operating Company LLC Agreement has been duly authorized and validly executed and delivered by Holdings, the Partnership, the Managing General Partner or the Operating Company party thereto. Each of the Partnership Agreement, the Managing General Partner LLC Agreement and the Operating Company LLC Agreement constitutes a valid and legally binding agreement of the parties thereto, enforceable against such entity in accordance with its respective terms, subject to (i) applicable bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws relating to or affecting creditors' rights generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law) and (ii) public policy, applicable law relating to fiduciary duties and indemnification and an implied covenant of good faith and fair dealing.

(xii) None of the offering, issuance and sale by the Partnership of the Units, the execution, delivery and performance of this Agreement by the Partnership, the Managing General Partner and the Operating Company, or the consummation by the Partnership, the Managing General Partner and the Operating Company of the transactions contemplated hereby (i) constitutes or will constitute a violation of the Partnership Agreement, the Managing General Partner LLC Agreement or the Operating Company LLC Agreement (ii) violates or will violate the Delaware LP Act, the Delaware LLC Act, the DGCL or federal law or (iii) results or will result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Partnership, the Managing General Partner or the Operating Company, which breaches, violations, defaults or liens, in the case of clauses (ii) or (iii), would, individually or in the aggregate, have a material adverse effect on the condition (financial or other), business or results of operations of the Partnership Group.

(xiii) No permit, consent, approval, authorization, order, registration, filing or qualification ("consent") of or with any federal or Delaware court, governmental agency or body having jurisdiction over the Partnership, the Managing General Partner or the Operating Company is required for the offering, issuance and sale by the Partnership of the Units, the execution, delivery and performance of this Agreement by the Managing General Partner, the Partnership and the Operating Company that is party thereto or the consummation by the Partnership, the Managing General Partner and the Operating Company of the transactions contemplated by this Agreement, except for such consents required under the 1933 Act, the 1934 Act and state securities or "Blue Sky" laws, as to which such counsel need not express any opinion.

(xiv) The statements in the Registration Statement and Prospectus under the captions "Cash Distribution Policy," "Business--Government Regulation," "Conflicts of Interest and Fiduciary Responsibilities," "Description of the Common Units," "Description of the Subordinated Units," "The Partnership Agreement" and "Investment in the Inergy, L.P. by Employee Benefit Plans," insofar as they refer to statements of law or legal conclusions, are accurate and complete in all material respects, and the Common Units, the Senior Subordinated Units, the Junior Subordinated Units and the Incentive Distribution Rights conform in all material respects to the descriptions thereof contained in the Registration Statement and the Prospectus under the captions "Prospectus Summary--The Offering," "Cash Distribution Policy," "Description of the Common Units," "Description of the Subordinated Units" and "The Partnership Agreement."

(xv) The opinion of Vinson & Elkins L.L.P. that is filed as Exhibit [___] to the Registration Statement is confirmed and the Underwriters may rely upon such opinion as if it were addressed to them.

(xvi) The Registration Statement was declared effective under the 1933 Act on _____, 2002; to the knowledge of such counsel, no stop order suspending the effectiveness of the Registration Statement has been issued and no proceedings for that purpose have been instituted or threatened by the Commission; and any required filing of the Prospectus pursuant to Rule 424(b) has been made in the manner and within the time period required by such Rule.

(xvii) The Registration Statement and the Prospectus (except for the financial statements and the notes and the schedules thereto, and the other financial, statistical and accounting data included in the Registration Statement or the Prospectus, as to which such counsel need not express any opinion) comply as to form in all material respects with the requirements of the Act and the rules and regulations promulgated thereunder.

(xviii) To the knowledge of such counsel, (i) there are no legal or governmental proceedings pending or threatened against any of the Inergy Entities or to which any of the Inergy Entities is a party or to which any of their respective properties is subject that are required to be described in the Prospectus but are not so described as required and (ii) there are no agreements, contracts, indentures, leases or other instruments that are required to be described in the Registration Statement or the Prospectus or to be filed as exhibits to the Registration Statement that are not described or filed as required by the Act.

(xix) None of the Inergy Parties is an "investment company" as such term is defined in the Investment Company Act of 1940, as amended.

(xx) None of the Partnership, the Managing General Partner or the Operating Company is a "public utility company" or a "holding company" within the meaning of the Public Utility Holding Company Act of 1935, as amended.

In addition, such counsel shall state that they have participated in conferences with officers and other representatives of the Inergy Parties and the independent public accountants of the Partnership and the Underwriters, at which the contents of the Registration Statement and the Prospectus and related matters were discussed, and although such counsel has not independently verified, is not passing on, and is not assuming any responsibility for the accuracy, completeness or fairness of the statements contained in, the Registration Statement and the Prospectus (except to the extent specified in the foregoing opinion), based on the

foregoing, no facts have come to such counsel's attention that cause such counsel to believe that the Registration Statement (other than (i) the financial statements included therein, including the notes and schedules thereto and the auditors' reports thereon, and (ii) the other financial data included therein, as to which such counsel need express no belief), as of its effective date contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading, or that the Prospectus (other than (i) the financial statements included therein, including the notes and schedules thereto and the auditors' reports thereon, and (ii) the other financial data included therein, as to which such counsel need express no belief), as of its issue date and the Closing Date contained an untrue statement of a material fact or omitted to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

In rendering such opinion, such counsel may (A) rely in respect of matters of fact upon representations of the Inergy Parties set forth in this Agreement and upon certificates of officers and employees of the Inergy Entities and upon information obtained from public officials, (B) assume that all documents submitted to them as originals are authentic, that all copies submitted to them conform to the originals thereof, and that the signatures on all documents examined by them are genuine, (C) state that their opinion is limited to federal laws, the Delaware LP Act, the Delaware LLC Act, and the DGCL, and (D) state that they express no opinion with respect to state or local taxes or tax statutes to which any of the limited partners of the Partnership or any of the other Inergy Entities may be subject.

(d) On the Closing Date (and, if applicable, the Option Closing Date), you shall have received the opinion of Stinson Morrison Hecker LLP, counsel for the Partnership, addressed to you and dated the Closing Date (and, if applicable, the Option Closing Date), to the effect that:

(i) The Partnership is duly registered or qualified as a foreign limited partnership for the transaction of business under the laws of the jurisdictions set forth on Exhibit A to this Agreement.

(ii) The Operating Company is duly registered or qualified as a foreign limited liability company for the transaction or business under the laws of the jurisdictions set forth on Exhibit A to this Agreement.

(iii) Each of Holdings, New Propane and the Operating Subs has been duly formed and is validly existing in good standing as a limited liability company

under the Delaware LLC Act with all necessary limited liability company power and authority to own or lease its properties and to conduct its business in each case in all material respects as described in the Registration Statement and the Prospectus. Each of Holdings, New Propane and the Operating Subs is duly registered or qualified as a foreign limited liability company for the transaction of business under the laws of the jurisdictions set forth on Exhibit A to this Agreement.

(iv) The Managing General Partner is duly registered or qualified as a foreign limited liability company for the transaction of business under the laws of the jurisdictions set forth on Exhibit A to this Agreement.

(v) The Non-Managing General Partner has been duly formed and is validly existing in good standing as a limited liability company under the Delaware LLC Act with all necessary limited liability company power and authority to own or lease its properties and to conduct its business and to act as a general partner of the Partnership in all material respects as described in the Registration Statement and the Prospectus. The Non-Managing General Partner is duly registered or qualified as a foreign limited liability company for the transaction of business under the laws of the jurisdictions set forth on Exhibit A to this Agreement.

(vi) Each of Service Sub and Acquisition Corp. has been duly incorporated and is validly existing in good standing as a corporation under the DGCL with all necessary corporate power and authority to own or lease its properties and to conduct its business in all material respects as described in the Registration Statement and the Prospectus. Each of Service Sub and Acquisition Corp. is duly registered or qualified as a foreign corporation for the transaction of business under the laws of the jurisdictions set forth on Exhibit A to this Agreement.

(vii) The Operating Company owns of record 100% of the issued and outstanding capital stock of Service Sub; such capital stock has been duly authorized and validly issued and is fully paid and nonassessable; and the Operating Company owns such capital stock free and clear of all liens, encumbrances, security interests, charges or claims (i) in respect of which a financing statement under the Uniform Commercial Code of the State of Delaware naming the Operating Company as debtor is on file in the office of the Secretary of State of the State of Delaware or (ii) otherwise known to such counsel, without independent investigation, other than those created by or arising under the DGCL.

(viii) The Operating Company owns of record 100% of the issued and outstanding membership interests in each of the Operating Subs; such membership interests have been duly authorized and validly issued in accordance with the Operating Subs LLC Agreements and are fully paid (to the extent required under the Operating Subs LLC Agreements) and nonassessable (except as such nonassessability may be affected by Section 18-607 of the Delaware LLC Act); and the Operating Company owns such membership interests free and clear of all liens, encumbrances, security interests, charges or claims (i) in respect of which a financing statement under the Uniform Commercial Code of the State of Delaware naming the Operating Company as debtor is on file in the office of the Secretary of State of the State of Delaware or (ii) otherwise known to such counsel, without independent investigation, other than those created by or arising under the Delaware LLC Act.

(ix) The Non-Managing General Partner owns of record 100% of the issued and outstanding common membership interests in New Propane, Wilson owns of record 48.4% of the issued and outstanding preferred membership interests in New Propane, and Rolesville owns of record 51.6% of the issued and outstanding preferred membership interests in New Propane; such membership interests have been duly authorized and validly issued in accordance with the New Propane LLC Agreement and are fully paid (to the extent required under the New Propane LLC Agreement) and nonassessable (except as such nonassessability may be affected by Section 18-607 of the Delaware LLC Act); and the Non-Managing General Partner, Wilson and Rolesville own such membership interests free and clear of all liens, encumbrances, security interests, charges or claims (i) in respect of which a financing statement under the Uniform Commercial Code of the State of Delaware naming the Non-Managing General Partner, Wilson or Rolesville as debtor is on file in the office of the Secretary of State of the State of Delaware or (ii) otherwise known to such counsel, without independent investigation, other than those created by or arising under the Delaware LLC Act.

(x) Holdings owns of record 100% of the issued and outstanding membership interests of the Managing General Partner. Such membership interests have been duly authorized and validly issued and are fully paid (to the extent required under the Holdings LLC Agreement) and nonassessable (except as such nonassessability may be affected by Section 18-607 of the Delaware LLC Act); and Holdings owns such membership interests free and clear of all liens, encumbrances, security interests, charges or claims (i) in respect of which a financing statement under the Uniform Commercial Code of the State of Delaware naming Holdings as debtor is on file in the office of the Secretary of State of the State of Delaware or (ii) otherwise known to such counsel, without

independent investigation, other than those created by or arising under the Delaware LLC Act.

(xi) Holdings owns of record 100% of the issued and outstanding common membership interests in the Non-Managing General Partner; such membership interests have been duly authorized and validly issued and are fully paid (to the extent required under the Holdings LLC Agreement) and nonassessable (except as such nonassessability may be affected by Section 18-607 of the Delaware LLC Act); and Holdings owns such membership interests free and clear of all liens, encumbrances, security interests, charges or claims (i) in respect of which a financing statement under the Uniform Commercial Code of the State of Delaware naming Holdings as debtor is on file in the office of the Secretary of State of the State of Delaware or (ii) otherwise known to such counsel, without independent investigation, other than those created by or arising under the Delaware LLC Act.

(xii) Holdings owns of record 100% of the issued and outstanding capital stock of Acquisition Corp.; such capital stock has been duly authorized and validly issued and is fully paid and nonassessable; and Holdings owns such capital stock free and clear of all liens, encumbrances, security interests, charges or claims (i) in respect of which a financing statement under the Uniform Commercial Code of the State of Delaware naming Holdings as debtor is on file in the office of the Secretary of State of the State of Delaware or (ii) otherwise known to such counsel, without independent investigation, other than those created by or arising under the DGCL.

(xiii) Except as described in the Prospectus and as set forth in Article VII of the Non-Managing General Partner LLC Agreement, there are no preemptive rights or other rights to subscribe for or to purchase, nor any restrictions upon the voting or transfer of (i) any membership interests of the Non-Managing General Partner, New Propane or the Operating Subs or (ii) any shares of Service Sub, pursuant to the Non-Managing General Partner LLC Agreement, the New Propane LLC Agreement, the Operating Subs LLC Agreement, the Certificate of Incorporation or Bylaws of the Service Sub, respectively, or, to the knowledge of such counsel after due inquiry, any other agreement or instrument to which such entities are a party or by which any of them may be bound. To the knowledge of such counsel, neither the filing of the Registration Statement nor the offering or sale of the Units as contemplated by this Agreement gives rise to any rights for or relating to the registration of any Units or other securities of the Partnership, other than as have been waived. To such counsel's knowledge after due inquiry, except as described in the Prospectus, there are no outstanding options or warrants to

purchase (A) any membership interests of the Non-Managing General Partner, New Propane or the Operating Subs or (B) any shares of Service Sub.

(xiv) None of the offering, issuance and sale by the Partnership of the Units, the execution, delivery and performance of this Agreement by the Partnership, the Managing General Partner and the Operating Company or the consummation by the Partnership, the Managing General Partner and the Operating Company of the transactions contemplated hereby (i) constitutes or will constitute a violation of the Organizational Documents (other than the Partnership Agreement, the Managing General Partner LLC Agreement or the Operating Company LLC Agreement) or (ii) constitutes or will constitute a breach or violation of, or a default (or an event which, with notice or lapse of time or both, would constitute such a default) under, any agreement, lease or other instrument known to such counsel (excluding any Organizational Document) to which any of the Inergy Entities or any of their properties may be bound, which breaches, violations or defaults, in the case of clause (ii), would, individually or in the aggregate, have a Material Adverse Effect.

(xv) None of the execution, delivery and performance of this Agreement by the Inergy Entities which are parties hereto (other than the execution, delivery and performance of this Agreement by the Partnership, the Managing General Partner and the Operating Company), or the consummation of the transactions contemplated hereby (other than the consummation by the Partnership, the Managing General Partner and the Operating Company of the transactions contemplated by this Agreement (i) constitutes or will constitute a violation of the Organizational Documents, (ii) constitutes or will constitute a breach or violation of, or a default (or an event which, with notice or lapse of time or both, would constitute such a default) under, any agreement, lease or other instrument known to such counsel (excluding any Organizational Document) to which any of the Inergy Entities or any of their properties may be bound, (iii) violates or will violate the Delaware LP Act, the Delaware LLC Act, the DGCL or federal law or (iv) results or will result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of any of the Inergy Entities, which breaches, violations, defaults or liens, in the cases of clauses (ii), (iii) or (iv), would, individually or in the aggregate, have a material adverse effect on the condition (financial or other), business or results of operations of the Partnership Group taken as a whole.

(xvi) No permit, consent, approval, authorization, order, registration, filing or qualification ("consent") of or with any federal or Delaware court, governmental agency or body having jurisdiction over any of the Inergy Parties is required for the offering, issuance and sale by the Partnership of the Units

(excluding any consent, required by any federal or Delaware court, governmental agency or body having jurisdiction over the Partnership, the Managing General Partner or the Operating Company), the execution, delivery and performance of this Agreement by the Inergy Entities that are parties thereto (excluding the execution, delivery and performance of this Agreement by the Managing General Partner, the Partnership and the Operating Company) or the consummation by the Inergy Parties of the transactions contemplated by this Agreement except for such consents required under the 1933 Act, the 1934 Act and state securities or "Blue Sky" laws, as to which such counsel need not express any opinion.

(xvii) The statements in the Registration Statement and the Prospectus under the captions "Management's Discussion and Analysis of Financial Condition and Results of Operations--Description of Indebtedness," and "Certain Relationships and Related Transactions--Related Party Transactions," insofar as they constitute descriptions of agreements or refer to statements of law or general conclusions, are accurate and complete in all material respects.

(xviii) This Agreement has been duly executed and delivered by each of Holdings, the Non-Managing General Partner, New Propane, Service Sub, Acquisition Corp. and the Operating Subs.

(xix) To the knowledge of such counsel after due inquiry, none of the Inergy Entities is in (i) violation of its Organizational Documents, or of any law, statute, ordinance, administrative or governmental rule or regulation applicable to it or of any decree of any court or governmental agency or body having jurisdiction over it which violation would reasonably be expected to have a Material Adverse Effect or (ii) breach, default (or an event which, with notice or lapse of time or both, would constitute such a default) or violation in the performance of any obligation, agreement or condition contained in any bond, debenture, note or any other evidence of indebtedness or in any agreement, indenture, lease or other instrument to which it is a party or by which it or any of its properties may be bound, which breach, default or violation would, if continued, have a Material Adverse Effect or could materially impair the ability of any of the Inergy Entities to perform their obligations under this Agreement.

(xx) To the knowledge of such counsel after due inquiry, each of the Inergy Entities has such permits, consents, licenses, franchises, certificates and authorizations of governmental or regulatory authorities ("permits") as are necessary to own its properties and to conduct its business in the manner described in the Prospectus, subject to such qualifications as may be set forth in the Prospectus and except for such permits which, if not obtained, would not reasonably be expected to have, individually or in the aggregate, a Material

Adverse Effect and, to the knowledge of such counsel after due inquiry, none of the Inergy Entities has received any notice of proceedings relating to the revocation or modification of any such permits which, individually or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would reasonably be expected to have a Material Adverse Effect.

(xxi) The persons and entities listed on Schedule II own of record the Senior Subordinated Units in the Partnership set forth opposite their respective names.

(xxii) Except as described in the Prospectus, to the knowledge of such counsel after due inquiry, there is no litigation, proceeding or governmental investigation pending or threatened against any of the Inergy Entities or to which any of the Inergy Entities is a party or to which any of their respective properties is subject, which, if adversely determined to such Inergy Entities, is reasonably likely to have a Material Adverse Effect.

In addition, such counsel shall state that they have participated (to the extent set forth in such opinion) in conferences with officers and other representatives of the Inergy Parties and the independent public accountants of the Partnership and the Underwriters, at which the contents of the Registration Statement and the Prospectus and related matters were discussed, and although such counsel has not independently verified, is not passing on, and is not assuming any responsibility for the accuracy, completeness or fairness of the statements contained in, the Registration Statement and the Prospectus (except to the extent specified in the foregoing opinion), based on the foregoing, no facts have come to such counsel's attention that causes such counsel to believe that the Registration Statement (other than (i) the financial statements included therein, including the notes and schedules thereto and the auditors' reports thereon, (ii) the other financial data included therein, (iii) any summaries of the Partnership Agreement, and (iv) the information contained under "Tax Considerations" as to which such counsel need express no belief), as of its effective date contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading, or that the Prospectus (other than (i) the financial statements included therein, including the notes and schedules thereto and the auditors' reports thereon, (ii) the other financial data included therein, (iii) any summaries of the Partnership Agreement, and (iv) the information contained under "Tax Considerations" as to which such counsel need express no belief), as of its issue date and the Closing Date contained an untrue statement of a material fact or omitted to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

In rendering such opinion, such counsel may (A) rely in respect of matters of fact upon representations of the Inergy Parties officers and employees of the Inergy Entities (B) assume that all documents submitted to them as originals are authentic, that all copies submitted to them conform to the originals thereof, and that the signatures on all documents examined by them are genuine, (C) state that their opinion is limited to federal laws, the Delaware LP Act, the Delaware LLC Act, the DGCL and the laws of the State of Missouri, excepting therefrom municipal and local ordinances and regulations, (D) with respect to the opinions expressed in subparagraphs (i) through (vi) above as to the due qualification or registration as a foreign limited partnership, corporation or limited liability company, as the case may be, of Holdings, the Partnership, the General Partners, the Operating Company, the Operating Subs, New Propane and Service Sub, state that such opinions are based upon certificates of foreign qualification or registration provided by the Secretary of State of the States of the States listed on Exhibit A to such opinion (each of which shall be dated as of a date not more than fourteen days prior to the Closing Date and shall be provided to you), (E) state that they express no opinion with respect to the accuracy or descriptions of real or personal property, and (F) state that they express no opinion with respect to state or local taxes or tax statutes to which any of the limited partners of the Partnership or any of the other Inergy Entities may be subject.

(e) On the Closing Date, you shall have received the opinion of [Stinson Morrison Hecker LLP], counsel for the Selling Unitholders addressed to you and dated the Closing Date, to the effect that:

(i) Each Selling Unitholder that is a corporation has been duly incorporated and is validly existing in good standing as a corporation under the laws of the jurisdiction of its incorporation; each Selling Unitholder that is a limited partnership has been duly formed and is validly existing in good standing as a limited partnership under the laws of the jurisdiction of its formation; and each such Selling Unitholder that is a limited liability company has been duly formed and is validly existing in good standing as a limited liability company under the laws of the jurisdiction of its formation.

(ii) No permit, consent, approval, authorization, order, registration, filing or qualification ("consent") of any court, governmental agency or body having jurisdiction over such Selling Unitholder or any of its respective properties is required for the offering, issuance and sale by such Selling Unitholder of the Firm Units, the execution, delivery and performance of this Agreement, the Power of Attorney (the "Power of Attorney") hereinafter referred to and the Custody Agreement (the "Custody Agreement") hereinafter referred to, except (i) as described in the Prospectus, (ii) for such consents required under the 1933 Act, the 1934 Act and "Blue Sky" laws, (iii) for such

consents which have been, or prior to the Closing Date will be, obtained, and (iv) for such consents which, if not obtained, would not, individually or in the aggregate, have a Material Adverse Effect.

(iii) Such Selling Unitholder has all requisite power, authority and capacity to issue, sell and deliver the Firm Units in accordance with and upon the terms and conditions set forth in this Agreement, and the Registration Statement and the Prospectus. At the Closing Date all corporate, partnership and limited liability company action, as the case may be, required to be taken by such Selling Unitholder for the authorization, issuance, sale and delivery of the Firm Units shall have been validly taken.

(iv) This Agreement, the Power of Attorney and the Custody Agreement have been duly by such Selling Unitholder, the transactions contemplated by this Agreement have been duly authorized by the Selling Unitholder and, when this Agreement is executed and delivered by an Attorney-in-Fact (as defined herein) on behalf of such Selling Unitholder, this Agreement will be duly executed and delivered, and the Power of Attorney and the Custody Agreement constitute, and this Agreement, when executed by an Attorney-in-Fact consistent with the Power of Attorney, will constitute, the valid and legally binding agreements of such Selling Unitholder enforceable against such Selling Unitholder in accordance with their terms provided that the enforceability thereof may be limited by bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws relating to or affecting creditors' rights generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law); provided, further, that the indemnity and contribution provisions hereunder may be limited by federal or state securities laws.

(v) None of the offering, issuance and sale by such Selling Unitholder of the Firm Units, the execution, delivery and performance of this Agreement, the Power of Attorney and the Custody Agreement or the consummation of the transactions contemplated hereby (i) conflicted, conflicts or will conflict with or constituted, constitutes or will constitute a violation of the organizational documents of such Selling Unitholder (if not an individual), (ii) conflicted, conflicts or will conflict with or constituted, constitutes or will constitute a breach or violation of, or a default (or an event which, with notice or lapse of time or both, would constitute such a default) under any indenture, mortgage, deed of trust, loan agreement, lease or other agreement or instrument to which such Selling Unitholder is a party or by which any of it or any of its respective properties may be bound, (iii) violated, violates or will violate any statute, law or regulation or any order, judgment, decree or injunction of any court or governmental agency or body directed to such Selling Unitholder or any of its properties in a proceeding to which it or its property is a party or (iv) resulted, results or will result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of such Selling

Unitholder which conflicts, breaches, violations or defaults, in the case of clauses (ii), (iii) or (iv), would, individually or in the aggregate, have a Material Adverse Effect.

(vi) The Selling Unitholder has, and immediately prior to the transfer of the Units to the Underwriter on the Closing Date, the Selling Unitholder will have, good and valid title to the Firm Units, free and clear of all liens, encumbrances, equities or claims; and, upon delivery of the Firm Units and payment therefor, as contemplated in this Agreement, the Power of Attorney and the Custody Agreement, good and valid title to the Firm Units, free and clear of all liens, pledges, encumbrances, equities, or claims, will pass to the several Underwriters. No person has any right to acquire from such Selling Unitholder any Units to be sold hereunder and such Selling Unitholder is under no obligation, whether absolute or contingent, to sell any such Units to any person, except as contemplated by this Agreement.

(vii) Such Selling Unitholder has placed in custody under the Custody Agreement furnished to such Selling Unitholder and duly executed and delivered by such Selling Unitholder to _____, as custodian (the "Custodian"), for delivery under this Agreement, certificates in negotiable form representing the Firm Units to be sold by such Selling Unitholder hereunder. Such Selling Unitholder has duly and irrevocably executed and delivered a Power of Attorney appointing _____ and _____ as such Selling Unitholder's Attorneys-in-Fact (the "Attorneys-in-Fact") upon the terms and subject to the conditions set forth therein to execute and deliver this Agreement and to take certain other action on behalf of such Selling Unitholder as may be necessary or desirable in connection with the transactions contemplated by this Agreement and the Custody Agreement.

In rendering such opinion, such counsel may (A) rely in respect of matters of fact upon representations of the Selling Unitholder(s) set forth in this Agreement and upon certificates of the Selling Unitholder(s) and upon information obtained from public officials and (B) assume that the documents submitted to them as originals thereof, and that the signatures on all documents examined by such counsel are genuine, and the legal capacity of natural persons.

(f) You shall have received on the Closing Date (and, if applicable, the Option Closing Date), from Baker Botts L.L.P., counsel to the Underwriters, such opinion or opinions, dated the Closing Date (and, if applicable, the Option Closing Date) with respect to such matters as you may reasonably require; and the Partnership shall have furnished to such counsel such documents as they reasonably request for the purposes of enabling them to review or pass on the matters referred to in this Section 8 and in order to evidence the accuracy, completeness and satisfaction of the representations, warranties and conditions herein contained.

(g) You shall have received at or prior to the Closing Date from Baker Botts L.L.P. a memorandum or memoranda, in form and substance satisfactory to you, with respect to the qualification for offering and sale by the Underwriters of the Units under state securities or Blue Sky laws of such jurisdictions as the Underwriters may have designated to the Partnership.

(h) On the date of this Agreement and on the Closing Date (and, if applicable, the Option Closing Date), you shall have received from Ernst & Young LLP, a letter or letters, dated the date of this Agreement and the Closing Date (and, if applicable, the Option Closing Date), respectively, in form and substance satisfactory to you, confirming that they are independent public accountants with respect to the Partnership and the General Partners within the meaning of the 1933 Act and 1933 Act Rules and Regulations, and stating to the effect set forth in Schedule IV hereto.

(i) Except as set forth in the Registration Statement and the Prospectus, (i) none of the members of the Partnership Group shall have sustained since the date of the latest audited financial statements included or in the Registration Statement and in the Prospectus any loss or interference with its business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labor dispute or court or governmental action, order or decree; and (ii) subsequent to the respective dates as of which such information is given in the Registration Statement and the Prospectus (or any amendment or supplement thereto), none of the Inergy Entities shall have incurred any liability or obligation, direct or contingent, or entered into any transactions, and there shall not have been any change in the capital stock or short-term or long-term debt of the Partnership Group or any change, or any development involving or which might reasonably be expected to involve a prospective change in the condition (financial or other), net worth, business, affairs, management, prospects, results of operations or cash flow of the Partnership or its subsidiaries, the effect of which, in any such case described in clause (i) or (ii), is in your judgment so material or adverse as to make it impracticable or inadvisable to proceed with the public offering or the delivery of the Units being delivered on such Closing Date (and, if applicable, the Option Closing Date) on the terms and in the manner contemplated in the Prospectus.

(j) There shall not have occurred any of the following: (i) a suspension or material limitation in trading in securities generally on the Nasdaq or the establishing on such exchanges or market by the SEC or by such exchanges or markets of minimum or maximum prices which are not in force and effect on the date hereof; (ii) a suspension or material limitation in trading in the Partnership's securities on the Nasdaq or the establishing on such market by the SEC or by such market of minimum or maximum prices which are not in force and effect on the date hereof; (iii) a general moratorium on commercial banking activities declared by either federal or any Missouri authorities; (iv) the outbreak or escalation of hostilities involving the United States or the declaration

by the United States of a national emergency or war, which in your judgment makes it impracticable or inadvisable to proceed with the public offering or the delivery of the Units in the manner contemplated in the Prospectus; or (v) any calamity or crisis, change in national, international or world affairs, act of God, change in the international or domestic markets, or change in the existing financial, political or economic conditions in the United States or elsewhere, the effect of which on the financial markets of the United States is such as to make it in your judgment impracticable or inadvisable to proceed with the public offering or the delivery of the Units in the manner contemplated in the Prospectus.

(k) You shall have received a certificate, dated the Closing Date (and, if applicable, the Option Closing Date) and signed by (x) the President and Chief Executive Officer and (y) the Vice President and Chief Financial Officer of the Managing General Partner, in their capacities as such, stating that:

(i) the condition set forth in Section 8(a) has been fully satisfied;

(ii) they have carefully examined the Registration Statement and the Prospectus as amended or supplemented and nothing has come to their attention that would lead them to believe that either the Registration Statement or the Prospectus, or any amendment or supplement thereto as of their respective effective, issue or filing dates, contained, and the Prospectus as amended or supplemented and at such Closing Date, contains any untrue statement of a material fact, or omits to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading;

(iii) since the Effective Date, there has occurred no event required to be set forth in an amendment or supplement to the Registration Statement or the Prospectus which has not been so set forth;

(iv) all representations and warranties made herein by the Inergy Parties are true and correct at such Closing Date, with the same effect as if made on and as of such Closing Date, and all agreements herein to be performed or complied with by the Inergy Parties on or prior to such Closing Date have been duly performed and complied with by the Inergy Parties;

(v) each of the Inergy Parties has performed all obligations required to be performed by it pursuant to this Agreement;

(vi) no stop order has been issued;

(vii) the Units have been approved for listing on the Nasdaq; and

(viii) covering such other matters as you may reasonably request.

(l) You shall have received a certificate from each Selling Unitholder, dated the Closing Date and signed by, or on behalf of, the Selling Unitholder, stating that the representations, warranties and agreements of the Selling Unitholder contained herein are true and correct as of the Closing Date and that the Selling Unitholder has complied with all agreements contained herein to be performed by the Selling Unitholder at or prior to the Closing Date.

(l) The Inergy Parties shall not have failed, refused, or been unable, at or prior to the Closing Date (and, if applicable, the Option Closing Date) to have performed any agreement on their part to be performed or any of the conditions herein contained and required to be performed or satisfied by them at or prior to such Closing Date.

(m) The Partnership shall have furnished to you at the Closing Date (and, if applicable, the Option Closing Date) such further information, opinions, certificates, letters and documents as you may have reasonably requested.

(n) The Units shall have been approved for trading upon official notice of issuance on the Nasdaq.

(o) You shall have received duly and validly executed letter agreements referred to in Section 6(m) hereof.

All such opinions, certificates, letters and documents will be in compliance with the provisions hereof only if they are satisfactory in form and substance to you and to Baker Botts L.L.P., counsel for the several Underwriters. The Partnership and the Selling Unitholders will furnish you with such signed and conformed copies of such opinions, certificates, letters and documents as you may request.

If any of the conditions specified above in this Section 7 shall not have been satisfied at or prior to the Closing Date (and, if applicable, the Option Closing Date) or waived by you in writing, this Agreement may be terminated by you on notice to the Partnership and the Selling Unitholders.

9. Indemnification and Contribution. (a) The Inergy Parties and the Selling Unitholders, jointly and severally, will indemnify and hold harmless each Underwriter from and against any losses, damages or liabilities, joint or several, to which such Underwriter may become subject, under the 1933 Act, or otherwise, insofar as such losses, damages or liabilities (or actions or claims in respect thereof) arise out of or are based upon (i) an untrue statement or

alleged untrue statement of a material fact contained in the Registration Statement or any amendment or supplement thereto or the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading or (ii) any untrue statement or alleged untrue statement of a material fact contained in the Preliminary Prospectus or the Prospectus or in any amendment or supplement thereto, or arise out of or are based upon any omission or alleged omission to state therein a material fact necessary to make the statements therein, in light of the circumstances in which they were made, not misleading, and will reimburse the Underwriter for any legal or other expenses incurred by the Underwriter in connection with investigating, preparing, pursuing or defending against or appearing as a third party witness in connection with any such loss, damage, liability or action or claim, including, without limitation, any investigation or proceeding by any governmental agency or body, commenced or threatened, including the reasonable fees and expenses of counsel to the indemnified party, as such expenses are incurred (including such losses, damages, liabilities or expenses to the extent of the aggregate amount paid in settlement of any such action or claim, provided that (subject to Section 9(c) hereof) any such settlement is effected with the written consent of the Partnership); provided, however, that the Inergy Parties and the Selling Unitholders shall not be liable in any such case to the extent, but only to the extent, that any such loss, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in the Preliminary Prospectus, the Registration Statement, the Prospectus or any other prospectus relating to the Units, or any such amendment or supplement, in reliance upon and in conformity with written information relating to the Underwriters furnished to the Partnership by you or by any Underwriter through you, expressly for use in the preparation thereof (as provided in Section 15 hereof).

(b) Each Underwriter will indemnify and hold harmless the Inergy Parties from and against any losses, damages or liabilities to which the Inergy Parties and the Selling Unitholders may become subject, under the 1933 Act, the 1934 Act or otherwise, insofar as such losses, damages or liabilities (or actions or claims in respect thereof) arise out of or are based upon (i) an untrue statement or alleged untrue statement of a material fact contained in the Registration Statement or any amendment or supplement thereto, or arise out of are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, or (ii) any untrue statement or alleged untrue statement of a material fact contained in the Preliminary Prospectus or the Prospectus or in any amendment or supplement thereto, or arise out of or are based upon any omission or alleged omission to state therein a material fact necessary to make the statements therein, in light of the circumstances in which they were made, not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in the Preliminary Prospectus, the Registration Statement, the Prospectus or any such amendment or supplement, in reliance upon and in conformity with written information relating to the Underwriters furnished to the Partnership by you or by any Underwriter through you, expressly for use in the preparation thereof (as

provided in Section 15 hereof), and will reimburse the Inergy Parties and the Selling Unitholders for any legal or other expenses incurred by the Inergy Parties and the Selling Unitholders in connection with investigating or defending any such action or claim as such expenses are incurred (including such losses, damages, liabilities or expenses to the extent of the aggregate amount paid in settlement of any such action or claim, provided that (subject to Section 9(c) hereof) any such settlement is effected with the written consent of the Underwriters).

(c) Promptly after receipt by an indemnified party under Section 9(a) or 9(b) hereof of notice of the commencement of any action, such indemnified party shall, if a claim in respect thereof is to be made against an indemnifying party under Section 9(a) or 9(b) hereof, notify each such indemnifying party in writing of the commencement thereof, but the failure so to notify such indemnifying party shall not relieve such indemnifying party from any liability except to the extent that it has been prejudiced in any material respect by such failure or from any liability that it may have to any such indemnified party otherwise than under Section 9(a) or 9(b) hereof. In case any such action shall be brought against any such indemnified party and it shall notify each indemnifying party of the commencement thereof, each such indemnifying party shall be entitled to participate therein and, to the extent that it shall wish, jointly with any other indemnifying party under Section 9(a) or 9(b) hereof similarly notified, to assume the defense thereof, with counsel satisfactory to such indemnified party (who shall not, except with the consent of such indemnified party, be counsel to such indemnifying party), and, after notice from such indemnifying party to such indemnified party of its election so to assume the defense thereof, such indemnifying party shall not be liable to such indemnified party under Section 9(a) or 9(b) hereof for any legal expenses of other counsel or any other expenses, in each case subsequently incurred by such indemnified party, in connection with the defense thereof other than reasonable costs of investigation. The indemnified party shall have the right to employ its own counsel in any such action, but the fees and expenses of such counsel shall be at the expense of such indemnified party unless (i) the employment of counsel by such indemnified party at the expense of the indemnifying party has been authorized by the indemnifying party, (ii) the indemnified party shall have been advised by such counsel that there may be a conflict of interest between the indemnifying party and the indemnified party in the conduct of the defense, or certain aspects of the defense, of such action (in which case the indemnifying party shall not have the right to direct the defense of such action with respect to those matters or aspects of the defense on which a conflict exists or may exist on behalf of the indemnified party) or (iii) the indemnifying party shall not in fact have employed counsel reasonably satisfactory to such indemnified party to assume the defense of such action, in any of which events such fees and expenses to the extent applicable shall be borne, and shall be paid as incurred, by the indemnifying party. If at any time such indemnified party shall have requested such indemnifying party under Section 9(a) or 9(b) hereof to reimburse such indemnified party for fees and expenses of counsel, such indemnifying party agrees that it shall be liable for any

settlement of the nature contemplated by Section 9(a) or 9(b) hereof effected without its written consent if (i) such settlement is entered into more than 60 days after receipt by such indemnifying party of such request for reimbursement, (ii) such indemnifying party shall have received notice of the terms of such settlement at least 45 days prior to such settlement being entered into and (iii) such indemnifying party shall not have reimbursed such indemnified party in accordance with such request for reimbursement prior to the date of such settlement. No such indemnifying party shall, without the written consent of such indemnified party, effect the settlement or compromise of, or consent to the entry of any judgment with respect to, any pending or threatened action or claim in respect of which indemnification or contribution may be sought hereunder (whether or not such indemnified party is an actual or potential party to such action or claim) unless such settlement, compromise or judgment (A) includes an unconditional release of such indemnified party from all liability arising out of such action or claim and (B) does not include a statement as to or an admission of fault, culpability or a failure to act, by or on behalf of any such indemnified party. In no event shall such indemnifying parties be liable for the fees and expenses of more than one counsel, including any local counsel, for all such indemnified parties in connection with any one action or separate but similar or related actions in the same jurisdiction arising out of the same general allegations or circumstances.

(d) If the indemnification provided for in this Section 9 is unavailable to or insufficient to indemnify or hold harmless an indemnified party under Section 9(a) or 9(b) hereof in respect of any losses, damages or liabilities (or actions or claims in respect thereof) referred to therein, then each indemnifying party under Section 9(a) or 9(b) hereof shall contribute to the amount paid or payable by such indemnified party as a result of such losses, damages or liabilities (or actions or claims in respect thereof) in such proportion as is appropriate to reflect the relative benefits received by the Inergy Parties, the Selling Unitholders, and the Underwriter, from the offering of the Units. If, however, the allocation provided by the immediately preceding sentence is not permitted by applicable law or if the indemnified party failed to give the notice required under Section 9(c) hereof and such indemnifying party was prejudiced in a material respect by such failure, then each such indemnifying party shall contribute to such amount paid or payable by such indemnified party in such proportion as is appropriate to reflect not only such relative benefits but also the relative fault, as applicable, of the Inergy Parties, the Selling Unitholders, and the Underwriter in connection with the statements or omissions that resulted in such losses, damages or liabilities (or actions or claims in respect thereof), as well as any other relevant equitable considerations. The relative benefits received by, as applicable, the Inergy Parties, the Selling Unitholders and the Underwriter, shall be deemed to be in the same proportion as the total net proceeds from such offering (before deducting expenses) received by the Partnership bear to the total underwriting discounts and commissions received by the Underwriter. The relative fault, as applicable, of the Inergy Parties, the Selling Unitholders and the Underwriter, shall be determined by

reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Inergy Parties, the Selling Unitholders, or the Underwriter, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Inergy Parties, the Selling Unitholders and the Underwriter agree that it would not be just and equitable if contribution pursuant to this Section 9(d) were determined by pro rata allocation (even if the Underwriter were treated as one entity for such purpose) or by any other method of allocation that does not take account of the equitable considerations referred to above in this Section 9(d). The amount paid or payable by such an indemnified party as a result of the losses, damages or liabilities (or actions or claims in respect thereof) referred to above in this Section 9(d) shall be deemed to include any legal or other expenses incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 9(d), the Underwriter shall not be required to contribute any amount in excess of the amount by which the total price at which the Units underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages that the Underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the 1933 Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

(e) The obligations of the Inergy Parties under this Section 9 shall be in addition to any liability that the Inergy Parties and the Selling Unitholders may otherwise have and shall extend, upon the same terms and conditions, to each officer, director, employee, agent or other representative and to each person, if any, who controls the Underwriter within the meaning of the 1933 Act; and the obligations of any Underwriters under this Section 9 shall be in addition to any liability that the respective Underwriters may otherwise have and shall extend, upon the same terms and conditions, to each officer and director of the Partnership and the Managing General Partner who signed the Registration Statement and to each person, if any, who controls the Inergy Parties or the Selling Unitholders within the meaning of the 1933 Act.

10. Representations and Agreements to Survive Delivery. The respective representations, warranties, agreements and statements of the Inergy Parties, the Selling Unitholders and the Underwriters, as set forth in this Agreement or made by or on behalf of them, respectively, pursuant to this Agreement, shall remain operative and in full force and effect regardless of any investigation (or any statement as to the results thereof) made by or on behalf of the Underwriter or any controlling person of the Underwriter, the Inergy Parties, the Selling Unitholders or any of its officers, directors or any controlling persons and shall survive delivery of and payment for the Units hereunder.

11. Substitution of Underwriters. (a) If any Underwriter shall default in its obligation to purchase the Units which it has agreed to purchase hereunder, you may in your discretion arrange for another party or other parties to purchase such Units on the terms contained herein. If within thirty-six hours after such default by any Underwriter, you do not arrange for the purchase of such Units, then the Partnership shall be entitled to a further period of thirty-six hours within which to procure another party or parties reasonably satisfactory to you to purchase such Units on such terms. In the event that, within the respective prescribed periods, you notify the Partnership that you have so arranged for the purchase of such Units, or the Partnership notifies you that it has so arranged for the purchase of such Units, you or the Partnership shall have the right to postpone the Closing Date for a period of not more than seven days, in order to effect whatever changes may thereby be made necessary in the Registration Statement or the Prospectus, or in any other documents or arrangements, and the Partnership agrees to file promptly any amendments to the Registration Statement or the Prospectus which in your opinion may thereby be made necessary. The term "Underwriter" as used in this Agreement shall include any persons substituted under this Section 11 with like effect as if such person had originally been a party to this Agreement with respect to such Units.

(b) If, after giving effect to any arrangements for the purchase of the Units of a defaulting Underwriter or Underwriters made by you and the Partnership as provided in subsection (a) above, the aggregate number of Units which remains unpurchased does not exceed one-eleventh of the total Units to be sold on the Closing Date, then the Partnership shall have the right to require each non-defaulting Underwriter to purchase the Units which you agreed to purchase hereunder and in addition, to require each non-defaulting Underwriter to purchase it pro rata share (based on the number of Units which such Underwriter agreed to purchase hereunder) of the Units of such defaulting Underwriter or Underwriters for which such arrangements have not been made; but nothing herein shall relieve a defaulting Underwriter from liability for its default.

(c) If, after giving effect to any arrangements for the purchase of the Units of a defaulting Underwriter or Underwriters made by you and the Partnership as provided in subsection (a) above, the number of Units which remains unpurchased exceeds one-eleventh of the total Units to be sold on the Closing Date, or if the Partnership shall not exercise the right described in subsection (b) above to require to purchase Units of the defaulting Underwriter or Underwriters, then this Agreement (or, with respect to the Option Closing Date, the obligations of the Underwriters to purchase and of the Partnership to sell the Option Units) shall thereupon terminate, without liability on the part of the Partnership except for the expenses to be borne by the Partnership and the Underwriters as provided in Section 12 hereof and the indemnity and contribution agreements in Section 8 hereof; but nothing herein shall relieve a defaulting Underwriter from liability for its default.

12. Termination. (a) This Agreement may be terminated by you at any time at or prior to the Closing Date by notice to the Partnership and the Selling Unitholders if any condition specified in Section 8 hereof shall not have been satisfied on or prior to the Closing Date. Any such termination shall be without liability of any party to any other party except as provided in Sections 9 and 13 hereof.

(b) This Agreement also may be terminated by you, by notice to the Partnership and the Selling Unitholders, as to any obligation of the Underwriters to purchase the Option Units, if any condition specified in Section 7 hereof shall not have been satisfied at or prior to the Option Closing Date or as provided in Section 10 of this Agreement.

If you terminate this Agreement as provided in Sections 12(a) or 12(b), you shall notify the Partnership and the Selling Unitholders by telephone or telegram, confirmed by letter.

13. Costs and Expenses. The Partnership will bear and pay the costs and expenses incident to the registration of the Units and public offering thereof, including, without limitation, (a) all expenses (including stock transfer taxes) incurred in connection with the delivery to the Underwriters of the Units, the filing fees of the SEC, the fees and expenses of the Partnership's counsel and accountants and the fees and expenses of counsel for the Partnership, (b) the preparation, printing, filing, delivery and shipping of the Registration Statement, each Preliminary Prospectus, the Prospectus and any amendments or supplements thereto (except as otherwise expressly provided in Section 6(d) hereof) and the printing, delivery and shipping of this Agreement and other underwriting documents, including the Agreement Among Underwriters, the Selected Dealer Agreement, Underwriters' Questionnaires and Powers of Attorney and Blue Sky Memoranda, and any instruments or documents related to any of the foregoing, (c) the furnishing of copies of such documents (except as otherwise expressly provided in Section 6(d) hereof) to the Underwriters, (d) the registration or qualification of the Units for offering and sale under the securities laws of the various states and other jurisdictions, including the fees and disbursements of counsel to the Underwriters relating to such registration or qualification and in connection with preparing any Blue Sky Memoranda or related analysis, (e) the filing fees of the NASD (if any) and fees and disbursements of counsel to the Underwriters relating to any review of the offering by the NASD, (f) all printing and engraving costs related to preparation of the certificates for the Units, including transfer agent and registrar fees, (g) all fees and expenses relating to the authorization of the Units for trading on the Nasdaq (h) all travel expenses, including air fare and accommodation expenses, of representatives of the Partnership in connection with the offering of the Units, and (i) all of the other costs and expenses incident to the performance by the Partnership of the registration and offering of the Units; provided, that (except as otherwise provided in this Section 13) the Underwriters will bear and pay all of its own costs and expenses, including the fees and expenses of the Underwriters'

counsel, the Underwriters' transportation expenses and any advertising costs and expenses incurred by the Underwriters incident to the public offering of the Units.

If this Agreement is terminated by you in accordance with the provisions of Section 12(a) (other than pursuant to Section 11 or 8(i)), the Partnership shall reimburse the Underwriter for all of their reasonable out-of-pocket expenses, including the reasonable fees and disbursements of counsel to the Underwriters.

14. Notices. All notices or communications hereunder, except as herein otherwise specifically provided, shall be in writing and if sent to the Underwriters shall be mailed, delivered, sent by facsimile transmission, or telegraphed and confirmed c/o A.G. Edwards & Sons, Inc. at One North Jefferson Avenue, St. Louis, Missouri 63103, Attention: Curtis H. Goot, Managing Director, Corporate Finance, facsimile number (314) 955-7387, with a copy to Doug Kelly, Attention: General Counsel, facsimile number (314) 955-5913, or if sent to the Partnership shall be mailed, delivered, sent by facsimile transmission, or telegraphed and confirmed to the Partnership at Inergy, L.P., 1101 Walnut, Suite 1500, Kansas City, Missouri 64106, facsimile number (816) 842-1904. Notice to any Underwriter pursuant to Section 9 shall be mailed, delivered, sent by facsimile transmission, or telegraphed and confirmed to such underwriter's address as it appears in the Underwriters' Questionnaire furnished in connection with the offering of the Units or as otherwise furnished to the Partnership.

15. Information Furnished by the Underwriter. The statements set forth in the table on the cover page of the Prospectus and the statements in the table in the [first paragraph, the third, eleventh, twelfth, thirteenth, fourteenth, fifteenth, eighteenth and nineteenth paragraphs and the third sentence of the seventh paragraph] under the caption "Underwriting" in the Prospectus constitute the only information furnished by or on behalf of the Underwriters through you as such information is referred to in Section 4(a)(ii) and Section 9 hereof.

16. Parties. This Agreement shall inure to the benefit of and be binding upon the Underwriters, the Inergy Parties, the Selling Unitholders and, to the extent provided in Sections 9 and 10, the officers and directors of the Managing General Partner and each person who controls the Partnership or any Underwriter and their respective heirs, executors, administrators, successors and assigns. Nothing expressed or mentioned in this Agreement is intended or shall be construed to give any person, corporation or other entity any legal or equitable right, remedy or claim under or in respect of this Agreement or any provision herein contained; this Agreement and all conditions and provisions hereof being intended to be and being for the sole and exclusive benefit of the parties hereto and their respective successors and assigns and said controlling persons and said officers and directors, and for the benefit of no other person, corporation or other entity. No purchaser of any of the Units from the Underwriter shall be construed a successor or assign by reason merely of such purchase.

In all dealings hereunder, you shall act on behalf of each of the several Underwriters, and the parties hereto shall be entitled to act and rely upon any statement, request, notice or agreement on behalf of the Underwriters, made or given by you jointly or by A.G. Edwards & Sons, Inc. on behalf of you as the Underwriters, as if the same shall have been made or given in writing by the Underwriters.

17. Counterparts. This Agreement may be executed by any one or more of the parties hereto in any number of counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same instrument.

18. Pronouns. Whenever a pronoun of any gender or number is used herein, it shall, where appropriate, be deemed to include any other gender and number.

19. Time of Essence. Time shall be of the essence of this Agreement.

20. Applicable Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Missouri, without giving effect to the choice of law or conflict of laws principles thereof.

If the foregoing is in accordance with your understanding, please so indicate in the space provided below for that purpose, whereupon this letter shall constitute a binding agreement among the Inergy Parties, and the Selling Unitholders and the Underwriters.

INERGY HOLDINGS, LLC

By:_____
John J. Sherman, President

INERGY, L.P.

By: Inergy GP, LLC (its General Partner)

By:_____
John J. Sherman
President of Inergy GP, LLC

INERGY PARTNERS, LLC

By:_____
John J. Sherman, President

INERGY PROPANE, LLC

By:_____
John J. Sherman, President

INERGY GP, LLC

By:_____
John J. Sherman, President

L & L TRANSPORTATION, LLC

By:_____
John J. Sherman, President

NEW INERGY PROPANE, LLC

By:_____
John J. Sherman, President

INERGY TRANSPORTATION, LLC

By:_____
John J. Sherman, President

INERGY SALES & SERVICE, INC.

By:_____
John J. Sherman, President

ACQUISITION CORP.

By:_____
Title:_____

Selling Unitholders

By:_____
[Attorney-in-Fact]
Attorney-in-Fact

By:_____
[Attorney-in-Fact]
Attorney-in-Fact

Accepted in St. Louis,
Missouri as of the date
first above written on
behalf of ourselves and each
of the several Underwriters
named in Schedule II hereto.

A.G. Edwards & Sons, Inc.

[Other Co-Managers]

By: A.G. Edwards & Sons, Inc.

By:_____
Title:_____

SCHEDULE I

Name	Number of Units
JP Morgan Partners (SBIC), LLC	314,671
Heller Financial, Inc.	12,587
Triad Ventures Limited II, L.P.	12,587
Summit Capital Inc.	4,825
Stephen Boane	378
Summit Capital Group, LLC	151
John L. Long, Jr.	60
Total	345,259

Schedule I

SCHEDULE II

Name	Number of Units
A. G. Edwards & Sons, Inc.	_____
[Other Co-Managers]	_____

Schedule II

SCHEDULE III

Persons and Entities who own Senior Subordinated Units of the Partnership

KCEP Ventures II, LP
Country Partners
Domex, Inc.
Investors 300, Inc.
L&L Leasing, Inc.
Moramerica Capital Corporation
NDSBIC, L.P.
Kansas Venture Capital, Inc.
Midstates Capital, L.P.
Diamond State Ventures, L.P.
Rocky Mountain Mezzanine
Firstar Capital Corporation
Eagle Fund II, L.P.
RNG Investments L.P.
KCEP Ventures III, LP
Clayton-Hamilton, LLC

Schedule II

SCHEDULE IV

Pursuant to Section 6(g) of the Underwriting Agreement, Ernst & Young L.L.P. shall furnish letters to the Underwriter to the effect that:

(i) They are independent certified public accountants with respect to the General Partners and the Partnership within the meaning of the 1933 Act and the applicable Rules and Regulations thereunder.

(ii) In their opinion, the financial statements audited by them and included in the Prospectus or the Registration Statement comply as to form in all material respects with the applicable accounting requirements of the 1933 Act and the applicable Rules and Regulations with respect to registration statements on Form S-1.

(iii) On the basis of limited procedures, not constituting an audit in accordance with generally accepted auditing standards, consisting of a reading of the unaudited financial statements and other information referred to below, performing the procedures specified by the AICPA for a review of interim financial information as discussed in SAS No. 71, Interim Financial Information, on the latest available interim financial statements of the Partnership Group, inspection of the minute books of the Partnership Group since the date of the latest audited financial statements included in the Prospectus, inquiries of officials of the Partnership Group responsible for financial and accounting matters and such other inquiries and procedures as may be specified in such letter, nothing came to their attention that caused them to believe that:

(A) any material modifications should be made to the unaudited statements of consolidated income, statements of consolidated financial position and statements of consolidated cash flows included in the Prospectus for them to be in conformity with generally accepted accounting principles, or the unaudited statements of consolidated income, statements of consolidated financial position and statements of consolidated cash flows included in the Prospectus do not comply as to form in all material respects with the applicable accounting requirements of the 1933 Act and the related published Rules and Regulations thereunder.

(B) any unaudited pro forma consolidated condensed financial statements included in the Prospectus do not comply as to form in all material respects with the applicable accounting requirements of the 1933 Act and the published rules and regulations thereunder or the pro forma adjustments have not been properly applied to the historical amounts in the compilation of those statements.

(C) as of a specified date not more than five days prior to the date of such letter, there have been any changes in the consolidated capital stock or any increase in the consolidated long-term debt of the Partnership Group, or any decreases in consolidated working capital, net current assets or net assets, or any changes in any other items specified by the Underwriter, in each case as compared with amounts shown in the latest balance sheet included in the Prospectus, except in each case for changes, increases or decreases which the Prospectus discloses have occurred or may occur or which are described in such letter.

(D) for the period from the date of the latest financial statements included in the Prospectus to the specified date referred to in Clause (C) there were any decreases in consolidated net revenues or operating profit or the total or per share amounts of consolidated net income or any changes in any other items specified by the Underwriter, in each case as compared with the comparable period of the preceding year and with any other period of corresponding length specified by the Underwriter, except in each case for changes, decreases or increases which the Prospectus discloses have occurred or may occur or which are described in such letter.

(iv) In addition to the audit referred to in their report(s) included in the Prospectus and the limited procedures, inspection of minute books, inquiries and other procedures referred to in paragraph (iii) above, they have carried out certain specified procedures, not constituting an audit in accordance with generally accepted auditing standards, with respect to certain amounts, percentages and financial information specified by the Underwriter, which are derived from the general accounting records of the Partnership Group for the periods covered by their reports and any interim or other periods since the latest period covered by their reports, which appear in the Prospectus, or in Part II of, or in exhibits and schedules to, the Registration Statement specified by the Underwriter, and have compared certain of such amounts, percentages and financial information with the accounting records of the Partnership Group and have found them to be in agreement.

Schedule IV

Exhibit 3.2

AMENDED AND RESTATED

AGREEMENT OF LIMITED PARTNERSHIP

OF

INERGY, L.P.

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AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP
OF
INERGY, L.P.

THIS AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP OF INERGY, L.P. dated as of July 31, 2001, is entered into by and among Inergy GP LLC, a Delaware limited liability company, as the Managing General Partner, Inergy Partners, LLC, a Delaware limited liability company, as the Non-Managing General Partner and as the Organizational Limited Partner, New Inergy Propane, LLC, a Delaware limited liability company, Inergy Holdings, LLC, a Delaware limited liability company, together with any other Persons who become Partners in the Partnership or parties hereto as provided herein. In consideration of the covenants, conditions and agreements contained herein, the parties hereto hereby agree as follows:

ARTICLE I
DEFINITIONS

Section 1.1. Definitions.

The following definitions shall be for all purposes, unless otherwise clearly indicated to the contrary, applied to the terms used in this Agreement.

"Acquisition" means any transaction in which any Group Member acquires (through an asset acquisition, merger, stock acquisition or other form of investment) control over all or a portion of the assets, properties or business of another Person for the purpose of increasing the operating capacity or revenues of the Partnership Group from the operating capacity or revenues of the Partnership Group existing immediately prior to such transaction.

"Additional Book Basis" means the portion of any remaining Carrying Value of an Adjusted Property that is attributable to positive adjustments made to such Carrying Value as a result of Book-Up Events. For purposes of determining the extent that Carrying Value constitutes Additional Book Basis:

(i) Any negative adjustment made to the Carrying Value of an Adjusted Property as a result of either a Book-Down Event or a Book-Up Event shall first be deemed to offset or decrease that portion of the Carrying Value of such Adjusted Property that is attributable to any prior positive adjustments made thereto pursuant to a Book-Up Event or Book-Down Event.

(ii) If Carrying Value that constitutes Additional Book Basis is reduced as a result of a Book-Down Event and the Carrying Value of other property is increased as a result of such Book-Down Event, an allocable portion of any such increase in Carrying Value shall be treated as Additional Book Basis; provided that the amount treated as Additional Book Basis pursuant hereto as a result of such Book-Down Event shall not exceed the amount by which the Aggregate Remaining Net Positive Adjustments after such Book-Down Event exceeds the remaining Additional Book Basis attributable to all

of the Partnership's Adjusted Property after such Book-Down Event (determined without regard to the application of this clause (ii) to such Book-Down Event).

"Additional Book Basis Derivative Items" means any Book Basis Derivative Items that are computed with reference to Additional Book Basis. To the extent that the Additional Book Basis attributable to all of the Partnership's Adjusted Property as of the beginning of any taxable period exceeds the Aggregate Remaining Net Positive Adjustments as of the beginning of such period (the "Excess Additional Book Basis"), the Additional Book Basis Derivative Items for such period shall be reduced by the amount that bears the same ratio to the amount of Additional Book Basis Derivative Items determined without regard to this sentence as the Excess Additional Book Basis bears to the Additional Book Basis as of the beginning of such period.

"Additional Limited Partner" means a Person admitted to the Partnership as a Limited Partner pursuant to Section 10.4 and who is shown as such on the books and records of the Partnership.

"Adjusted Capital Account" means the Capital Account maintained for each Partner as of the end of each fiscal year of the Partnership, (a) increased by any amounts that such Partner is obligated to restore under the standards set by Treasury Regulation Section 1.704-1(b)(2)(ii)(c) (or is deemed obligated to restore under Treasury Regulation Sections 1.704-2(g) and 1.704-2(i)(5)) and (b) decreased by (i) the amount of all losses and deductions that, as of the end of such fiscal year, are reasonably expected to be allocated to such Partner in subsequent years under Sections 704(e)(2) and 706(d) of the Code and Treasury Regulation Section 1.751-1(b)(2)(ii), and (ii) the amount of all distributions that, as of the end of such fiscal year, are reasonably expected to be made to such Partner in subsequent years in accordance with the terms of this Agreement or otherwise to the extent they exceed offsetting increases to such Partner's Capital Account that are reasonably expected to occur during (or prior to) the year in which such distributions are reasonably expected to be made (other than increases as a result of a minimum gain chargeback pursuant to Section 6.1(d)(i) or 6.1(d)(ii)). The foregoing definition of Adjusted Capital Account is intended to comply with the provisions of Treasury Regulation Section 1.704-1(b)(2)(ii)(d) and shall be interpreted consistently therewith. The "Adjusted Capital Account" of a Partner in respect of a General Partner Interest, a Common Unit, a Senior Subordinated Unit, a Junior Subordinated Unit or an Incentive Distribution Right or any other specified interest in the Partnership shall be the amount which such Adjusted Capital Account would be if such General Partner Interest, Common Unit, Senior Subordinated Unit, Junior Subordinated Unit, Incentive Distribution Right or other interest in the Partnership were the only interest in the Partnership held by a Partner from and after the date on which such General Partner Interest, Common Unit, Senior Subordinated Unit, Junior Subordinated Unit, Incentive Distribution Right or other interest was first issued.

"Adjusted Operating Surplus" means, with respect to any period, Operating Surplus generated during such period (a) less (i) any net increase in Working Capital Borrowings with respect to such period and (ii) any net reduction in cash reserves for Operating Expenditures with respect to such period not relating to an Operating Expenditure made with respect to such period, and (b) plus (i) any net decrease in Working Capital Borrowings with respect to such period and (ii) any net increase in cash reserves for Operating Expenditures with respect to such period required by any debt instrument for the repayment of principal, interest or premium. Adjusted

Operating Surplus does not include that portion of Operating Surplus included in clause (a)(i) of the definition of Operating Surplus.

"Adjusted Property" means any property the Carrying Value of which has been adjusted pursuant to Section 5.5(d)(i) or 5.5(d)(ii).

"Affiliate" means, with respect to any Person, any other Person that directly or indirectly through one or more intermediaries controls, is controlled by or is under common control with, the Person in question. As used herein, the term "control" means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through ownership of voting securities, by contract or otherwise.

"Aggregate Remaining Net Positive Adjustments" means, as of the end of any taxable period, the sum of the Remaining Net Positive Adjustments of all the Partners.

"Agreed Allocation" means any allocation, other than a Required Allocation, of an item of income, gain, loss or deduction pursuant to the provisions of Section 6.1, including, without limitation, a Curative Allocation (if appropriate to the context in which the term "Agreed Allocation" is used).

"Agreed Value" of any Contributed Property means the fair market value of such property or other consideration at the time of contribution as determined by the Managing General Partner using such reasonable method of valuation as it may adopt. The Managing General Partner shall, in its discretion, use such method as it deems reasonable and appropriate to allocate the aggregate Agreed Value of Contributed Properties contributed to the Partnership in a single or integrated transaction among each separate property on a basis proportional to the fair market value of each Contributed Property.

"Agreement" means this Amended and Restated Agreement of Limited Partnership of Inergy, L.P., as it may be amended, supplemented or restated from time to time.

"Assignee" means a Non-citizen Assignee or a Person to whom one or more Limited Partner Interests have been transferred in a manner permitted under this Agreement and who has executed and delivered a Transfer Application as required by this Agreement, but who has not been admitted as a Substituted Limited Partner.

"Associate" means, when used to indicate a relationship with any Person, (a) any corporation or organization of which such Person is a director, officer or partner or is, directly or indirectly, the owner of 20% or more of any class of voting stock or other voting interest; (b) any trust or other estate in which such Person has at least a 20% beneficial interest or as to which such Person serves as trustee or in a similar fiduciary capacity; and (c) any relative or spouse of such Person, or any relative of such spouse, who has the same principal residence as such Person.

"Available Cash" means, with respect to any Quarter ending prior to the Liquidation Date,

(a) the sum of (i) all cash and cash equivalents of the Partnership Group on hand at the end of such Quarter, and (ii) all additional cash and cash equivalents of the Partnership Group on hand on the date of determination of Available Cash with respect to such Quarter resulting from Working Capital Borrowings made subsequent to the end of such Quarter, less

(b) the amount of any cash reserves that is necessary or appropriate in the reasonable discretion of the Managing General Partner to (i) provide for the proper conduct of the business of the Partnership Group (including reserves for future capital expenditures and for anticipated future credit needs of the Partnership Group) subsequent to such Quarter, (ii) comply with applicable law or any loan agreement, security agreement, mortgage, debt instrument or other agreement or obligation to which any Group Member is a party or by which it is bound or its assets are subject or (iii) provide funds for distributions under Section 6.4 or 6.5 in respect of any one or more of the next four Quarters; provided, however, that the Managing General Partner may not establish cash reserves pursuant to (iii) above if the effect of such reserves would be that the Partnership is unable to distribute the Minimum Quarterly Distribution on all Common Units, plus any Cumulative Common Unit Arrearage on all Common Units, with respect to such Quarter; and, provided further, that disbursements made by a Group Member or cash reserves established, increased or reduced after the end of such Quarter but on or before the date of determination of Available Cash with respect to such Quarter shall be deemed to have been made, established, increased or reduced, for purposes of determining Available Cash, within such Quarter if the Managing General Partner so determines.

Notwithstanding the foregoing, "Available Cash" with respect to the Quarter in which the Liquidation Date occurs and any subsequent Quarter shall equal zero.

"Book Basis Derivative Items" means any item of income, deduction, gain or loss included in the determination of Net Income or Net Loss that is computed with reference to the Carrying Value of an Adjusted Property (e.g., depreciation, depletion, or gain or loss with respect to an Adjusted Property).

"Book-Down Event" means an event which triggers a negative adjustment to the Capital Accounts of the Partners pursuant to Section 5.5(d).

"Book-Tax Disparity" means with respect to any item of Contributed Property or Adjusted Property, as of the date of any determination, the difference between the Carrying Value of such Contributed Property or Adjusted Property and the adjusted basis thereof for federal income tax purposes as of such date. A Partner's share of the Partnership's Book-Tax Disparities in all of its Contributed Property and Adjusted Property will be reflected by the difference between such Partner's Capital Account balance as maintained pursuant to Section 5.5 and the hypothetical balance of such Partner's Capital Account computed as if it had been maintained strictly in accordance with federal income tax accounting principles.

"Book-Up Event" means an event which triggers a positive adjustment to the Capital Accounts of the Partners pursuant to Section 5.5(d).

"Business Day" means Monday through Friday of each week, except that a legal holiday recognized as such by the government of the United States of America or the states of New York or Missouri shall not be regarded as a Business Day.

"Capital Account" means the capital account maintained for a Partner pursuant to Section 5.5. The "Capital Account" of a Partner in respect of a General Partner Interest, a Common Unit, a Senior Subordinated Unit, a Junior Subordinated Unit, an Incentive Distribution Right or any other Partnership Interest shall be the amount which such Capital Account would be if such General Partner Interest, Common Unit, Senior Subordinated Unit, Junior Subordinated Unit, Incentive Distribution Right or other Partnership Interest were the only interest in the Partnership held by a Partner from and after the date on which such General Partner Interest, Common Unit, Senior Subordinated Unit, Junior Subordinated Unit, Incentive Distribution Right or other Partnership Interest was first issued.

"Capital Contribution" means any cash, cash equivalents or the Net Agreed Value of Contributed Property that a Partner contributes to the Partnership pursuant to this Agreement or the Contribution and Conveyance Agreement.

"Capital Improvement" means any (a) addition or improvement to the capital assets owned by any Group Member or (b) acquisition of existing, or the construction of new capital assets (including, without limitation, retail distribution centers, propane tanks, pipeline systems, storage facilities and related assets), in each case made to increase the operating capacity or revenues of the Partnership Group from the operating capacity or revenues of the Partnership Group existing immediately prior to such addition, improvement, acquisition or construction.

"Capital Surplus" has the meaning assigned to such term in Section 6.3(a).

"Carrying Value" means (a) with respect to a Contributed Property, the Agreed Value of such property reduced (but not below zero) by all depreciation, amortization and cost recovery deductions charged to the Partners' and Assignees' Capital Accounts in respect of such Contributed Property, and (b) with respect to any other Partnership property, the adjusted basis of such property for federal income tax purposes, all as of the time of determination. The Carrying Value of any property shall be adjusted from time to time in accordance with Sections 5.5(d)(i) and 5.5(d)(ii) and to reflect changes, additions or other adjustments to the Carrying Value for dispositions and acquisitions of Partnership properties, as deemed appropriate by the Managing General Partner.

"Cause" means a court of competent jurisdiction has entered a final, non-appealable judgment finding the Managing General Partner liable for actual fraud, gross negligence or willful or wanton misconduct in its capacity as a general partner of the Partnership.

"Certificate" means a certificate (i) substantially in the form of Exhibit A to this Agreement, (ii) issued in global form in accordance with the rules and regulations of the Depositary or (iii) in such other form as may be adopted by the Managing General Partner in its discretion, issued by the Partnership evidencing ownership of one or more Common Units or a certificate, in such form as may be adopted by the Managing General Partner in its discretion, issued by the Partnership evidencing ownership of one or more other Partnership Securities.

"Certificate of Limited Partnership" means the Certificate of Limited Partnership of the Partnership filed with the Secretary of State of the State of Delaware as referenced in Section 2.1, as such Certificate of Limited Partnership may be amended, supplemented or restated from time to time.

"Citizenship Certification" means a properly completed certificate in such form as may be specified by the Managing General Partner by which an Assignee or a Limited Partner certifies that he (and if he is a nominee holding for the account of another Person, that to the best of his knowledge such other Person) is an Eligible Citizen.

"Claim" has the meaning assigned to such term in Section 7.12(c).

"Closing Date" means the first date on which Common Units are sold by the Partnership to the Underwriters pursuant to the provisions of the Underwriting Agreement.

"Closing Price" has the meaning assigned to such term in Section 15.1(a).

"Code" means the Internal Revenue Code of 1986, as amended and in effect from time to time. Any reference herein to a specific section or sections of the Code shall be deemed to include a reference to any corresponding provision of successor law.

"Combined Interest" has the meaning assigned to such term in Section 11.3(a).

"Commission" means the United States Securities and Exchange Commission.

"Common Unit" means a Partnership Security representing a fractional part of the Partnership Interests of all Limited Partners and Assignees, and having the rights and obligations specified with respect to Common Units in this Agreement. The term "Common Unit" does not refer to a Senior Subordinated Unit or a Junior Subordinated Unit prior to its conversion into a Common Unit pursuant to the terms hereof.

"Common Unit Arrearage" means, with respect to any Common Unit, whenever issued, as to any Quarter within the Subordination Period, the excess, if any, of (a) the Minimum Quarterly Distribution with respect to a Common Unit in respect of such Quarter over (b) the sum of all Available Cash distributed with respect to a Common Unit in respect of such Quarter pursuant to Section 6.4(a)(i).

"Conflicts Committee" means a committee of the Board of Directors of the Managing General Partner composed entirely of two or more directors who are not (a) security holders, officers or employees of the Managing General Partner, (b) officers, directors or employees of any Affiliate of the Managing General Partner or (c) holders of any ownership interest in the Partnership Group other than Common Units and who also meet the independence standards required to serve on an audit committee of a board of directors by the National Securities Exchange on which the Common Units are listed for trading.

"Contributed Property" means each property or other asset, in such form as may be permitted by the Delaware Act, but excluding cash, contributed to the Partnership. Once the

Carrying Value of a Contributed Property is adjusted pursuant to Section 5.5(d), such property shall no longer constitute a Contributed Property, but shall be deemed an Adjusted Property.

"Contribution and Conveyance Agreement" means that certain Contribution, Conveyance, Assumption and Assignment Agreement, dated as of the Closing Date, among the Managing General Partner, the Non-Managing General Partner, the Partnership, the Operating Company and certain other parties, together with the additional conveyance documents and instruments contemplated or referenced thereunder.

"Cumulative Common Unit Arrearage" means, with respect to any Common Unit, whenever issued, and as of the end of any Quarter, the excess, if any, of (a) the sum resulting from adding together the Common Unit Arrearage as to an Initial Common Unit for each of the Quarters within the Subordination Period ending on or before the last day of such Quarter over (b) the sum of any distributions theretofore made pursuant to Section 6.4(a)(ii) and the second sentence of Section 6.5 with respect to an Initial Common Unit (including any distributions to be made in respect of the last of such Quarters).

"Curative Allocation" means any allocation of an item of income, gain, deduction, loss or credit pursuant to the provisions of Section 6.1(d)(xi).

"Current Market Price" has the meaning assigned to such term in Section 15.1(a).

"Delaware Act" means the Delaware Revised Uniform Limited Partnership Act, 6 Del C. (S) 17-101, et seq., as amended, supplemented or restated from time to time, and any successor to such statute.

"Departing Partner" means a former General Partner from and after the effective date of any withdrawal or removal of such former General Partner pursuant to Section 11.1, 11.2 or 11.4.

"Depositary" means, with respect to any Units issued in global form, The Depository Trust Company and its successors and permitted assigns.

"Economic Risk of Loss" has the meaning set forth in Treasury Regulation Section 1.752-2(a).

"Eligible Citizen" means a Person qualified to own interests in real property in jurisdictions in which any Group Member does business or proposes to do business from time to time, and whose status as a Limited Partner or Assignee does not or would not subject such Group Member to a significant risk of cancellation or forfeiture of any of its properties or any interest therein.

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

"Final Subordinated Units" has the meaning assigned to such term in Section 6.1(d)(x).

"First Liquidation Target Amount" has the meaning assigned to such term in Section 6.1(c)(i)(E).

"First Target Distribution" means $0.66 per Unit per Quarter (or, with respect to the period commencing on the Closing Date and ending on September 30, 2001, it means the product of $0.66 multiplied by a fraction of which the numerator is the number of days in such period, and of which the denominator is 92), subject to adjustment in accordance with Sections 6.6 and 6.9.

"Fully Diluted Basis" means, when calculating the number of Outstanding Units for any period, a basis that includes, in addition to the Outstanding Units, all Partnership Securities and options, rights, warrants and appreciation rights relating to an equity interest in the Partnership (a) that are convertible into or exercisable or exchangeable for Partnership Units that are senior to or pari passu with the Junior Subordinated Units, (b) whose conversion, exercise or exchange price is less than the Current Market Price on the date of such calculation, and (c) that may be converted into or exercised or exchanged for such Partnership Units during the Quarter following the end of the last Quarter contained in the period for which the calculation is being made without the satisfaction of any contingency beyond the control of the holder other than the payment of consideration and the compliance with administrative mechanics applicable to such conversion, exercise or exchange; provided that for purposes of determining the number of Outstanding Units on a Fully Diluted Basis when calculating whether the Subordination Period has ended or Senior Subordinated Units or Junior Subordinated Units are entitled to convert into Common Units pursuant to Section 5.8, such Partnership Securities, options, rights, warrants and appreciation rights shall be deemed to have been Outstanding Units only for the four Quarters that comprise the last four Quarters of the measurement period; provided, further, that if consideration will be paid to any Group Member in connection with such conversion, exercise or exchange, the number of Partnership Units to be included in such calculation shall be that number equal to the difference between (i) the number of Partnership Units issuable upon such conversion, exercise or exchange and (ii) the number of Partnership Units which such consideration would purchase at the Current Market Price.

"General Partners" means the Managing General Partner and the Non-Managing General Partner and their successors and permitted assigns as managing general partner and non-managing general partner, respectively, of the Partnership.

"General Partner Interest" means the ownership interest of a General Partner in the Partnership (in its capacity as a general partner without reference to any Limited Partner Interest held by it) which may be evidenced by Partnership Securities or a combination thereof or interest therein, and includes any and all benefits to which a General Partner is entitled as provided in this Agreement, together with all obligations of a General Partner to comply with the terms and provisions of this Agreement.

"Group" means a Person that with or through any of its Affiliates or Associates has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting (except voting pursuant to a revocable proxy or consent given to such Person in response to a proxy or consent solicitation made to 10 or more Persons) or disposing of any Partnership Securities with any other Person that beneficially owns, or whose Affiliates or Associates beneficially own, directly or indirectly, Partnership Securities.

"Group Member" means a member of the Partnership Group.

"Holder" as used in Section 7.12, has the meaning assigned to such term in Section 7.12(a).

"Incentive Distribution Right" means a non-voting Limited Partner Interest issued to Inergy Holdings, LLC pursuant to Section 5.2, which Partnership Interest will confer upon the holder thereof only the rights and obligations specifically provided in this Agreement with respect to Incentive Distribution Rights (and no other rights otherwise available to or other obligations of a holder of a Partnership Interest). Notwithstanding anything in this Agreement to the contrary, the holder of an Incentive Distribution Right shall not be entitled to vote such Incentive Distribution Right on any Partnership matter except as may otherwise be required by law.

"Incentive Distributions" means any amount of cash distributed to the holders of the Incentive Distribution Rights pursuant to Sections 6.4(a)(vi), (vii) and (viii) and 6.4(b)(iii), (iv) and (v).

"Indemnified Persons" has the meaning assigned to such term in Section 7.12(c).

"Indemnitee" means (a) each General Partner, (b) any Departing Partner, (c) any Person who is or was an Affiliate of a General Partner or any Departing Partner, (d) any Person who is or was a member, partner, officer, director, employee, agent or trustee of any Group Member, a General Partner or any Departing Partner or any Affiliate of any Group Member, a General Partner or any Departing Partner, and (e) any Person who is or was serving at the request of a General Partner or any Departing Partner or any Affiliate of a General Partner or any Departing Partner as an officer, director, employee, member, partner, agent, fiduciary or trustee of another Person; provided, that a Person shall not be an Indemnitee by reason of providing, on a fee-for-services basis, trustee, fiduciary or custodial services.

"Initial Common Units" means the Common Units sold in the Initial Offering.

"Initial Limited Partners" means Inergy Partners, LLC, New Inergy Propane, LLC and the Underwriters, in each case upon being admitted to the Partnership in accordance with Section 10.1.

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

"Initial Unit Price" means (a) with respect to the Common Units, the Senior Subordinated Units and the Junior Subordinated Units, the initial public offering price per Common Unit at which the Underwriters offered the Common Units to the public for sale as set forth on the cover page of the prospectus included as part of the Registration Statement and first issued at or after the time the Registration Statement first became effective or (b) with respect to any other class or series of Units, the price per Unit at which such class or series of Units is initially sold by the Partnership, as determined by the Managing General Partner, in each case adjusted as the Managing General Partner determines to be appropriate to give effect to any distribution, subdivision or combination of Units.

"Interim Capital Transactions" means the following transactions if they occur prior to the Liquidation Date: (a) borrowings, refinancings or refundings of indebtedness and sales of debt securities (other than Working Capital Borrowings and other than for items purchased on open account in the ordinary course of business) by any Group Member; (b) sales of equity interests by any Group Member (including the Common Units sold to the Underwriters pursuant to the exercise of their over-allotment option); and (c) sales or other voluntary or involuntary dispositions of any assets of any Group Member other than (i) sales or other dispositions of inventory, accounts receivable and other assets in the ordinary course of business, and (ii) sales or other dispositions of assets as part of normal retirements or replacements.

"Issue Price" means the price at which a Unit is purchased from the Partnership, after taking into account any sales commission or underwriting discount charged to the Partnership.

"Junior Subordinated Units" means a Unit representing a fractional part of the Partnership Interests of all Limited Partners and Assignees, and having the rights and obligations specified with respect to Junior Subordinated Units in this Agreement.

"Limited Partner" means, unless the context otherwise requires, (a) the Organizational Limited Partner prior to its withdrawal from the Partnership, each Initial Limited Partner, each Substituted Limited Partner, each Additional Limited Partner and any Departing Partner upon the change of its status from General Partner to Limited Partner pursuant to Section 11.3 or (b) solely for purposes of Articles V, VI, VII and IX, each Assignee; provided, however, that when the term "Limited Partner" is used herein in the context of any vote or other approval, including without limitation Articles XIII and XIV, such term shall not, solely for such purpose, include any holder of an Incentive Distribution Right except as may otherwise be required by law.

"Limited Partner Interest" means the ownership interest of a Limited Partner or Assignee in the Partnership, which may be evidenced by Common Units, Senior Subordinated Units, Junior Subordinated Units, Incentive Distribution Rights or other Partnership Securities or a combination thereof or interest therein, and includes any and all benefits to which such Limited Partner or Assignee is entitled as provided in this Agreement, together with all obligations of such Limited Partner or Assignee to comply with the terms and provisions of this Agreement; provided, however, that when the term "Limited Partner Interest" is used herein in the context of any vote or other approval, including without limitation Articles XIII and XIV, such term shall not, solely for such purpose, include any holder of an Incentive Distribution Right except as may otherwise be required by law.

"Liquidation Date" means (a) in the case of an event giving rise to the dissolution of the Partnership of the type described in clauses (a) and (b) of the first sentence of Section 12.2, the date on which the applicable time period during which the holders of Outstanding Units have the right to elect to reconstitute the Partnership and continue its business has expired without such an election being made, and (b) in the case of any other event giving rise to the dissolution of the Partnership, the date on which such event occurs.

"Liquidator" means one or more Persons selected by the Managing General Partner to perform the functions described in Section 12.3 as liquidating trustee of the Partnership within the meaning of the Delaware Act.

"Managing General Partner" means Inergy GP, LLC and its successors and permitted assigns as managing general partner of the Partnership.

"Merger Agreement" has the meaning assigned to such term in Section 14.1.

"Minimum Quarterly Distribution" means $0.60 per Unit per Quarter (or with respect to the period commencing on the Closing Date and ending on September 30, 2001, it means the product of $0.60 multiplied by a fraction of which the numerator is the number of days in such period and of which the denominator is 92), subject to adjustment in accordance with Sections 6.6 and 6.9.

"National Securities Exchange" means an exchange registered with the Commission under Section 6(a) of the Securities Exchange Act of 1934, as amended, supplemented or restated from time to time, and any successor to such statute, or the Nasdaq National Market or any successor thereto.

"Net Agreed Value" means, (a) in the case of any Contributed Property, the Agreed Value of such property reduced by any liabilities either assumed by the Partnership upon such contribution or to which such property is subject when contributed, and (b) in the case of any property distributed to a Partner or Assignee by the Partnership, the Partnership's Carrying Value of such property (as adjusted pursuant to Section 5.5(d)(ii)) at the time such property is distributed, reduced by any indebtedness either assumed by such Partner or Assignee upon such distribution or to which such property is subject at the time of distribution, in either case, as determined under Section 752 of the Code.

"Net Income" means, for any taxable year, the excess, if any, of the Partnership's items of income and gain (other than those items taken into account in the computation of Net Termination Gain or Net Termination Loss) for such taxable year over the Partnership's items of loss and deduction (other than those items taken into account in the computation of Net Termination Gain or Net Termination Loss) for such taxable year. The items included in the calculation of Net Income shall be determined in accordance with Section 5.5(b) and shall not include any items specially allocated under Section 6.1(d); provided that the determination of the items that have been specially allocated under Section 6.1(d) shall be made as if Section 6.1(d)(xii) were not in this Agreement.

"Net Loss" means, for any taxable year, the excess, if any, of the Partnership's items of loss and deduction (other than those items taken into account in the computation of Net Termination Gain or Net Termination Loss) for such taxable year over the Partnership's items of income and gain (other than those items taken into account in the computation of Net Termination Gain or Net Termination Loss) for such taxable year. The items included in the calculation of Net Loss shall be determined in accordance with Section 5.5(b) and shall not include any items specially allocated under Section 6.1(d); provided that the determination of the

items that have been specially allocated under Section 6.1(d) shall be made as if Section 6.1(d)(xii) were not in this Agreement.

"Net Positive Adjustments" means, with respect to any Partner, the excess, if any, of the total positive adjustments over the total negative adjustments made to the Capital Account of such Partner pursuant to Book-Up Events and Book-Down Events.

"Net Termination Gain" means, for any taxable year, the sum, if positive, of all items of income, gain, loss or deduction recognized by the Partnership after the Liquidation Date. The items included in the determination of Net Termination Gain shall be determined in accordance with Section 5.5(b) and shall not include any items of income, gain or loss specially allocated under Section 6.1(d).

"Net Termination Loss" means, for any taxable year, the sum, if negative, of all items of income, gain, loss or deduction recognized by the Partnership after the Liquidation Date. The items included in the determination of Net Termination Loss shall be determined in accordance with Section 5.5(b) and shall not include any items of income, gain or loss specially allocated under Section 6.1(d).

"Non-citizen Assignee" means a Person whom the Managing General Partner has determined in its discretion does not constitute an Eligible Citizen and as to whose Partnership Interest the Managing General Partner has become the Substituted Limited Partner, pursuant to Section 4.9.

"Non-Managing General Partner" means Inergy Partners, LLC and its successors and permitted assigns as non-managing general partner of the Partnership.

"Nonrecourse Built-in Gain" means with respect to any Contributed Properties or Adjusted Properties that are subject to a mortgage or pledge securing a Nonrecourse Liability, the amount of any taxable gain that would be allocated to the Partners pursuant to Sections 6.2(b)(i)(A), 6.2(b)(ii)(A) and 6.2(b)(iii) if such properties were disposed of in a taxable transaction in full satisfaction of such liabilities and for no other consideration.

"Nonrecourse Deductions" means any and all items of loss, deduction or expenditures (including, without limitation, any expenditures described in Section 705(a)(2)(B) of the Code) that, in accordance with the principles of Treasury Regulation Section 1.704-2(b), are attributable to a Nonrecourse Liability.

"Nonrecourse Liability" has the meaning set forth in Treasury Regulation Section 1.752-1(a)(2).

"Notice of Election to Purchase" has the meaning assigned to such term in Section 15.1(b).

"Operating Company" means Inergy Propane, LLC, a Delaware limited liability company, and any successors thereto.

"Operating Company Agreement" means the Limited Liability Company Agreement of the Operating Company, as it may be amended, supplemented or restated from time to time.

"Operating Expenditures" means all Partnership Group expenditures, including, but not limited to, taxes, reimbursements of the Managing General Partner, repayment of Working Capital Borrowings, debt service payments, and capital expenditures, subject to the following:

(a) Payments (including prepayments) of principal of and premium on indebtedness other than Working Capital Borrowings shall not constitute Operating Expenditures.

(b) Operating Expenditures shall not include (i) capital expenditures made for Acquisitions or for Capital Improvements, (ii) payment of transaction expenses relating to Interim Capital Transactions or (iii) distributions to Partners. Where capital expenditures are made in part for Acquisitions or for Capital Improvements and in part for other purposes, the Managing General Partner's good faith allocation between the amounts paid for each shall be conclusive.

"Operating Surplus" means, with respect to any period ending prior to the Liquidation Date, on a cumulative basis and without duplication,

(a) the sum of (i) $8.5 million plus all cash and cash equivalents of the Partnership Group on hand as of the close of business on the Closing Date, (ii) all cash receipts of the Partnership Group for the period beginning on the Closing Date and ending with the last day of such period, other than cash receipts from Interim Capital Transactions (except to the extent specified in Section 6.5) and (iii) all cash receipts of the Partnership Group after the end of such period but on or before the date of determination of Operating Surplus with respect to such period resulting from Working Capital Borrowings, less

(b) the sum of (i) Operating Expenditures for the period beginning on the Closing Date and ending with the last day of such period and (ii) the amount of cash reserves that is necessary or advisable in the reasonable discretion of the Managing General Partner to provide funds for future Operating Expenditures; provided, however, that disbursements made (including contributions to a Group Member or disbursements on behalf of a Group Member) or cash reserves established, increased or reduced after the end of such period but on or before the date of determination of Available Cash with respect to such period shall be deemed to have been made, established, increased or reduced, for purposes of determining Operating Surplus, within such period if the Managing General Partner so determines.

Notwithstanding the foregoing, "Operating Surplus" with respect to the Quarter in which the Liquidation Date occurs and any subsequent Quarter shall equal zero.

"Opinion of Counsel" means a written opinion of counsel (who may be regular counsel to the Partnership or either of the General Partners or any of their Affiliates) acceptable to the Managing General Partner in its reasonable discretion.

"Option Closing Date" means the date or dates on which any Common Units are sold by the Partnership to the Underwriters upon exercise of the Over-Allotment Option.

"Organizational Limited Partner" means Inergy Partners, LLC in its capacity as the organizational limited partner of the Partnership pursuant to this Agreement.

"Outstanding" means, with respect to Partnership Securities, all Partnership Securities that are issued by the Partnership and reflected as outstanding on the Partnership's books and records as of the date of determination; provided, however, that if at any time any Person or Group (other than the General Partners or their Affiliates) beneficially owns 20% or more of any Outstanding Partnership Securities of any class then Outstanding, all Partnership Securities owned by such Person or Group shall not be voted on any matter and shall not be considered to be Outstanding when sending notices of a meeting of Limited Partners to vote on any matter (unless otherwise required by law), calculating required votes, determining the presence of a quorum or for other similar purposes under this Agreement, except that Common Units so owned shall be considered to be Outstanding for purposes of Section 11.1(b)(iv) (such Common Units shall not, however, be treated as a separate class of Partnership Securities for purposes of this Agreement); provided, further, that the foregoing limitation shall not apply (i) to any Person or Group who acquired 20% or more of any Outstanding Partnership Securities of any class then Outstanding directly from the General Partners or their Affiliates, (ii) to any Person or Group who acquired 20% or more of any Outstanding Partnership Securities of any class then Outstanding directly or indirectly from a Person or Group described in clause (i) provided that the General Partners shall have notified such Person or Group in writing that such limitation shall not apply or (iii) to any Person or Group who acquired 20% or more of any Partnership Securities issued by the Partnership with the approval of the board of directors of the Managing General Partner.

"Over-Allotment Option" means the over-allotment option granted to the Underwriters by the Partnership pursuant to the Underwriting Agreement.

"Parity Units" means Common Units and all other Units of any other class or series that have the right to receive (i) distributions of Available Cash from Operating Surplus pursuant to each of subclauses (a)(i) and (a)(ii) of Section 6.4 in the same order of priority with respect to the participation of Common Units in such distributions or (ii) to participate in allocations of Net Termination Gain pursuant to Section 6.1(c)(i)(B) in the same order of priority with the Common Units, in each case regardless of whether the amounts or value so distributed or allocated on each Parity Unit equals the amount or value so distributed or allocated on each Common Unit. Units whose participation in such (i) distributions of Available Cash from Operating Surplus and (ii) allocations of Net Termination Gain are subordinate in order of priority to such distributions and allocations on Common Units shall not constitute Parity Units even if such Units are convertible under certain circumstances into Common Units or Parity Units.

"Partner Nonrecourse Debt" has the meaning set forth in Treasury Regulation Section 1.704-2(b)(4).

"Partner Nonrecourse Debt Minimum Gain" has the meaning set forth in Treasury Regulation Section 1.704-2(i)(2).

"Partner Nonrecourse Deductions" means any and all items of loss, deduction or expenditure (including, without limitation, any expenditure described in Section 705(a)(2)(B) of the Code) that, in accordance with the principles of Treasury Regulation Section 1.704-2(i), are attributable to a Partner Nonrecourse Debt.

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

"Partnership" means Inergy, L.P., a Delaware limited partnership, and any successors thereto.

"Partnership Group" means the Partnership, the Operating Company and any Subsidiary of any such entity, treated as a single consolidated entity.

"Partnership Interest" means an interest in the Partnership, which shall include the General Partner Interests and Limited Partner Interests.

"Partnership Minimum Gain" means that amount determined in accordance with the principles of Treasury Regulation Section 1.704-2(d).

"Partnership Security" means any class or series of equity interest in the Partnership (but excluding any options, rights, warrants and appreciation rights relating to an equity interest in the Partnership), including without limitation, Common Units, Senior Subordinated Units, Junior Subordinated Units and Incentive Distribution Rights.

"Percentage Interest" means as of any date of determination (a) as to the Non-Managing General Partner (with respect to its General Partner Interest), 2.0%, (b) as to any Unitholder or Assignee holding Units, the product obtained by multiplying (i) 98% less the percentage applicable to paragraph (c) by (ii) the quotient obtained by dividing (A) the number of Units held by such Unitholder or Assignee by (B) the total number of all Outstanding Units, and (c) as to the holders of additional Partnership Securities issued by the Partnership in accordance with Section 5.6, the percentage established as a part of such issuance. The Percentage Interest with respect to the Managing General Partner's General Partner Interest shall be zero. The Percentage Interest with respect to an Incentive Distribution Right shall at all times be zero.

"Person" means an individual or a corporation, limited liability company, partnership, joint venture, trust, unincorporated organization, association, government agency or political subdivision thereof or other entity.

"Per Unit Capital Amount" means, as of any date of determination, the Capital Account, stated on a per Unit basis, underlying any Unit held by a Person other than the General Partners or any Affiliate of either of the General Partners who holds Units.

"Pro Rata" means (a) when modifying Units or any class thereof, apportioned equally among all designated Units in accordance with their relative Percentage Interests, (b) when modifying Partners and Assignees, apportioned among all Partners and Assignees in accordance with their relative Percentage Interests and (c) when modifying holders of Incentive Distribution Rights, apportioned equally among all holders of Incentive Distribution Rights in accordance with the relative number of Incentive Distribution Rights held by each such holder.

"Purchase Date" means the date determined by the Managing General Partner as the date for purchase of all Outstanding Units of a certain class (other than Units owned by the General Partners and their Affiliates) pursuant to Article XV.

"Quarter" means, unless the context requires otherwise, a fiscal quarter, or with respect to the first fiscal quarter after the Closing Date the portion of such fiscal quarter after the Closing Date, of the Partnership.

"Recapture Income" means any gain recognized by the Partnership (computed without regard to any adjustment required by Section 734 or Section 743 of the Code) upon the disposition of any property or asset of the Partnership, which gain is characterized as ordinary income because it represents the recapture of deductions previously taken with respect to such property or asset.

"Record Date" means the date established by the Managing General Partner for determining (a) the identity of the Record Holders entitled to notice of, or to vote at, any meeting of Limited Partners or entitled to vote by ballot or give approval of Partnership action in writing without a meeting or entitled to exercise rights in respect of any lawful action of Limited Partners or (b) the identity of Record Holders entitled to receive any report or distribution or to participate in any offer.

"Record Holder" means the Person in whose name a Common Unit is registered on the books of the Transfer Agent as of the opening of business on a particular Business Day, or with respect to other Partnership Securities, the Person in whose name any such other Partnership Security is registered on the books which the Managing General Partner has caused to be kept as of the opening of business on such Business Day.

"Redeemable Interests" means any Partnership Interests for which a redemption notice has been given, and has not been withdrawn, pursuant to Section 4.10.

"Registration Statement" means the Registration Statement on Form S-1 (Registration No. 333-56976) as it has been or as it may be amended or supplemented from time to time, filed by the Partnership with the Commission under the Securities Act to register the offering and sale of the Common Units in the Initial Offering.

"Remaining Net Positive Adjustments" means as of the end of any taxable period, (i) with respect to the Unitholders holding Common Units, Senior Subordinated Units or Junior Subordinated Units, the excess of (a) the Net Positive Adjustments of the Unitholders holding Common Units, Senior Subordinated Units or Junior Subordinated Units as of the end of such period over (b) the sum of those Partners' Share of Additional Book Basis Derivative Items for each prior taxable period, (ii) with respect to the Non-Managing General Partner (as holder of the Non-Managing Partner's General Partner Interest), the excess of (a) the Net Positive Adjustments of the Non-Managing General Partner as of the end of such period over (b) the sum of the

Share of Additional Book Basis Derivative Items of the holders of the Incentive Distribution Rights for each prior taxable period.

"Required Allocations" means (a) any limitation imposed on any allocation of Net Losses or Net Termination Losses under Section 6.1(b) or 6.1(c)(ii) and (b) any allocation of an item of income, gain, loss or deduction pursuant to Section 6.1(d)(i), 6.1(d)(ii), 6.1(d)(iv), 6.1(d)(vii) or 6.1(d)(ix).

"Residual Gain" or "Residual Loss" means any item of gain or loss, as the case may be, of the Partnership recognized for federal income tax purposes resulting from a sale, exchange or other disposition of a Contributed Property or Adjusted Property, to the extent such item of gain or loss is not allocated pursuant to Section 6.2(b)(i)(A) or 6.2(b)(ii)(A), respectively, to eliminate Book-Tax Disparities.

"Second Liquidation Target Amount" has the meaning assigned to such term in Section 6.1(c)(i)(F).

"Second Target Distribution" means $0.75 per Unit per Quarter (or, with respect to the period commencing on the Closing Date and ending on September 30, 2001, it means the product of $0.75 multiplied by a fraction of which the numerator is equal to the number of days in such period and of which the denominator is 92), subject to adjustment in accordance with Sections 6.6 and 6.9.

"Securities Act" means the Securities Act of 1933, as amended, supplemented or restated from time to time and any successor to such statute.

"Senior Subordinated Units" means a Unit representing a fractional part of the Partnership Interests of all Limited Partners and Assignees, and having the rights and obligations specified with respect to Senior Subordinated Units in this Agreement.

"Share of Additional Book Basis Derivative Items" means in connection with any allocation of Additional Book Basis Derivative Items for any taxable period, (i) with respect to the Unitholders holding Common Units, Senior Subordinated Units or Junior Subordinated Units, the amount that bears the same ratio to such Additional Book Basis Derivative Items as the Unitholders' Remaining Net Positive Adjustments as of the end of such period bears to the Aggregate Remaining Net Positive Adjustments as of that time, (ii) with respect to the Non-Managing General Partner (as holder of the Non-Managing Partner's General Partner Interest), the amount that bears the same ratio to such additional Book Basis Derivative Items as the Non-Managing General Partner's Remaining Net Positive Adjustments as of the end of such period bears to the Aggregate Remaining Net Positive Adjustment as of that time, and (iii) with respect to the Partners holding Incentive Distribution Rights, the amount that bears the same ratio to such Additional Book Basis Derivative Items as the Remaining Net Positive Adjustments of the Partners holding the Incentive Distribution Rights as of the end of such period bears to the Aggregate Remaining Net Positive Adjustments as of that time.

"Special Approval" means approval by a majority of the members of the Conflicts Committee.

"Subordinated Unit" means a Senior Subordinated Unit or a Junior Subordinated Unit. The term "Subordinated Unit" as used herein does not include a Common Unit or Parity Unit. A Subordinated Unit that is convertible into a Common Unit or a Parity Unit shall not constitute a Common Unit or Parity Unit until such conversion occurs.

"Subordination Period" means the period commencing on the Closing Date and ending on the first to occur of the following dates:

(a) the first day of any Quarter beginning after June 30, 2006, in the case of the Senior Subordinated Units, or June 30, 2008, in the case of the Junior Subordinated Units, in respect of which (i) (A) distributions of Available Cash from Operating Surplus on each of the Outstanding Common Units, Senior Subordinated Units and Junior Subordinated Units and any other Outstanding Units that are senior or equal in right of distribution to the Junior Subordinated Units with respect to each of the three consecutive, non-overlapping four-Quarter periods immediately preceding such date equaled or exceeded the sum of the Minimum Quarterly Distribution (or portion thereof for the first fiscal quarter after the Closing Date) on all Outstanding Common Units, Senior Subordinated Units and Junior Subordinated Units during such periods and any other Outstanding Units that are senior or equal in right of distribution to the Junior Subordinated Units and (B) the Adjusted Operating Surplus generated during each of the three consecutive, non-overlapping four-Quarter periods immediately preceding such date equaled or exceeded the sum of the Minimum Quarterly Distribution on all of the Common Units, Senior Subordinated Units and Junior Subordinated Units and any other Units that are senior or equal in right of distribution to the Junior Subordinated Units that were Outstanding during such periods on a Fully Diluted Basis, plus the related distribution on the General Partner Interest during such periods and (ii) there are no Cumulative Common Unit Arrearages; and

(b) the date on which the Managing General Partner is removed as general partner of the Partnership upon the requisite vote by holders of Outstanding Units under circumstances where Cause does not exist and Units held by the General Partners and their Affiliates are not voted in favor of such removal.

"Subsidiary" means, with respect to any Person, (a) a corporation of which more than 50% of the voting power of shares entitled (without regard to the occurrence of any contingency) to vote in the election of directors or other governing body of such corporation is owned, directly or indirectly, at the date of determination, by such Person, by one or more Subsidiaries of such Person or a combination thereof, (b) a partnership (whether general or limited) in which such Person or a Subsidiary of such Person is, at the date of determination, a general or limited partner of such partnership, but only if more than 50% of the partnership interests of such partnership (considering all of the partnership interests of the partnership as a single class) is owned, directly or indirectly, at the date of determination, by such Person, by one or more Subsidiaries of such Person, or a combination thereof, or (c) any other Person (other than a corporation or a partnership) in which such Person, one or more Subsidiaries of such Person, or a combination thereof, directly or indirectly, at the date of determination, has (i) at least a majority ownership interest or (ii) the power to elect or direct the election of a majority of the directors or other governing body of such-Person.

"Substituted Limited Partner" means a Person who is admitted as a Limited Partner to the Partnership pursuant to Section 10.2 in place of and with all the rights of a Limited Partner and who is shown as a Limited Partner on the books and records of the Partnership.

"Surviving Business Entity" has the meaning assigned to such term in Section 14.2(b).

"Third Target Distribution" means $0.90 per Unit per Quarter (or, with respect to the period commencing on the Closing Date and ending on September 30, 2001, it means the product of $0.90 multiplied by a fraction of which the numerator is equal to the number of days in such period and of which the denominator is 92), subject to adjustment in accordance with Sections 6.6 and 6.9.

"Third Target Liquidation Amount" has the meaning assigned to such term in Section 6.1(c)(i)(G).

"Trading Day" has the meaning assigned to such term in Section 15.1(a).

"Transfer" has the meaning assigned to such term in Section 4.4(a).

"Transfer Agent" means such bank, trust company or other Person (including the Managing General Partner or one of its Affiliates) as shall be appointed from time to time by the Partnership to act as registrar and transfer agent for the Common Units; provided that if no Transfer Agent is specifically designated for any other Partnership Securities, the Managing General Partner shall act in such capacity.

"Transfer Application" means an application and agreement for transfer of Units in the form set forth on the back of a Certificate or in a form substantially to the same effect in a separate instrument.

"Underwriter" means each Person named as an underwriter in Schedule I to the Underwriting Agreement who purchases Common Units pursuant thereto.

"Underwriting Agreement" means the Underwriting Agreement dated July 25, 2001 among the Underwriters, the Partnership and certain other parties, providing for the purchase of Common Units by such Underwriters.

"Unit" means a Partnership Security that is designated as a "Unit" and shall include Common Units and Subordinated Units but shall not include (i) a General Partner Interest or (ii) Incentive Distribution Rights.

"Unitholders" means the holders of Common Units and Subordinated Units.

"Unit Majority" means, during the Subordination Period, at least a majority of the Outstanding Common Units (excluding Common Units owned by the General Partners and their Affiliates), voting as a class, and at least a majority of the Outstanding Senior Subordinated Units and Junior Subordinated Units, voting together as a single class, and thereafter, at least a majority of the Outstanding Common Units.

"Unpaid MQD" has the meaning assigned to such term in Section 6.1(c)(i)(B).

"Unrealized Gain" attributable to any item of Partnership property means, as of any date of determination, the excess, if any, of (a) the fair market value of such property as of such date (as determined under Section 5.5(d)) over (b) the Carrying Value of such property as of such date (prior to any adjustment to be made pursuant to Section 5.5(d) as of such date).

"Unrealized Loss" attributable to any item of Partnership property means, as of any date of determination, the excess, if any, of (a) the Carrying Value of such property as of such date (prior to any adjustment to be made pursuant to Section 5.5(d) as of such date) over (b) the fair market value of such property as of such date (as determined under Section 5.5(d)).

"Unrecovered Capital" means at any time, with respect to a Unit, the Initial Unit Price less the sum of all distributions constituting Capital Surplus theretofore made in respect of an Initial Common Unit and any distributions of cash (or the Net Agreed Value of any distributions in kind) in connection with the dissolution and liquidation of the Partnership theretofore made in respect of an Initial Common Unit, adjusted as the Managing General Partner determines to be appropriate to give effect to any distribution, subdivision or combination of such Units.

"US GAAP" means United States Generally Accepted Accounting Principles consistently applied.

"Withdrawal Opinion of Counsel" has the meaning assigned to such term in Section 11.1(b).

"Working Capital Borrowings" means borrowings exclusively for working capital purposes made pursuant to a credit facility or other arrangement requiring all such borrowings thereunder to be reduced to a relatively small amount each year (or for the year in which the Initial Offering is consummated, the 12-month period beginning on the Closing Date) for an economically meaningful period of time.

Section 1.2. Construction.

Unless the context requires otherwise: (a) any pronoun used in this Agreement shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns, pronouns and verbs shall include the plural and vice versa; (b) references to Articles and Sections refer to Articles and Sections of this Agreement; and (c) the term "include" or "includes" means includes, without limitation, and "including" means including, without limitation.

ARTICLE II
ORGANIZATION

Section 2.1. Formation.

The Managing General Partner, the Non-Managing General Partner and the Organizational Limited Partner have previously formed the Partnership as a limited partnership pursuant to the provisions of the Delaware Act and hereby amend and restate the original

Agreement of Limited Partnership of Inergy, L.P. in its entirety. This amendment and restatement shall become effective on the date of this Agreement. Except as expressly provided to the contrary in this Agreement, the rights, duties (including fiduciary duties), liabilities and obligations of the Partners and the administration, dissolution and termination of the Partnership shall be governed by the Delaware Act. All Partnership Interests shall constitute personal property of the owner thereof for all purposes and a Partner has no interest in specific Partnership property.

Section 2.2. Name.

The name of the Partnership shall be "Inergy, L.P." The Partnership's business may be conducted under any other name or names deemed necessary or appropriate by the Managing General Partner in its sole discretion, including the name of the Managing General Partner. The words "Limited Partnership," "Ltd." or similar words or letters shall be included in the Partnership's name where necessary for the purpose of complying with the laws of any jurisdiction that so requires. The Managing General Partner in its discretion may change the name of the Partnership at any time and from time to time and shall notify the Limited Partners of such change in the next regular communication to the Limited Partners.

Section 2.3. Registered Office; Registered Agent; Principal Office; Other Offices.

Unless and until changed by the Managing General Partner, the registered office of the Partnership in the State of Delaware shall be located at 1209 Orange Street, Wilmington, Delaware 19801, and the registered agent for service of process on the Partnership in the State of Delaware at such registered office shall be The Corporation Trust Company. The principal office of the Partnership shall be located at 1101 Walnut, Suite 1500, Kansas City, Missouri 64106 or such other place as the Managing General Partner may from time to time designate by notice to the Limited Partners. The Partnership may maintain offices at such other place or places within or outside the State of Delaware as the Managing General Partner deems necessary or appropriate. The address of the Managing General Partner shall be 1101 Walnut, Suite 1500, Kansas City, Missouri 64106 or such other place as the Managing General Partner may from time to time designate by notice to the Limited Partners.

Section 2.4. Purpose and Business.

The purpose and nature of the business to be conducted by the Partnership shall be to (a) serve as a member of the Operating Company and, in connection therewith, to exercise all the rights and powers conferred upon the Partnership as a member of the Operating Company pursuant to the Operating Company Agreement or otherwise, (b) engage directly in, or enter into or form any corporation, partnership, joint venture, limited liability company or other arrangement to engage indirectly in, any business activity that the Operating Company is permitted to engage in by the Operating Company Agreement and, in connection therewith, to exercise all of the rights and powers conferred upon the Partnership pursuant to the agreements relating to such business activity, (c) engage directly in, or enter into or form any corporation, partnership, joint venture, limited liability company or other entity or arrangement to engage indirectly in, any business activity that the Managing General Partner approves and which lawfully may be conducted by a limited partnership organized pursuant to the Delaware Act and,

in connection therewith, to exercise all of the rights and powers conferred upon the Partnership pursuant to the agreements relating to such business activity; provided, however, that the Managing General Partner reasonably determines, as of the date of the acquisition or commencement of such activity, that such activity (i) generates "qualifying income" (as such term is defined pursuant to Section 7704 of the Code) or a Subsidiary, or a Partnership activity that generates qualifying income, or (ii) enhances the operations of an activity of the Operating Company and (d) do anything necessary or appropriate to the foregoing, including the making of capital contributions or loans to a Group Member. The Managing General Partner has no obligation or duty to the Partnership, the Limited Partners, the Non-Managing General Partner or the Assignees to propose or approve, and in its discretion may decline to propose or approve, the conduct by the Partnership of any business.

Section 2.5. Powers.

The Partnership shall be empowered to do any and all acts and things necessary, appropriate, proper, advisable, incidental to or convenient for the furtherance and accomplishment of the purposes and business described in Section 2.4 and for the protection and benefit of the Partnership.

Section 2.6. Power of Attorney.

(a) Each Limited Partner and each Assignee hereby constitutes and appoints the Managing General Partner and, if a Liquidator shall have been selected pursuant to Section 12.3, the Liquidator (and any successor to the Liquidator by merger, transfer, assignment, election or otherwise) and each of their authorized officers and attorneys-in-fact, as the case may be, with full power of substitution, as his true and lawful agent and attorney-in-fact, with full power and authority in his name, place and stead, to:

(i) execute, swear to, acknowledge, deliver, file and record in the appropriate public offices (A) all certificates, documents and other instruments (including this Agreement and the Certificate of Limited Partnership and all amendments or restatements hereof or thereof) that the Managing General Partner or the Liquidator deems necessary or appropriate to form, qualify or continue the existence or qualification of the Partnership as a limited partnership (or a partnership in which the limited partners have limited liability) in the State of Delaware and in all other jurisdictions in which the Partnership may conduct business or own property; (B) all certificates, documents and other instruments that the Managing General Partner or the Liquidator deems necessary or appropriate to reflect, in accordance with its terms, any amendment, change, modification or restatement of this Agreement; (C) all certificates, documents and other instruments (including conveyances and a certificate of cancellation) that the Managing General Partner or the Liquidator deems necessary or appropriate to reflect the dissolution and liquidation of the Partnership pursuant to the terms of this Agreement; (D) all certificates, documents and other instruments relating to the admission, withdrawal, removal or substitution of any Partner pursuant to, or other events described in, Article IV, X, XI or XII; (E) all certificates, documents and other instruments relating to the determination of the rights, preferences and privileges of any class or series of Partnership Securities issued pursuant to Section 5.6; and (F) all certificates, documents

and other instruments (including agreements and a certificate of merger) relating to a merger or consolidation of the Partnership pursuant to Article XIV; and

(ii) execute, swear to, acknowledge, deliver, file and record all ballots, consents, approvals, waivers, certificates, documents and other instruments necessary or appropriate, in the discretion of the Managing General Partner or the Liquidator, to make, evidence, give, confirm or ratify any vote, consent, approval, agreement or other action that is made or given by the Partners hereunder or is consistent with the terms of this Agreement or is necessary or appropriate, in the discretion of the Managing General Partner or the Liquidator, to effectuate the terms or intent of this Agreement; provided, that when required by Section 13.3 or any other provision of this Agreement that establishes a percentage of the Limited Partners or of the Limited Partners of any class or series required to take any action, the Managing General Partner and the Liquidator may exercise the power of attorney made in this Section 2.6(a)(ii) only after the necessary vote, consent or approval of the Limited Partners or of the Limited Partners of such class or series, as applicable.

Nothing contained in this Section 2.6(a) shall be construed as authorizing the Managing General Partner to amend this Agreement except in accordance with Article XIII or as may be otherwise expressly provided for in this Agreement.

(b) The foregoing power of attorney is hereby declared to be irrevocable and a power coupled with an interest, and it shall survive and, to the maximum extent permitted by law, not be affected by the subsequent death, incompetency, disability, incapacity, dissolution, bankruptcy or termination of any Limited Partner or Assignee and the transfer of all or any portion of such Limited Partner's or Assignee's Partnership Interest and shall extend to such Limited Partner's or Assignee's heirs, successors, assigns and personal representatives. Each such Limited Partner or Assignee hereby agrees to be bound by any representation made by the Managing General Partner or the Liquidator acting in good faith pursuant to such power of attorney; and each such Limited Partner or Assignee, to the maximum extent permitted by law, hereby waives any and all defenses that may be available to contest, negate or disaffirm the action of the Managing General Partner or the Liquidator taken in good faith under such power of attorney. Each Limited Partner or Assignee shall execute and deliver to the Managing General Partner or the Liquidator, within 15 days after receipt of the request therefor, such further designation, powers of attorney and other instruments as the Managing General Partner or the Liquidator deems necessary to effectuate this Agreement and the purposes of the Partnership.

Section 2.7. Term.

The term of the Partnership commenced upon the filing of the Certificate of Limited Partnership in accordance with the Delaware Act and shall continue in existence until the dissolution of the Partnership in accordance with the provisions of Article XII. The existence of the Partnership as a separate legal entity shall continue until the cancellation of the Certificate of Limited Partnership as provided in the Delaware Act.

Section 2.8. Title to Partnership Assets.

Title to Partnership assets, whether real, personal or mixed and whether tangible or intangible, shall be deemed to be owned by the Partnership as an entity, and no Partner or Assignee, individually or collectively, shall have any ownership interest in such Partnership assets or any portion thereof. Title to any or all of the Partnership assets may be held in the name of the Partnership, the Managing General Partner, one or more of its Affiliates or one or more nominees, as the Managing General Partner may determine. The Managing General Partner hereby declares and warrants that any Partnership assets for which record title is held in the name of the Managing General Partner or one or more of its Affiliates or one or more nominees shall be held by the Managing General Partner or such Affiliate or nominee for the use and benefit of the Partnership in accordance with the provisions of this Agreement; provided, however, that the Managing General Partner shall use reasonable efforts to cause record title to such assets (other than those assets in respect of which the Managing General Partner determines that the expense and difficulty of conveyancing makes transfer of record title to the Partnership impracticable) to be vested in the Partnership as soon as reasonably practicable; provided, further, that, prior to the withdrawal or removal of the Managing General Partner or as soon thereafter as practicable, the Managing General Partner shall use reasonable efforts to effect the transfer of record title to the Partnership and, prior to any such transfer, will provide for the use of such assets in a manner satisfactory to the Managing General Partner. All Partnership assets shall be recorded as the property of the Partnership in its books and records, irrespective of the name in which record title to such Partnership assets is held.

ARTICLE III
RIGHTS OF LIMITED PARTNERS

Section 3.1. Limitation of Liability.

The Limited Partners and the Assignees shall have no liability under this Agreement except as expressly provided in this Agreement or the Delaware Act.

Section 3.2. Management of Business.

No Limited Partner or Assignee, in its capacity as such, shall participate in the operation, management or control (within the meaning of the Delaware Act) of the Partnership's business, transact any business in the Partnership's name or have the power to sign documents for or otherwise bind the Partnership. Any action taken by any Affiliate of a General Partner or any officer, director, employee, manager, member, general partner, agent or trustee of a General Partner or any of its Affiliates, or any officer, director, employee, manager, member, general partner, agent or trustee of a Group Member, in its capacity as such, shall not be deemed to be participation in the control of the business of the Partnership by a limited partner of the Partnership (within the meaning of Section 17-303(a) of the Delaware Act) and shall not affect, impair or eliminate the limitations on the liability of the Limited Partners or Assignees under this Agreement.

Section 3.3. Outside Activities of the Limited Partners.

Subject to the provisions of Section 7.5, any Limited Partner or Assignee shall be entitled to and may have business interests and engage in business activities in addition to those relating to the Partnership, including business interests and activities in direct competition with the Partnership Group. Neither the Partnership nor any of the other Partners or Assignees shall have any rights by virtue of this Agreement in any business ventures of any Limited Partner or Assignee.

Section 3.4. Rights of Limited Partners.

(a) In addition to other rights provided by this Agreement or by applicable law, and except as limited by Section 3.4(b), each Limited Partner shall have the right, for a purpose reasonably related to such Limited Partner's interest as a limited partner in the Partnership, upon reasonable written demand and at such Limited Partner's own expense:

(i) to obtain true and full information regarding the status of the business and financial condition of the Partnership;

(ii) promptly after becoming available, to obtain a copy of the Partnership's federal, state and local income tax returns for each year;

(iii) to have furnished to him a current list of the name and last known business, residence or mailing address of each Partner;

(iv) to have furnished to him a copy of this Agreement and the Certificate of Limited Partnership and all amendments thereto, together with a copy of the executed copies of all powers of attorney pursuant to which this Agreement, the Certificate of Limited Partnership and all amendments thereto have been executed;

(v) to obtain true and full information regarding the amount of cash and a description and statement of the Net Agreed Value of any other Capital Contribution by each Partner and which each Partner has agreed to contribute in the future, and the date on which each became a Partner; and

(vi) to obtain such other information regarding the affairs of the Partnership as is just and reasonable.

(b) The Managing General Partner may keep confidential from the Limited Partners and Assignees, for such period of time as the Managing General Partner deems reasonable, (i) any information that the Managing General Partner reasonably believes to be in the nature of trade secrets or (ii) other information the disclosure of which the Managing General Partner in good faith believes (A) is not in the best interests of the Partnership Group, (B) could damage the Partnership Group or (C) that any Group Member is required by law or by agreement with any third party to keep confidential (other than agreements with Affiliates of the Partnership the primary purpose of which is to circumvent the obligations set forth in this Section 3.4).

ARTICLE IV
CERTIFICATES; RECORD HOLDERS; TRANSFER OF PARTNERSHIP INTERESTS; REDEMPTION OF PARTNERSHIP INTERESTS

Section 4.1. Certificates.

Upon the Partnership's issuance of Common Units, Senior Subordinated Units or Junior Subordinated Units to any Person, the Partnership shall issue one or more Certificates in the name of such Person evidencing the number of such Units being so issued. In addition, (a) upon a Managing General Partner's request, the Partnership shall issue to it one or more Certificates in the name of such Managing General Partner evidencing its interests in the Partnership; (b) upon the request of the Non-Managing General Partner, the Partnership shall issue to it one or more Certificates in the name of the Non-Managing General Partner evidencing its interests in the Partnership; and (c) upon the request of any Person owning Incentive Distribution Rights or any other Partnership Securities other than Common Units, Senior Subordinated Units or Junior Subordinated Units, the Partnership shall issue to such Person one or more certificates evidencing such Incentive Distribution Rights or other Partnership Securities other than Common Units, Senior Subordinated Units or Junior Subordinated Units. Certificates shall be executed on behalf of the Partnership by the Chairman of the Board, President or any Vice President and the Secretary or any Assistant Secretary of the Managing General Partner. No Common Unit Certificate shall be valid for any purpose until it has been countersigned by the Transfer Agent; provided, however, that if the Managing General Partner elects to issue Common Units in global form, the Common Unit Certificates shall be valid upon receipt of a certificate from the Transfer Agent certifying that the Common Units have been duly registered in accordance with the directions of the Partnership and the Underwriters. Subject to the requirements of Section 6.7(b), the Partners holding Certificates evidencing Senior Subordinated Units or Junior Subordinated Units may exchange such Certificates for Certificates evidencing Common Units on or after the date on which such Senior Subordinated Units or Junior Subordinated Units are converted into Common Units pursuant to the terms of Section 5.8.

Section 4.2. Mutilated, Destroyed, Lost or Stolen Certificates.

(a) If any mutilated Certificate is surrendered to the Transfer Agent, the appropriate officers of the Managing General Partner on behalf of the Partnership shall execute, and the Transfer Agent shall countersign and deliver in exchange therefor, a new Certificate evidencing the same number and type of Partnership Securities as the Certificate so surrendered.

(b) The appropriate officers of the Managing General Partner on behalf of the Partnership shall execute and deliver, and the Transfer Agent shall countersign a new Certificate in place of any Certificate previously issued if the Record Holder of the Certificate:

(i) makes proof by affidavit, in form and substance satisfactory to the Partnership, that a previously issued Certificate has been lost, destroyed or stolen;

(ii) requests the issuance of a new Certificate before the Partnership has notice that the Certificate has been acquired by a purchaser for value in good faith and without notice of an adverse claim;

(iii) if requested by the Partnership, delivers to the Partnership a bond, in form and substance satisfactory to the Partnership, with surety or sureties and with fixed or open penalty as the Partnership may reasonably direct, in its sole discretion, to indemnify the Partnership, the Partners, the Managing General Partner and the Transfer Agent against any claim that may be made on account of the alleged loss, destruction or theft of the Certificate; and

(iv) satisfies any other reasonable requirements imposed by the Partnership.

If a Limited Partner or Assignee fails to notify the Partnership within a reasonable time after he has notice of the loss, destruction or theft of a Certificate, and a transfer of the Limited Partner Interests represented by the Certificate is registered before the Partnership, the Managing General Partner or the Transfer Agent receives such notification, the Limited Partner or Assignee shall be precluded from making any claim against the Partnership, the Managing General Partner or the Transfer Agent for such transfer or for a new Certificate.

(c) As a condition to the issuance of any new Certificate under this Section 4.2, the Partnership may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Transfer Agent) reasonably connected therewith.

Section 4.3. Record Holders.

The Partnership shall be entitled to recognize the Record Holder as the Partner or Assignee with respect to any Partnership Interest and, accordingly, shall not be bound to recognize any equitable or other claim to or interest in such Partnership Interest on the part of any other Person, regardless of whether the Partnership shall have actual or other notice thereof, except as otherwise provided by law or any applicable rule, regulation, guideline or requirement of any National Securities Exchange on which such Partnership Interests are listed for trading. Without limiting the foregoing, when a Person (such as a broker, dealer, bank, trust company or clearing corporation or an agent of any of the foregoing) is acting as nominee, agent or in some other representative capacity for another Person in acquiring and/or holding Partnership Interests, as between the Partnership on the one hand, and such other Persons on the other, such representative Person (a) shall be the Partner or Assignee (as the case may be) of record and beneficially, (b) must execute and deliver a Transfer Application and (c) shall be bound by this Agreement and shall have the rights and obligations of a Partner or Assignee (as the case may be) hereunder and as, and to the extent, provided for herein.

Section 4.4. Transfer Generally.

(a) The term "transfer," when used in this Agreement with respect to a Partnership Interest, shall be deemed to refer to a transaction by which a General Partner assigns its General Partner Interest to another Person who becomes a General Partner, by which the holder of a Limited Partner Interest assigns such Limited Partner Interest to another Person who is or becomes a Limited Partner or an Assignee, and includes a sale, assignment, gift, pledge, encumbrance, hypothecation, mortgage, exchange or any other disposition by law or otherwise.

(b) No Partnership Interest shall be transferred, in whole or in part, except in accordance with the terms and conditions set forth in this Article IV. Any transfer or purported transfer of a Partnership Interest not made in accordance with this Article IV shall be null and void.

(c) Nothing contained in this Agreement shall be construed to prevent a disposition by any member of a General Partner of any or all of the issued and outstanding membership interests of such General Partner.

Section 4.5. Registration and Transfer of Limited Partner Interests.

(a) The Partnership shall keep or cause to be kept on behalf of the Partnership a register in which, subject to such reasonable regulations as it may prescribe and subject to the provisions of Section 4.5(b), the Partnership will provide for the registration and transfer of Limited Partner Interests. The Transfer Agent is hereby appointed registrar and transfer agent for the purpose of registering Common Units and transfers of such Common Units as herein provided. The Partnership shall not recognize transfers of Certificates evidencing Limited Partner Interests unless such transfers are effected in the manner described in this Section 4.5. Upon surrender of a Certificate for registration of transfer of any Limited Partner Interests evidenced by a Certificate, and subject to the provisions of Section 4.5(b), the appropriate officers of the Managing General Partner on behalf of the Partnership shall execute and deliver, and in the case of Common Units, the Transfer Agent shall countersign and deliver, in the name of the holder or the designated transferee or transferees, as required pursuant to the holder's instructions, one or more new Certificates evidencing the same aggregate number and type of Limited Partner Interests as was evidenced by the Certificate so surrendered.

(b) Except as otherwise provided in Section 4.9, the Partnership shall not recognize any transfer of Limited Partner Interests until the Certificates evidencing such Limited Partner Interests are surrendered for registration of transfer and such Certificates are accompanied by a Transfer Application duly executed by the transferee (or the transferee's attorney-in-fact duly authorized in writing). No charge shall be imposed by the Partnership for such transfer; provided, that as a condition to the issuance of any new Certificate under this Section 4.5, the Partnership may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed with respect thereto.

(c) Limited Partner Interests may be transferred only in the manner described in this Section 4.5. The transfer of any Limited Partner Interests and the admission of any new Limited Partner shall not constitute an amendment to this Agreement.

(d) Until admitted as a Substituted Limited Partner pursuant to Section 10.2, the Record Holder of a Limited Partner Interest shall be an Assignee in respect of such Limited Partner Interest. Limited Partners may include custodians, nominees or any other individual or entity in its own or any representative capacity.

(e) A transferee of a Limited Partner Interest who has completed and delivered a Transfer Application shall be deemed to have (i) requested admission as a Substituted Limited Partner, (ii) agreed to comply with and be bound by and to have executed this

Agreement, (iii) represented and warranted that such transferee has the right, power and authority and, if an individual, the capacity to enter into this Agreement, (iv) granted the powers of attorney set forth in this Agreement and (v) given the consents and approvals and made the waivers contained in this Agreement.

(f) Each General Partner and its Affiliates shall have the right at any time to transfer their Senior Subordinated Units, Junior Subordinated Units and Common Units (whether issued upon conversion of the Subordinated Units or otherwise) to one or more Persons.

Section 4.6. Transfer of the Managing General Partner's General Partner Interest.

(a) Subject to Section 4.6(c) below, prior to June 30, 2011, the Managing General Partner shall not transfer all or any part of its General Partner Interest to a Person unless such transfer (i) has been approved by the prior written consent or vote of the holders of at least a majority of the Outstanding Common Units (excluding Common Units held by the General Partners and their Affiliates) or (ii) is of all, but not less than all, of its General Partner Interest to (A) an Affiliate of the Managing General Partner (other than an individual) or (B) another Person (other than an individual) in connection with the merger or consolidation of the Managing General Partner with or into another Person (other than an individual) or the transfer by such General Partner of all or substantially all of its assets to another Person (other than an individual).

(b) Subject to Section 4.6(c) below, on or after June 30, 2011, a General Partner may transfer all or any of its General Partner Interest without Unitholder approval.

(c) Notwithstanding anything herein to the contrary, no transfer by a General Partner of all or any part of its General Partner Interest to another Person shall be permitted unless (i) the transferee agrees to assume the rights and duties of such General Partner under this Agreement and to be bound by the provisions of this Agreement, (ii) the Partnership receives an Opinion of Counsel that such transfer would not result in the loss of limited liability of any Limited Partner or of any member of the Operating Company or cause the Partnership or the Operating Company to be treated as an association taxable as a corporation or otherwise to be taxed as an entity for federal income tax purposes (to the extent not already so treated or taxed), (iii) in the case of the Managing General Partner's General Partner Interest, such transferee also agrees to purchase all (or the appropriate portion thereof, if applicable) of the partnership or membership interest of the Managing General Partner as the general partner or managing member, if any, of each other Group Member and (iv) in the case of the Non-Managing Partner's General Partner Interest, (x) such transferee also agrees to purchase all (or the appropriate portion thereof, if applicable) of the partnership or membership interest of the Non-Managing General Partner as the general partner or member, if any, of each other Group Member and (y) the Managing General Partner consents to such transfer. In the case of a transfer pursuant to and in compliance with this Section 4.6, the transferee or successor (as the case may be) shall, subject to compliance with the terms of Section 10.3, be admitted to the Partnership as a General Partner immediately prior to the transfer of the Partnership Interest, and the business of the Partnership shall continue without dissolution.

Section 4.7. Transfer of Incentive Distribution Rights.

Prior to June 30, 2011, a holder of Incentive Distribution Rights may transfer any or all of the Incentive Distribution Rights held by such holder without any consent of the Unitholders (a) to an Affiliate of such holder (other than an individual) or (b) to another Person (other than an individual) in connection with (i) the merger or consolidation of such holder of Incentive Distribution Rights with or into such other Person or (ii) the transfer by such holder of all or substantially all of its assets to such other Person provided that the transferee also owns, controls or is controlled by the owner of the Managing General Partner. Any other transfer of the Incentive Distribution Rights prior to June 30, 2011, shall require the prior approval of holders at least a majority of the Outstanding Common Units (excluding Common Units held by the General Partners and their Affiliates). On or after June 30, 2011, the Non-Managing General Partner, Inergy Holdings, LLC, or any other holder of Incentive Distribution Rights may transfer any or all of its Incentive Distribution Rights without Unitholder approval. Notwithstanding anything herein to the contrary, no transfer of Incentive Distribution Rights to another Person shall be permitted unless the transferee agrees to be bound by the provisions of this Agreement.

Section 4.8. Restrictions on Transfers.

(a) Except as provided in Section 4.8(d) below, but notwithstanding the other provisions of this Article IV, no transfer of any Partnership Interests shall be made if such transfer would (i) violate the then applicable federal or state securities laws or rules and regulations of the Commission, any state securities commission or any other governmental authority with jurisdiction over such transfer, (ii) terminate the existence or qualification of the Partnership or Operating Company under the laws of the jurisdiction of its formation, or (iii) cause the Partnership or Operating Company to be treated as an association taxable as a corporation or otherwise to be taxed as an entity for federal income tax purposes (to the extent not already so treated or taxed).

(b) The Managing General Partner may impose restrictions on the transfer of Partnership Interests if a subsequent Opinion of Counsel determines that such restrictions are necessary to avoid a significant risk of the Partnership or Operating Company becoming taxable as a corporation or otherwise to be taxed as an entity for federal income tax purposes. The restrictions may be imposed by making such amendments to this Agreement as the Managing General Partner may determine to be necessary or appropriate to impose such restrictions; provided, however, that any amendment that the Managing General Partner believes, in the exercise of its reasonable discretion, could result in the delisting or suspension of trading of any class of Limited Partner Interests on the principal National Securities Exchange on which such class of Limited Partner Interests is then traded must be approved, prior to such amendment being effected, by the holders of at least a majority of the Outstanding Limited Partner Interests of such class.

(c) The transfer of a Subordinated Unit that has converted into a Common Unit shall be subject to the restrictions imposed by Section 6.7(b).

(d) Nothing contained in this Article IV, or elsewhere in this Agreement, shall preclude the settlement of any transactions involving Partnership Interests entered into through

the facilities of any National Securities Exchange on which such Partnership Interests are listed for trading.

Section 4.9. Citizenship Certificates; Non-citizen Assignees.

(a) If any Group Member is or becomes subject to any federal, state or local law or regulation that, in the reasonable determination of the Managing General Partner, creates a substantial risk of cancellation or forfeiture of any property in which the Group Member has an interest based on the nationality, citizenship or other related status of a Limited Partner or Assignee, the Managing General Partner may request any Limited Partner or Assignee to furnish to the Managing General Partner, within 30 days after receipt of such request, an executed Citizenship Certification or such other information concerning his nationality, citizenship or other related status (or, if the Limited Partner or Assignee is a nominee holding for the account of another Person, the nationality, citizenship or other related status of such Person) as the Managing General Partner may request. If a Limited Partner or Assignee fails to furnish to the Managing General Partner within the aforementioned 30-day period such Citizenship Certification or other requested information or if upon receipt of such Citizenship Certification or other requested information the Managing General Partner determines, with the advice of counsel, that a Limited Partner or Assignee is not an Eligible Citizen, the Partnership Interests owned by such Limited Partner or Assignee shall be subject to redemption in accordance with the provisions of Section 4.10. In addition, the Managing General Partner may require that the status of any such Partner or Assignee be changed to that of a Non-citizen Assignee and, thereupon, the Managing General Partner shall be substituted for such Non-citizen Assignee as the Limited Partner in respect of his Limited Partner Interests.

(b) The Managing General Partner shall, in exercising voting rights in respect of Limited Partner Interests held by it on behalf of Non-citizen Assignees, distribute the votes in the same ratios as the votes of Partners (including without limitation the General Partners) in respect of Limited Partner Interests other than those of Non-citizen Assignees are cast, either for, against or abstaining as to the matter.

(c) Upon dissolution of the Partnership, a Non-citizen Assignee shall have no right to receive a distribution in kind pursuant to Section 12.4 but shall be entitled to the cash equivalent thereof, and the Partnership shall provide cash in exchange for an assignment of the Non-citizen Assignee's share of the distribution in kind. Such payment and assignment shall be treated for Partnership purposes as a purchase by the Partnership from the Non-citizen Assignee of his Limited Partner Interest (representing his right to receive his share of such distribution in kind).

(d) At any time after he can and does certify that he has become an Eligible Citizen, a Non-citizen Assignee may, upon application to the General Partner, request admission as a Substituted Limited Partner with respect to any Limited Partner Interests of such Non-citizen Assignee not redeemed pursuant to Section 4.10, and upon his admission pursuant to Section 10.2, the Managing General Partner shall cease to be deemed to be the Limited Partner in respect of the Non-citizen Assignee's Limited Partner Interests.

Section 4.10. Redemption of Partnership Interests of Non-citizen Assignees.

(a) If at any time a Limited Partner or Assignee fails to furnish a Citizenship Certification or other information requested within the 30-day period specified in Section 4.9(a), or if upon receipt of such Citizenship Certification or other information the General Partner determines, with the advice of counsel, that a Limited Partner or Assignee is not an Eligible Citizen, the Partnership may, unless the Limited Partner or Assignee establishes to the satisfaction of the Managing General Partner that such Limited Partner or Assignee is an Eligible Citizen or has transferred his Partnership Interests to a Person who is an Eligible Citizen and who furnishes a Citizenship Certification to the Managing General Partner prior to the date fixed for redemption as provided below, redeem the Partnership Interest of such Limited Partner or Assignee as follows:

(i) The Managing General Partner shall, not later than the 30th day before the date fixed for redemption, give notice of redemption to the Limited Partner or Assignee, at his last address designated on the records of the Partnership or the Transfer Agent, by registered or certified mail, postage prepaid. The notice shall be deemed to have been given when so mailed. The notice shall specify the Redeemable Interests, the date fixed for redemption, the place of payment, that payment of the redemption price will be made upon surrender of the Certificate evidencing the Redeemable Interests and that on and after the date fixed for redemption no further allocations or distributions to which the Limited Partner or Assignee would otherwise be entitled in respect of the Redeemable Interests will accrue or be made.

(ii) The aggregate redemption price for Redeemable Interests shall be an amount equal to the Current Market Price (the date of determination of which shall be the date fixed for redemption) of Limited Partner Interests of the class to be so redeemed multiplied by the number of Limited Partner Interests of each such class included among the Redeemable Interests. The redemption price shall be paid, in the discretion of the Managing General Partner, in cash or by delivery of a promissory note of the Partnership in the principal amount of the redemption price, bearing interest at the rate of 10% annually and payable in three equal annual installments of principal together with accrued interest, commencing one year after the redemption date.

(iii) Upon surrender by or on behalf of the Limited Partner or Assignee, at the place specified in the notice of redemption, of the Certificate evidencing the Redeemable Interests, duly endorsed in blank or accompanied by an assignment duly executed in blank, the Limited Partner or Assignee or his duly authorized representative shall be entitled to receive the payment therefor.

(iv) After the redemption date, Redeemable Interests shall no longer constitute issued and Outstanding Limited Partner Interests.

(b) The provisions of this Section 4.10 shall also be applicable to Limited Partner Interests held by a Limited Partner or Assignee as nominee of a Person determined to be other than an Eligible Citizen.

(c) Nothing in this Section 4.10 shall prevent the recipient of a notice of redemption from transferring his Limited Partner Interest before the redemption date if such transfer is otherwise permitted under this Agreement. Upon receipt of notice of such a transfer, the Managing General Partner shall withdraw the notice of redemption, provided the transferee of such Limited Partner Interest certifies to the satisfaction of the Managing General Partner in a Citizenship Certification delivered in connection with the Transfer Application that he is an Eligible Citizen. If the transferee fails to make such certification, such redemption shall be effected from the transferee on the original redemption date.

ARTICLE V
CAPITAL CONTRIBUTIONS AND ISSUANCE OF PARTNERSHIP INTERESTS

Section 5.1. Organizational Contributions.

In connection with the formation of the Partnership under the Delaware Act, Managing General Partner has been admitted as the Managing General Partner of the Partnership without any economic interest in the Partnership, the Non-Managing General Partner made an initial Capital Contribution to the Partnership in the amount of $10.00 for an interest in the Partner-Group and has been admitted as the Non-Managing General Partner of the Partnership and the Organizational Limited Partner made an initial Capital Contribution to the Partnership in the amount of $990.00 for an interest in the Partnership and has been admitted as a Limited Partner of the Partnership. As of the Closing Date, the interest of the Organizational Limited Partner shall be redeemed as provided in the Contribution and Conveyance Agreement; the initial Capital Contribution of each Partner shall thereupon be refunded; and the Organizational Limited Partner shall cease to be a Limited Partner of the Partnership. Ninety-nine percent of any interest or other profit that may have resulted from the investment or other use of such initial Capital Contribution shall be allocated and distributed to the Organizational Limited Partner, and the balance thereof shall be allocated and distributed to the Non-Managing General Partner.

Section 5.2. Contributions by the Non-Managing General Partner and its Affiliates.

(a) On the Closing Date and pursuant to the Contribution and Conveyance Agreement, (i) the Non-Managing General Partner shall contribute to the Partnership, as a Capital Contribution, all of its interest in the Operating Company in exchange for (A) the 2% Non-Managing General Partner Interest, subject to all of the rights, privileges and duties of the Non-Managing General Partner under this Agreement, (B) 3,143,143 Senior Subordinated Units, (C) 497,839 Junior Subordinated Units, (D) the Incentive Distribution Rights and (E) the assumption by the Partnership of all liability for funded debt of the Non-Managing General Partner and (ii) New Inergy Propane, LLC shall contribute to the Partnership, as a Capital Contribution, its preferred interest in the Operating Company in exchange for 170,224 Senior Subordinated Units and 74,703 Junior Subordinated Units.

(b) Upon the issuance of any additional Limited Partner Interests by the Partnership (other than the issuance of the Common Units issued in the Initial Offering or pursuant to the Over-Allotment Option), the Non-Managing General Partner shall be required to make additional Capital Contributions equal to 1/98th of any amount contributed to the Partnership by the Limited Partners in exchange for such additional Limited Partner Interests.

Except as set forth in the immediately preceding sentence and Article XII, the General Partners shall not be obligated to make any additional Capital Contributions to the Partnership.

Section 5.3. Contributions by Initial Limited Partners.

(a) On the Closing Date and pursuant to the Underwriting Agreement, each Underwriter shall contribute to the Partnership cash in an amount equal to the Issue Price per Initial Common Unit multiplied by the number of Common Units specified in the Underwriting Agreement to be purchased by such Underwriter at the Closing Date. In exchange for such Capital Contributions by the Underwriters, the Partnership shall issue Common Units to each Underwriter on whose behalf such Capital Contribution is made in an amount equal to the quotient obtained by dividing (i) the cash contribution to the Partnership by or on behalf of such Underwriter by (ii) the Issue Price per Initial Common Unit.

(b) Upon the exercise of the Over-Allotment Option, each Underwriter shall contribute to the Partnership cash in an amount equal to the Issue Price per Initial Common Unit, multiplied by the number of Common Units specified in the Underwriting Agreement to be purchased by such Underwriter at the Option Closing Date. In exchange for such Capital Contributions by the Underwriters, the Partnership shall issue Common Units to each Underwriter on whose behalf such Capital Contribution is made in an amount equal to the quotient obtained by dividing (i) the cash contributions to the Partnership by or on behalf of such Underwriter by (ii) the Issue Price per Initial Common Unit.

(c) No Limited Partner Interests will be issued or issuable as of or at the Closing Date other than (i) the Common Units issuable pursuant to subparagraph (a) hereof in aggregate number equal to 1,600,000 Units, (ii) the "Option Units" as such term is used in the Underwriting Agreement issuable upon exercise of the Over-Allotment Option pursuant to subparagraph (b) hereof in an aggregate number of up to 240,000 Units, (iii) the 3,313,367 Senior Subordinated Units and the 572,542 Junior Subordinated Units issuable to Inergy Partners, LLC and New Inergy Propane, LLC pursuant to Section 5.2 hereof, and (iv) the Incentive Distribution Rights.

Section 5.4. Interest and Withdrawal.

No interest on Capital Contributions shall be paid by the Partnership. No Partner or Assignee shall be entitled to the withdrawal or return of its Capital Contribution, except to the extent, if any, that distributions made pursuant to this Agreement or upon termination of the Partnership may be considered as such by law and then only to the extent provided for in this Agreement. Except to the extent expressly provided in this Agreement, no Partner or Assignee shall have priority over any other Partner or Assignee either as to the return of Capital Contributions or as to profits, losses or distributions. Any such return shall be a compromise to which all Partners and Assignees agree within the meaning of 17-502(b) of the Delaware Act.

Section 5.5. Capital Accounts.

(a) The Partnership shall maintain for each Partner (or a beneficial owner of Partnership Interests held by a nominee in any case in which the nominee has furnished the identity of such owner to the Partnership in accordance with Section 6031(c) of the Code or any

other method acceptable to the Managing General Partner in its sole discretion) owning a Partnership Interest a separate Capital Account with respect to such Partnership Interest in accordance with the rules of Treasury Regulation Section 1.704-1(b)(2)(iv). Such Capital Account shall be increased by (i) the amount of all Capital Contributions made to the Partnership with respect to such Partnership Interest pursuant to this Agreement and (ii) all items of Partnership income and gain (including, without limitation, income and gain exempt from tax) computed in accordance with Section 5.5(b) and allocated with respect to such Partnership Interest pursuant to Section 6.1, and decreased by (x) the amount of cash or Net Agreed Value of all actual and deemed distributions of cash or property made with respect to such Partnership Interest pursuant to this Agreement and (y) all items of Partnership deduction and loss computed in accordance with Section 5.5(b) and allocated with respect to such Partnership Interest pursuant to Section 6.1.

(b) For purposes of computing the amount of any item of income, gain, loss or deduction which is to be allocated pursuant to Article VI and is to be reflected in the Partners' Capital Accounts, the determination, recognition and classification of any such item shall be the same as its determination, recognition and classification for federal income tax purposes (including, without limitation, any method of depreciation, cost recovery or amortization used for that purpose), provided, that:

(i) Solely for purposes of this Section 5.5, the Partnership shall be treated as owning directly its proportionate share (as determined by the Managing General Partner based upon the provisions of the Operating Company Agreement) of all property owned by the Operating Company or any other Subsidiary that is classified as a partnership for federal income tax purposes.

(ii) All fees and other expenses incurred by the Partnership to promote the sale of (or to sell) a Partnership Interest that can neither be deducted nor amortized under Section 709 of the Code, if any, shall, for purposes of Capital Account maintenance, be treated as an item of deduction at the time such fees and other expenses are incurred and shall be allocated among the Partners pursuant to Section 6.1.

(iii) Except as otherwise provided in Treasury Regulation Section 1.704-1(b)(2)(iv)(m), the computation of all items of income, gain, loss and deduction shall be made without regard to any election under Section 754 of the Code which may be made by the Partnership and, as to those items described in Section 705(a)(1)(B) or 705(a)(2)(B) of the Code, without regard to the fact that such items are not includable in gross income or are neither currently deductible nor capitalized for federal income tax purposes. To the extent an adjustment to the adjusted tax basis of any Partnership asset pursuant to Section 734(b) or 743(b) of the Code is required, pursuant to Treasury Regulation Section 1.704-1(b)(2)(iv)(m), to be taken into account in determining Capital Accounts, the amount of such adjustment in the Capital Accounts shall be treated as an item of gain or loss.

(iv) Any income, gain or loss attributable to the taxable disposition of any Partnership property shall be determined as if the adjusted basis of such property as of

such date of disposition were equal in amount to the Partnership's Carrying Value with respect to such property as of such date.

(v) In accordance with the requirements of Section 704(b) of the Code, any deductions for depreciation, cost recovery or amortization attributable to any Contributed Property shall be determined as if the adjusted basis of such property on the date it was acquired by the Partnership were equal to the Agreed Value of such property. Upon an adjustment pursuant to Section 5.5(d) to the Carrying Value of any Partnership property subject to depreciation, cost recovery or amortization, any further deductions for such depreciation, cost recovery or amortization attributable to such property shall be determined (A) as if the adjusted basis of such property were equal to the Carrying Value of such property immediately following such adjustment and (B) using a rate of depreciation, cost recovery or amortization derived from the same method and useful life (or, if applicable, the remaining useful life) as is applied for federal income tax purposes; provided, however, that, if the asset has a zero adjusted basis for federal income tax purposes, depreciation, cost recovery or amortization deductions shall be determined using any reasonable method that the Managing General Partner may adopt.

(vi) If the Partnership's adjusted basis in a depreciable or cost recovery property is reduced for federal income tax purposes pursuant to Section 48(q)(1) or 48(q)(3) of the Code, the amount of such reduction shall, solely for purposes hereof, be deemed to be an additional depreciation or cost recovery deduction in the year such property is placed in service and shall be allocated among the Partners pursuant to Section 6.1. Any restoration of such basis pursuant to Section 48(q)(2) of the Code shall, to the extent possible, be allocated in the same manner to the Partners to whom such deemed deduction was allocated.

(c) (i) A transferee of a Partnership Interest shall succeed to a pro rata portion of the Capital Account of the transferor relating to the Partnership Interest so transferred.

(ii) Immediately prior to the transfer of a Subordinated Unit or of a Subordinated Unit that has converted into a Common Unit pursuant to Section 5.8 by a holder thereof (other than a transfer to an Affiliate unless the Managing General Partner elects to have this subparagraph 5.5(c)(ii) apply), the Capital Account maintained for such Person with respect to its Subordinated Units or converted Subordinated Units will (A) first, be allocated to the Subordinated Units or converted Subordinated Units to be transferred in an amount equal to the product of (x) the number of such Subordinated Units or converted Subordinated Units to be transferred and (y) the Per Unit Capital Amount for a Common Unit, and (B) second, any remaining balance in such Capital Account will be retained by the transferor, regardless of whether it has retained any Subordinated Units or converted Subordinated Units. Following any such allocation, the transferor's Capital Account, if any, maintained with respect to the retained Subordinated Units or converted Subordinated Units, if any, will have a balance equal to the amount allocated under clause (B) above, and the transferee's Capital Account established with respect to the transferred Subordinated Units or converted Subordinated Units will have a balance equal to the amount allocated under clause (A) above.

(d) (i) In accordance with Treasury Regulation Section 1.704-1(b)(2)(iv)(f), on an issuance of additional Partnership Interests for cash or Contributed Property or the conversion of a General Partner's Combined Interest to Common Units pursuant to Section 11.3(b), the Capital Account of all Partners and the Carrying Value of each Partnership property immediately prior to such issuance shall be adjusted upward or downward to reflect any Unrealized Gain or Unrealized Loss attributable to such Partnership property, as if such Unrealized Gain or Unrealized Loss had been recognized on an actual sale of each such property immediately prior to such issuance and had been allocated to the Partners at such time pursuant to Section 6.1(c) in the same manner as any item of gain or loss actually recognized during such period would have been allocated. In determining such Unrealized Gain or Unrealized Loss, the aggregate cash amount and fair market value of all Partnership assets (including, without limitation, cash or cash equivalents) immediately prior to the issuance of additional Partnership Interests shall be determined by the Managing General Partner using such reasonable method of valuation as it may adopt; provided, however, that the Managing General Partner, in arriving at such valuation, must take fully into account the fair market value of the Partnership Interests of all Partners at such time. The Managing General Partner shall allocate such aggregate value among the assets of the Partnership (in such manner as it determines in its discretion to be reasonable) to arrive at a fair market value for individual properties.

(ii) In accordance with Treasury Regulation Section 1.704-1(b)(2)(iv)(f), immediately prior to any actual or deemed distribution to a Partner of any Partnership property (other than a distribution of cash that is not in redemption or retirement of a Partnership Interest), the Capital Accounts of all Partners and the Carrying Value of all Partnership property shall be adjusted upward or downward to reflect any Unrealized Gain or Unrealized Loss attributable to such Partnership property, as if such Unrealized Gain or Unrealized Loss had been recognized in a sale of such property immediately prior to such distribution for an amount equal to its fair market value, and had been allocated to the Partners, at such time, pursuant to Section 6.1(c) in the same manner as any item of gain or loss actually recognized during such period would have been allocated. In determining such Unrealized Gain or Unrealized Loss the aggregate cash amount and fair market value of all Partnership assets (including, without limitation, cash or cash equivalents) immediately prior to a distribution shall (A) in the case of an actual distribution which is not made pursuant to Section 12.4 or in the case of a deemed contribution and/or distribution, be determined and allocated in the same manner as that provided in Section 5.5(d)(i) or (B) in the case of a liquidating distribution pursuant to Section 12.4, be determined and allocated by the Liquidator using such reasonable method of valuation as it may adopt.

Section 5.6. Issuances of Additional Partnership Securities.

(a) Subject to Section 5.7, the Partnership may issue additional Partnership Securities and options, rights, warrants and appreciation rights relating to the Partnership Securities for any Partnership purpose at any time and from time to time to such Persons for such consideration and on such terms and conditions as shall be established by the Managing General Partner in its sole discretion, all without the approval of any Limited Partners.

(b) Each additional Partnership Security authorized to be issued by the Partnership pursuant to Section 5.6(a) may be issued in one or more classes, or one or more series of any such classes, with such designations, preferences, rights, powers and duties (which may be senior to existing classes and series of Partnership Securities), as shall be fixed by the Managing General Partner in the exercise of its sole discretion, including (i) the right to share Partnership profits and losses or items thereof; (ii) the right to share in Partnership distributions; (iii) the rights upon dissolution and liquidation of the Partnership; (iv) whether, and the terms and conditions upon which, the Partnership may redeem the Partnership Security; (v) whether such Partnership Security is issued with the privilege of conversion or exchange and, if so, the terms and conditions of such conversion or exchange; (vi) the terms and conditions upon which each Partnership Security will be issued, evidenced by certificates and assigned or transferred; and (vii) the right, if any, of each such Partnership Security to vote on Partnership matters, including matters relating to the relative designations, preferences, rights, powers and duties of such Partnership Security.

(c) The Managing General Partner is hereby authorized and directed to take all actions that it deems necessary or appropriate in connection with (i) each issuance of Partnership Securities and options, rights, warrants and appreciation rights relating to Partnership Securities pursuant to this Section 5.6, (ii) the conversion of the Non-Managing General Partner Interest and Incentive Distribution Rights into Units pursuant to the terms of this Agreement, (iii) the admission of Additional Limited Partners and (iv) all additional issuances of Partnership Securities. The Managing General Partner is further authorized and directed to specify the relative rights, powers and duties of the holders of the Units or other Partnership Securities being so issued. The Managing General Partner shall do all things necessary to comply with the Delaware Act and is authorized and directed to do all things it deems to be necessary or advisable in connection with any future issuance of Partnership Securities or in connection with the conversion of the Non-Managing General Partner Interest and Incentive Distribution Rights into Units pursuant to the terms of this Agreement, including compliance with any statute, rule, regulation or guideline of any federal, state or other governmental agency or any, National Securities Exchange on which the Units or other Partnership Securities are listed for trading.

Section 5.7. Limitations on Issuance of Additional Partnership Securities.

The issuance of Partnership Securities pursuant to Section 5.6 shall be subject to the following restrictions and limitations:

(a) Until all Outstanding Senior Subordinated Units have been converted into Common Units, the Partnership shall not issue (and shall not issue any options, rights, warrants or appreciation rights relating to) an aggregate of more than 800,000 additional Parity Units without the prior approval of the holders of a Unit Majority. In applying this limitation, there shall be excluded Common Units and other Parity Units issued (A) in connection with the exercise of the Over-Allotment Option pursuant to Section 5.3(b), (B) in accordance with Section 5.7(b), (C) upon conversion of Subordinated Units pursuant to Section 5.8, (D) upon conversion of the Non-Managing General Partner Interest and Incentive Distribution Rights pursuant to Section 11.3(b), (E) pursuant to the employee benefit plans of the Managing General Partner, the Partnership or any other Group Member, (F) upon a conversion or exchange of Parity Units issued after the date hereof into Common Units or other Parity Units; provided that

the total amount of Available Cash required to pay the Minimum Quarterly Distribution on the Common Units and all Parity Units does not increase as a result of this conversion or exchange and (G) in the event of a combination or subdivision of Common Units.

(b) The Partnership may also issue an unlimited number of Parity Units, prior to the end of the Subordination Period and without the prior approval of the Unitholders, if such issuance occurs (i) in connection with an Acquisition or a Capital Improvement or (ii) within 365 days of, and the net proceeds from such issuance are used to repay debt incurred in connection with, an Acquisition or a Capital Improvement, in each case where such Acquisition or Capital Improvement involves assets that, if acquired by the Partnership as of the date that is one year prior to the first day of the Quarter in which such Acquisition is to be consummated or such Capital Improvement is to be completed, would have resulted, on a pro forma basis, in an increase in:

(A) the amount of Adjusted Operating Surplus generated by the Partnership on a per-Unit basis (for all Outstanding Units) with respect to the four most recently completed Quarters taken as a whole (on a pro forma basis as described below) as compared to

(B) the actual amount of Adjusted Operating Surplus generated by the Partnership on a per-Unit basis (for all Outstanding Units) (excluding Adjusted Operating Surplus attributable to the Acquisition or Capital Improvement) with respect to such four most recently completed Quarters taken as a whole.

If the issuance of Parity Units with respect to an Acquisition or Capital Improvement occurs within the first four full Quarters after the Closing Date, then Adjusted Operating Surplus as used in clauses (A) (subject to the succeeding sentence) and (B) above shall be calculated (i) for each Quarter, if any, that commenced after the Closing Date for which actual results of operations are available, based on the actual Adjusted Operating Surplus of the Partnership generated with respect to such Quarter, and (ii) for each other Quarter, on a pro forma basis consistent with the procedures, as applicable, set forth in Appendix D to the Registration Statement. Furthermore, the amount in clause (A) shall be determined on a pro forma basis assuming that (1) all of the Parity Units to be issued in connection with or within 365 days of such Acquisition or Capital Improvement had been issued and outstanding, (2) all indebtedness for borrowed money to be incurred or assumed in connection with such Acquisition or Capital Improvement (other than any such indebtedness that is to be repaid with the proceeds of such issuance of Parity Units) had been incurred or assumed, in each case as of the commencement of such four-Quarter period, (3) the personnel expenses that would have been incurred by the Partnership in the operation of the acquired assets are the personnel expenses for employees to be retained by the Partnership in the operation of the acquired assets, and (4) the non-personnel costs and expenses are computed on the same basis as those incurred by the Partnership in the operation of the Partnership's business at similarly situated Partnership facilities.

(c) During the Subordination Period, without the prior approval of the holders of a Unit Majority, the Partnership shall not issue any additional Partnership Securities (or options, rights, warrants or appreciation rights related thereto) (i) that are entitled in any Quarter

to receive in respect of the Subordination Period any distribution of Available Cash from Operating Surplus before the Common Units and any Parity Units have received (or amounts have been set aside for payment of) the Minimum Quarterly Distribution and any Cumulative Common Unit Arrearage for such Quarter or (ii) that are entitle to allocations in respect of the Subordination Period of Net Termination Gain before the Common Units and any Parity Units have been allocated Net Termination Gain pursuant to Section 6.1(c)(i)(B).

(d) During the Subordination Period, without the prior approval of the holders of a Unit Majority, the Partnership may issue additional Partnership Securities (or options, rights, warrants or appreciation rights related thereto) (i) that are not entitled in any Quarter during the Subordination Period to receive any distributions of Available Cash from Operating Surplus until after the Common Units and any Parity Units have received (or amounts have been set aside for payment of) the Minimum Quarterly Distribution and any Cumulative Common Unit Arrearage for such Quarter and (ii) that are not entitled to allocations in respect of the Subordination Period of Net Termination Gain before the Common Units and Parity Units have been allocated Net Termination Gain pursuant to Section 6.1(c)(i)(B), even if (A) the amount of Available Cash from Operating Surplus to which each such Partnership Security is entitled to receive after the Minimum Quarterly Distribution and any Cumulative Common Unit Arrearage have been paid or set aside for payment on the Common Units exceeds the Minimum Quarterly Distribution, (B) the amount of Net Termination Gain to be allocated to such Partnership Security after Net Termination Gain has been allocated to any Common Units and Parity Units pursuant to Section 6.1(c)(i)(B) exceeds the amount of such Net Termination Gain to be allocated to each Common Unit or Parity Unit or (C) the holders of such additional Partnership Securities have the right to require the Partnership or its Affiliates to repurchase such Partnership Securities at a discount, par or a premium.

(e) No fractional Units shall be issued by the Partnership.

Section 5.8. Conversion of Subordinated Units.

(a) A total of 828,342 of the outstanding Senior Subordinated Units will convert into Common Units on a one-for-one basis immediately after the distribution of Available Cash to Partners pursuant to Section 6.3(a) in respect of any Quarter ending on or after June 30, 2004, in respect of which:

(i) distributions under Section 6.4 in respect of all Outstanding Common Units, Senior Subordinated Units and Junior Subordinated Units and any other Outstanding Units that are senior or equal in right of distribution to the Junior Subordinated Units with respect to each of the three consecutive, non-overlapping four-Quarter periods immediately preceding such date equaled or exceeded the sum of the Minimum Quarterly Distribution on all of the Outstanding Common Units, Senior Subordinated Units and Junior Subordinated Units and any other Outstanding Units that are senior or equal in right of distribution to the Junior Subordinated Units during such periods;

(ii) the Adjusted Operating Surplus generated during each of the three consecutive, non-overlapping four-Quarter periods immediately preceding such date

equaled or exceeded the sum of the Minimum Quarterly Distribution on all of the Common Units, Senior Subordinated Units, Junior Subordinated Units and any other Units that are senior or equal in right of distribution to the Junior Subordinated Units that were Outstanding during such periods on a Fully-Diluted Basis, plus the related distribution on the General Partner Interests during such periods; and

(iii) the Cumulative Common Unit Arrearage on all of the Common Units is zero.

(b) An additional 828,342 of the Outstanding Senior Subordinated Units will convert into Common Units on a one-for-one basis immediately after the distribution of Available Cash to Partners pursuant to Section 6.3(a) in respect of any Quarter ending on or after June 30, 2005, in respect of which:

(i) distributions under Section 6.4 in respect of all Outstanding Common Units, Senior Subordinated Units and Junior Subordinated Units and any other Outstanding Units that are senior or equal in right of distribution to the Junior Subordinated Units with respect to each of the three consecutive, non-overlapping four-Quarter periods immediately preceding such date equaled or exceeded the sum of the Minimum Quarterly Distribution on all of the Outstanding Common Units, Senior Subordinated Units and Junior Subordinated Units and any other Outstanding Units that are senior or equal in right of distribution to the Junior Subordinated Units during such periods;

(ii) the Adjusted Operating Surplus generated during each of the three consecutive, non-overlapping four-Quarter periods immediately preceding such date equaled or exceeded the sum of the Minimum Quarterly Distribution on all of the Common Units, Senior Subordinated Units, Junior Subordinated Units and any other Units that are senior or equal in right of distribution to the Junior Subordinated Units that were Outstanding during such periods on a Fully Diluted Basis, plus the related distribution on the General Partner Interests during such periods; and

(iii) the Cumulative Common Unit Arrearage on all of the Common Units is zero;

provided, however, that the conversion of Senior Subordinated Units pursuant to this Section 5.8(b) may not occur until at least one year following the conversion of Senior Subordinated Units pursuant to Section 5.8(a).

(c) A total of 143,136 of the outstanding Junior Subordinated Units will convert into Common Units on a one-for-one basis immediately after the distribution of Available Cash to Partners pursuant to Section 6.3(a) in respect of any Quarter ending on or after June 30, 2006, in respect of which:

(i) distributions under Section 6.4 in respect of all Outstanding Common Units, Senior Subordinated Units and Junior Subordinated Units and any other Outstanding Units that are senior or equal in right of distribution to the Junior Subordinated Units with respect to each of the three consecutive, non-overlapping four-

Quarter periods immediately preceding such date equaled or exceeded the sum of the Minimum Quarterly Distribution on all of the Outstanding Common Units, Senior Subordinated Units and Junior Subordinated Units and any other Outstanding Units that are senior or equal in right of distribution to the Junior Subordinated Units during such periods;

(ii) the Adjusted Operating Surplus generated during each of the three consecutive, non-overlapping four-Quarter periods immediately preceding such date equaled or exceeded the sum of the Minimum Quarterly Distribution on all of the Common Units, Senior Subordinated Units, Junior Subordinated Units and any other Units that are senior or equal in right of distribution to the Junior Subordinated Units that were Outstanding during such periods on a Fully-Diluted Basis, plus the related distribution on the General Partner Interests during such periods; and

(iii) the Cumulative Common Unit Arrearage on all of the Common Units is zero.

(d) An additional 143,136 of the Outstanding Junior Subordinated Units will convert into Common Units on a one-for-one basis immediately after the distribution of Available Cash to Partners pursuant to Section 6.3(a) in respect of any Quarter ending on or after June 30, 2007, in respect of which:

(i) distributions under Section 6.4 in respect of all Outstanding Common Units, Senior Subordinated Units and Junior Subordinated Units and any other Outstanding Units that are senior or equal in right of distribution to the Junior Subordinated Units with respect to each of the three consecutive, non-overlapping four-Quarter periods immediately preceding such date equaled or exceeded the sum of the Minimum Quarterly Distribution on all of the Outstanding Common Units, Senior Subordinated Units and Junior Subordinated Units and any other Outstanding Units that are senior or equal in right of distribution to the Junior Subordinated Units during such periods;

(ii) the Adjusted Operating Surplus generated during each of the three consecutive, non-overlapping four-Quarter periods immediately preceding such date equaled or exceeded the sum of the Minimum Quarterly Distribution on all of the Common Units, Senior Subordinated Units, Junior Subordinated Units and any other Units that are senior or equal in right of distribution to the Junior Subordinated Units that were Outstanding during such periods on a Fully-Diluted Basis, plus the related distribution on the General Partner Interests during such periods; and

(iii) the Cumulative Common Unit Arrearage on all of the Common Units is zero;

provided, however, that the conversion of Junior Subordinated Units pursuant to this Section 5.8(d) may not occur until at least one year following the conversion of Junior Subordinated Units pursuant to Section 5.8(c).

(e) In the event that less than all of the Outstanding Senior Subordinated Units shall convert into Common Units pursuant to Section 5.8(a) or 5.8(b) at a time when there shall be more than one holder of Senior Subordinated Units, then, unless all of the holders of Senior Subordinated Units shall agree to a different allocation, the Senior Subordinated Units that are to be converted into Common Units shall be allocated among the holders of Senior Subordinated Units pro rata based on the number of Senior Subordinated Units held by each such holder.

(f) In the event that less than all of the Outstanding Junior Subordinated Units shall convert into Common Units pursuant to Section 5.8(c) or 5.8(d) at a time when there shall be more than one holder of Junior Subordinated Units, then, unless all of the holders of Junior Subordinated Units shall agree to a different allocation, the Junior Subordinated Units that are to be converted into Common Units shall be allocated among the holders of Junior Subordinated Units pro rata based on the number of Junior Subordinated Units held by each such holder.

(g) Any Subordinated Units that are not converted into Common Units pursuant to Sections 5.8(a), 5.8(b), 5.8(c) and 5.8(d) shall convert into Common Units on a one-for-one basis immediately after the distribution of Available Cash to Partners pursuant to Section 6.3(a) in respect of the final Quarter of the Subordination Period.

(h) Notwithstanding any other provision of this Agreement, all Outstanding Junior Subordinated Units will convert into Common Units on a one-for-one basis immediately after the distribution of Available Cash to Partners pursuant to Section 6.3(a) in respect of any Quarter ending on or after June 30, 2006, in respect of which

(i) distributions under Section 6.4 in respect of all Outstanding Common Units, Senior Subordinated Units and Junior Subordinated Units and any other Outstanding Units that are senior or equal in right of distribution to the Junior Subordinated Units with respect to each of the three consecutive, non-overlapping four-Quarter periods immediately prior to such date have equaled or exceeded $2.80 per Unit,

(ii) the Adjusted Operating Surplus generated during each of the three consecutive, non-overlapping four-Quarter periods immediately preceding such date equaled or exceeded the sum of $2.80 on all of the Common Units, Senior Subordinated Units, Junior Subordinated Units and any other Units that are senior or equal in night of distribution to the Junior Subordinated Units that were Outstanding during such periods on a Fully-Diluted Basis, plus the related distribution on the General Partner Interests during such periods;

(iii) no Senior Subordinated Units are outstanding, and

(iv) the Cumulative Common Unit Arrearage on all of the Common Units is zero.

(i) Notwithstanding any other provision of this Agreement, all the then Outstanding Subordinated Units will automatically convert into Common Units on a one-for-one basis as set forth in, and pursuant to the terms of, Section 11.5.

(j) A Subordinated Unit that has converted into a Common Unit shall be subject to the provisions of Section 6.7(b).

Section 5.9. Limited Preemptive Right.

Except as provided in this Section 5.9 and in Section 5.2, no Person shall have any preemptive, preferential or other similar right with respect to the issuance of any Partnership Security, whether unissued, held in the treasury or hereafter created. The Non-Managing General Partner shall have the right, which it may from time to time assign in whole or in part to any of its Affiliates, to purchase Partnership Securities from the Partnership whenever, and on the same terms that, the Partnership issues Partnership Securities to Persons other than the Non-Managing General Partner and its Affiliates, to the extent necessary to maintain the Percentage Interests of the Non-Managing General Partner and its Affiliates equal to that which existed immediately prior to the issuance of such Partnership Securities.

Section 5.10. Splits and Combinations.

(a) Subject to Sections 5.10(d), 6.6 and 6.9 (dealing with adjustments of distribution levels), the Partnership may make a Pro Rata distribution of Partnership Securities to all Record Holders or may effect a subdivision or combination of Partnership Securities so long as, after any such event, each Partner shall have the same Percentage Interest in the Partnership as before such event, and any amounts calculated on a per Unit basis (including any Common Unit Arrearage or Cumulative Common Unit Arrearage) or stated as a number of Units (including the number of Senior Subordinated Units and Junior Subordinated Units that may convert prior to the end of the Subordination Period and the number of additional Parity Units that may be issued pursuant to Section 5.7 without a Unitholder vote) are proportionately adjusted retroactive to the beginning of the Partnership.

(b) Whenever such a distribution, subdivision or combination of Partnership Securities is declared, the Managing General Partner shall select a Record Date as of which the distribution, subdivision or combination shall be effective and shall send notice thereof at least 20 days prior to such Record Date to each Record Holder as of a date not less than 10 days prior to the date of such notice. The Managing General Partner also may cause a firm of independent public accountants selected by it to calculate the number of Partnership Securities to be held by each Record Holder after giving effect to such distribution, subdivision or combination. The Managing General Partner shall be entitled to rely on any certificate provided by such firm as conclusive evidence of the accuracy of such calculation.

(c) Promptly following any such distribution, subdivision or combination, the Partnership may issue Certificates to the Record Holders of Partnership Securities as of the applicable Record Date representing the new number of Partnership Securities held by such Record Holders, or the Managing General Partner may adopt such other procedures as it may deem appropriate to reflect such changes. If any such combination results in a smaller total number of Partnership Securities Outstanding, the Partnership shall require, as a condition to the delivery to a Record Holder of such new Certificate, the surrender of any Certificate held by such Record Holder immediately prior to such Record Date.

(d) The Partnership shall not issue fractional Units upon any distribution, subdivision or combination of Units. If a distribution, subdivision or combination of Units would result in the issuance of fractional Units but for the provisions of Section 5.7(d) and this Section 5.10(d), each fractional Unit shall be rounded to the nearest whole Unit (and a 0.5 Unit shall be rounded to the next higher Unit).

Section 5.11. Fully Paid and Non-Assessable Nature of Limited Partner Interests.

All Limited Partner Interests issued pursuant to, and in accordance with the requirements of, this Article V shall be fully paid and non-assessable Limited Partner Interests in the Partnership, except as such non assessability may be affected by Section 17-607 of the Delaware Act.

ARTICLE VI
ALLOCATIONS AND DISTRIBUTIONS

Section 6.1. Allocations for Capital Account Purposes.

For purposes of maintaining the Capital Accounts and in determining the rights of the Partners among themselves, the Partnership's items of income, gain, loss and deduction (computed in accordance with Section 5.5(b)) shall be allocated among the Partners in each taxable year (or portion thereof) as provided herein below.

(a) Net Income. After giving effect to the special allocations set forth in Section 6.1(d), Net Income for each taxable year and all items of income, gain, loss and deduction taken into account in computing Net Income for such taxable year shall be allocated as follows:

(i) First, 100% to the Non-Managing General Partner in an amount equal to the aggregate Net Losses allocated to the Non-Managing General Partner pursuant to Section 6.1(b)(iii) for all previous taxable years until the aggregate Net Income allocated to the Non-Managing General Partner pursuant to this Section 6.1(a)(i) for the current taxable year and all previous taxable years is equal to the aggregate Net Losses allocated to the Non-Managing General Partner pursuant to Section 6.1(b)(iii) for all previous taxable years;

(ii) Second, 2% to the Non-Managing General Partner in an amount equal to the aggregate Net Losses allocated to the Non-Managing General Partner pursuant to Section 6.1(b)(ii) for all previous taxable years and 98% to the Unitholders, in accordance with their respective Percentage Interests, until the aggregate Net Income allocated to such Partners pursuant to this Section 6.1(a)(ii) for the current taxable year and all previous taxable years is equal to the aggregate Net Losses allocated to such Partners pursuant to Section 6.1(b)(ii) for all previous taxable years; and

(iii) Third, the balance, if any, 2% to the Non-Managing General Partner and 98% to the Unitholders, in accordance with their respective Percentage Interests.

(b) Net Losses. After giving effect to the special allocations set forth in Section 6.1(d), Net Losses for each taxable period and all items of income, gain, loss and deduction taken into account in computing Net Losses for such taxable period shall be allocated as follows:

(i) First, 2% to the Non-Managing General Partner and 98% to the Unitholders, in accordance with their respective Percentage Interests, until the aggregate Net Losses allocated pursuant to this Section 6.1(b)(i) for the current taxable year and all previous taxable years is equal to the aggregate Net Income allocated to such Partners pursuant to Section 6.1(a)(iii) for all previous taxable years, provided that the Net Losses shall not be allocated pursuant to this Section 6.1(b)(i) to the extent that such allocation would cause any Unitholder to have a deficit balance in its Adjusted Capital Account at the end of such taxable year (or increase any existing deficit balance in its Adjusted Capital Account);

(ii) Second, 2% to the Non-Managing General Partner and 98% to the Unitholders in accordance with their respective Percentage Interests; provided, that Net Losses shall not be allocated pursuant to this Section 6.1(b)(ii) to the extent that such allocation would cause any Unitholder to have a deficit balance in its Adjusted Capital Account at the end of such taxable year (or increase any existing deficit balance in its Adjusted Capital Account);

(iii) Third, the balance, if any, 100% to the Non-Managing General Partner.

(c) Net Termination Gains and Losses. After giving effect to the special allocations set forth in Section 6.1(d), all items of income, gain, loss and deduction taken into account in computing Net Termination Gain or Net Termination Loss for such taxable period shall be allocated in the same manner as such Net Termination Gain or Net Termination Loss is allocated hereunder. All allocations under this Section 6.1(c) shall be made after Capital Account balances have been adjusted by all other allocations provided under this Section 6.1 and after all distributions of Available Cash provided under Sections 6.4 and 6.5 have been made; provided, however, that solely for purposes of this Section 6.1(c), Capital Accounts shall not be adjusted for distributions made pursuant to Section 12.4.

(i) If a Net Termination Gain is recognized (or deemed recognized pursuant to Section 5.5(d)), such Net Termination Gain shall be allocated among the Partners in the following manner (and the Capital Accounts of the Partners shall be increased by the amount so allocated in each of the following subclauses, in the order listed, before an allocation is made pursuant to the next succeeding subclause):

(A) First, to each Partner having a deficit balance in its Capital Account, in the proportion that such deficit balance bears to the total deficit balances in the Capital Accounts of all Partners, until each such Partner has been allocated Net Termination Gain equal to any such deficit balance in its Capital Account;

(B) Second, 98% to all Unitholders holding Common Units, Pro Rata, and 2% to the Non-Managing General Partner until the Capital Account in respect of each Common Unit then Outstanding is equal to the sum of (1) its Unrecovered Capital plus (2) the Minimum Quarterly Distribution for the Quarter during which the Liquidation Date occurs, reduced by any distribution pursuant to Section 6.4(a)(i) or (b)(i) with respect to such Common Unit for such Quarter (the amount determined pursuant to this clause (2) is hereinafter defined as the "Unpaid MQD") plus (3) any then existing Cumulative Common Unit Arrearage;

(C) Third, if such Net Termination Gain is recognized (or is deemed to be recognized) prior to the expiration of the Subordination Period, 98% to all Unitholders holding Senior Subordinated Units, Pro Rata, and 2% to the Non-Managing General Partner until the Capital Account in respect of each Senior Subordinated Unit then Outstanding equals the sum of (1) its Unrecovered Capital, determined for the taxable year (or portion thereof) to which this allocation of gain relates, plus (2) the Minimum Quarterly Distribution for the Quarter during which the Liquidation Date occurs, reduced by any distribution pursuant to Section 6.4(a)(iii) with respect to such Senior Subordinated Unit for such Quarter;

(D) Fourth, if such Net Termination Gain is recognized (or is deemed to be recognized) prior to the expiration of the Subordination Period, 98% to all Unitholders holding Junior Subordinated Units, Pro Rata, and 2% to the Non-Managing General Partner until the Capital Account in respect of each Junior Subordinated Unit then Outstanding equals the sum of (1) its Unrecovered Capital, determined for the taxable year (or portion thereof) to which this allocation of gain relates, plus (2) the Minimum Quarterly Distribution for the Quarter during which the Liquidation Date occurs, reduced by any distribution pursuant to Section 6.4(a)(iv) with respect to such Junior Subordinated Unit for such Quarter;

(E) Fifth, 98% to all Unitholders, Pro Rata, and 2% to the Non-Managing General Partner until the Capital Account in respect of each Common Unit then Outstanding is equal to the sum of (1) its Unrecovered Capital, plus (2) the Unpaid MQD, plus (3) any then existing Cumulative Common Unit Arrearage, plus (4) the excess of (aa) the First Target Distribution less the Minimum Quarterly Distribution for each Quarter of the Partnership's existence over (bb) the cumulative per Unit amount of any distributions of Available Cash that is deemed to be Operating Surplus made pursuant to Sections 6.4(a)(v) and 6.4(b)(ii) (the sum of (1) plus (2) plus (3) plus (4) is hereinafter defined as the "First Liquidation Target Amount");

(F) Sixth, 85% to all Unitholders, Pro Rata, 13% to the holders of the Incentive Distribution Rights, Pro Rata, and 2% to the Non-Managing General Partner until the Capital Account in respect of each Common Unit then Outstanding is equal to the sum of (1) the First Liquidation Target

Amount, plus (2) the excess of (aa) the Second Target Distribution less the First Target Distribution for each Quarter of the Partnership's existence over (bb) the cumulative per Unit amount of any distributions of Available Cash that is deemed to be Operating Surplus made pursuant to Sections 6.4(a)(vi) and 6.4(b)(iii) (the sum of (1) plus (2) is hereinafter defined as the "Second Liquidation Target Amount");

(G) Seventh, 75% to all Unitholders, Pro Rata, 23% to the holders of the Incentive Distribution Rights, Pro Rata, and 2% to the Non-Managing General Partner until the Capital Account in respect of each Common Unit then Outstanding is equal to the sum of (1) the Second Liquidation Target Amount, plus (2) the excess of (aa) the Third Target Distribution less the Second Target Distribution for each Quarter of the Partnership's existence over (bb) the cumulative per Unit amount of any distributions of Available Cash that is deemed to be Operating Surplus made pursuant to Sections 6.4(a)(vii) and 6.4(b)(iv) (the sum of (1) plus (2) is hereinafter defined as the "Third Liquidation Target Amount");

(H) Finally, any remaining amount 50% to all Unitholders, Pro Rata, 48% to the holders of the Incentive Distribution Rights, Pro Rata, and 2% to the Non-Managing General Partner.

(ii) If a Net Termination Loss is recognized (or deemed recognized pursuant to Section 5.5(d)), such Net Termination Loss shall be allocated among the Partners in the following manner:

(A) First, if such Net Termination Loss is recognized (or is deemed to be recognized) prior to the conversion of the last Outstanding Junior Subordinated Unit, 98% to the Unitholders holding Junior Subordinated Units, Pro Rata, and 2% to the Non-Managing General Partner until the Capital Account in respect of each Junior Subordinated Unit then Outstanding has been reduced to zero;

(B) Second, if such Net Termination Loss is recognized (or is deemed to be recognized) prior to the conversion of the last Outstanding Senior Subordinated Unit, 98% to the Unitholders holding Senior Subordinated Units, Pro Rata, and 2% to the Non-Managing General Partner until the Capital Account in respect of each Senior Subordinated Unit then Outstanding has been reduced to zero;

(C) Third, 98% to all Unitholders holding Common Units, Pro Rata, and 2% to the Non-Managing General Partner until the Capital Account in respect of each Common Unit then Outstanding has been reduced to zero; and

(D) Fourth, the balance, if any, 100% to the Non-Managing General Partner.

(d) Special Allocations. Notwithstanding any other provision of this Section 6.1, the following special allocations shall be made for such taxable period:

(i) Partnership Minimum Gain Chargeback. Notwithstanding any other provision of this Section 6.1, if there is a net decrease in Partnership Minimum Gain during any Partnership taxable period, each Partner shall be allocated items of Partnership income and gain for such period (and, if necessary, subsequent periods) in the manner and amounts provided in Treasury Regulation Sections 1.704-2(f)(6), 1.704-2(g)(2) and 1.704-2(j)(2)(i), or any successor provision. For purposes of this Section 6.1(d), each Partner's Adjusted Capital Account balance shall be determined, and the allocation of income or gain required hereunder shall be effected, prior to the application of any other allocations pursuant to this Section 6.1(d) with respect to such taxable period (other than an allocation pursuant to Sections 6.1(d)(vi) and 6.1(d)(vii)). This Section 6.1(d)(i) is intended to comply with the Partnership Minimum Gain chargeback requirement in Treasury Regulation Section 1.704-2(f) and shall be interpreted consistently therewith.

(ii) Chargeback of Partner Nonrecourse Debt Minimum Gain. Notwithstanding the other provisions of this Section 6.1 (other than Section 6.1(d)(i)), except as provided in Treasury Regulation Section 1.704-2(i)(4), if there is a net decrease in Partner Nonrecourse Debt Minimum Gain during any Partnership taxable period, any Partner with a share of Partner Nonrecourse Debt Minimum Gain at the beginning of such taxable period shall be allocated items of Partnership income and gain for such period (and, if necessary, subsequent periods) in the manner and amounts provided in Treasury Regulation Sections 1.704-2(i)(4) and 1.704-2(j)(2)(ii), or any successor provisions. For purposes of this Section 6.1(d), each Partner's Adjusted Capital Account balance shall be determined, and the allocation of income or gain required hereunder shall be effected, prior to the application of any other allocations pursuant to this Section 6.1(d), other than Section 6.1(d)(i) and other than an allocation pursuant to Sections 6.1(d)(vi) and 6.1(d)(vii), with respect to such taxable period. This Section 6.1(d)(ii) is intended to comply with the chargeback of items of income and gain requirement in Treasury Regulation Section 1.704-2(i)(4) and shall be interpreted consistently therewith.

(iii) Priority Allocations.

(A) If the amount of cash or the Net Agreed Value of any property distributed (except cash or property distributed pursuant to Section 12.4) to any Unitholder with respect to its Units for a taxable year is greater (on a per Unit basis) than the amount of cash or the Net Agreed Value of property distributed to the other Unitholders with respect to their Units (on a per Unit basis), then (1) each Unitholder receiving such greater cash or property distribution shall be allocated gross income in an amount equal to the product of (aa) the amount by which the distribution (on a per Unit basis) to such Unitholder exceeds the distribution (on a per Unit basis) to the Unitholders receiving the smallest distribution and (bb) the number of Units owned by the Unitholder receiving the greater distribution; and (2) the Non-Managing General Partner shall be allocated gross income in an aggregate amount equal to 1/98/th/ of the sum of the amounts allocated in clause (1) above.

(B) After the application of Section 6.1(d)(iii)(A), all or any portion of the remaining items of Partnership gross income or gain for the taxable period, if any, shall be allocated 100% to the holders of Incentive Distribution Rights, Pro Rata, until the aggregate amount of such items allocated to the holders of Incentive Distribution Rights pursuant to this paragraph 6.1(d)(iii)(B) for the current taxable year and all previous taxable years is equal to the cumulative amount of all Incentive Distributions made to the holders of Incentive Distribution Rights from the Closing Date to a date 45 days after the end of the current taxable year.

(iv) Qualified Income Offset. In the event any Partner unexpectedly receives any adjustments, allocations or distributions described in Treasury Regulation Sections 1.704-1(b)(2)(ii)(d)(4), 1.704-1(b)(2)(ii)(d)(5), or 1.704-1(b)(2)(ii)(d)(6), items of Partnership income and gain shall be specially allocated to such Partner in an amount and manner sufficient to eliminate, to the extent required by the Treasury Regulations promulgated under Section 704(b) of the Code, the deficit balance, if any, in its Adjusted Capital Account created by such adjustments, allocations or distributions as quickly as possible unless such deficit balance is otherwise eliminated pursuant to Section 6.1(d)(i) or (ii).

(v) Gross Income Allocations. In the event any Partner has a deficit balance in its Capital Account at the end of any Partnership taxable period in excess of the sum of (A) the amount such Partner is required to restore pursuant to the provisions of this Agreement and (B) the amount such Partner is deemed obligated to restore pursuant to Treasury Regulation Sections 1.704-2(g) and 1.704-2(i)(5), such Partner shall be specially allocated items of Partnership gross income and gain in the amount of such excess as quickly as possible; provided, that an allocation pursuant to this Section 6.1(d)(v) shall be made only if and to the extent that such Partner would have a deficit balance in its Capital Account as adjusted after all other allocations provided for in this Section 6.1 have been tentatively made as if this Section 6.1(d)(v) were not in this Agreement.

(vi) Nonrecourse Deductions. Nonrecourse Deductions for any taxable period shall be allocated to the Partners in accordance with their respective Percentage Interests. If the Managing General Partner determines in its good faith discretion that the Partnership's Nonrecourse Deductions must be allocated in a different ratio to satisfy the safe harbor requirements of the Treasury Regulations promulgated under Section 704(b) of the Code, the General Partner is authorized, upon notice to the other Partners, to revise the prescribed ratio to the numerically closest ratio that does satisfy such requirements.

(vii) Partner Nonrecourse Deductions. Partner Nonrecourse Deductions for any taxable period shall be allocated 100% to the Partner that bears the Economic Risk of Loss with respect to the Partner Nonrecourse Debt to which such Partner Nonrecourse Deductions are attributable in accordance with Treasury Regulation Section 1.704-2(i). If more than one Partner bears the Economic Risk of Loss with respect to a Partner Nonrecourse Debt, such Partner Nonrecourse Deductions attributable thereto shall be

allocated between or among such Partners in accordance with the ratios in which they share such Economic Risk of Loss.

(viii) Nonrecourse Liabilities. For purposes of Treasury Regulation Section 1.752-3(a)(3), the Partners agree that Nonrecourse Liabilities of the Partnership in excess of the sum of (A) the amount of Partnership Minimum Gain and (B) the total amount of Nonrecourse Built-in Gain shall be allocated among the Partners in accordance with their respective Percentage Interests.

(ix) Code Section 754 Adjustments. To the extent an adjustment to the adjusted tax basis of any Partnership asset pursuant to Section 734(b) or 743(c) of the Code is required, pursuant to Treasury Regulation Section 1.704-1(b)(2)(iv)(m), to be taken into account in determining Capital Accounts, the amount of such adjustment to the Capital Accounts shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases such basis), and such item of gain or loss shall be specially allocated to the Partners in a manner consistent with the manner in which their Capital Accounts are required to be adjusted pursuant to such Section of the Treasury Regulations.

(x) Economic Uniformity. At the election of the Managing General Partner with respect to any taxable period ending upon, or after, the termination of the Subordination Period with respect to any class of Units, all or a portion of the remaining items of Partnership gross income or gain for such taxable period, after taking into account allocations pursuant to Section 6.1(d)(iii), shall be allocated 100% to each Partner holding Units of that class that are Outstanding as of the termination of the Subordination Period ("Final Subordinated Units") in the proportion of the number of Final Subordinated Units held by such Partner to the total number of Final Subordinated Units then Outstanding, until each such Partner has been allocated an amount of gross income or gain which increases the Capital Account maintained with respect to such Final Subordinated Units to an amount equal to the product of (A) the number of Final Subordinated Units held by such Partner and (B) the Per Unit Capital Amount for a Common Unit. The purpose of this allocation is to establish uniformity between the Capital Accounts underlying Final Subordinated Units and the Capital Accounts underlying Common Units held by Persons other than the General Partners and their Affiliates immediately prior to the conversion of such Final Subordinated Units into Common Units. This allocation method for establishing such economic uniformity will only be available to the Managing General Partner if the method for allocating the Capital Account maintained with respect to the Subordinated Units between the transferred and retained Subordinated Units pursuant to Section 5.5(c)(ii) does not otherwise provide such economic uniformity to the Final Subordinated Units.

(xi) Curative Allocation.

(A) Notwithstanding any other provision of this Section 6.1, other than the Required Allocations, the Required Allocations shall be taken into account in making the Agreed Allocations so that, to the extent possible, the net amount of items of income, gain, loss and deduction allocated to each

Partner pursuant to the Required Allocations and the Agreed Allocations, together, shall be equal to the net amount of such items that would have been allocated to each such Partner under the Agreed Allocations had the Required Allocations and the related Curative Allocation not otherwise been provided in this Section 6.1. Notwithstanding the preceding sentence, Required Allocations relating to (1) Nonrecourse Deductions shall not be taken into account except to the extent that there has been a decrease in Partnership Minimum Gain and (2) Partner Nonrecourse Deductions shall not be taken into account except to the extent that there has been a decrease in Partner Nonrecourse Debt Minimum Gain. Allocations pursuant to this Section 6.1(d)(xi)(A) shall only be made with respect to Required Allocations to the extent the General Partner reasonably determines that such allocations will otherwise be inconsistent with the economic agreement among the Partners. Further, allocations pursuant to this Section 6.1(d)(xi)(A) shall be deferred with respect to allocations pursuant to clauses (1) and (2) hereof to the extent the Managing General Partner reasonably determines that such allocations are likely to be offset by subsequent Required Allocations.

(B) The Managing General Partner shall have reasonable discretion, with respect to each taxable period, to (1) apply the provisions of Section 6.1(d)(xi)(A) in whatever order is most likely to minimize the economic distortions that might otherwise result from the Required Allocations, and (2) divide all allocations pursuant to Section 6.1(d)(xi)(A) among the Partners in a manner that is likely to minimize such economic distortions.

(xii) Corrective Allocations. In the event of any allocation of Additional Book Basis Derivative Items or any Book-Down Event or any recognition of a Net Termination Loss, the following rules shall apply:

(A) In the case of any allocation of Additional Book Basis Derivative Items (other than an allocation of Unrealized Gain or Unrealized Loss under Section 5.5(d) hereof), the Managing General Partner shall allocate additional items of gross income and gain away from the holders of Incentive Distribution Rights to the Unitholders and the Non-Managing General Partner, or additional items of deduction and loss away from the Unitholders and the Non-Managing General Partner to the holders of Incentive Distribution Rights, to the extent that the Additional Book Basis Derivative Items allocated to the Unitholders or the Non-Managing General Partner exceed their Share of Additional Book Basis Derivative Items. For this purpose, the Unitholders and the Non-Managing General Partner shall be treated as being allocated Additional Book Basis Derivative Items to the extent that such Additional Book Basis Derivative Items have reduced the amount of income that would otherwise have been allocated to the Unitholders or the Non-Managing General Partner under the Partnership Agreement (e.g., Additional Book Basis Derivative Items taken into account in computing cost of goods sold would reduce the

amount of book income otherwise available for allocation among the Partners). Any allocation made pursuant to this Section 6.1(d)(xii)(A) shall be made after all of the other Agreed Allocations have been made as if this Section 6.1(d)(xii) were not in this Agreement and, to the extent necessary, shall require the reallocation of items that have been allocated pursuant to such other Agreed Allocations.

(B) In the case of any negative adjustments to the Capital Accounts of the Partners resulting from a Book-Down Event or from the recognition of a Net Termination Loss, such negative adjustment (1) shall first be allocated, to the extent of the Aggregate Remaining Net Positive Adjustments, in such a manner, as reasonably determined by the Managing General Partner, that to the extent possible the aggregate Capital Accounts of the Partners will equal the amount which would have been the Capital Account balance of the Partners if no prior Book-Up Events had occurred, and (2) any negative adjustment in excess of the Aggregate Remaining Net Positive Adjustments shall be allocated pursuant to Section 6.1(c) hereof.

(C) In making the allocations required under this Section 6.1(d)(xii), the Managing General Partner, in its sole discretion, may apply whatever conventions or other methodology it deems reasonable to satisfy the purpose of this Section 6.1(d)(xii).

Section 6.2. Allocations for Tax Purposes.

(a) Except as otherwise provided herein, for federal income tax purposes, each item of income, gain, loss and deduction shall be allocated among the Partners in the same manner as its correlative item of "book" income, gain, loss or deduction is allocated pursuant to Section 6.1.

(b) In an attempt to eliminate Book-Tax Disparities attributable to a Contributed Property or Adjusted Property, items of income, gain, loss, depreciation, amortization and cost recovery deductions shall be allocated for federal income tax purposes among the Partners as follows:

(i) (A) In the case of a Contributed Property, such items attributable thereto shall be allocated among the Partners in the manner provided under Section 704(c) of the Code that takes into account the variation between the Agreed Value of such property and its adjusted basis at the time of contribution; and (B) any item of Residual Gain or Residual Loss attributable to a Contributed Property shall be allocated among the Partners in the same manner as its correlative item of "book" gain or loss is allocated pursuant to Section 6.1.

(ii) (A) In the case of an Adjusted Property, such items shall (1) first, be allocated among the Partners in a manner consistent with the principles of Section 704(c) of the Code to take into account the Unrealized Gain or Unrealized Loss attributable to

such property and the allocations thereof pursuant to Section 5.5(d)(i) or 5.5(d)(ii), and (2) second, in the event such property was originally a Contributed Property, be allocated among the Partners in a manner consistent with Section 6.2(b)(i)(A); and (B) any item of Residual Gain or Residual Loss attributable to an Adjusted Property shall be allocated among the Partners in the same manner as its correlative item of "book" gain or loss is allocated pursuant to Section 6.1.

(iii) The Managing General Partner shall apply the principles of Treasury Regulation Section 1.704-3(d) to eliminate Book-Tax Disparities.

(c) For the proper administration of the Partnership and for the preservation of uniformity of the Limited Partner Interests (or any class or classes thereof), the Managing General Partner shall have sole discretion to (i) adopt such conventions as it deems appropriate in determining the amount of depreciation, amortization and cost recovery deductions; (ii) make special allocations for federal income tax purposes of income (including, without limitation, gross income) or deductions; and (iii) amend the provisions of this Agreement as appropriate (x) to reflect the proposal or promulgation of Treasury Regulations under Section 704(b) or Section 704(c) of the Code or (y) otherwise to preserve or achieve uniformity of the Limited Partner Interests (or any class or classes thereof). The Managing General Partner may adopt such conventions, make such allocations and make such amendments to this Agreement as provided in this Section 6.2(c) only if such conventions, allocations or amendments would not have a material adverse effect on the Partners, the holders of any class or classes of Limited Partner Interests issued and Outstanding or the Partnership, and if such allocations are consistent with the principles of Section 704 of the Code.

(d) The Managing General Partner in its discretion may determine to depreciate or amortize the portion of an adjustment under Section 743(b) of the Code attributable to unrealized appreciation in any Adjusted Property (to the extent of the unamortized Book-Tax Disparity) using a predetermined rate derived from the depreciation or amortization method and useful life applied to the Partnership's common basis of such property, despite any inconsistency of such approach with Treasury Regulation Section 1.167(c)-1(a)(6) or any successor regulations thereto. If the Managing General Partner determines that such reporting position cannot reasonably be taken, the Managing General Partner may adopt depreciation and amortization conventions under which all purchasers acquiring Limited Partner Interests in the same month would receive depreciation and amortization deductions, based upon the same applicable rate as if they had purchased a direct interest in the Partnership's property. If the Managing General Partner chooses not to utilize such aggregate method, the Managing General Partner may use any other reasonable depreciation and amortization conventions to preserve the uniformity of the intrinsic tax characteristics of any Limited Partner Interests that would not have a material adverse effect on the Limited Partners or the Record Holders of any class or classes of Limited Partner Interests.

(e) Any gain allocated to the Partners upon the sale or other taxable disposition of any Partnership asset shall, to the extent possible, after taking into account other required allocations of gain pursuant to this Section 6.2, be characterized as Recapture Income in the same proportions and to the same extent as such Partners (or their predecessors in interest)

have been allocated any deductions directly or indirectly giving rise to the treatment of such gains as Recapture Income.

(f) All items of income, gain, loss, deduction and credit recognized by the Partnership for federal income tax purposes and allocated to the Partners in accordance with the provisions hereof shall be determined without regard to any election under Section 754 of the Code which may be made by the Partnership; provided, however, that such allocations, once made, shall be adjusted as necessary or appropriate to take into account those adjustments permitted or required by Sections 734 and 743 of the Code.

(g) Each item of Partnership income, gain, loss and deduction, shall for federal income tax purposes, be determined on an annual basis and prorated on a monthly basis and shall be allocated to the Partners as of the opening of the New York Stock Exchange on the first Business Day of each month; provided, however, that (i) such items for the period beginning on the Closing Date and ending on the last day of the month in which the Option Closing Date or the expiration of the Over-allotment Option occurs shall be allocated to the Partners as of the opening of the New York Stock Exchange on the first Business Day of the next succeeding month; and provided, further, that gain or loss on a sale or other disposition of any assets of the Partnership or any other extraordinary item of income or loss realized and recognized other than in the ordinary course of business, as determined by the Managing General Partner in its sole discretion, shall be allocated to the Partners as of the opening of the New York Stock Exchange on the first Business Day of the month in which such gain or loss is recognized for federal income tax purposes. The Managing General Partner may revise, alter or otherwise modify such methods of allocation as it determines necessary or appropriate in its sole discretion, to the extent permitted or required by Section 706 of the Code and the regulations or rulings promulgated thereunder.

(h) Allocations that would otherwise be made to a Limited Partner under the provisions of this Article VI shall instead be made to the beneficial owner of Limited Partner Interests held by a nominee in any case in which the nominee has furnished the identity of such owner to the Partnership in accordance with Section 6031(c) of the Code or any other method acceptable to the Managing General Partner in its sole discretion.

Section 6.3. Requirement and Characterization of Distributions; Distributions to Record Holders.

(a) Within 45 days following the end of each Quarter commencing with the Quarter ending on September 30, 2001, an amount equal to 100% of Available Cash with respect to such Quarter shall, subject to Section 17-607 of the Delaware Act, be distributed in accordance with this Article VI by the Partnership to the Partners as of the Record Date selected by the Managing General Partner in its reasonable discretion. All amounts of Available Cash distributed by the Partnership on any date from any source shall be deemed to be Operating Surplus until the sum of all amounts of Available Cash theretofore distributed by the Partnership to the Partners pursuant to Section 6.4 equals the Operating Surplus from the Closing Date through the close of the immediately preceding Quarter. Any remaining amounts of Available Cash distributed by the Partnership on such date shall, except as otherwise provided in Section

6.5, be deemed to be "Capital Surplus." All distributions required to be made under this Agreement shall be made subject to Section 17-607 of the Delaware Act.

(b) Notwithstanding Section 6.3(a), in the event of the dissolution and liquidation of the Partnership, all receipts received during or after the Quarter in which the Liquidation Date occurs, other than from borrowings described in (a)(ii) of the definition of Available Cash, shall be applied and distributed solely in accordance with, and subject to the terms and conditions of, Section 12.4.

(c) The Managing General Partner shall have the discretion to treat taxes paid by the Partnership on behalf of, or amounts withheld with respect to, all or less than all of the Partners, as a distribution of Available Cash to such Partners.

(d) Each distribution in respect of a Partnership Interest shall be paid by the Partnership, directly or through the Transfer Agent or through any other Person or agent, only to the Record Holder of such Partnership Interest as of the Record Date set for such distribution. Such payment shall constitute full payment and satisfaction of the Partnership's liability in respect of such payment, regardless of any claim of any Person who may have an interest in such payment by reason of an assignment or otherwise.

Section 6.4. Distributions of Available Cash from Operating Surplus.

(a) During Subordination Period. Available Cash with respect to any Quarter within the Subordination Period that is deemed to be Operating Surplus pursuant to the provisions of Section 6.3 or 6.5 shall, subject to Section 17-607 of the Delaware Act, be distributed as follows, except as otherwise required by Section 5.6(b) in respect of additional Partnership Securities issued pursuant thereto:

(i) First, 98% to the Unitholders holding Common Units, Pro Rata, and 2% to the Non-Managing General Partner until there has been distributed in respect of each Common Unit then Outstanding an amount equal to the Minimum Quarterly Distribution for such Quarter;

(ii) Second, 98% to the Unitholders holding Common Units, Pro Rata, and 2% to the Non-Managing General Partner until there has been distributed in respect of each Common Unit then Outstanding an amount equal to the Cumulative Common Unit Arrearage existing with respect to such Quarter;

(iii) Third, 98% to the Unitholders holding Senior Subordinated Units, Pro Rata, and 2% to the Non-Managing General Partner until there has been distributed in respect of each Senior Subordinated Unit then Outstanding an amount equal to the Minimum Quarterly Distribution for such Quarter;

(iv) Fourth, 98% to the Unitholders holding Junior Subordinated Units, Pro Rata, and 2% to the Non-Managing General Partner until there has been distributed in respect of each Junior Subordinated Unit then Outstanding an amount equal to the Minimum Quarterly Distribution for such Quarter;

(v) Fifth, 98% to all Unitholders, Pro Rata, and 2% to the Non-Managing General Partner until there has been distributed in respect of each Unit then Outstanding an amount equal to the excess of the First Target Distribution over the Minimum Quarterly Distribution for such Quarter;

(vi) Sixth, 85% to all Unitholders, Pro Rata, 13% to the holders of the Incentive Distribution Rights, Pro Rata, and 2% to the Non-Managing General Partner until there has been distributed in respect of each Unit then Outstanding an amount equal to the excess of the Second Target Distribution over the First Target Distribution for such Quarter;

(vii) Seventh, 75% to all Unitholders, Pro Rata, 23% to the holders of the Incentive Distribution Rights, Pro Rata, and 2% to the Non-Managing General Partner until there has been distributed in respect of each Unit then Outstanding an amount equal to the excess of the Third Target Distribution over the Second Target Distribution for such Quarter; and

(viii) Thereafter, 50% to all Unitholders, Pro Rata, 48% to the holders of the Incentive Distribution Rights, Pro Rata, and 2% to the Non-Managing General Partner;

provided, however, if the Minimum Quarterly Distribution, the First Target Distribution, the Second Target Distribution and the Third Target Distribution have been reduced to zero pursuant to the second sentence of Section 6.6(a), the distribution of Available Cash that is deemed to be Operating Surplus with respect to any Quarter will be made solely in accordance with Section 6.4(a)(viii).

(b) After Subordination Period. Available Cash with respect to any Quarter after the Subordination Period that is deemed to be Operating Surplus pursuant to the provisions of Section 6.3 or 6.5, subject to Section 17-607 of the Delaware Act, shall be distributed as follows, except as otherwise required by Section 5.6(b) in respect of additional Partnership Securities issued pursuant thereto:

(i) First, 98% to all Unitholders, Pro Rata, and 2% to the Non-Managing General Partner until there has been distributed in respect of each Unit then Outstanding an amount equal to the Minimum Quarterly Distribution for such Quarter;

(ii) Second, 98% to all Unitholders, Pro Rata, and 2% to the Non-Managing General Partner until there has been distributed in respect of each Unit then Outstanding an amount equal to the excess of the First Target Distribution over the Minimum Quarterly Distribution for such Quarter;

(iii) Third, 85% to all Unitholders, Pro Rata, and 13% to the holders of the Incentive Distribution Rights, Pro Rata, and 2% to the Non-Managing General Partner until there has been distributed in respect of each Unit then Outstanding an amount equal to the excess of the Second Target Distribution over the First Target Distribution for such Quarter;

(iv) Fourth, 75% to all Unitholders, Pro Rata, and 23% to the holders of the Incentive Distribution Rights, Pro Rata, and 2% to the Non-Managing General Partner until there has been distributed in respect of each Unit then Outstanding an amount equal to the excess of the Third Target Distribution over the Second Target Distribution for such Quarter; and

(v) Thereafter, 50% to all Unitholders, Pro Rata, and 48% to the holders of the Incentive Distribution Rights, Pro Rata, and 2% to the Non-Managing General Partner;

provided, however, if the Minimum Quarterly Distribution, the First Target Distribution, the Second Target Distribution and the Third Target Distribution have been reduced to zero pursuant to the second sentence of Section 6.6(a), the distribution of Available Cash that is deemed to be Operating Surplus with respect to any Quarter will be made solely in accordance with Section 6.4(b)(v).

Section 6.5. Distributions of Available Cash from Capital Surplus.

Available Cash that is deemed to be Capital Surplus pursuant to the provisions of Section 6.3(a) shall, subject to Section 17-607 of the Delaware Act, be distributed, unless the provisions of Section 6.3 require otherwise, 98% to all Unitholders, Pro Rata, and 2% to the Non-Managing General Partner until a hypothetical holder of a Common Unit acquired on the Closing Date has received with respect to such Common Unit, during the period since the Closing Date through such date, distributions of Available Cash that are deemed to be Capital Surplus in an aggregate amount equal to the Initial Unit Price. Available Cash that is deemed to be Capital Surplus shall then be distributed 98% to all Unitholders holding Common Units, Pro Rata, and 2% to the Non-Managing General Partner until there has been distributed in respect of each Common Unit then Outstanding an amount equal to the Cumulative Common Unit Arrearage. Thereafter, all Available Cash shall be distributed as if it were Operating Surplus and shall be distributed in accordance with Section 6.4.

Section 6.6. Adjustment of Minimum Quarterly Distribution and Target Distribution Levels.

(a) The Minimum Quarterly Distribution, First Target Distribution, Second Target Distribution, Third Target Distribution Common Unit Arrearages and Cumulative Common Unit Arrearages shall be proportionately adjusted in the event of any distribution, combination or subdivision (whether effected by a distribution payable in Units or otherwise) of Units or other Partnership Securities in accordance with Section 5.10. In the event of a distribution of Available Cash that is deemed to be from Capital Surplus, the then applicable Minimum Quarterly Distribution, First Target Distribution, Second Target Distribution and Third Target Distribution shall be adjusted proportionately downward to equal the product obtained by multiplying the otherwise applicable Minimum Quarterly Distribution, First Target Distribution, Second Target Distribution and Third Target Distribution, as the case may be, by a fraction of which the numerator is the Unrecovered Capital of the Common Units immediately after giving effect to such distribution and of which the denominator is the Unrecovered Capital of the Common Units immediately prior to giving effect to such distribution.

(b) The Minimum Quarterly Distribution, First Target Distribution, Second Target Distribution and Third Target Distribution shall also be subject to adjustment pursuant to Section 6.9.

Section 6.7. Special Provisions Relating to the Holders of Senior Subordinated Units and Junior Subordinated Units.

(a) Except with respect to the right to vote on or approve matters requiring the vote or approval of a percentage of the holders of Outstanding Common Units and the right to participate in allocations of income, gain, loss and deduction and distributions made with respect to Common Units, the holder of a Senior Subordinated Unit or a Junior Subordinated Unit shall have all of the rights and obligations of a Unitholder holding Common Units hereunder; provided, however, that immediately upon the conversion of Subordinated Units into Common Units pursuant to Section 5.8, the Unitholder holding a Subordinated Unit shall possess all of the rights and obligations of a Unitholder holding Common Units hereunder, including the right to vote as a Common Unitholder and the right to participate in allocations of income, gain, loss and deduction and distributions made with respect to Common Units; provided, however, that such converted Subordinated Units shall remain subject to the provisions of Sections 5.5(c)(ii), 6.1(d)(x) and 6.7(b).

(b) The Unitholder holding a Senior Subordinated Unit or a Junior Subordinated Unit which has converted into a Common Unit pursuant to Section 5.8 shall not be issued a Common Unit Certificate pursuant to Section 4.1, and shall not be permitted to transfer its converted Subordinated Units to a Person which is not an Affiliate of the holder until such time as the Managing General Partner determines, based on advice of counsel, that a converted Subordinated Unit should have, as a substantive matter, like intrinsic economic and federal income tax characteristics, in all material respects, to the intrinsic economic and federal income tax characteristics of an Initial Common Unit. In connection with the condition imposed by this Section 6.7(b), the Managing General Partner may take whatever reasonable steps are required to provide economic uniformity to the converted Subordinated Units in preparation for a transfer of such converted Subordinated Units, including the application of Sections 5.5(c)(ii) and 6.1(d)(x); provided, however, that no such steps may be taken that would have a material adverse effect on the Unitholders holding Common Units represented by Common Unit Certificates.

Section 6.8. Special Provisions Relating to the Holders of Incentive Distribution Rights.

Notwithstanding anything to the contrary set forth in this Agreement, the holders of the Incentive Distribution Rights (a) shall (i) possess the rights, and obligations provided in this Agreement with respect to a Limited Partner pursuant to Articles III and VII and (ii) have a Capital Account as a Partner pursuant to Section 5.5 and all other provisions related thereto and (b) shall not (i) be entitled to vote on any matters requiring the approval or vote of the holders of Outstanding Units, (ii) be entitled to any distributions other than as provided in Sections 6.4(a)(vi), (vii) and (viii), 6.4(b)(iii), (iv) and (v), and 12.4 or (iii) be allocated items of income, gain, loss or deduction other than as specified in this Article VI.

Section 6.9. Entity-Level Taxation.

If legislation is enacted or the interpretation of existing language is modified by the relevant governmental authority which causes the Partnership or the Operating Company to be treated as an association taxable as a corporation or otherwise subjects the Partnership or the Operating Company to entity-level taxation for federal income tax purposes, the then applicable Minimum Quarterly Distribution, First Target Distribution, Second Target Distribution and Third Target Distribution shall be adjusted to equal the product obtained by multiplying (a) the amount thereof by (b) one minus the sum of (i) the highest marginal federal corporate (or other entity, as applicable) income tax rate of the Partnership or the Operating Company for the taxable year of the Partnership or the Operating Company in which such Quarter occurs (expressed as a percentage) plus (ii) the effective overall state and local income tax rate (expressed as a percentage) applicable to the Partnership or the Operating Company for the calendar year next preceding the calendar year in which such Quarter occurs (after taking into account the benefit of any deduction allowable for federal income tax purposes with respect to the payment of state and local income taxes), but only to the extent of the increase in such rates resulting from such legislation or interpretation. Such effective overall state and local income tax rate shall be determined for the taxable year next preceding the first taxable year during which the Partnership or the Operating Company is taxable for federal income tax purposes as an association taxable as a corporation or is otherwise subject to entity-level taxation by determining such rate as if the Partnership or the Operating Company had been subject to such state and local taxes during such preceding taxable year.

ARTICLE VII
MANAGEMENT AND OPERATION OF BUSINESS

Section 7.1. Management.

(a) The Managing General Partner shall conduct, direct and manage all activities of the Partnership. Except as otherwise expressly provided in this Agreement, all management powers over the business and affairs of the Partnership shall be exclusively vested in the Managing General Partner, and neither the Non-Managing General Partner nor any Limited Partner or Assignee shall have any management power over the business and affairs of the Partnership. In addition to the powers now or hereafter granted a general partner of a limited partnership under applicable law or which are granted to the Managing General Partner under any other provision of this Agreement, the Managing General Partner, subject to Section 7.3, shall have full power and authority to do all things and on such terms as it, in its sole discretion, may deem necessary or appropriate to conduct the business of the Partnership, to exercise all powers set forth in Section 2.5 and to effectuate the purposes set forth in Section 2.4, including the following:

(i) the making of any expenditures, the lending or borrowing of money, the assumption or guarantee of, or other contracting for, indebtedness and other liabilities, the issuance of evidences of indebtedness, including indebtedness that is convertible into Partnership Securities, and the incurring of any other obligations;

(ii) the making of tax, regulatory and other filings, or rendering of periodic or other reports to governmental or other agencies having jurisdiction over the business or assets of the Partnership;

(iii) the acquisition, disposition, mortgage, pledge, encumbrance, hypothecation or exchange of any or all of the assets of the Partnership or the merger or other combination of the Partnership with or into another Person (the matters described in this clause (iii) being subject, however, to any prior approval that may be required by Section 7.3);

(iv) the use of the assets of the Partnership (including cash on hand) for any purpose consistent with the terms of this Agreement, including the financing of the conduct of the operations of the Partnership Group; subject to Section 7.6(a), the lending of funds to other Persons (including the Operating Company); the repayment of obligations of the Partnership Group and the making of capital contributions to any member of the Partnership Group;

(v) the negotiation, execution and performance of any contracts, conveyances or other instruments (including instruments that limit the liability of the Partnership under contractual arrangements to all or particular assets of the Partnership, with the other party to the contract to have no recourse against the General Partners or their assets other than their interest in the Partnership, even if same results in the terms of the transaction being less favorable to the Partnership than would otherwise be the case);

(vi) the distribution of Partnership cash;

(vii) the selection and dismissal of employees (including employees having titles such as "president," "vice president," "secretary" and "treasurer") and agents, outside attorneys, accountants, consultants and contractors and the determination of their compensation and other terms of employment or hiring;

(viii) the maintenance of such insurance for the benefit of the Partnership Group and the Partners as it deems necessary or appropriate;

(ix) the formation of, or acquisition of an interest in, and the contribution of property and the making of loans to, any further limited or general partnerships, joint ventures, limited liability companies, corporations or other relationships (including the acquisition of interests in, and the contributions of property to, the Operating Company from time to time) subject to the restrictions set forth in Section 2.4;

(x) the control of any matters affecting the rights and obligations of the Partnership, including the bringing and defending of actions at law or in equity and otherwise engaging in the conduct of litigation and the incurring of legal expense and the settlement of claims and litigation;

(xi) the indemnification of any Person against liabilities and contingencies to the extent permitted by law;

(xii) the entering into of listing agreements with any National Securities Exchange and the delisting of some or all of the Limited Partner Interests from, or requesting that trading be suspended on, any such exchange (subject to any prior approval that may be required under Section 4.8);

(xiii) unless restricted or prohibited by Section 5.7, the purchase, sale or other acquisition or disposition of Partnership Securities, or the issuance of additional options, rights, warrants and appreciation rights relating to Partnership Securities; and

(xiv) the undertaking of any action in connection with the Partnership's participation in the Operating Company as a member.

(b) Notwithstanding any other provision of this Agreement, the Operating Company Agreement, the Delaware Act or any applicable law, rule or regulation, each of the Partners and the Assignees and each other Person who may acquire an interest in Partnership Securities hereby (i) approves, ratifies and confirms the execution, delivery and performance by the parties thereto of the Operating Company Agreement, the Underwriting Agreement, the Contribution and Conveyance Agreement, and the other agreements and other described in or filed as exhibits to the Registration Statement that are related to the transactions contemplated by the Registration Statement; (ii) agrees that the Managing General Partner (on its own or through any officer of the Partnership) is authorized to execute, deliver and perform the agreements referred to in clause (i) of this sentence and the other agreements, acts, transactions and matters described in or contemplated by the Registration Statement on behalf of the Partnership without any further act, approval or vote of the Partners or the Assignees or the other Persons who may acquire an interest in Partnership Securities; and (iii) agrees that the execution, delivery or performance by the General Partners, any Group Member or any Affiliate of any of them, of this Agreement or any agreement authorized or permitted under this Agreement (including the exercise by the Managing General Partner or any Affiliate of the Managing General Partner of the rights accorded pursuant to Article XV), shall not constitute a breach by the General Partners of any duty that the General Partners may owe the Partnership or the Limited Partners or any other Persons under this Agreement (or any other agreements) or of any duty stated or implied by law or equity.

Section 7.2. Certificate of Limited Partnership.

The Managing General Partner has caused the Certificate of Limited Partnership to be filed with the Secretary of State of the State of Delaware as required by the Delaware Act and shall use all reasonable efforts to cause to be filed such other certificates or documents as may be determined by the Managing General Partner in its sole discretion to be reasonable and necessary or appropriate for the formation, continuation, qualification and operation of a limited partnership (or a partnership in which the limited partners have limited liability) in the State of Delaware or any other state in which the Partnership may elect to do business or own property. To the extent that such action is determined by the Managing General Partner in its sole discretion to be reasonable and necessary or appropriate, the Managing General Partner shall file amendments to and restatements of the Certificate of Limited Partnership and do all things to maintain the Partnership as a limited partnership (or a partnership or other entity in which the limited partners have limited liability) under the laws of the State of Delaware or of any other

state in which the Partnership may elect to do business or own property. Subject to the terms of Section 3.4(a), the Managing General Partner shall not be required, before or after filing, to deliver or mail a copy of the Certificate of Limited Partnership, any qualification document or any amendment thereto to any Limited Partner.

Section 7.3. Restrictions on General Partners' Authority.

(a) The General Partners may not, without written approval of the specific act by holders of all of the Outstanding Limited Partner Interests or by other written instrument executed and delivered by holders of all of the Outstanding Limited Partner Interests subsequent to the date of this Agreement, take any action in contravention of this Agreement, including, except as otherwise provided in this Agreement, (i) committing any act that would make it impossible to carry on the ordinary business of the Partnership; (ii) possessing Partnership property, or assigning any rights in specific Partnership property, for other than a Partnership purpose; (iii) admitting a Person as a Partner; (iv) amending this Agreement in any manner; or (v) transferring its interest as general partner of the Partnership.

(b) Except as provided in Articles XII and XIV, no General Partner may sell, exchange or otherwise dispose of all or substantially all of the Partnership's assets in a single transaction or a series of related transactions (including by way of merger, consolidation or other combination) or approve on behalf of the Partnership the sale, exchange or other disposition of all or substantially all of the assets of the Operating Company, without the approval of holders of a Unit Majority; provided however that this provision shall not preclude or limit the General Partners' ability to mortgage, pledge, hypothecate or grant a security interest in all or substantially all of the assets of the Partnership or Operating Company and shall not apply to any forced sale of any or all of the assets of the Partnership or Operating Company pursuant to the foreclosure of, or other realization upon, any such encumbrance. Without the approval of holders of a Unit Majority, the Managing General Partner shall not, on behalf of the Partnership, (i) consent to any amendment to the Operating Company Agreement or, except as expressly permitted by Section 7.9(d), take any action permitted to be taken by a member of the Operating Company, in either case, that would adversely affect the Limited Partners (including any particular class of Partnership Interests as compared to any other class of Partnership Interests) in any material respect or (ii) except as permitted under Sections 4.6, 11.1 and 11.2, elect or cause the Partnership to elect a successor general partner of the Partnership.

Section 7.4. Reimbursement of the General Partners.

(a) Except as provided in this Section 7.4 and elsewhere in this Agreement, the General Partners shall not be compensated for their services as general partners or managing members of any Group Member.

(b) The Managing General Partner shall be reimbursed on a monthly basis, or such other reasonable basis as the Managing General Partner may determine in its sole discretion, for (i) all direct and indirect expenses it incurs or payments it makes on behalf of the Partnership (including salary, bonus, incentive compensation and other amounts paid to any Person including Affiliates of the Managing General Partner to perform services for the Partnership or for the Managing General Partner in the discharge of its duties to the Partnership),

and (ii) all other necessary or appropriate expenses allocable to the Partnership or otherwise reasonably incurred by the Managing General Partner in connection with operating the Partnership's business (including expenses allocated to the Managing General Partner by its Affiliates). The Managing General Partner shall determine the expenses that are allocable to the Partnership in any reasonable manner determined by the Managing General Partner in its sole discretion. Reimbursements pursuant to this Section 7.4 shall be in addition to any reimbursement to the General Partners as a result of indemnification pursuant to Section 7.7.

(c) Subject to Section 5.7, the Managing General Partner, in its sole discretion and without the approval of the Limited Partners (who shall have no right to vote in respect thereof), may propose and adopt on behalf of the Partnership employee benefit plans, employee programs and employee practices (including plans, programs and practices involving the issuance of Partnership Securities or options to purchase Partnership Securities), or cause the Partnership to issue Partnership Securities in connection with, or pursuant to, any employee benefit plan, employee program or employee practice maintained or sponsored by the Managing General Partner or any one of its Affiliates, in each case for the benefit of employees of the Managing General Partner, any Group Member or any Affiliate, or any of them, in respect of services performed, directly or indirectly, for the benefit of the Partnership Group. The Partnership agrees to issue and sell to the Managing General Partner or any of its Affiliates any Partnership Securities that the Managing General Partner or such Affiliates are obligated to provide to any employees pursuant to any such employee benefit plans, employee programs or employee practices. Expenses incurred by the Managing General Partner in connection with any such plans, programs and practices (including the net cost to the Managing General Partner or such Affiliates of Partnership Securities purchased by the Managing General Partner or such Affiliates from the Partnership to fulfill options or awards under such plans, programs and practices) shall be reimbursed in accordance with Section 7.4(b). Any and all obligations of the Managing General Partner under any employee benefit plans, employee programs or employee practices adopted by the Managing General Partner as permitted by this Section 7.4(c) shall constitute obligations of the Managing General Partner hereunder and shall be assumed by any successor Managing General Partner approved pursuant to Section 11.1, 11.2 or 11.4 or the transferee of or successor to all of the Managing General Partner's General Partner Interest.

Section 7.5. Outside Activities.

(a) After the Closing Date, the Managing General Partner, for so long as it is a General Partner of the Partnership (i) agrees that its sole business will be to act as a general partner or managing member of the Partnership and any other partnership or limited liability company of which the Partnership or the Operating Company is, directly or indirectly, a partner or member and to undertake activities that are ancillary or related thereto (including being a limited partner in the Partnership) and (ii) shall not engage in any business or activity or incur any debts or liabilities except in connection with or incidental to (A) its performance as general partner or managing member of one or more Group Members or as described in or contemplated by the Registration Statement or (B) the acquiring, owning or disposing of debt or equity securities in any Group Member.

(b) Except as specifically restricted by Section 7.5(a), each Indemnitee (other than the Managing General Partner) shall have the right to engage in businesses of every type

and description and other activities for profit and to engage in and possess an interest in other business ventures of any and every type or description, whether in businesses engaged in or anticipated to be engaged in by any Group Member, independently or with others, including business interests and activities in direct competition with the business and activities of any Group Member, and none of the same shall constitute a breach of this Agreement or any duty express or implied by law to any Group Member or any Partner or Assignee. Neither any Group Member, any Limited Partner nor any other Person shall have any rights by virtue of this Agreement, the Operating Company Agreement or the partnership relationship established hereby or thereby in any business ventures of any Indemnitee.

(c) Subject to the terms of Section 7.5(a) and Section 7.5(b), but otherwise notwithstanding anything to the contrary in this Agreement, (i) the engaging in competitive activities by any Indemnitees (other than the Managing General Partner) in accordance with the provisions of this Section 7.5 is hereby approved by the Partnership and all Partners, (ii) it shall be deemed not to be a breach of the General Partners' fiduciary duties or any other obligation of any type whatsoever of the General Partners for the Indemnitees (other than the Managing General Partner) to engage in such business interests and activities in preference to or to the exclusion of the Partnership and (iii) the General Partners and the Indemnities shall have no obligation to present business opportunities to the Partnership.

(d) The General Partners and any of their Affiliates may acquire Units or other Partnership Securities in addition to those acquired on the Closing Date and, except as otherwise provided in this Agreement, shall be entitled to exercise all rights of a General Partner or Limited Partner, as applicable, relating to such Units or Partnership Securities.

(e) The term "Affiliates" when used in Section 7.5(a) and Section 7.5(d) with respect to the General Partner shall not include any Group Member or any Subsidiary of the Group Member.

(f) Anything in this Agreement to the contrary notwithstanding, to the extent that provisions of Sections 7.7, 7.8, 7.9, 7.10 or other Sections of this Agreement purport or are interpreted to have the effect of restricting the fiduciary duties that might otherwise, as a result of Delaware or other applicable law, be owed by the General Partners to the Partnership and its Limited Partners, or to constitute a waiver or consent by the Limited Partners to any such restriction, such provisions shall be inapplicable and have no effect in determining whether the General Partners have complied with their fiduciary duties in connection with determinations made by it under this Section 7.5.

Section 7.6. Loans from the General Partners; Loans or Contributions from the Partnership; Contracts with Affiliates; Certain Restrictions on the General Partners.

(a) Each of the General Partners or any of their Affiliates may lend to any Group Member, and any Group Member may borrow from a General Partner or any of its Affiliates, funds needed or desired by the Group Member for such periods of time and in such amounts as the Managing General Partner may determine; provided, however, that in any such case the lending party may not charge the borrowing party interest at a rate greater than the rate that would be charged the borrowing party or impose terms less favorable to the borrowing party

than would be charged or imposed on the borrowing party by unrelated lenders on comparable loans made on an arm's-length basis (without reference to the lending party's financial abilities or guarantees). The borrowing party shall reimburse the lending party for any costs (other than any additional interest costs) incurred by the lending party in connection with the borrowing of such funds. For purposes of this Section 7.6(a) and Section 7.6(b), the term "Group Member" shall include any Affiliate of a Group Member that is controlled by the Group Member. No Group Member may lend funds to a General Partner or any of its Affiliates (other than another Group Member).

(b) The Partnership may lend or contribute to any Group Member, and any Group Member may borrow from the Partnership, funds on terms and conditions established in the sole discretion of the Managing General Partner; provided, however, that the Partnership may not charge the Group Member interest at a rate less than the rate that would be charged to the Group Member (without reference to the General Partners' financial abilities or guarantees) by unrelated lenders on comparable loans. The foregoing authority shall be exercised by the Managing General Partner in its sole discretion and shall not create any right or benefit. in favor of any Group Member or any other Person.

(c) The General Partners may, or may enter into an agreement with any of their Affiliates to, render services to a Group Member or to the General Partners in the discharge of their duties as general partners of the Partnership. Any services rendered to a Group Member by a General Partner or any of its Affiliates shall be on terms that are fair and reasonable to the Partnership; provided, however, that the requirements of this Section 7.6(c) shall be deemed satisfied as to (i) any transaction approved by Special Approval, (ii) any transaction, the terms of which are no less favorable to the Partnership Group than those generally being provided to or available from unrelated third parties or (iii) any transaction that, taking into account the totality of the relationships between the parties involved (including other transactions that may be particularly favorable or advantageous to the Partnership Group), is equitable to the Partnership Group. The provisions of Section 7.4 shall apply to the rendering of services described in this Section 7.6(c).

(d) The Partnership Group may transfer assets to joint ventures, other partnerships, corporations, limited liability companies or other business entities in which it is or thereby becomes a participant upon such terms and subject to such conditions as are consistent with this Agreement and applicable law.

(e) Neither General Partner nor any of their Affiliates shall sell, transfer or convey any property to, or purchase any property from, the Partnership, directly or indirectly, except pursuant to transactions that are fair and reasonable to the Partnership; provided, however, that the requirements of this Section 7.6(e) shall be deemed to be satisfied as to (i) the transactions effected pursuant to Sections 5.2 and 5.3, the Contribution and Conveyance Agreement and any other transactions described in or contemplated by the Registration Statement, (ii) any transaction approved by Special Approval, (iii) any transaction, the terms of which are no less favorable to the Partnership than those generally being provided to or available from unrelated third parties, or (iv) any transaction that, taking into account the totality of the relationships between the parties involved (including other transactions that may be particularly favorable or advantageous to the Partnership), is equitable to the Partnership. With respect to

any contribution of assets to the Partnership in exchange for Partnership Securities, the Conflicts Committee, in determining whether the appropriate number of Partnership Securities are being issued, may take into account, among other things, the fair market value of the assets, the liquidated and contingent liabilities assumed, the tax basis in the assets, the extent to which tax-only allocations to the transferor will protect the existing partners of the Partnership against a low tax basis, and such other factors as the Conflicts Committee deems relevant under the circumstances.

(f) The General Partners and their Affiliates will have no obligation to permit any Group Member to use any facilities or assets of the General Partners and their Affiliates, except as may be provided in contracts entered into from time to time specifically dealing with such use, nor shall there be any obligation on the part of the General Partners or their Affiliates to enter into such contracts.

(g) Without limitation of Sections 7.6(a) through 7.6(f), and notwithstanding anything to the contrary in this Agreement, the existence of the conflicts of interest described in the Registration Statement are hereby approved by all Partners.

Section 7.7. Indemnification.

(a) To the fullest extent permitted by law but subject to the limitations expressly provided in this Agreement, all Indemnitees shall be indemnified and held harmless by the Partnership from and against any and all losses, claims, damages, liabilities, joint or several, expenses (including legal fees and expenses), judgments, fines, penalties, interest, settlements or other amounts arising from any and all claims, demands, actions, suits or proceedings, whether civil, criminal, administrative or investigative, in which any Indemnitee may be involved, or is threatened to be involved, as a party or otherwise, by reason of its status as an Indemnitee; provided, that in each case the Indemnitee acted in good faith and in a manner that such Indemnitee reasonably believed to be in, or (in the case of a Person other than the General Partners) not opposed to, the best interests of the Partnership and, with respect to any criminal proceeding, had no reasonable cause to believe its conduct was unlawful; provided, further, no indemnification pursuant to this Section 7.7 shall be available to the General Partners with respect to their obligations incurred pursuant to the Underwriting Agreement or the Contribution and Conveyance Agreement (other than obligations incurred by the General Partners on behalf of the Partnership or the Operating Company). The termination of any action, suit or proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere, or its equivalent, shall not create a presumption that the Indemnitee acted in a manner contrary to that specified above. Any indemnification pursuant to this Section 7.7 shall be made only out of the assets of the Partnership, it being agreed that the General Partners shall not be personally liable for such indemnification and shall have no obligation to contribute or loan any monies or property to the Partnership to enable it to effectuate such indemnification.

(b) To the fullest extent permitted by law, expenses (including legal fees and expenses) incurred by an Indemnitee who is indemnified pursuant to Section 7.7(a) in defending any claim, demand, action, suit or proceeding shall, from time to time, be advanced by the Partnership prior to the final disposition of such claim, demand, action, suit or proceeding upon receipt by the Partnership of any undertaking by or on behalf of the Indemnitee to repay such

amount if it shall be determined that the Indemnitee is not entitled to be indemnified as authorized in this Section 7.7.

(c) The indemnification provided by this Section 7.7 shall be in addition to any other rights to which an Indemnitee may be entitled under any agreement, pursuant to any vote of the holders of Outstanding Limited Partner Interests, as a matter of law or otherwise, both as to actions in the Indemnitee's capacity as an Indemnitee and as to actions in any other capacity (including any capacity under the Underwriting Agreement), and shall continue as to an Indemnitee who has ceased to serve in such capacity and shall inure to the benefit of the heirs, successors, assigns and administrators of the Indemnitee.

(d) The Partnership may purchase and maintain (or reimburse the General or their Affiliates for the cost of) insurance, on behalf of the General Partners, their Affiliates and such other Persons as the Managing General Partner shall determine, against any liability that may be asserted against or expense that may be incurred by such Person in connection with the Partnership's activities or such Person's activities on behalf of the Partnership, regardless of whether the Partnership would have the power to indemnify such Person against such liability under the provisions of this Agreement.

(e) For purposes of this Section 7.7, the Partnership shall be deemed to have requested an Indemnitee to serve as fiduciary of an employee benefit plan whenever the performance by it of its duties to the Partnership also imposes duties on, or otherwise involves services by, it to the plan or participants or beneficiaries of the plan; excise taxes assessed on an Indemnitee with respect to an employee benefit plan pursuant to applicable law shall constitute "fines" within the meaning of Section 7.7(a); and action taken or omitted by the Indemnitee with respect to any employee benefit plan in the performance of its duties for a purpose reasonably believed by it to be in the interest of the participants and beneficiaries of the plan shall be deemed to be for a purpose which is in, or not opposed to, the best interests of the Partnership.

(f) In no event may an Indemnitee subject the Limited Partners to personal liability by reason of the indemnification provisions set forth in this Agreement.

(g) An Indemnitee shall not be denied indemnification in whole or in part under this Section 7.7 because the Indemnitee had an interest in the transaction with respect to which the indemnification applies if the transaction was otherwise permitted by the terms of this Agreement.

(h) The provisions of this Section 7.7 are for the benefit of the Indemnitees, their heirs, successors, assigns and administrators and shall not be deemed to create any rights for the benefit of any other Persons.

(i) No amendment, modification or repeal of this Section 7.7 or any provision hereof shall in any manner terminate, reduce or impair the right of any past, present or future Indemnitee to be indemnified by the Partnership, nor the obligations of the Partnership to indemnify any such Indemnitee under and in accordance with the provisions of this Section 7.7 as in effect immediately prior to such amendment, modification or repeal with respect to claims

arising from or relating to matters occurring, in whole or-in part, prior to such amendment, modification or repeal, regardless of when such claims may arise or be asserted.

Section 7.8. Liability of Indemnitees.

(a) Notwithstanding anything to the contrary set forth in this Agreement, no Indemnitee shall be liable for monetary damages to the Partnership, the Limited Partners, the Assignees or any other Persons who have acquired interests in the Partnership Securities, for losses sustained or liabilities incurred as a result of any act or omission if such Indemnitee acted in good faith.

(b) Subject to its obligations and duties as Managing General Partner set forth in Section 7.1(a), the Managing General Partner may exercise any of the powers granted to it by this Agreement and perform any of the duties imposed upon it hereunder either directly or by or through its agents, and the Managing General Partner shall not be responsible for any misconduct or negligence on the part of any such agent appointed by the Managing General Partner in good faith.

(c) To the extent that, at law or in equity, an Indemnitee has duties (including fiduciary duties) and liabilities relating thereto to the Partnership or to the Partners, the General Partners and any other Indemnitee acting in connection with the Partnership's business or affairs shall not be liable to the Partnership or to any Partner for its good faith reliance on the provisions of this Agreement. The provisions of this Agreement, to the extent that they restrict or otherwise modify the duties and liabilities of an Indemnitee otherwise existing at law or in equity, are agreed by the Partners to replace such other duties and liabilities of such Indemnitee.

(d) Any amendment, modification or repeal of this Section 7.8 or any provision hereof shall be prospective only and shall not in any way affect the limitations on the liability to the Partnership, the Limited Partners, the General Partners, and the Partnership's and General Partners' directors, officers and employees under this Section 7.8 as in effect immediately prior to such amendment, modification or repeal with respect to claims arising from or relating to matters occurring, in whole or in part, prior to such amendment, modification or repeal, regardless of when such claims may arise or be asserted.

Section 7.9. Resolution of Conflicts of Interest.

(a) Unless otherwise expressly provided in this Agreement or the Operating Company Agreement, whenever a potential conflict of interest exists or arises between a General Partner or any of its Affiliates, on the one hand, and the Partnership, the Operating Company, any Partner or any Assignee, on the other, any resolution or course of action by a General Partner or its Affiliates in respect of such conflict of interest shall be permitted and deemed approved by all Partners, and shall not constitute a breach of this Agreement, of the Operating Company Agreement, of any agreement contemplated herein or therein, or of any duty stated or implied by law or equity, if the resolution or course of action is, or by operation of this Agreement is deemed to be, fair and reasonable to the Partnership. The Managing General Partner shall be authorized but not required in connection with its resolution of such conflict of interest to seek Special Approval of such resolution. Any conflict of interest and any resolution of such conflict

of interest shall be conclusively deemed fair and reasonable to the Partnership if such conflict of interest or resolution is (i) approved by Special Approval (as long as the material facts known to the Managing General Partner or any of its Affiliates regarding any proposed transaction were disclosed to the Conflicts Committee at the time it gave its approval), (ii) on terms no less favorable to the Partnership than those generally being provided to or available from unrelated third parties or (iii) fair to the Partnership, taking into account the totality of the relationships between the parties involved (including other transactions that may be particularly favorable or advantageous to the Partnership). The Managing General Partner may also adopt a resolution or course of action that has not received Special Approval. The Managing General Partner (including the Conflicts Committee in connection with any Special Approval) shall be authorized in connection with its determination of what is "fair and reasonable" to the Partnership and in connection with its resolution of any conflict of interest to consider (A) the relative interests of any party to such conflict, agreement, transaction or situation and the benefits and burdens relating to such interest; (B) any customary or accepted industry practices and any customary or historical dealings with a particular Person; (C) any applicable generally accepted accounting practices or principles; and (D) such additional factors as the Managing General Partner (including the Conflicts Committee) determines in its sole discretion to be relevant, reasonable or appropriate under the circumstances. Nothing contained in this Agreement, however, is intended to nor shall it be construed to require the Managing General Partner (including the Conflicts Committee) to consider the interests of any Person other than the Partnership. In the absence of bad faith by the Managing General Partner, the resolution, action or terms so made, taken or provided by the Managing General Partner with respect to such matter shall not constitute a breach of this Agreement or any other agreement contemplated herein or a breach of any standard of care or duty imposed herein or therein or, to the extent permitted by law, under the Delaware Act or any other law, rule or regulation.

(b) Whenever this Agreement or any other agreement contemplated hereby provides that the Managing General Partner or any of its Affiliates is permitted or required to make a decision (i) in its "sole discretion" or "discretion," that it deems "necessary or appropriate" or "necessary or advisable" or under a grant of similar authority or latitude, except as otherwise provided herein, the Managing General Partner or such Affiliate shall be entitled to consider only such interests and factors as it desires and shall have no duty or obligation to give any consideration to any interest of, or factors affecting, the Partnership, the Operating Company, any Limited Partner or any Assignee, (ii) it may make such decision in its sole discretion (regardless of whether there is a reference to "sole discretion" or "discretion") unless another express standard is provided for, or (iii) in "good faith" or under another express standard, the Managing General Partner or such Affiliate shall act under such express standard and shall not be subject to any other or different standards imposed by this Agreement, the Operating Company Agreement, any other agreement contemplated hereby or under the Delaware Act or any other law, rule or regulation. In addition, any actions taken by the Managing General Partner or such Affiliate consistent with the standards of "reasonable discretion" set forth in the definitions of Available Cash or Operating Surplus shall not constitute a breach of any duty of the Managing General Partner to the Partnership or the Limited Partners. The Managing General Partner shall have no duty, express or implied, to sell or otherwise dispose of any asset of the Partnership Group other than in the ordinary course of business. No borrowing by any Group Member or the approval thereof by the Managing General Partner shall be deemed to constitute a breach of any duty of the Managing General Partner to the Partnership

or the Limited Partners by reason of the fact that the purpose or effect of such borrowing is directly or indirectly to (A) enable distributions to the Non-Managing General Partner or its Affiliates (including in their capacities as Limited Partners) to exceed 2% of the total amount distributed to all partners or (B) hasten the expiration of the Subordination Period or the conversion of any Senior Subordinated Units or Junior Subordinated Units into Common Units.

(c) Whenever a particular transaction, arrangement or resolution of a conflict of interest is required under this Agreement to be "fair and reasonable" to any Person, the fair and reasonable nature of such transaction, arrangement or resolution shall be considered in the context of all similar or related transactions.

(d) The Unitholders hereby authorize the Managing General Partner, on behalf of the Partnership as a partner or member of a Group Member, to approve of actions by the general partner or managing member of such Group Member similar to those actions permitted to be taken by the Managing General Partner pursuant to this Section 7.9.

Section 7.10. Other Matters Concerning the General Partners.

(a) A General Partner may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, bond, debenture or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties.

(b) A General Partner may consult with legal counsel, accountants, appraisers, management consultants, investment bankers and other consultants and advisers selected by it, and any act taken or omitted to be taken in reliance upon the opinion (including an Opinion of Counsel) of such Persons as to matters that such General Partner reasonably believes to be within such Person's professional or expert competence shall be conclusively presumed to have been done or omitted in good faith and in accordance with such opinion.

(c) A General Partner shall have the right, in respect of any of its powers or obligations hereunder, to act through any of its duly authorized officers, a duly appointed attorney or attorneys-in-fact or the duly authorized officers of the Partnership.

(d) Any standard of care and duty imposed by this Agreement or under the Delaware Act or any applicable law, rule or regulation shall be modified, waived or limited to the extent permitted by law, as required to permit the General Partners to act under this Agreement or any other agreement contemplated by this Agreement and to make any decision pursuant to the authority prescribed in this Agreement, so long as such action is reasonably believed by the Managing General Partner to be in, or not inconsistent with, the best interests of the Partnership.

Section 7.11. Purchase or Sale of Partnership Securities.

The Managing General Partner may cause the Partnership to purchase or otherwise acquire Partnership Securities; provided that, except as permitted pursuant to Section 4.10, the Managing General Partner may not cause any Group Member to purchase Subordinated Units during the Subordination Period. As long as Partnership Securities are held by any Group

Member, such Partnership Securities shall not be considered Outstanding for any purpose, except as otherwise provided herein. The General Partners or any of their Affiliates may also purchase or otherwise acquire and sell or otherwise dispose of Partnership Securities for their own account, subject to the provisions of Articles IV and X.

Section 7.12. Registration Rights of the General Partners and their Affiliates.

(a) If (i) either of the General Partners or any Affiliate of either of the General Partners (including for purposes of this Section 7.12, any Person that is an Affiliate of either of the General Partners at the date of this Agreement notwithstanding that it may later cease to be an Affiliate of the General Partner) holds Partnership Securities that it desires to sell and (ii) Rule 144 of the Securities Act (or any successor rule or regulation to Rule 144) or another exemption from registration is not available to enable such holder of Partnership Securities (the "Holder") to dispose of the number of Partnership Securities it desires to sell at the time it desires to do so without registration under the Securities Act, then upon the request of such General Partner or any of its Affiliates, the Partnership shall file with the Commission as promptly as practicable after receiving such request, and use all reasonable efforts to cause to become effective and remain effective for a period of not less than six months following its effective date or such shorter period as shall terminate when all Partnership Securities covered by such registration statement have been sold, a registration statement under the Securities Act registering the offering and sale of the number of Partnership Securities specified by the Holder; provided, however, that the Partnership shall not be required to effect more than three registrations pursuant to this Section 7.12(a); and provided further, that if the Conflicts Committee determines in its good faith judgment that a postponement of the requested registration for up to six months would be in the best interests of the Partnership and its Partners due to a pending transaction, investigation or other event, the filing of such registration statement or the effectiveness thereof may be deferred for up to six months, but not thereafter. In connection with any registration pursuant to the immediately preceding sentence, the Partnership shall promptly prepare and file (x) such documents as may be necessary to register or qualify the securities subject to such registration under the securities laws of such states as the Holder shall reasonably request; provided, however, that no such qualification shall be required in any jurisdiction where, as a result thereof, the Partnership would become subject to general service of process or to taxation or qualification to do business as a foreign corporation or partnership doing business in such jurisdiction solely as a result of such registration, and (y) such documents as may be necessary to apply for listing or to list the Partnership Securities subject to such registration on such National Securities Exchange as the Holder shall reasonably request, and do any and all other acts and things that may reasonably be necessary or advisable to enable the Holder to consummate a public sale of such Partnership Securities in such states. Except as set forth in Section 7.12(c), all costs and expenses of any such registration and offering (other than the underwriting discounts and commissions) shall be paid by the Partnership, without reimbursement by the Holder.

(b) If the Partnership shall at any time propose to file a registration statement under the Securities Act for an offering of equity securities of the Partnership for cash (other than an offering relating solely to an employee benefit plan), the Partnership shall use all reasonable efforts to include such number or amount of securities held by the Holder in such registration statement as the Holder shall request. If the proposed offering pursuant to this Section 7.12(b)

shall be an underwritten offering, then, in the event that the managing underwriter or managing underwriters of such offering advise the Partnership and the Holder in writing that in their opinion the inclusion of all or some of the Holder's Partnership Securities would adversely and materially affect the success of the offering, the Partnership shall include in such offering only that number or amount, if any, of securities held by the Holder which, in the opinion of the managing underwriter or managing underwriters, will not so adversely and materially affect the offering. Except as set forth in Section 7.12(c), all costs and expenses of any such registration and offering (other than the underwriting discounts and commissions) shall be paid by the Partnership, without reimbursement by the Holder.

(c) If underwriters are engaged in connection with any registration referred to in this Section 7.12, the Partnership shall provide indemnification, representations, covenants, opinions and other assurance to the underwriters in form and substance reasonably satisfactory to such underwriters. Further, in addition to and not in limitation of the Partnership's obligation under Section 7.7, the Partnership shall, to the fullest extent, permitted by law, indemnify and hold harmless the Holder, its officers, directors and each Person who controls the Holder (within the meaning of the Securities Act) and any agent thereof (collectively, "Indemnified Persons") against any losses, claims, demands, actions, causes of action, assessments, damages, liabilities (joint or several), costs and expenses (including interest, penalties and reasonable attorneys' fees and disbursements), resulting to, imposed upon, or incurred by the Indemnified Persons, directly or indirectly, under the Securities Act or otherwise (hereinafter referred to in this Section 7.12(c) as a "claim" and in the plural as "claims") based upon, arising out of or resulting from any untrue statement or alleged untrue statement of any material fact contained in any registration statement under which any Partnership Securities were registered under the Securities Act or any state securities or Blue Sky laws, in any preliminary prospectus (if used prior to the effective date of such registration statement), or in any summary or final prospectus or in any amendment or supplement thereto (if used during the period the Partnership is required to keep the registration statement current), or arising out of, based upon or resulting from the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements made therein not misleading; provided, however, that the Partnership shall not be liable to any Indemnified Person to the extent that any such claim arises out of, is based upon or results from an untrue statement or alleged untrue statement or omission or alleged omission made in such registration statement, such preliminary, summary or final prospectus or such amendment or supplement, in reliance upon and in conformity with written information furnished to the Partnership by or on behalf of such Indemnified Person specifically for use in the preparation thereof.

(d) The provisions of Section 7.12(a) and 7.12(b) shall continue to be applicable with respect to the General Partners (and any of the General Partners' Affiliates) after they cease to be Partners of the Partnership, during a period of two years subsequent to the effective date of such cessation and for so long thereafter as is required for the Holder to sell all of the Partnership Securities with respect to which it has requested during such two-year period inclusion in a registration statement otherwise filed or that a registration statement be filed; provided, however, that the Partnership shall not be required to file successive registration statements covering the same Partnership Securities for which registration was demanded during such two-year period. The provisions of Section 7.12(c) shall continue in effect thereafter.

(e) (e) Any request to register Partnership Securities pursuant to this Section 7.12 shall (i) specify the Partnership Securities intended to be offered and sold by the Person making the request, (ii) express such Person's present intent to offer such shares for distribution, (iii) describe the nature or method of the proposed offer and sale of Partnership Securities, and (iv) contain the undertaking of such Person to provide all such information and materials and take all action as may be required in order to permit the Partnership to comply with all applicable requirements in connection with the registration of such Partnership Securities.

Section 7.13. Reliance by Third Parties.

Notwithstanding anything to the contrary in this Agreement, any Person dealing with the Partnership shall be entitled to assume that the Managing General Partner and any officer of the Managing General Partner authorized by the Managing General Partner to act on behalf of and in the name of the Partnership has full power and authority to encumber, sell or otherwise use in any manner any and all assets of the Partnership and to enter into any authorized contracts on behalf of the Partnership, and such Person shall be entitled to deal with the Managing General Partner or any such officer as if it were the Partnership's sole party in interest, both legally and beneficially. Each Limited Partner hereby waives any and all defenses or other remedies that may be available against such Person to contest, negate or disaffirm any action of the Managing General Partner or any such officer in connection with any such dealing. In no event shall any Person dealing with the Managing General Partner or any such officer or its representatives be obligated to ascertain that the terms of the Agreement have been complied with or to inquire into the necessity or expedience of any act or action of the Managing General Partner or any such officer or its representatives. Each and every certificate, document or other instrument executed on behalf of the Partnership by the Managing General Partner or its representatives shall be conclusive evidence in favor of any and every Person relying thereon or claiming thereunder that (a) at the time of the execution and delivery of such certificate, document or instrument, this Agreement was in full force and effect, (b) the Person executing and delivering such certificate, document or instrument was duly authorized and empowered to do so for and on behalf of the Partnership and (c) such certificate, document or instrument was duly executed and delivered in accordance with the terms and provisions of this Agreement and is binding upon the Partnership.

ARTICLE VIII
BOOKS, RECORDS, ACCOUNTING AND REPORTS

Section 8.1. Records and Accounting.

The Managing General Partner shall keep or cause to be kept at the principal office of the Partnership appropriate books and records with respect to the Partnership's business, including all books and records necessary to provide to the Limited Partners any information required to be provided pursuant to Section 3.4(a). Any books and records maintained by or on behalf of the Partnership in the regular course of its business, including the record of the Record Holders and Assignees of Units or other Partnership Securities, books of account and records of Partnership proceedings, may be kept on, or be in the form of, computer disks, hard drives, punch cards, magnetic tape, photographs, micrographics or any other information storage device; provided, that the books and records so maintained are convertible into clearly legible written form within

a reasonable period of time. The books of the Partnership shall be maintained, for financial reporting purposes, on an accrual basis in accordance with U.S. GAAP.

Section 8.2. Fiscal Year.

The fiscal year of the Partnership shall be a fiscal year ending December 31.

Section 8.3. Reports.

(a) As soon as practicable, but in no event later than 120 days after the close of each fiscal year of the Partnership, the Managing General Partner shall cause to be mailed or furnished to each Record Holder of a Unit as of a date selected by the Managing General Partner in its discretion, an annual report containing financial statements of the Partnership for such fiscal year of the Partnership, presented in accordance with U.S. GAAP, including a balance sheet and statements of operations, Partnership equity and cash flows, such statements to be audited by a firm of independent public accountants selected by the Managing General Partner.

(b) As soon as practicable, but in no event later than 90 days after the close of each Quarter except the last Quarter of each fiscal year, the Managing General Partner shall cause to be mailed or furnished to each Record Holder of a Unit, as of a date selected by the Managing General Partner in its discretion, a report containing unaudited financial statements of the Partnership and such other information as may be required by applicable law, regulation or rule of any National Securities Exchange on which the Units are listed for trading, or as the Managing General Partner determines to be necessary or appropriate.

ARTICLE IX
TAX MATTERS

Section 9.1. Tax Returns and Information.

The Partnership shall timely file all returns of the Partnership that are required for federal, state and local income tax purposes on the basis of the accrual method and a taxable year ending on December 31. The tax information reasonably required by Record Holders for federal and state income tax reporting purposes with respect to a taxable year shall be furnished to them within 90 days of the close of the calendar year in which the Partnership's taxable year ends. The classification, realization and recognition of income, gain, losses and deductions and other items shall be on the accrual method of accounting for federal income tax purposes.

Section 9.2. Tax Elections.

(a) The Partnership shall make the election under Section 754 of the Code in accordance with applicable regulations thereunder, subject to the reservation of the right to seek to revoke any such election upon the Managing General Partner's determination that such revocation is in the best interests of the Limited Partners. Notwithstanding any other provision herein contained, for the purposes of computing the adjustments under Section 743(b) of the Code, the Managing General Partner shall be authorized (but not required) to adopt a convention whereby the price paid by a transferee of a Limited Partner Interest will be deemed to be the lowest quoted closing price of the Limited Partner Interests on any National Securities Exchange

on which such Limited Partner Interests are traded during the calendar month in which such transfer is deemed to occur pursuant to Section 6.2(g) without regard to the actual price paid by such transferee.

(b) The Partnership shall elect to deduct expenses incurred in organizing the Partnership ratably over a sixty-month period as provided in Section 709 of the Code.

(c) Except as otherwise provided herein, the Managing General Partner shall determine whether the Partnership should make any other elections permitted by the Code.

Section 9.3. Tax Controversies.

Subject to the provisions hereof, the Managing General Partner is designated as the Tax Matters Partner (as defined in the Code) and is authorized and required to represent the Partnership (at the Partnership's expense) in connection with all examinations of the Partnership's affairs by tax authorities, including resulting administrative and judicial proceedings, and to expend Partnership funds for professional services and costs associated therewith. Each Partner agrees to cooperate with the Managing General Partner and to do or refrain from doing any or all things reasonably required by the Managing General Partner to conduct such proceedings.

Section 9.4. Withholding.

Notwithstanding any other provision of this Agreement, the Managing General Partner is authorized to take any action that it determines in its discretion to be necessary or appropriate to cause the Partnership and the Operating Company to comply with any withholding requirements established under the Code or any other federal, state or local law including, without limitation, pursuant to Sections 1441, 1442, 1445 and 1446 of the Code. To the extent that the Partnership is required or elects to withhold and pay over to any taxing authority any amount resulting from the allocation or distribution of income to any Partner or Assignee (including, without limitation, by reason of Section 1446 of the Code), the amount withheld may at the discretion of the Managing General Partner be treated by the Partnership as a distribution of cash pursuant to Section 6.3 in the amount of such withholding from such Partner.

ARTICLE X
ADMISSION OF PARTNERS

Section 10.1. Admission of Initial Limited Partners.

Upon the issuance by the Partnership of Common Units, Senior Subordinated Units, Junior Subordinated Units and Incentive Distribution Rights to Inergy Partners, LLC, New Inergy Propane, LLC, Inergy Holdings, LLC and the Underwriters as described in Section 5.3 in connection with the Initial Offering, the Managing General Partner shall admit such parties to the Partnership as Initial Limited Partners in respect of the Common Units, Senior Subordinated Units, Junior Subordinated Units or Incentive Distribution Rights issued to them.

Section 10.2. Admission of Substituted Limited Partner.

By transfer of a Limited Partner Interest in accordance with Article IV, the transferor shall be deemed to have given the transferee the right to seek admission as a Substituted Limited Partner subject to the conditions of, and in the manner permitted under, this Agreement. A transferor of a Certificate representing a Limited Partner Interest shall, however, only have the authority to convey to a purchaser or other transferee who does not execute and deliver a Transfer Application (a) the right to negotiate such Certificate to a purchaser or other transferee and (b) the right to transfer the right to request admission as a Substituted Limited Partner to such purchaser or other transferee in respect of the transferred Limited Partner Interests. Each transferee of a Limited Partner Interest (including any nominee holder or an agent acquiring such Limited Partner Interest for the account of another Person) who executes and delivers a Transfer Application shall, by virtue of such execution and delivery, be an Assignee and be deemed to have applied to become a Substituted Limited Partner with respect to the Limited Partner Interests so transferred to such Person. Such Assignee shall become a Substituted Limited Partner (x) at such time as the Managing General Partner consents thereto, which consent may be given or withheld in the Managing General Partner's discretion, and (y) when any such admission is shown on the books and records of the Partnership. If such consent is withheld, such transferee shall be an Assignee. An Assignee shall have an interest in the Partnership equivalent to that of a Limited Partner with respect to allocations and distributions, including liquidating distributions, of the Partnership. With respect to voting rights attributable to Limited Partner Interests that are held by Assignees, the Managing General Partner shall be deemed to be the Limited Partner with respect thereto and shall, in exercising the voting rights in respect of such Limited Partner Interests on any matter, vote such Limited Partner Interests at the written direction of the Assignee who is the Record Holder of such Limited Partner Interests. If no such written direction is received, such Limited Partner Interests will not be voted. An Assignee shall have no other rights of a Limited Partner.

Section 10.3. Admission of Successor General Partners.

A successor General Partner approved pursuant to Section 11.1, 11.2 or 11.4 or the transferee of or successor to such General Partner Interest pursuant to Section 4.6 who is proposed to be admitted as a successor General Partner shall be admitted to the Partnership as the Non-Managing General Partner or the Managing General Partner, as the case may be, effective immediately prior to the withdrawal or removal of the predecessor or transferring General Partner pursuant to Section 11.1, 11.2 or 11.4 or the transfer of such General Partner's General Partner Interest pursuant to Section 4.6; provided, however, that no such successor shall be admitted to the Partnership until compliance with the terms of Section 4.6 has occurred and such successor has executed and delivered such other documents or instruments as may be required to effect such admission. Any such successor shall, subject to the terms hereof, carry on the business of the members of the Partnership Group without dissolution.

Section 10.4. Admission of Additional Limited Partners.

(a) A Person (other than the General Partners, an Initial Limited Partner or a Substituted Limited Partner) who makes a Capital Contribution to the Partnership in accordance with this Agreement shall be admitted to the Partnership as an Additional Limited Partner only

upon furnishing to the Managing General Partner (i) evidence of acceptance in form satisfactory to the Managing General Partner of all of the terms and conditions of this Agreement, including the power of attorney granted in Section 2.6, and (ii) such other documents or instruments as may be required in the discretion of the Managing General Partner to effect such Person's admission as an Additional Limited Partner.

(b) Notwithstanding anything to the contrary in this Section 10.4, no Person shall be admitted as an Additional Limited Partner without the consent of the Managing General Partner, which consent may be given or withheld in the Managing General Partner's discretion. The admission of any Person as an Additional Limited Partner shall become effective on the date upon which the name of such Person is recorded as such in the books and records of the Partnership, following the consent of the Managing General Partner to such admission.

Section 10.5. Amendment of Agreement and Certificate of Limited Partnership.

To effect the admission to the Partnership of any Partner, the Managing General Partner shall take all steps necessary and appropriate under the Delaware Act to amend the records of the Partnership to reflect such admission and, if necessary, to prepare as soon as practicable an amendment to this Agreement and, if required by law, the Managing General Partner shall prepare and file an amendment to the Certificate of Limited Partnership, and the Managing General Partner may for this purpose, among others, exercise the power of attorney granted pursuant to Section 2.6.

ARTICLE XI
WITHDRAWAL OR REMOVAL OF PARTNERS

Section 11.1. Withdrawal of the Managing General Partner.

(a) The Managing General Partner shall be deemed to have withdrawn from the Partnership upon the occurrence of any one of the following events (each such event herein referred to as an "Event of Withdrawal");

(i) The Managing General Partner voluntarily withdraws from the Partnership by giving written notice to the other Partners;

(ii) The Managing General Partner transfers all of its rights as Managing General Partner pursuant to Section 4.6;

(iii) The Managing General Partner is removed pursuant to Section 11.2;

(iv) The Managing General Partner (A) makes a general assignment for the benefit of creditors; (B) files a voluntary bankruptcy petition for relief under Chapter 7 of the United States Bankruptcy Code; (C) files a petition or answer seeking for itself a liquidation, dissolution or similar relief (but not a reorganization) under any law; (D) files an answer or other pleading admitting or failing to contest the material allegations of a petition filed against the Managing General Partner in a proceeding of the type described in clauses (A)-(C) of this Section 11.1(a)(iv); or (E) seeks, consents to or acquiesces in

the appointment of a trustee (but not a debtor-in-possession), receiver or liquidator of the Managing General Partner or of all or any substantial part of its properties;

(v) A final and non-appealable order of relief under Chapter 7 of the United States Bankruptcy Code is entered by a court with appropriate jurisdiction pursuant to a voluntary or involuntary petition by or against the Managing General Partner; or

(vi) (A) in the event the Managing General Partner is a corporation, a certificate of dissolution or its equivalent is filed for the Managing General Partner, or 90 days expire after the date of notice to the Managing General Partner of revocation of its charter without a reinstatement of its charter, under the laws of its state of incorporation; (B) in the event the Managing General Partner is a partnership or a limited liability company, the dissolution and commencement of winding up of the Managing General Partner; (C) in the event the Managing General Partner is acting in such capacity by virtue of being a trustee of a trust, the termination of the trust; (D) in the event the Managing General Partner is a natural person, his death or adjudication of incompetency; and (E) otherwise in the event of the termination of the Managing General Partner.

If an Event of Withdrawal specified in Section 11.1(a)(iv), (v) or (vi)(A), (B), (C) or (E) occurs, the withdrawing Managing General Partner shall give notice to the Limited Partners within 30 days after such occurrence. The Partners hereby agree that only the Events of Withdrawal described in this Section 11.1 shall result in the withdrawal of the Managing General Partner from the Partnership.

(b) Withdrawal of the Managing General Partner from the Partnership upon the occurrence of an Event of Withdrawal shall not constitute a breach of this Agreement under the following circumstances: (i) at any time during the period beginning on the Closing Date and ending at 12:00 midnight, Eastern Standard Time, on June 30, 2011, the Managing General Partner voluntarily withdraws by giving at least 90 days' advance notice of its intention to withdraw to the Limited Partners; provided that prior to the effective date of such withdrawal, the withdrawal is approved by Unitholders holding at least a majority of the Outstanding Common Units (excluding Common Units held by the General Partners and their Affiliates) and the Managing General Partner delivers to the Partnership an Opinion of Counsel ("Withdrawal Opinion of Counsel") that such withdrawal (following the selection of the successor Managing General Partner) would not result in the loss of the limited liability of any Limited Partner or of a member of the Operating Company or cause the Partnership or the Operating Company to be treated as an association taxable as a corporation or otherwise to be taxed as an entity for federal income tax purposes (to the extent not previously treated as such); (ii) at any time after 12:00 midnight, Eastern Standard Time, on June 30, 2011, the Managing General Partner voluntarily withdraws by giving at least 90 days' advance notice to the Unitholders, such withdrawal to take effect on the date specified in such notice; (iii) at any time that the Managing General Partner ceases to be the Managing General Partner pursuant to Section 11.1(a)(ii) or is removed pursuant to Section 11.2; or (iv) notwithstanding clause (i) of this sentence, at any time that the Managing General Partner voluntarily withdraws by giving at least 90 days' advance notice of its intention to withdraw to the Limited Partners, such withdrawal to take effect on the date specified in the notice, if at the time such notice is given one Person and its Affiliates (other than the Managing General Partner and their Affiliates) own beneficially or of record or control at least 50% of the

Outstanding Units. The withdrawal of the Managing General Partner from the Partnership upon the occurrence of an Event of Withdrawal shall also constitute the withdrawal of the Managing General Partner as general partner or managing member, to the extent applicable, of the other Group Members. If the Managing General Partner gives a notice of withdrawal pursuant to Section 11.1(a)(i), the holders of a Unit Majority, may, prior to the effective date of such withdrawal, elect a successor Managing General Partner. The Person so elected as successor Managing General Partner shall automatically become the successor general partner or managing member, to the extent applicable, of the other Group Members of which the Managing General Partner is a general partner or a managing member. If, prior to the effective date of the Managing General Partner's withdrawal pursuant to Section 11.1(a)(i), a successor is not selected by the Unitholders as provided herein or the Partnership does not receive a Withdrawal Opinion of Counsel, the Partnership shall be dissolved in accordance with Section 12.1. Any successor Managing General Partner elected in accordance with the terms of this Section 11.1 shall be subject to the provisions of Section 10.3.

Section 11.2. Removal of the Managing General Partner.

The Managing General Partner may be removed if such removal is approved by the Unitholders holding at least 66 2/3% of the Outstanding Units (including Units held by the General Partners and their Affiliates). Any such action by such holders for removal of the Managing General Partner must also provide for the election of a successor Managing General Partner by the Unitholders holding a Unit Majority (including Units held by the General Partners and their Affiliates). Such removal shall be effective immediately following the admission of a successor Managing General Partner pursuant to Section 10.3. The removal of the Managing General Partner shall also automatically constitute the removal of the Managing General Partner as general partner or managing member, to the extent applicable, of the other Group Members of which the Managing General Partner is a general partner or a managing member. If a Person is elected as a successor Managing General Partner in accordance with the terms of this Section 11.2, such Person shall, upon admission pursuant to Section 10.3, automatically become a successor general partner or managing member, to the extent applicable, of the other Group Members of which the Managing General Partner is a general partner or a managing member. The right of the holders of Outstanding Units to remove the Managing General Partner shall not exist or be exercised unless the Partnership has received an opinion opining as to the matters covered by a Withdrawal Opinion of Counsel. Any successor Managing General Partner elected in accordance with the terms of this Section 11.2 shall be subject to the provisions of Section 10.3.

Section 11.3. Interest of Departing Partner and Successor General Partners.

(a) In the event of (i) withdrawal of a General Partner under circumstances where such withdrawal does not violate this Agreement or (ii) removal of a the Managing General Partner by the holders of Outstanding Units under circumstances where Cause does not exist, if a successor General Partner is elected in accordance with the terms of Section 11.1, 11.2 or 11.4, the Departing Partner shall have the option exercisable prior to the effective date of the departure of such Departing Partner to require its successor to purchase (x) its General Partner Interest, (y) its general partner interest (or equivalent interest), if any, in the other Group Members and (z) in the case of the withdrawal or removal of the Managing General Partner,

Inergy Holdings, LLC shall have the right to require the successor Managing General Partner to purchase the Incentive Distribution Rights and the General Partner Interest held by Non-Managing General Partner ((x), (y) and (z) collectively, the "Combined Interest") in exchange for an amount in cash equal to the fair market value of such Combined Interest, such amount to be determined and payable as of the effective date of its departure. If the Managing General Partner is removed by the Unitholders under circumstances where Cause exists or if the Managing General Partner withdraws under circumstances where such withdrawal violates this Agreement, and if a successor Managing General Partner is elected in accordance with the terms of Section 11.1 or 11.2, such successor shall have the option, exercisable prior to the effective date of the departure of such Departing Partner, to purchase the Combined Interest of the Departing Partner for such fair market value of such Combined Interest of the Departing Partner. In either event, the Departing Partner shall be entitled to receive all reimbursements due such Departing Partner pursuant to Section 7.4, including any employee-related liabilities (including severance liabilities), incurred in connection with the termination of any employees employed by the Managing General Partner for the benefit of the Partnership or the other Group Members.

For purposes of this Section 11.3(a), the fair market value of a Departing Partner's Combined Interest shall be determined by agreement between the Departing Partner and its successor or, failing agreement within 30 days after the effective date of such Departing Partner's departure, by an independent investment banking firm or other independent expert selected by the Departing Partner and its successor, which, in turn, may rely on other experts, and the determination of which shall be conclusive as to such matter. If such parties cannot agree upon one independent investment banking firm or other independent expert within 45 days after the effective date of such departure, then the Departing Partner shall designate an independent investment banking firm or other independent expert, the Departing Partner's successor shall designate an independent investment banking firm or other independent expert, and such firms or experts shall mutually select a third independent investment banking firm or independent expert, which third independent investment banking firm or other independent expert shall determine the fair market value of the Combined Interest of the Departing Partner. In making its determination, such third independent investment banking firm or other independent expert may consider the then current trading price of Units on any National Securities Exchange on which Units are then listed, the value of the Partnership's assets, the rights and obligations of the Departing Partner and other factors it may deem relevant.

(b) If the Combined Interest is not purchased in the manner set forth in Section 11.3(a), the Departing Partner (or its transferee) shall become a Limited Partner and its Combined Interest shall be converted into Common Units pursuant to a valuation made by an investment banking firm or other independent expert selected pursuant to Section 11.3(a), without reduction in such Partnership Interest (but subject to proportionate dilution by reason of the admission of its successor). Any successor General Partner shall indemnify the Departing Partner (or its transferee) as to all debts and liabilities of the Partnership arising on or after the date on which the Departing Partner (or its transferee) becomes a Limited Partner. For purposes of this Agreement, conversion of the Combined Interest of the Departing Partner to Common Units will be characterized as if such General Partner (or its transferee) contributed its Combined Interest to the Partnership in exchange for the newly issued Common Units.

(c) If a successor Non-Managing General Partner is elected in accordance with the terms of Section 11.1, 11.2 or 11.4 and the option described in Section 11.3(a) is not exercised, the successor Non-Managing General Partner shall, at the effective date of its admission to the Partnership, contribute to the Partnership cash in the amount equal to its Percentage Interest of 1/98th of the Net Agreed Value of the Partnership's assets on such date. In such event, such successor Non-Managing General Partner shall, subject to the following sentence, be entitled to 2% of all Partnership allocations and distributions. The Managing General Partner shall cause this Agreement to be amended to reflect that, from and after the date of such successor Non-Managing General Partner's admission, the successor Non-Managing General Partner's interest in all Partnership distributions and allocations shall be 2%.

Section 11.4. Withdrawal of Non-Managing General Partner.

(a) The Non-Managing General Partner may withdraw from the Partnership in the capacity of Non-Managing General Partner (i) upon 90 days' advance written notice to the Managing General Partner or (ii) by transferring its General Partner Interest in the Partnership pursuant to Section 4.6 hereof. Such withdrawal shall take effect on the date specified in such notice. Upon receiving such notice, the Managing General Partner shall select a successor Non-Managing General Partner within such 90-day period. Any withdrawal of the Non-Managing General Partner shall not become effective unless the Partnership has received by the end of such 90-day period a Withdrawal Opinion of Counsel that such withdrawal will not result in the loss of limited liability of any Limited Partner or of a member of the Operating Company or cause the Partnership or the Operating Company to be treated as a corporation or as an association taxable as a corporation for federal income tax purposes. Following any withdrawal of the Non-Managing General Partner, the business and operations of the Partnership shall be continued by the Managing General Partner.

(b) In addition to the voluntary withdrawal described above, the Non-Managing General Partner shall be deemed to have withdrawn (i) when and if, the Non-Managing General Partner (A) makes a general assignment for the benefit of creditors, (B) files a voluntary bankruptcy petition, (C) files a petition or answer seeking for itself a reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any law, (D) files an answer or other pleading admitting or failing to contest the material allegations of a petition filed against the Non-Managing General Partner in a proceeding of the type described in clauses (A)-(C) of this subsection, or (E) seeks, consents to or acquiesces in the appointment of a trustee, receiver or liquidator of the Non-Managing General Partner or of all or any substantial part of its properties; or (ii), when a final and non-appealable judgment is entered by a court with appropriate jurisdiction ruling that the Non-Managing General Partner is bankrupt or insolvent, or a final and non-appealable order for relief is entered by a court with appropriate jurisdiction against the Non-Managing General Partner, in each case under any federal or state bankruptcy or insolvency laws as now or hereinafter in effect; or (iii) (A) in the event the Non-Managing General Partner is a corporation, when a certificate of dissolution or its equivalent is filed for the Non-Managing General Partner, or 90 days expire after the date of notice to the Non-Managing General Partner of revocation of its charter without a reinstatement of its charter, under the laws of its state of incorporation, (B) in the event the Non-Managing General Partner is a partnership or a limited liability company, the dissolution and commencement of winding up of the Non-Managing General Partner, (C) in the event the Non-Managing General Partner is acting in such

capacity by virtue of being a trustee of a trust, the termination of the trust, (D) in the event the Non-Managing General Partner is a natural person, his death or adjudication of incompetency, and (E) otherwise in the event of the termination of the Non-Managing General Partner.

(c) Notwithstanding the other provisions of this Section 11.4, a successor Non-Managing General Partner need not be selected if the Partnership has received an Opinion of Counsel that the failure to select a successor would not cause the Partnership or the Operating Company to be treated as a corporation or as an association taxable as a corporation for federal income tax purposes.

Section 11.5. Termination of Subordination Period, Conversion of Senior Subordinated Units and Junior Subordinated Units and Extinguishment of Cumulative Common Unit Arrearages.

Notwithstanding any provision of this Agreement, if the Managing General Partner is removed as general partner of the Partnership under circumstances where Cause does not exist and Units held by the General Partners and their Affiliates are not voted in favor of such removal, (i) the Subordination Period will end and all Outstanding Senior Subordinated Units and Junior Subordinated Units will immediately and automatically convert into Common Units on a one-for-one basis and (ii) all Cumulative Common Unit Arrearages on the Common Units will be extinguished.

Section 11.6. Withdrawal of Limited Partners.

No Limited Partner shall have any right to withdraw from the Partnership; provided, however, that when a transferee of a Limited Partner's Limited Partner Interest becomes a Record Holder of the Limited Partner Interest so transferred, such transferring Limited Partner shall cease to be a Limited Partner with respect to the Limited Partner Interest so transferred.

ARTICLE XII
DISSOLUTION AND LIQUIDATION

Section 12.1. Dissolution.

The Partnership shall not be dissolved by the admission of Substituted Limited Partners or Additional Limited Partners or by the admission of a successor Managing General Partner or a successor Non-Managing General Partner in accordance with the terms of this Agreement or by the withdrawal of the Non-Managing General Partner pursuant to Section 11.4. Upon the removal or withdrawal of the Managing General Partner, if a successor Managing General Partner is elected pursuant to Section 11.1 or 11.2, the Partnership shall not be dissolved and such successor Managing General Partner shall continue the business of the Partnership. The Partnership shall dissolve, and (subject to Section 12.2) its affairs shall be wound up, upon:

(a) an Event of Withdrawal of the Managing General Partner as provided in Section 11.1(a) (other than Section 11.1(a)(ii)), unless a successor is elected and an Opinion of Counsel is received as provided in Section 11.1(b) or 11.2 and such successor is admitted to the Partnership pursuant to Section 10.3;

(b) an election to dissolve the Partnership by the Managing General Partner that is approved by the holders of a Unit Majority;

(c) the entry of a decree of judicial dissolution of the Partnership pursuant to the provisions of the Delaware Act; or

(d) the sale of all or substantially all of the assets and properties of the Partnership Group.

Section 12.2. Continuation of the Business of the Partnership After Dissolution.

Upon (a) dissolution of the Partnership following an Event of Withdrawal caused by the withdrawal or removal of the Managing General Partner as provided in Section 11.1(a)(i) or (iii) and the failure of the Partners to select a successor to such Departing Partner pursuant to Section 11.1 or 11.2, then within 90 days thereafter, or (b) dissolution of the Partnership upon an event constituting an Event of Withdrawal as defined in Section 11.1(a)(iv), (v) or (vi), then, to the maximum extent permitted by law, within 180 days thereafter, the holders of a Unit Majority may elect to reconstitute the Partnership and continue its business on the same terms and conditions set forth in this Agreement by forming a new limited partnership on terms identical to those set forth in this Agreement and having as the successor managing general partner a Person approved by the holders of a Unit Majority. Unless such an election is made within the applicable time period as set forth above, the Partnership shall conduct only activities necessary to wind up its affairs. If such an election is so made, then:

(i) the reconstituted Partnership shall continue unless earlier dissolved in accordance with this Article XII;

(ii) if the successor Managing General Partner is not the former Managing General Partner, then the interest of the former Managing General Partner shall be treated in the manner provided in Section 11.3; and

(iii) all necessary steps shall be taken to cancel this Agreement and the Certificate of Limited Partnership and to enter into and, as necessary, to file a new partnership agreement and certificate of limited partnership, and the successor managing general partner may for this purpose exercise the powers of attorney granted the Managing General Partner pursuant to Section 2.6; provided, that the right of the holders of a Unit Majority to approve a successor Managing General Partner and to reconstitute and to continue the business of the Partnership shall not exist and may not be exercised unless the Partnership has received an Opinion of Counsel that (x) the exercise of the right would not result in the loss of limited liability of any Limited Partner and (y) neither the Partnership, the reconstituted limited partnership nor the Operating Company would be treated as an association taxable as a corporation or otherwise be taxable as an entity for federal income tax purposes upon the exercise of such right to continue.

Section 12.3. Liquidator.

Upon dissolution of the Partnership, unless the Partnership is continued under an election to reconstitute and continue the Partnership pursuant to Section 12.2, the Managing General

Partner shall select one or more Persons to act as Liquidator. The Liquidator (if other than the Managing General Partner) shall be entitled to receive such compensation for its services as may be approved by holders of at least a majority of the Outstanding Common Units, Senior Subordinated Units and Junior Subordinated Units voting as a single class. The Liquidator (if other than the Managing General Partner) shall agree not to resign at any time without 15 days' prior notice and may be removed at any time, with or without cause, by notice of removal approved by holders of at least a majority of the Outstanding Common Units, Senior Subordinated Units and Junior Subordinated Units voting as a single class. Upon dissolution, removal or resignation of the Liquidator, a successor and substitute Liquidator (who shall have and succeed to all rights, powers and duties of the original Liquidator) shall within 30 days thereafter be approved by holders of at least a majority of the Outstanding Common Units, Senior Subordinated Units and Junior Subordinated Units voting as a single class. The right to approve a successor or substitute Liquidator in the manner provided herein shall be deemed to refer also to any such successor or substitute Liquidator approved in the manner herein provided. Except as expressly provided in this Article XII, the Liquidator approved in the manner provided herein shall have and may exercise, without further authorization or consent of any of the parties hereto, all of the powers conferred upon the Managing General Partner under the terms of this Agreement (but subject to all of the applicable limitations, contractual and otherwise, upon the exercise of such powers, other than the limitation on sale set forth in Section 7.3(b)) to the extent necessary or desirable in the good faith judgment of the Liquidator to carry out the duties and functions of the Liquidator hereunder for and during such period of time as shall be reasonably required in the good faith judgment of the Liquidator to complete the winding up and liquidation of the Partnership as provided for herein.

Section 12.4. Liquidation.

The Liquidator shall proceed to dispose of the assets of the Partnership, discharge its liabilities, and otherwise wind up its affairs in such manner and over such period as the Liquidator determines to be in the best interest of the Partners, subject to Section 17-804 of the Delaware Act and the following:

(a) Disposition of Assets. The assets may be disposed of by public or private sale or by distribution in kind to one or more Partners on such terms as the Liquidator and such Partner or Partners may agree. If any property is distributed in kind, the Partner receiving the property shall be deemed for purposes of Section 12.4(c) to have received cash equal to its fair market value; and contemporaneously therewith, appropriate cash distributions must be made to the other Partners. The Liquidator may, in its absolute discretion, defer liquidation or distribution of the Partnership's assets for a reasonable time if it determines that an immediate sale or distribution of all or some of the Partnership's assets would be impractical or would cause undue loss to the Partners. The Liquidator may, in its absolute discretion, distribute the Partnership's assets, in whole or in part, in kind if it determines that a sale would be impractical or would cause undue loss to the Partners.

(b) Discharge of Liabilities. Liabilities of the Partnership include amounts owed to the Liquidator as compensation for serving in such capacity (subject to the terms of Section 12.3) and amounts to Partners otherwise than in respect of their distribution rights under Article VI. With respect to any liability that is contingent, conditional or unmatured or is

otherwise not yet due and payable, the Liquidator shall either settle such claim for such amount as it thinks appropriate or establish a reserve of cash or other assets to provide for its payment. When paid, any unused portion of the reserve shall be distributed as additional liquidation proceeds.

(c) Liquidation Distributions. All property and all cash in excess of that required to discharge liabilities as provided in Section 12.4(b) shall be distributed to the Partners in accordance with, and to the extent of, the positive balances in their respective Capital Accounts, as determined after taking into account all Capital Account adjustments (other than those made by reason of distributions pursuant to this Section 12.4(c)) for the taxable year of the Partnership during which the liquidation of the Partnership occurs (with such date of occurrence being determined pursuant to Treasury Regulation Section 1.704-1(b)(2)(ii)(g)), and such distribution shall be made by the end of such taxable year (or, if later, within 90 days after said date of such occurrence).

Section 12.5. Cancellation of Certificate of Limited Partnership.

Upon the completion of the distribution of Partnership cash and property as provided in Section 12.4 in connection with the liquidation of the Partnership, the Partnership shall be terminated and the Certificate of Limited Partnership and all qualifications of the Partnership as a foreign limited partnership in jurisdictions other than the State of Delaware shall be canceled and such other actions as may be necessary to terminate the Partnership shall be taken.

Section 12.6. Return of Contributions.

No General Partner shall be personally liable for, and shall have no obligation to contribute or loan any monies or property to the Partnership to enable it to effectuate, the return of the Capital Contributions of the Limited Partners or Unitholders, or any portion thereof, it being expressly understood that any such return shall be made solely from Partnership assets.

Section 12.7. Waiver of Partition.

To the maximum extent permitted by law, each Partner hereby waives any right to partition of the Partnership property.

Section 12.8. Capital Account Restoration.

No Limited Partner shall have any obligation to restore any negative balance in its Capital Account upon liquidation of the Partnership. Each General Partner shall be obligated to restore any negative balance in its Capital Account upon liquidation of its interest in the Partnership by the end of the taxable year of the Partnership during which such liquidation occurs, or, if later, within 90 days after the date of such liquidation.

ARTICLE XIII
AMENDMENT OF PARTNERSHIP AGREEMENT; MEETINGS; RECORD DATE

Section 13.1. Amendment to be Adopted Solely by the Managing General Partner.

Each Partner agrees that the Managing General Partner, without the approval of any Partner or Assignee, may amend any provision of this Agreement and execute, swear to, acknowledge, deliver, file and record whatever documents may be required in connection therewith, to reflect:

(a) a change in the name of the Partnership, the location of the principal place of business of the Partnership, the registered agent of the Partnership or the registered office of the Partnership;

(b) admission, substitution, withdrawal or removal of Partners in accordance with this Agreement;

(c) a change that, in the sole discretion of the Managing General Partner, is necessary or advisable to qualify or continue the qualification of the Partnership as a limited partnership or a partnership in which the Limited Partners have limited liability under the laws of any state or to ensure that the Partnership and the Operating Company will not be treated as an association taxable as a corporation or otherwise taxed as an entity for federal income tax purposes;

(d) a change that, in the discretion of the Managing General Partner, (i) does not adversely affect the Limited Partners (including any particular class of Partnership Interests as compared to other classes of Partnership Interests) in any material respect, (ii) is necessary or advisable to (A) satisfy any requirements, conditions or guidelines contained in any opinion, directive, order, ruling or regulation of any federal or state agency or judicial authority or contained in any federal or state statute (including the Delaware Act) or (B) facilitate the trading of the Limited Partner Interests (including the division of any class or classes of Outstanding Limited Partner Interests into different classes to facilitate uniformity of tax consequences within such classes of Limited Partner Interests) or comply with any rule, regulation, guideline or requirement of any National Securities Exchange on which the Limited Partner Interests are or will be listed for trading, compliance with any of which the Managing General Partner determines in its discretion to be in the best interests of the Partnership and the Limited Partners, (iii) is necessary or advisable in connection with action taken by the Managing General Partner pursuant to Section 5.10 or (iv) is required to effect the intent expressed in the Registration Statement or the intent of the provisions of this Agreement or is otherwise contemplated by this Agreement;

(e) a change in the fiscal year or taxable year of the Partnership and any changes that, in the discretion of the Managing General Partner, are necessary or advisable as a result of a change in the fiscal year or taxable year of the Partnership including, if the Managing General Partner shall so determine, a change in the definition of "Quarter" and the dates on which distributions are to be made by the Partnership;

(f) an amendment that is necessary, in the Opinion of Counsel, to prevent the Partnership, or either of the General Partners or their directors, officers, trustees or agents from in any manner being subjected to the provisions of the Investment Company Act of 1940, as amended, the Investment Advisers Act of 1940, as amended, or "plan asset" regulations adopted under the Employee Retirement Income Security Act of 1974, as amended, regardless of whether such are substantially similar to plan asset regulations currently applied or proposed by the United States Department of Labor;

(g) subject to the terms of Section 5.7, an amendment that, in the discretion of the Managing General Partner, is necessary or advisable in connection with the authorization of issuance of any class or series of Partnership Securities pursuant to Section 5.6;

(h) any amendment expressly permitted in this Agreement to be made by the Managing General Partner acting alone;

(i) an amendment effected, necessitated or contemplated by a Merger Agreement approved in accordance with Section 14.3;

(j) an amendment that, in the discretion of the Managing General Partner, is necessary or advisable to reflect, account for and deal with appropriately the formation by the Partnership of, or investment by the Partnership in, any corporation, partnership, joint venture, limited liability company or other entity, in connection with the conduct by the Partnership of activities permitted by the terms of Section 2.4;

(k) a merger or conveyance pursuant to Section 14.3(d); or

(l) any other amendments substantially similar to the foregoing.

Section 13.2. Amendment Procedures.

Except as provided in Sections 13.1 and 13.3, all amendments to this Agreement shall be made in accordance with the following requirements. Amendments to this Agreement may be proposed only by or with the consent of the Managing General Partner which consent may be given or withheld in its sole discretion. A proposed amendment shall be effective upon its approval by the holders of a Unit Majority, unless a greater or different percentage is required under this Agreement or by Delaware law. Each proposed amendment that requires the approval of the holders of a specified percentage of Outstanding Units shall be set forth in a writing that contains the text of the proposed amendment. If such an amendment is proposed, the Managing General Partner shall seek the written approval of the requisite percentage of Outstanding Units or call a meeting of the Unitholders to consider and vote on such proposed amendment. The Managing General Partner shall notify all Record Holders upon final adoption of any such proposed amendments.

Section 13.3. Amendment Requirements.

(a) Notwithstanding the provisions of Sections 13.1 and 13.2, no provision of this Agreement that establishes a percentage of Outstanding Units (including Units deemed owned by the General Partners) required to take any action shall be amended, altered, changed,

repealed or rescinded in any respect that would have the effect of reducing such voting percentage unless such amendment is approved by the written consent or the affirmative vote of holders of Outstanding Units whose aggregate Outstanding Units constitute not less than the voting requirement sought to be reduced.

(b) Notwithstanding the provisions of Sections 13.1 and 13.2, no amendment to this Agreement may (i) enlarge the obligations of any Limited Partner without its consent, unless such shall be deemed to have occurred as a result of an amendment approved pursuant to Section 13.3(c), (ii) enlarge the obligations of, restrict in any way any action by or rights of, or reduce in any way the amounts distributable, reimbursable or otherwise payable to, either of the General Partners or any of their Affiliates without the consent of the Managing General Partner, which consent may be given or withheld in its sole discretion, (iii) change Section 12.1(b), or (iv) change the term of the Partnership or, except as set forth in Section 12.1(b), give any Person the right to dissolve the Partnership.

(c) Except as provided in Section 14.3, and except as otherwise provided, and without limitation of the Managing General Partner's authority to adopt amendments to this Agreement without the approval of any Partners or Assignees as contemplated in Section 13.1, any amendment that would have a material adverse effect on the rights or preferences of any class of Partnership Interests in relation to other classes of Partnership Interests must be approved by the holders of not less than a majority of the Outstanding Partnership Interests of the class affected.

(d) Notwithstanding any other provision of this Agreement, except for amendments pursuant to Section 13.1 and except as otherwise provided by Section 14.3(b), no amendments shall become effective without the approval of the holders of at least 90% of the Outstanding Units voting as a single class unless the Partnership obtains an Opinion of Counsel to the effect that such amendment will not affect the limited liability of any Limited Partner under applicable law.

(e) Except as provided in Section 13.1, this Section 13.3 shall only be amended with the approval of the holders of at least 90% of the Outstanding Units.

Section 13.4. Special Meetings.

All acts of Limited Partners to be taken pursuant to this Agreement shall be taken in the manner provided in this Article XIII. Special meetings of the Limited Partners may be called by the Managing General Partner or by Limited Partners owning 20% or more of the Outstanding Partnership Securities of the class or classes for which a meeting is proposed. Limited Partners shall call a special meeting by delivering to the Managing General Partner one or more requests in writing stating that the signing Limited Partners wish to call a special meeting and indicating the general or specific purposes for which the special meeting is to be called. Within 60 days after receipt of such a call from Limited Partners or within such greater time as may be reasonably necessary for the Partnership to comply with any statutes, rules, regulations, listing, agreements or similar requirements governing the holding of a meeting or the solicitation of proxies for use at such a meeting, the Managing General Partner shall send a notice of the meeting to the Limited Partners either directly or indirectly through the Transfer Agent. A

meeting shall be held at a time and place determined by the Managing General Partner on a date not less than 10 days nor more than 60 days after the mailing of notice of the meeting. Limited Partners shall not vote on matters that would cause the Limited Partners to be deemed to be taking part in the management and control of the business and affairs of the Partnership so as to jeopardize the Limited Partners' limited liability under the Delaware Act or the law of any other state in which the Partnership is qualified to do business.

Section 13.5. Notice of a Meeting.

Notice of a meeting called pursuant to Section 13.4 shall be given to the Record Holders of the class or classes of Limited Partner Interests for which a meeting is proposed in writing by mail or other means of written communication in accordance with Section 16.1. The notice shall be deemed to have been given at the time when deposited in the mail or sent by other means of written communication.

Section 13.6. Record Date.

For purposes of determining the Limited Partners entitled to notice of or to vote at a meeting of the Limited Partners or to give approvals without a meeting as provided in Section 13.11 the Managing General Partner may set a Record Date, which shall not be less than 10 nor more than 60 days before (a) the date of the meeting (unless such requirement conflicts with any rule, regulation, guideline or requirement of any National Securities Exchange on which the Limited Partner Interests are listed for trading, in which case the rule, regulation, guideline or requirement of such exchange shall govern) or (b) in the event that approvals are sought without a meeting, the date by which Limited Partners are requested in writing by the Managing General Partner to give such approvals.

Section 13.7. Adjournment.

When a meeting is adjourned to another time or place, notice need not be given of the adjourned meeting and a new Record Date need not be fixed, if the time and place thereof are announced at the meeting at which the adjournment is taken, unless such adjournment shall be for more than 45 days. At the adjourned meeting, the Partnership may transact any business which might have been transacted at the original meeting. If the adjournment is for more than 45 days or if a new Record Date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given in accordance with this Article XIII.

Section 13.8. Waiver of Notice; Approval of Meeting; Approval of Minutes.

The transactions of any meeting of Limited Partners, however called and noticed, and whenever held, shall be as valid as if it had occurred at a meeting duly held after regular call and notice, if a quorum is present, either in person or by proxy, and if, either before or after the meeting, Limited Partners representing such quorum who were present in person or by proxy and entitled to vote, sign a written waiver of notice or an approval of the holding of the meeting or an approval of the minutes thereof. All waivers and approvals shall be filed with the Partnership records or made a part of the minutes of the meeting. Attendance of a Limited Partner at a meeting shall constitute a waiver of notice of the meeting, except when the Limited Partner does not approve, at the beginning of the meeting, of the transaction of any business because the

meeting is not lawfully called or convened; and except that attendance at a meeting is not a waiver of any right to disapprove the consideration of matters required to be included in the notice of the meeting, but not so included, if the disapproval is expressly made at the meeting

Section 13.9. Quorum.

The holders of a majority of the Outstanding Partnership Securities of the class or classes for which a meeting has been called (including Limited Partner Interests deemed owned by the General Partners) represented in person or by proxy shall constitute a quorum at a meeting of Limited Partners of such class or classes unless any such action by the Limited Partners requires approval by holders of a greater percentage of such Limited Partner Interests, in which case the quorum shall be such greater percentage. At any meeting of the Limited Partners duly called and held in accordance with this Agreement at which a quorum is present, the act of Limited Partners holding Outstanding Partnership Securities that in the aggregate represent a majority of the Outstanding Partnership Securities entitled to vote and be present in person or by proxy at such meeting shall be deemed to constitute the act of all Limited Partners, unless a greater or different percentage is required with respect to such action under the provisions of this Agreement, in which case the act of the Limited Partners holding Outstanding Partnership Securities that in the aggregate represent at least such greater or different percentage shall be required. The Limited Partners present at a duly called or held meeting at which a quorum is present may continue to transact business until adjournment, notwithstanding the withdrawal of enough Limited Partners to leave less than a quorum, if any action taken (other than adjournment) is approved by the required percentage of Outstanding Partnership Securities specified in this Agreement (including Outstanding Partnership Securities deemed owned by the General Partners). In the absence of a quorum any meeting of Limited Partners may be adjourned from time to time by the affirmative vote of holders of at least a majority of the Outstanding Partnership Securities entitled to vote at such meeting (including Outstanding Partnership Securities deemed owned by the General Partners) represented either in person or by proxy, but no other business may be transacted, except as provided in Section 13.7.

Section 13.10. Conduct of a Meeting.

The Managing General Partner shall have full power and authority concerning the manner of conducting any meeting of the Limited Partners or solicitation of approvals in writing, including the determination of Persons entitled to vote, the existence of a quorum, the satisfaction of the requirements of Section 13.4, the conduct of voting, the validity and effect of any proxies and the determination of any controversies, votes or challenges arising in connection with or during the meeting or voting. The Managing General Partner shall designate a Person to serve as chairman of any meeting and shall further designate a Person to take the minutes of any meeting. All minutes shall be kept with the records of the Partnership maintained by the Managing General Partner. The Managing General Partner may make such other regulations consistent with applicable law and this Agreement as it may deem advisable concerning the conduct of any meeting of the Limited Partners or solicitation of approvals in writing, including regulations in regard to the appointment of proxies, the appointment and duties of inspectors of votes and approvals, the submission and examination of proxies and other evidence of the right to vote, and the revocation of approvals in writing.

Section 13.11. Action Without a Meeting.

If authorized by the Managing General Partner, any action that may be taken at a meeting of the Limited Partners may be taken without a meeting if an approval in writing setting forth the action so taken is signed by Limited Partners owning not less than the minimum percentage of the Outstanding Limited Partner Interests (including Limited Partner Interests deemed owned by the General Partner) that would be necessary to authorize or take such action at a meeting at which all the Limited Partners were present and voted (unless such provision conflicts with any rule, regulation, guideline or requirement of any National Securities Exchange on which the Limited Partner Interests are listed for trading, in which case the rule, regulation, guideline or requirement of such exchange shall govern). Prompt notice of the taking of action without a meeting shall be given to the Limited Partners who have not approved in writing. The Managing General Partner may specify that any written ballot submitted to Limited Partners for the purpose of taking any action without a meeting shall be returned to the Partnership within the time period, which shall be not less than 20 days, specified by the Managing General Partner. If a ballot returned to the Partnership does not vote all of the Limited Partner Interests held by the Limited Partners the Partnership shall be deemed to have failed to receive a ballot for the Limited Partner Interests that were not voted. If approval of the taking of any action by the Limited Partners is solicited by any Person other than by or on behalf of the Managing General Partner, the written approvals shall have no force and effect unless and until (a) they are deposited with the Partnership in care of the Managing General Partner, (b) approvals sufficient to take the action proposed are dated as of a date not more than 90 days prior to the date sufficient approvals are deposited with the Partnership and (c) an Opinion of Counsel is delivered to the Managing General Partner to the effect that the exercise of such right and the action proposed to be taken with respect to any particular matter (i) will not cause the Limited Partners to be deemed to be taking part in the management and control of the business and affairs of the Partnership so as to jeopardize the Limited Partners' limited liability, and (ii) are otherwise permissible under the state statutes then governing the rights, duties and liabilities of the Partnership and the Partners.

Section 13.12. Voting and Other Rights.

(a) Only those Record Holders of the Limited Partner Interests on the Record Date set pursuant to Section 13.6 (and also subject to the limitations contained in the definition of "Outstanding") shall be entitled to notice of, and to vote at, a meeting of Limited Partners or to act with respect to matters as to which the holders of the Outstanding Limited Partner Interests have the right to vote or to act. All references in this Agreement to votes of, or other acts that may be taken by, the Outstanding Limited Partner Interests shall be deemed to be references to the votes or acts of the Record Holders of such Outstanding Limited Partner Interests.

(b) With respect to Limited Partner Interests that are held for a Person's account by another Person (such as a broker, dealer, bank, trust company or clearing corporation, or an agent of any of the foregoing), in whose name such Limited Partner Interests are registered, such other Person shall, in exercising the voting rights in respect of such Limited Partner Interests on any matter, and unless the arrangement between such Persons provides otherwise, vote such Limited Partner Interests in favor of, and at the direction of, the Person who is the beneficial owner, and the Partnership shall be entitled to assume it is so acting without further

inquiry. The provisions of this Section 13.12(b) (as well as all other provisions of this Agreement) are subject to the provisions of Section 4.3.

ARTICLE XIV
MERGER

Section 14.1. Authority.

The Partnership may merge or consolidate with one or more corporations, limited liability companies, business trusts or associations, real estate investment trusts, common law trusts or unincorporated businesses, including a general partnership or limited partnership, formed under the laws of the State of Delaware or any other state of the United States of America, pursuant to a written agreement of merger or consolidation ("Merger Agreement") in accordance with this Article XIV.

Section 14.2. Procedure for Merger or Consolidation.

Merger or consolidation of the Partnership pursuant to this Article XIV requires the prior approval of the Managing General Partner. If the Managing General Partner shall determine, in the exercise of its discretion, to consent to the merger or consolidation, the Managing General Partner shall approve the Merger Agreement, which shall set forth:

(a) The names and jurisdictions of formation or organization of each of the business entities proposing to merge or consolidate;

(b) The name and jurisdiction of formation or organization of the business entity that is to survive the proposed merger or consolidation (the "Surviving Business Entity");

(c) The terms and conditions of the proposed merger or consolidation;

(d) The manner and basis of exchanging or converting the equity securities of each constituent business entity for, or into, cash, property or general or limited partner interests, rights, securities or obligations of the Surviving Business Entity; and (i) if any general or limited partner interests, securities or rights of any constituent business entity are not to be exchanged or converted solely for, or into, cash, property or general or limited partner interests, rights, securities or obligations of the Surviving Business Entity, the cash, property or general or limited partner interests, rights, securities or obligations of any limited partnership, corporation, trust or other entity (other than the Surviving Business Entity) which the holders of such general or limited partner interests, securities or rights are to receive in exchange for, or upon conversion of their general or limited partner interests, securities or rights, and (ii) in the case of securities represented by certificates, upon the surrender of such certificates, which cash, property or general or limited partner interests, rights, securities or obligations of the Surviving Business Entity or any general or limited partnership, corporation, trust or other entity (other than the Surviving Business Entity), or evidences thereof, are to be delivered;

(e) A statement of any changes in the constituent documents or the adoption of new constituent documents (the articles or certificate of incorporation, articles of trust, declaration of trust, certificate or agreement of limited partnership, operating agreement or other

similar charter or governing document) of the Surviving Business Entity to be effected by such merger or consolidation;

(f) The effective time of the merger, which may be the date of the filing of the certificate of merger pursuant to Section 14.4 or a later date specified in or determinable in accordance with the Merger Agreement (provided, that if the effective time of the merger is to be later than the date of the filing of the certificate of merger, the effective time shall be fixed no later than the time of the filing of the certificate of merger and stated therein); and

(g) Such other provisions with respect to the proposed merger or consolidation as are deemed necessary or appropriate by the Managing General Partner.

Section 14.3. Approval by Limited Partners of Merger or Consolidation.

(a) Except as provided in Section 14.3(d), the General Partner, upon its approval of the Merger Agreement, shall direct that the Merger Agreement be submitted to a vote of Limited Partners, whether at a special meeting or by written consent, in either case in accordance with the requirements of Article XIII. A copy or a summary of the Merger Agreement shall be included in or enclosed with the notice of a special meeting or the written consent.

(b) Except as provided in Section 14.3(d), the Merger Agreement shall be approved upon receiving the affirmative vote or consent of the holders of a Unit Majority unless the Merger Agreement contains any provision that, if contained in an amendment to this Agreement, the provisions of this Agreement or the Delaware Act would require for its approval the vote or consent of a greater percentage of the Outstanding Limited Partner Interests or of any class of Limited Partners, in which case such greater percentage vote or consent shall be required for approval of the Merger Agreement.

(c) Except as provided in Section 14.3(d), after such approval by vote or consent of the Limited Partners, and at any time prior to the filing of the certificate of merger pursuant to Section 14.4, the merger or consolidation may be abandoned pursuant to provisions therefor, if any, set forth in the Merger Agreement.

(d) Notwithstanding anything else contained in this Article XIV or in this Agreement, the Managing General Partner is permitted, in its discretion, without Limited Partner approval, to merge the Partnership or any Group Member into, or convey all of the Partnership's assets to, another limited liability entity which shall be newly formed and shall have no assets, liabilities or operations at the time of such Merger other than those it receives from the Partnership or other Group Member if (i) the Managing General Partner has received an Opinion of Counsel that the merger or conveyance, as the case may be, would not result in the loss of the limited liability of any Limited Partner or any member in the Operating Company or cause the Partnership or the Operating Company to be treated as an association taxable as a corporation or otherwise to be taxed as an entity for federal income tax purposes (to the extent not previously treated as such), (ii) the sole purpose of such merger or conveyance is to effect a mere change in the legal form of the Partnership into another limited liability entity and (iii) the governing

instruments of the new entity provide the Limited Partners and the General Partners with the same rights and obligations as are herein contained.

Section 14.4. Certificate of Merger.

Upon the required approval by the Managing General Partner and the Unitholders of a Merger Agreement, a certificate of merger shall be executed and filed with the Secretary of State of the State of Delaware in conformity with the requirements of the Delaware Act.

Section 14.5. Effect of Merger.

(a) At the effective time of the certificate of merger:

(i) all of the rights, privileges and powers of each of the business entities that has merged or consolidated, and all property, real, personal and mixed, and all debts due to any of those business entities and all other things and causes of action belonging to each of those business entities, shall be vested in the Surviving Business Entity and after the merger or consolidation shall be the property of the Surviving Business Entity to the extent they were of each constituent business entity;

(ii) the title to any real property vested by deed or otherwise in any of those constituent business entities shall not revert and is not in any way impaired because of the merger or consolidation;

(iii) all rights of creditors and all liens on or security interests in property of any of those constituent business entities shall be preserved unimpaired; and

(iv) all debts, liabilities and duties of those constituent business entities shall attach to the Surviving Business Entity and may be enforced against it to the same extent as if the debts, liabilities and duties had been incurred or contracted by it.

(b) A merger or consolidation effected pursuant to this Article shall not be deemed to result in a transfer or assignment of assets or liabilities from one entity to another.

ARTICLE XV
RIGHT TO ACQUIRE LIMITED PARTNER INTERESTS

Section 15.1. Right to Acquire Limited Partner Interests.

(a) Notwithstanding any other provision of this Agreement, if at any time not more than 20% of the total Limited Partner Interests of any class then Outstanding is held by Persons other than the General Partners and their Affiliates, the Managing General Partner shall then have the right, which right it may assign and transfer in whole or in part to the Partnership or any Affiliate of the Managing General Partner, exercisable in its sole discretion, to purchase all, but not less than all, of such Limited Partner Interests of such class then Outstanding held by Persons other than the General Partners and their Affiliates, at the greater of (x) the Current Market Price as of the date three days prior to the date that the notice described in Section 15 is mailed and (y) the highest price paid by a General Partner or any of its Affiliates for any such

Limited Partner Interest of such class purchased during the 90-day period preceding the date that the notice described in Section 15.1(b) is mailed. As used in this Agreement, (i) "Current Market Price" as of any date of any class of Limited Partner Interests means the average of the daily Closing Prices (as hereinafter defined) per limited partner interest of such class for the 20 consecutive Trading Days (as hereinafter defined) immediately prior to such date; (ii) "Closing Price" for any day means the last sale price on such day, regular way, or in case no such sale takes place on such day, the average of the closing bid and asked prices on such day, regular way, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted for trading on the principal National Securities Exchange on which such Limited Partner Interests of such class are listed or admitted to trading or, if such Limited Partner Interests of such class are not listed or admitted to trading on any National Securities Exchange, the last quoted price on such day or, if not so quoted, the average of the high bid and low asked prices on such day in the over-the-counter market, as reported by the Nasdaq Stock Market or any other system then in use, or, if on any such day such Limited Partner Interests of such class are not quoted by any such organization, the average of the closing bid and asked prices on such day as furnished by a professional market maker making a market in such Limited Partner Interests of such class selected by the Managing General Partner, or if on any such day no market maker is making a market in such Limited Partner Interests of such class, the fair value of such Limited Partner Interests on such day as determined reasonably and in good faith by the Managing General Partner; and (iii) "Trading Day" means a day on which the principal National Securities Exchange on which such Limited Partner Interests of any class are listed or admitted to trading is open for the transaction of business or, if Limited Partner Interests of a class are not listed or admitted to trading on any National Securities Exchange, a day on which banking institutions in New York City generally are open.

(b) If the Managing General Partner, any Affiliate of the Managing General Partner or the Partnership elects to exercise the right to purchase Limited Partner Interests granted pursuant to Section 15.1(a), the Managing General Partner shall deliver to the Transfer Agent notice of such election to purchase (the "Notice of Election to Purchase") and shall cause the Transfer Agent to mail a copy of such Notice of Election to Purchase to the Record Holders of Limited Partner Interests of such class (as of a Record Date selected by the Managing General Partner) at least 10, but not more than 60, days prior to the Purchase Date. Such Notice of Election to Purchase shall also be published for a period of at least three consecutive days in at least two daily newspapers of general circulation printed in the English language and published in the Borough of Manhattan, New York. The Notice of Election to Purchase shall specify the Purchase Date and the price (determined in accordance with Section 15.1(a)) at which Limited Partner Interests will be purchased and state that the Managing General Partner, its Affiliate or the Partnership, as the case may be, elects to purchase such Limited Partner Interests, upon surrender of Certificates representing such Limited Partner Interests in exchange for payment, at such office or offices of the Transfer Agent as the Transfer Agent may specify, or as may be required by any National Securities Exchange on which such Limited Partner Interests are listed or admitted to trading. Any such Notice of Election to Purchase mailed to a Record Holder of Limited Partner Interests at his address as reflected in the records of the Transfer Agent shall be conclusively presumed to have been given regardless of whether the owner receives such notice. On or prior to the Purchase Date, the Managing General Partner, its Affiliate or the Partnership, as the case may be, shall deposit with the Transfer Agent cash in an amount sufficient to pay the aggregate purchase price of all of such Limited Partner Interests to be purchased in accordance

with this Section 15.1. If the Notice of Election to Purchase shall have been duly given as aforesaid at least 10 days prior to the Purchase Date, and if on or prior to the Purchase Date the deposit described in the preceding sentence has been made for the benefit of the holders of Limited Partner Interests subject to purchase as provided herein, then from and after the Purchase Date, notwithstanding that any Certificate shall not have been surrendered for purchase, all rights of the holders of such Limited Partner Interests (including any rights pursuant to Articles IV, V, VI, and XII) shall thereupon cease, except the right to receive the purchase price (determined in accordance with Section 15.1(a)) for Limited Partner Interests therefor, without interest, upon surrender to the Transfer Agent of the Certificates representing such Limited Partner Interests, and such Limited Partner Interests shall thereupon be deemed to be transferred to the Managing General Partner, its Affiliate or the Partnership, as the case may be, on the record books of the Transfer Agent and the Partnership, and the General Partner or any Affiliate of the Managing General Partner, or the Partnership, as the case may be, shall be deemed to be the owner of all such Limited Partner Interests from and after the Purchase Date and shall have all rights as the owner of such Limited Partner Interests (including all rights as owner of such Limited Partner Interests pursuant to Articles IV, V, VI and XII).

(c) At any time from and after the Purchase Date, a holder of an Outstanding Limited Partner Interest subject to purchase as provided in this Section 15.1 may surrender his Certificate evidencing such Limited Partner Interest to the Transfer Agent in exchange for payment of the amount described in Section 15.1(a), therefor, without interest thereon.

ARTICLE XVI
GENERAL PROVISIONS

Section 16.1. Addresses and Notices.

Any notice, demand, request, report or proxy materials required or permitted to be given or made to a Partner or Assignee under this Agreement shall be in writing and shall be deemed given or made when delivered in person or when sent by first class United States mail or by other means of written communication to the Partner or Assignee at the address described below. Any notice, payment or report to be given or made to a Partner or Assignee hereunder shall be deemed conclusively to have been given or made, and the obligation to give such notice or report or to make such payment shall be deemed conclusively to have been fully satisfied, upon sending of such notice, payment or report to the Record Holder of such Partnership Securities at his address as shown on the records of the Transfer Agent or as otherwise shown on the records of the Partnership, regardless of any claim of any Person who may have an interest in such Partnership Securities by reason of any assignment or otherwise. An affidavit or certificate of making of any notice, payment or report in accordance with the provisions of this Section 16.1 executed by the Managing General Partner, the Transfer Agent or the mailing organization shall be prima facie evidence of the giving or making of such notice, payment or report. If any notice, payment or report addressed to a Record Holder at the address of such Record Holder appearing on the books and records of the Transfer Agent or the Partnership is returned by the United States Postal Service marked to indicate that the United States Postal Service is unable to deliver it, such notice, payment or report and any subsequent notices, payments and reports shall be deemed to have been duly given or made without further mailing (until such time as such Record Holder or another Person notifies the Transfer Agent or the Partnership of a change in his

address) if they are available for the Partner or Assignee at the principal office of the Partnership for a period of one year from the date of the giving or making of such notice, payment or report to the other Partners and Assignees. Any notice to the Partnership shall be deemed given if received by the Managing General Partner at the principal office of the Partnership designated pursuant to Section 2.3. The Managing General Partner may rely and shall be protected in relying on any notice or other document from a Partner, Assignee or other Person if believed by it to be genuine.

Section 16.2. Further Action.

The parties shall execute and deliver all documents, provide all information and take or refrain from taking action as may be necessary or appropriate to achieve the purposes of this Agreement.

Section 16.3. Binding Effect.

This Agreement shall be binding upon and inure to the benefit of the parties hereto and their heirs, executors, administrators, successors, legal representatives and permitted assigns.

Section 16.4. Integration.

This Agreement constitutes the entire agreement among the parties hereto pertaining to the subject matter hereof and supersedes all prior agreements and understandings pertaining thereto.

Section 16.5. Creditors.

None of the provisions of this Agreement shall be for the benefit of, or shall be enforceable by, any creditor of the Partnership.

Section 16.6. Waiver.

No failure by any party to insist upon the strict performance of any covenant, duty, agreement or condition of this Agreement or to exercise any right or remedy consequent upon a breach thereof shall constitute waiver of any such breach of any other covenant, duty, agreement or condition.

Section 16.7. Counterparts.

This Agreement may be executed in counterparts, all of which together shall constitute an agreement binding on all the parties hereto, notwithstanding that all such parties are not signatories to the original or the same counterpart. Each party shall become bound by this Agreement immediately upon affixing its signature hereto or, in the case of a Person acquiring a Unit, upon accepting the certificate evidencing such Unit or executing and delivering a Transfer Application as herein described, independently of the signature of any other party.

Section 16.8. Applicable Law.

This Agreement shall be construed in accordance with and governed by the laws of the State of Delaware, without regard to the principles of conflicts of law.

Section 16.9. Invalidity of Provisions.

If any provision of this Agreement is or becomes invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not be affected thereby.

Section 16.10. Consent of Partners.

Each Partner hereby expressly consents and agrees that, whenever in this Agreement it is specified that an action may be taken upon the affirmative vote or consent of less than all of the Partners, such action may be so taken upon the concurrence of less than all of the Partners and each Partner shall be bound by the results of such action.

[Rest of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above:

MANAGING GENERAL PARTNER:

INERGY GP, LLC

By:_____
Name:_____
Title:_____

NON-MANAGING GENERAL PARTNER:

INERGY PARTNERS, LLC

By:_____
Name:_____
Title:_____

ORGANIZATIONAL LIMITED PARTNER:

INERGY PARTNERS, LLC

By:_____
Name:_____
Title:_____

LIMITED PARTNERS:

All Limited Partners now and hereafter admitted as Limited Partners of the Partnership, pursuant to powers of attorney now and hereafter executed in favor of, and granted and delivered to the Managing General Partner.

NEW INERGY PROPANE, LLC

By:_____
Name:_____
Title:_____

INERGY HOLDINGS, LLC

By:____________________________________
Name:__________________________________
Title:_________________________________

EXHIBIT A
to the Amended and
Restated Agreement of Limited Partnership of
Inergy, L.P.
Certificate Evidencing Common Units
Representing Limited Partner Interests in
Inergy, L.P.

No. _____ _____ Common Units

In accordance with Section 4.1 of the Amended and Restated Agreement of Limited Partnership of Inergy, L.P., as amended, supplemented or restated from time to time (the "Partnership Agreement"), Inergy, L.P., a Delaware limited partnership (the "Partnership"), hereby certifies that _____ (the "Holder") is the registered owner of Common Units representing limited partner interests in the Partnership (the "Common Units") transferable on the books of the Partnership, in person or by duly authorized attorney, upon surrender of this Certificate properly endorsed and accompanied by a properly executed application for transfer of the Common Units represented by this Certificate. The rights, preferences and limitations of the Common Units are set forth in, and this Certificate and the Common Units represented hereby are issued and shall in all respects be subject to the terms and provisions of, the Partnership Agreement. Copies of the Partnership Agreement are on file at, and will be furnished without charge on delivery of written request to the Partnership at, the principal office of the Partnership located at 1101 Walnut, Suite 1500, Kansas City, Missouri 64106. Capitalized terms used herein but not defined shall have the meanings given them in the Partnership Agreement.

The Holder, by accepting this Certificate, is deemed to have (i) requested admission as, and agreed to become, a Limited Partner and to have agreed to comply with and be bound by and to have executed the Partnership Agreement, (ii) represented and warranted that the Holder has all right, power and authority and, if an individual, the capacity necessary to enter into the Partnership Agreement, (iii) granted the powers of attorney provided for in the Partnership Agreement and (iv) made the waivers and given the consents and approvals contained in the Partnership Agreement.

This Certificate shall not be valid far any purpose unless it has been countersigned and registered by the Transfer Agent and Registrar.

Dated:_____ Inergy, L.P.

Countersigned and Registered by: By: Inergy GP LLC, its Managing General Partner

By:_____
as Transfer Agent and Registrar Name:_____

By:_____ By:_____
Authorized Signature Secretary

[Reverse of Certificate]

ABBREVIATIONS

The following abbreviations, when used in the inscription on the face of this Certificate, shall be construed as follows according to applicable laws or regulations:

TEN COM -	as tenants in common	UNIF GIFT/TRANSFERS MIN ACT
TEN ENT -	as tenants by the entireties	_____ Custodian _____
		(Cust) (Minor)
JT TEN -	as joint tenants with right of survivorship and not as tenants in common	under Uniform Gifts/Transfers to CD Minors Act (State)

Additional abbreviations, though not in the above list, may also be used.

ASSIGNMENT OF COMMON UNITS
in
INERGY, L.P.
IMPORTANT NOTICE REGARDING INVESTOR RESPONSIBILITIES
DUE TO TAX SHELTER STATUS OF INERGY, L.P.

You have acquired an interest in Inergy, L.P., 1101 Walnut, Suite 1500, Kansas City, Missouri 64106, whose taxpayer identification number is 43-1918951. The Internal Revenue Service has issued Inergy, L.P. the following tax shelter registration number:

YOU MUST REPORT THIS REGISTRATION NUMBER TO THE INTERNAL REVENUE SERVICE IF YOU CLAIM ANY DEDUCTION, LOSS, CREDIT OR OTHER TAX BENEFIT OR REPORT ANY INCOME BY REASON OF YOUR INVESTMENT IN INERGY, L.P.

You must report the registration number as well as the name and taxpayer identification number of Inergy, L.P. on Form 8271. FORM 8271 MUST BE ATTACHED TO THE RETURN ON WHICH YOU CLAIM THE DEDUCTION, LOSS, CREDIT OR OTHER TAX BENEFIT OR REPORT ANY INCOME BY REASON OF YOUR INVESTMENT IN INERGY, L.P.

If you transfer your interest in Inergy, L.P. to another person, you are required by the Internal Revenue Service to keep a list containing (a) that person's name, address and taxpayer identification number, (b) the date on which you transferred the interest and (c) the name, address and tax shelter registration number of Inergy, L.P. If you do not want to keep such a list, you must (1) send the information specified above to the Partnership, which will keep the list for this tax shelter, and (2) give a copy of this notice to the person to whom you transfer your interest. Your failure to comply with any of the above-described responsibilities could result in the imposition of a penalty under Section 6707(b) or 6708(a) of the Internal Revenue Code of 1986, as amended, unless such failure is shown to be due to reasonable cause.

ISSUANCE OF A REGISTRATION NUMBER DOES NOT INDICATE THAT THIS INVESTMENT OR THE CLAIMED TAX BENEFITS HAVE BEEN REVIEWED, EXAMINED OR APPROVED BY THE INTERNAL REVENUE SERVICE.

FOR VALUE RECEIVED, hereby assigns, conveys, sells and transfers unto

_____	_____
(Please print or typewrite name and address of Assignee)	(Please insert Social Security or other identifying number of Assignee)

_____ Common Units representing limited partner interests evidenced by this Certificate, subject to the Partnership Agreement, and does hereby irrevocably constitute and appoint _____ as its attorney-in-fact with full power of substitution to transfer the same on the books of Inergy, L.P.

Date:

NOTE: The signature to any endorsement hereon must correspond with the name as written upon the face of this Certificate in every particular, without alteration, enlargement or change.

SIGNATURE(S) MUST BE GUARANTEED BY A MEMBER FIRM OF THE NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC. OR BY A COMMERCIAL BANK OR TRUST COMPANY SIGNATURE(S) GUARANTEED

(Signature)

(Signature)

No transfer of the Common Units evidenced hereby will be registered on the books of the Partnership, unless the Certificate evidencing the Common Units to be transferred is surrendered for registration or transfer and an Application for Transfer of Common Units has been executed by a transferee either (a) on the form set forth below or (b) on a separate application that the Partnership will furnish on request without charge. A transferor of the Common Units shall have no duty to the transferee with respect to execution of the transfer application in order for such transferee to obtain registration of the transfer of the Common Units.

APPLICATION FOR TRANSFER OF COMMON UNITS

The undersigned ("Assignee") hereby applies for transfer to the name of the Assignee of the Common Units evidenced hereby.

The Assignee (a) requests admission as a Substituted Limited Partner and agrees to comply with and be bound by, and hereby executes, the Amended and Restated Agreement of Limited Partnership of Inergy, L.P. (the "Partnership"), as amended, supplemented or restated to the date hereof (the "Partnership Agreement"), (b) represents and warrants that the Assignee has all right, power and authority and, if an individual, the capacity necessary to enter into the Partnership Agreement, (c) appoints the Managing General Partner of the Partnership and, if a Liquidator shall be appointed, the Liquidator of the Partnership as the Assignee's attorney-in-fact to execute, swear to, acknowledge and file any document, including, without limitation, the Partnership Agreement and any amendment thereto and the Certificate of Limited Partnership of the Partnership and any amendment thereto, necessary or appropriate for the Assignee's admission as a Substituted Limited Partner and as a party to the Partnership Agreement, (d) gives the powers of attorney provided for in the Partnership Agreement, and (e) makes the waivers and gives the consents and approvals contained in the Partnership Agreement. Capitalized terms not defined herein have the meanings assigned to such terms in the Partnership Agreement.

Date:_____

_____ _____

Social Security or other identifying number Signature of Assignee

_____ _____

Purchase Price including commissions, if any Name and Address of Assignee

Type of Entity (check one):

[_] Individual [_] Partnership [_] Corporation

[_] Trust [_] Other (specify)

Nationality (check one):

[_] U.S. Citizen, Resident or Domestic Entity

[_] Foreign Corporation [_] Non-resident Alien

If the U.S. Citizen, Resident or Domestic Entity box is checked, the following certification must be completed.

Under Section 1445(e) of the Internal Revenue Code of 1986, as amended (the "Code"), the Partnership must withhold tax with respect to certain transfers of property if a holder of an interest in the Partnership is a foreign person. To inform the Partnership that no withholding is

required with respect to the undersigned interestholder's interest in it, the undersigned hereby certifies the following (or, if applicable, certifies the following on behalf of the interestholder).

Complete Either A or B:

A. Individual Interestholder

1. I am not a non-resident alien for purposes of U.S. income taxation.

2. My U.S. taxpayer identification number (Social Security Number) is _____.

3. My home address is _____.

B. Partnership, Corporation or Other Interestholder

1. _____ is not a foreign corporation, foreign partnership, foreign trust (Name of Interestholder) or foreign estate (as those terms are defined in the Code and Treasury Regulations).

2. The interestholder's U.S. employer identification number is _____.

3. The interestholder's office address and place of incorporation (if applicable) is _____.

The interestholder agrees to notify the Partnership within sixty (60) days of the date the interestholder becomes a foreign person.

The interestholder understands that this certificate may be disclosed to the Internal Revenue Service by the Partnership and that any false statement contained herein could be punishable by fine, imprisonment or both.

Under penalties of perjury, I declare that I have examined this certification and to the best of my knowledge and belief it is true, correct and complete and, if applicable, I further declare that I have authority to sign this document on behalf of:

_____
Name of Interestholder

_____
Signature and Date

_____
Title (if applicable)

Note: If the Assignee is a broker, dealer, bank, trust company, clearing corporation, other nominee holder or an agent of any of the foregoing, and is holding for the account of any other person, this application should be completed by an officer thereof or, in the case of a broker or dealer, by a registered representative who is a member of a registered national securities exchange or a member of the National Association of Securities Dealers, Inc., or, in the case of any other nominee holder, a person performing a similar function. If the Assignee is a broker,

dealer, bank, trust company, clearing corporation, other nominee owner or an agent of any of the foregoing, the above certification as to any person for whom the Assignee will hold the Common Units shall be made to the best of the Assignee's knowledge.

EXHIBIT 3.4

THIRD AMENDED AND RESTATED

LIMITED LIABILITY COMPANY AGREEMENT

OF

INERGY PROPANE, LLC

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THIRD AMENDED AND RESTATED
LIMITED LIABILTY COMPANY AGREEMENT
OF
INERGY PROPANE, LLC

THIS THIRD AMENDED AND RESTATED LIMITED LIABILTY COMPANY AGREEMENT OF INERGY PROPANE, LLC, dated as of July 31, 2001, is entered into by and among Inergy, L.P., a Delaware limited partnership ("MLP"), Inergy Partners, LLC, a Delaware limited liability company ("Inergy Partners"), Rolesville Gas and Oil Company, Inc., a North Carolina corporation ("Rolesville Gas"), Wilson Oil Company of Johnston County, Inc., a North Carolina corporation ("Wilson Oil"), together with any other Persons who hereafter become Members in the Company or parties hereto as provided herein.

R E C I T A L S:
- - - - - - - -

WHEREAS, Inergy Partners and Warren Rogers, individually ("Rogers"), caused Inergy Propane, LLC (referred to herein as the "Company" and formerly known as McCracken Oil & Propane Company, LLC) to be formed as a limited liability company under the Delaware Limited Liability Company Act on October 25, 1996.

WHEREAS, Inergy Partners, Rogers and an employee investor group entered into a Limited Liability Company Agreement relating to the Company on November 4, 1996, as amended on October 21, 1997.

WHEREAS, Rogers and the members of the employee investor group exchanged their membership interests in the Company for cash or certain membership interests in Inergy Partners pursuant to certain Consents to Exchange of Interests, each dated as of September 30, 1998, and as a result are no longer members of the Company.

WHEREAS, Inergy Partners later amended and restated in its entirety the Limited Liability Company Agreement on September 30, 1998.

WHEREAS, Inergy Partners, Rolesville Gas and Wilson Oil amended and restated in its entirety the first amended and restated Limited Liability Company Agreement by executing a second amended and restated Limited Liability Company Agreement on September 30, 1999, to, among other things, provide for common and preferred limited liability company interests, change the name of the limited liability company to Inergy Propane, LLC and admit certain new Members to the Company.

WHEREAS, Inergy Partners, Rolesville Gas and Wilson Oil amended Article V of the second amended and restated Limited Liability Company Agreement in June 2001, to, among other things, provide for a board of directors and officers.

WHEREAS, Inergy Partners, Rolesville Gas and Wilson Oil now desire to execute this third amended and restated Limited Liability Company Agreement in connection with the initial public offering of Inergy, L.P., and in connection therewith, Inergy Partners, Rolesville Gas and Wilson Oil desire to withdraw from the Company.

NOW THEREFORE, in consideration of the covenants, conditions and agreements contained herein, the parties hereto hereby enter into this Agreement:

ARTICLE I
DEFINITIONS

Section 1.1 Definitions.

The following definitions shall be for all purposes, unless otherwise clearly indicated to the contrary, applied to the terms used in this Agreement. Capitalized terms used herein but not otherwise defined shall have the meaning assigned to such term in the MLP Agreement.

"Act" means the Delaware Limited Liability Company Act, 6 Del. C. (S) 18-101, et seq., as amended, supplemented or restated from time to time, and any successor to such statute.

"Additional Member" means a Person admitted to the Company as a Member pursuant to Section 11.3 and who is shown as such on the books and records of the Company.

"Affiliate" means, with respect to any Person, any other Person that directly or indirectly through one or more intermediaries controls, is controlled by or is under common control with, the Person in question. As used herein, the term "control" means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through ownership of voting securities, by contract or otherwise.

"Agreement" means this Amended and Restated Limited Liability Company Agreement of Inergy Propane, LLC, as it may be amended, supplemented or restated from time to time. The Agreement shall constitute a "limited liability company agreement" as such term is defined in the Act.

"Assignee" means a Person to whom one or more Membership Interests have been transferred in a manner permitted under this Agreement, but who has not been admitted as a Substituted Member.

"Associate" means, when used to indicate a relationship with any Person, (a) any corporation or organization of which such Person is a director, officer or partner or is, directly or indirectly, the owner of 20% or more of any class of voting stock or other voting interest; (b) any trust or other estate in which such Person has at least a 20% beneficial interest or as to which such Person serves as trustee or in a similar fiduciary capacity; and (c) any relative or spouse of such Person, or any relative of such spouse, who has the same principal residence as such Person.

"Audit Committee" means a committee of the Board of Directors of the Company, which shall be composed of the individuals who serve from time to time as members of the audit committee of the board of directors of the Managing General Partner.

"Available Cash" means, with respect to any Quarter ending prior to the Liquidation Date,

(a) the sum of (i) all cash and cash equivalents of the Company Group on hand at the end of such Quarter, and (ii) all additional cash and cash equivalents of the Company Group on hand on the date of determination of Available Cash with respect to such Quarter resulting from Working Capital Borrowings made subsequent to the end of such Quarter, less

(b) the amount of any cash reserves that is necessary or appropriate in the reasonable discretion of the Board of Directors to (i) provide for the proper conduct of the business of the Company Group (including reserves for future capital expenditures and for anticipated future credit needs of the Company Group) subsequent to such Quarter, (ii) comply with applicable law or any loan agreement, security agreement, mortgage, debt instrument or other agreement or obligation to which any Group Member is a party or by which it is bound or its assets are subject or (iii) provide funds for distributions under Section 6.4 or 6.5 of the MLP Agreement in respect of any one or more of the next four Quarters; provided, however, that the Board of Directors may not establish cash reserves pursuant to (iii) above if the effect of such reserves would be that the MLP is unable to distribute the Minimum Quarterly Distribution on all Common Units, plus any Cumulative Common Unit Arrearage on all Common Units, with respect to such Quarter; and provided further that disbursements made by a Group Member or cash reserves established, increased or reduced after the end of such Quarter but on or before the date of determination of Available Cash with respect to such Quarter shall be deemed to have been made, established, increased or reduced, for purposes of determining Available Cash, within such Quarter if the Board of Directors so determines.

Notwithstanding the foregoing, "Available Cash" with respect to the Quarter in which the Liquidation Date occurs and any subsequent Quarter shall equal zero.

"Bank Credit Agreement" means the Credit Agreement, dated as of July 25, 2001 among the Company, as Borrower, First Union National Bank, as Administrative Agent, and the other lenders party thereto.

"Board of Directors" means the board of directors of the Company, which shall be composed of the individuals who serve from time to time as directors of the Managing General Partner, to whom the MLP irrevocably delegates, and in which is vested, pursuant to Section 7.1, the power to manage the business and activities of the Company.

"Business Day" means Monday through Friday of each week, except that a legal holiday recognized as such by the government of the United States of America or the states of New York or Missouri shall not be regarded as a Business Day.

"Capital Contribution" means any cash, cash equivalents or the value of Contributed Property that a Member contributes to the Company pursuant to this Agreement or the Contribution Agreement.

"Cause" means a court of competent jurisdiction has entered a final, non-appealable judgment finding a Person liable for actual fraud, gross negligence or willful or wanton misconduct in its capacity as a member of the Board of Directors.

"Certificate of Formation" means the Certificate of Formation of the Company filed with the Secretary of State of the State of Delaware as referenced in Section 2.1, as such Certificate of Formation may be amended, supplemented or restated from time to time.

"Closing Date" means the first date on which Common Units are sold by the MLP to the Underwriters pursuant to the provisions of the Underwriting Agreement.

"Code" means the Internal Revenue Code of 1986, as amended and in effect from time to time. Any reference herein to a specific section or sections of the Code shall be deemed to include a reference to any corresponding provision of successor law.

"Commission" means the United States Securities and Exchange Commission.

"Common Unit" has the meaning assigned to such term in the MLP Agreement.

"Company" means Inergy Propane, LLC, a Delaware limited liability company, and any successors thereto.

"Company Group" means the Company and any Subsidiary of the Company, treated as a single consolidated entity.

"Company Security" means any class or series of membership interest in the Company.

"Conflicts Committee" means a committee of the Board of Directors of the Company, which shall be composed of the individuals who serve from time to time as members of the conflicts committee of the board of directors of the Managing General Partner.

"Contributed Property" means each property or other asset, in such form as may be permitted by the Act, but excluding cash, contributed to the Company.

"Contribution Agreement" means the Contribution, Conveyance, Assignment and Assumption Agreement, dated the Closing Date, among the Company, the MLP and certain other parties named therein, together with any additional documents and instruments contemplated or referenced thereunder.

"Director" means a member of the Board of Directors.

"General Partners" means the Managing General Partner and the Non-Managing General Partner and their successors and permitted assigns as managing general partner and non-managing general partner, respectively, of the MLP.

"Group Member" means a member of the Company Group.

"Indemnitee" means (a) the members of the Board of Directors or the members of the board of directors of the MLP or any other Group Member, (b) the General Partners, (c) any Person who is or was a member, partner, director, officer, employee, agent or trustee of any Group Member, the MLP, the General Partners or any of their respective Affiliates and (d) any Person who is or was serving at the request of the Board of Directors as a member, partner,

director, officer, employee, partner, agent, fiduciary or trustee of another Person, in each case, acting in such capacity, provided, that a Person shall not be an Indemnitee by reason of providing, on a fee-for-services basis, trustee, fiduciary or custodial services.

"Inergy Partners" has the meaning assigned to such term in the introductory paragraph.

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

"Liquidation Date" means the date on which any event giving rise to the dissolution of the Company occurs.

"Liquidator" means one or more Persons selected by the Board of Directors to perform the functions described in Section 13.2 as liquidating trustee of the Company within the meaning of the Act.

"Managing General Partner" means Inergy GP, LLC, a Delaware limited liability company, and the managing general partner of the MLP, and its successors and permitted assigns as managing general partner of the MLP.

"Member" means any Person that is admitted to the Company as a member pursuant to the terms and conditions of this Agreement; but the term Member shall not include any Person from and after the time such Person withdraws as a Member from the Company.

"Membership Interest" means the ownership interest of a Member in the Company.

"Merger Agreement" has the meaning assigned to such term in Section 15.1.

"Minimum Quarterly Distribution" has the meaning assigned to such term in the MLP Agreement.

"MLP" has the meaning assigned to such term in the recitals.

"MLP Agreement" means the Amended and Restated Agreement of Limited Partnership of Inergy, L.P., as it may be amended, supplemented or restated from time to time.

"MLP Security" has the meaning assigned to the term "Partnership Security" in the MLP Agreement.

"National Securities Exchange" has the meaning assigned to such term in the MLP Agreement.

"Non-Managing General Partner" means Inergy Partners, LLC, a Delaware limited liability company, and the non-managing general partner of the MLP, and its successors and permitted assigns as non-managing general partner of the MLP.

"Officers" means the officers of the Company as described in Article VIII.

"Opinion of Counsel" means a written opinion of counsel (which may be regular counsel to the Company or the MLP or any of their respective Affiliates) acceptable to the Board of Directors in its reasonable discretion.

"Percentage Interest" means the percentage interest in the Company held by each Member upon completion of the transactions in Section 5.2 and shall mean, as to the MLP, 100%.

"Person" means an individual or a corporation, limited liability company, partnership, joint venture, trust, unincorporated organization, association, government agency or political subdivision thereof or other entity.

"Pro Rata" means, when modifying Members and Assignees, apportioned among all Members and Assignees in accordance with their relative Percentage Interests.

"Quarter" means, unless the context requires otherwise, a fiscal quarter of the Company.

"Registration Statement" means the Registration Statement on Form S-1 (Registration No. 333-56976) as it has been or as it may be amended or supplemented from time to time, filed by the MLP with the Commission under the Securities Act to register the offering and sale of the Common Units in the Initial Offering.

"Rogers" has the meaning assigned to such term in the recitals.

"Rolesville Gas" has the meaning assigned to such term in the introductory paragraph.

"Securities Act" means the Securities Act of 1933, as amended, supplemented or restated from time to time and any successor to such statute.

"Special Approval" means approval by a majority of the members of the Conflicts Committee.

"Subordinated Unit" has the meaning assigned to such term in the MLP Agreement.

"Subordination Period" has the meaning assigned to such term in the MLP Agreement.

"Subsidiary" means, with respect to any Person, (a) a corporation of which more than 50% of the voting power of shares entitled (without regard to the occurrence of any contingency) to vote in the election of directors or other governing body of such corporation is owned, directly or indirectly, at the date of determination, by such Person, by one or more Subsidiaries of such Person or a combination thereof, (b) a partnership (whether general or limited) in which such Person or a Subsidiary of such Person is, at the date of determination, a general or limited partner of such partnership, but only if more than 50% of the partnership interests of such partnership (considering all of the partnership interests of the partnership as a single class) is owned, directly or indirectly, at the date of determination, by such Person, by one or more Subsidiaries of such Person, or a combination thereof, or (c) any other Person (other than a corporation or a partnership) in which such Person, one or more Subsidiaries of such Person, or a combination thereof, directly or indirectly, at the date of determination, has (i) at least a majority ownership

interest or (ii) the power to elect or direct the election of a majority of the directors or other governing body of such Person.

"Substituted Member" means a Person who is admitted as a Member to the Company pursuant to Section 11.2 in place of and with all the rights of a Member and who is shown as a Member on the books and records of the Company.

"Surviving Business Entity" has the meaning assigned to such term in Section 15.2(b).

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

"Underwriter" means each Person named as an underwriter in the Underwriting Agreement who purchases Common Units pursuant thereto.

"Underwriting Agreement" means, collectively, the Underwriting Agreement dated July 25, 2001 among the Company, the MLP, the Managing General Partner, the Underwriters and certain other parties, providing for the purchase of Common Units by such Underwriters.

"Unit" has the meaning assigned to such term in the MLP Agreement.

"Unit Majority" has the meaning assigned to such term in the MLP Agreement.

"U.S. GAAP" means United States Generally Accepted Accounting Principles consistently applied.

"Wilson Oil" has the meaning assigned to such term in the introductory paragraph.

"Working Capital Borrowings" has the meaning assigned to such term in the MLP Agreement.

Section 1.2 Construction.

Unless the context requires otherwise: (a) any pronoun used in this Agreement shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns, pronouns and verbs shall include the plural and vice versa; (b) references to Articles and Sections refer to Articles and Sections of this Agreement; and (c) the term "include" or "includes" means includes, without limitation, and "including" means including, without limitation.

ARTICLE II
ORGANIZATION

Section 2.1 Formation.

Inergy Partners, LLC, a Delaware limited liability company, and Rogers, individually, previously formed the Company as a limited liability company pursuant to the provisions of the Act by virtue of the filing of the Certificate of Formation with the Secretary of State of the State of Delaware on October 25, 1996.

Section 2.2 Name.

The name of the Company shall be "Inergy Propane, LLC". The Company's business may be conducted under any other name or names deemed necessary or appropriate by the Board of Directors in its sole discretion, including, if consented to by the Managing General Partner (on behalf of the MLP), the name of the MLP. The words "Limited Liability Company," "L.L.C." or "LLC" or similar words or letters shall be included in the Company's name where necessary for the purpose of complying with the laws of any jurisdiction that so requires. The Board of Directors in its discretion may change the name of the Company at any time and from time to time and shall notify the other Member(s) of such change in the next regular communication to the Members.

Section 2.3 Registered Office; Registered Agent; Principal Office; Other Offices.

Unless and until changed by the Board of Directors, the registered office of the Company in the State of Delaware shall be located at 1209 Orange Street, New Castle County, Wilmington, Delaware 19801, and the registered agent for service of process on the Company in the State of Delaware at such registered office shall be The Corporation Trust Company. The principal office of the Company shall be located at 1101 Walnut, Suite 1500, Kansas City, Missouri 64106 or such other place as the Board of Directors may from time to time designate by notice to the Members. The Company may maintain offices at such other place or places within or outside the State of Delaware as the Board of Directors deems necessary or appropriate.

Section 2.4 Purpose and Business.

The purpose and nature of the business to be conducted by the Company shall be to (a) manage, operate, lease, sell and otherwise deal with any and all assets or properties contributed to the Company by the Members or hereafter acquired by the Company, (b) serve as the sole member or stockholder of its Subsidiaries and, in connection therewith, to exercise all the rights and powers conferred upon the Company as the sole member or stockholder of such Subsidiaries pursuant to the operating agreements or charter documents of each of such Subsidiaries, (c) engage directly in, or enter into or form any corporation, partnership, joint venture, limited liability company or other arrangement to engage indirectly in, any type of business or activity engaged in by the Company and its Subsidiaries and their predecessors prior to the Closing Date and, in connection therewith, to exercise all of the rights and powers conferred upon the Company pursuant to the agreements relating to such business activity, (d) engage directly in, or enter into or form any corporation, partnership, joint venture, limited liability company or other arrangement to engage indirectly in, any business activity that is approved by the Board of Directors and which lawfully may be conducted by a limited liability company organized pursuant to the Act and, in connection therewith, to exercise all of the rights and powers conferred upon the Company pursuant to the agreements relating to such business activity, and (e) do anything necessary or appropriate to the foregoing, including the making of capital contributions or loans to a Group Member, the MLP or any Subsidiary thereof; provided, however, in the case of (c) and (d) above, that the Board of Directors reasonably determines, as of the date of the acquisition or commencement of such activity, that such activity (i) generates "qualifying income" (as such term is defined pursuant to Section 7704 of the Code) or (ii)

enhances the operations of an activity of the Company or the MLP that generates qualifying income. The Board of Directors has no obligation or duty to the Company, the Members, or the Assignees to propose or approve, and in its discretion may decline to propose or approve, the conduct by the Company of any business.

Section 2.5 Powers.

The Company shall be empowered to do any and all acts and things necessary, appropriate, proper, advisable, incidental to or convenient for the furtherance and accomplishment of the purposes and business described in Section 2.4 and for the protection and benefit of the Company.

Section 2.6 Power of Attorney.

(a) Each Member and each Assignee hereby constitutes and appoints the President of the Company and, if a Liquidator shall have been selected pursuant to Section 13.3, the Liquidator (and any successor to the Liquidator by merger, transfer, assignment, election or otherwise) and each of their authorized officers and attorneys-in-fact, as the case may be, with full power of substitution, as its true and lawful agent and attorney-in-fact, with full power and authority in his name, place and stead, to:

(i) execute, swear to, acknowledge, deliver, file and record in the appropriate public offices (A) all certificates, documents and other instruments (including this Agreement and all amendments or restatements hereof and all amendments and restatements of the Certificate of Formation) that the Board of Directors or the Liquidator deems necessary or appropriate to form, qualify or continue the existence or qualification of the Company as a limited liability company in the State of Delaware and in all other jurisdictions in which the Company may conduct business or own property; (B) all certificates, documents and other instruments that the Board of Directors or the Liquidator deems necessary or appropriate to reflect, in accordance with its terms, any amendment, change, modification or restatement of this Agreement; (C) all certificates, documents and other instruments (including conveyances and a certificate of cancellation) that the Board of Directors or the Liquidator deems necessary or appropriate to reflect the dissolution and liquidation of the Company pursuant to the terms of this Agreement; (D) all certificates, documents and other instruments relating to the admission, withdrawal, removal or substitution of any Member pursuant to, or other events described in, Article IV, XI, XII or XIII; (E) all certificates, documents and other instruments relating to the determination of the rights, preferences and privileges of any class or series of Membership Interests issued pursuant hereto; and (F) all certificates, documents and other instruments (including agreements and a certificate of merger) relating to a merger or consolidation of the Company pursuant to Article XV; and

(ii) execute, swear to, acknowledge, deliver, file and record all ballots, consents, approvals, waivers, certificates, documents and other instruments necessary or appropriate, in the discretion of the Board of Directors or the Liquidator, to make, evidence, give, confirm or ratify any vote, consent, approval, agreement or other action that is made or given by the Members hereunder or is consistent with the terms of this

Agreement or is necessary or appropriate, in the discretion of the Board of Directors or the Liquidator, to effectuate the terms or intent of this Agreement; provided, that when required by any provision of this Agreement that establishes a percentage of the Members or of the Members of any class or series required to take any action, the Board of Directors and the Liquidator may exercise the power of attorney made in this Section 2.6(a)(ii) only after the necessary vote, consent or approval of the Members or of the Members of such class or series, as applicable.

Nothing contained in this Section 2.6(a) shall be construed as authorizing the Board of Directors to amend this Agreement except in accordance with Article XIV or as may be otherwise expressly provided for in this Agreement.

(b) The foregoing power of attorney is hereby declared to be irrevocable and a power coupled with an interest, and it shall survive and, to the maximum extent permitted by law, not be affected by the subsequent death, incompetency, disability, incapacity, dissolution, bankruptcy or termination of any Member or Assignee and the transfer of all or any portion of such Member's or Assignee's Membership Interest and shall extend to such Member's or Assignee's successors and assigns. Each such Member or Assignee hereby agrees to be bound by any representation made by the President or the Liquidator acting in good faith pursuant to such power of attorney; and each such Member or Assignee, to the maximum extent permitted by law, hereby waives any and all defenses that may be available to contest, negate or disaffirm the action of the President or the Liquidator taken in good faith under such power of attorney. Each Member or Assignee shall execute and deliver to the President or the Liquidator, within 15 days after receipt of the request therefor, such further designation, powers of attorney and other instruments as the President or the Liquidator deems necessary to effectuate this Agreement and the purposes of the Company.

Section 2.7 Term.

The term of the Company commenced upon the filing of the Certificate of Formation in accordance with the Act and shall continue in existence in perpetuity or until the earlier dissolution of the Company in accordance with the provisions of Article XIII. The existence of the Company as a separate legal entity shall continue until the cancellation of the Certificate of Formation as provided in the Act.

Section 2.8 Title to Company Assets.

Title to Company assets, whether real, personal or mixed and whether tangible or intangible, shall be deemed to be owned by the Company as an entity, and no Member, individually or collectively, shall have any ownership interest in such Company assets or any portion thereof.

ARTICLE III
RIGHTS OF MEMBERS

Section 3.1 Limitation of Liability.

The Members shall have no liability under this Agreement except as expressly provided in this Agreement or in the Act.

Section 3.2 Outside Activities of the Members.

Subject to the provisions of Section 7.9 and the Contribution Agreement, which shall continue to be applicable to the Persons referred to therein, regardless of whether such Persons shall also be Members or Assignees, any Member or Assignee shall be entitled to and may have business interests and engage in business activities in addition to those relating to the Company, including business interests and activities in direct competition with the Company Group. Neither the Company nor any other Member or Assignee shall have any rights by virtue of this Agreement in any business ventures of any Member or Assignee.

Section 3.3 Rights of Members.

(a) In addition to other rights provided by this Agreement or by applicable law, and except as limited by Section 3.3(b), each Member shall have the right, for a purpose reasonably related to such Member's interest as a member in the Company, upon reasonable written demand and at such Member's own expense:

(i) to obtain true and full information regarding the status of the business and financial condition of the Company;

(ii) promptly after becoming available, to obtain a copy of the Company's federal, state and local income tax returns for each year;

(iii) to have furnished to him a current list of the name and last known business, residence or mailing address of each Member;

(iv) to have furnished to him a copy of this Agreement and the Certificate of Formation and all amendments thereto, together with a copy of the executed copies of all powers of attorney pursuant to which this Agreement, the Certificate of Formation and all amendments thereto have been executed;

(v) to obtain true and full information regarding the amount of cash and a description and statement of the Capital Contributions made by each Member and which each Member has agreed to contribute in the future, and the date on which each became a Member; and

(vi) to obtain such other information regarding the affairs of the Company as is just and reasonable.

(b) The Board of Directors may keep confidential from the Members and Assignees, for such period of time as the Board of Directors deems reasonable, (i) any information that the Board of Directors reasonably believes to be in the nature of trade secrets or (ii) other information the disclosure of which the Board of Directors in good faith believes (A) is not in the best interests of the Company Group, (B) could damage the Company Group or (C) that any Group Member is required by law or by agreement with any third party to keep confidential (other than agreements with Affiliates of the Company the primary purpose of which is to circumvent the obligations set forth in this Section 3.3).

ARTICLE IV
TRANSFERS OF INTERESTS

Section 4.1 Transfer Generally.

(a) The term "transfer," when used in this Agreement with respect to a Membership Interest, shall be deemed to refer to a transaction by which the holder of a Membership Interest assigns such Membership Interest to another Person who is or becomes a Member or an Assignee, and includes a sale, assignment, gift, pledge, encumbrance, hypothecation, mortgage, exchange or any other disposition by law or otherwise.

(b) No Membership Interest shall be transferred, in whole or in part, except in accordance with the terms and conditions set forth in this Article IV. Any transfer or purported transfer of a Membership Interest not made in accordance with this Article IV shall be null and void.

(c) Nothing contained in this Agreement shall be construed to prevent a disposition by any member of the General Partners of any or all of the issued and outstanding membership interests in the General Partners.

Section 4.2 Transfer of MLP's Membership Interest.

If the Managing General Partner (acting on behalf of the MLP) transfers its interest as the managing general partner of the MLP to any Person in accordance with the provisions of the MLP Agreement, the Managing General Partner shall contemporaneously therewith transfer all, but not less than all, of the MLP's Membership Interest to such Person, and the other Members hereby expressly consent to such transfer.

Section 4.3 Transfer of Other Membership Interests.

A Member, other than the MLP, may transfer all, but not less than all, of its Membership Interest in connection with the merger, consolidation or other combination of such Member with or into any other Person or the transfer by such Member of all or substantially all of its assets to another Person, and following any such transfer such Person may become a Substituted Member pursuant to Article XI. Except as set forth in the immediately preceding sentence and in Section 5.2, or in connection with any pledge of (or any related foreclosure on) a Member's Membership Interest solely for the purpose of securing, directly or indirectly, indebtedness of the Company, the MLP or such Member, and except for the transfers contemplated by Sections 5.2 and 11.1, a

Member may not transfer all or any part of its Membership Interest or withdraw from the Company.

Section 4.4 Restrictions on Transfers.

(a) Notwithstanding the other provisions of this Article IV, no transfer of any Membership Interest shall be made if such transfer would (i) violate the then applicable federal or state securities laws or rules and regulations of the Commission, any state securities commission or any other governmental authority with jurisdiction over such transfer, (ii) terminate the existence or qualification of the Company or the MLP under the laws of the jurisdiction of its formation or (iii) cause the Company or the MLP to be treated as an association taxable as a corporation or otherwise to be taxed as an entity for federal income tax purposes (to the extent not already so treated or taxed).

(b) The Board of Directors may impose restrictions on the transfer of Membership Interests if a subsequent Opinion of Counsel determines that such restrictions are necessary to avoid a significant risk of the Company or the MLP becoming taxable as a corporation or otherwise to be taxed as an entity for federal income tax purposes. The restrictions may be imposed by making such amendments to this Agreement as the Board of Directors may determine to be necessary or appropriate to impose such restrictions.

ARTICLE V
CAPITAL CONTRIBUTIONS AND ISSUANCE OF INTERESTS

Section 5.1 Prior to Closing Date.

Immediately prior to the Closing Date, the Membership Interests in the Company were held by the parties hereto as follows:

Party	Common Capital Account	Preferred Capital Account	Common Percentage Interest	Preferred Percentage Interest
Inergy, L.P.	--	--	--	--
Inergy Partners, LLC	(1)	--	100%	--
Rolesville Gas and Oil Company, Inc.	--	$2,780,000	--	51.5925%
Wilson Oil Company of Johnston County, Inc.	--	$2,608,385	--	48.4075%

(1) The capital of the Company not allocated to Rolesville Gas or Wilson Oil in respect of their respective preferred capital accounts is allocated to the capital account of Inergy Partners, LLC.

Section 5.2 Contributions at Closing.

(a) On the Closing Date and pursuant to the Contribution Agreement, Inergy Partners shall transfer substantially all of its wholesale assets to the Company as a capital contribution.

(b) On the Closing Date and pursuant to the Contribution Agreement, Rolesville Gas and Wilson Oil will contribute their respective preferred interests in the Company (set forth in Section 5.1 above) for a similar preferred interest in New Inergy Propane, LLC, a Delaware limited liability company.

(c) On the Closing Date and pursuant to the Contribution Agreement, New Inergy Propane, LLC will contribute its preferred interest in the Company to the MLP in exchange for Units.

(d) On the Closing Date and pursuant to the Contribution Agreement, the MLP shall contribute the cash received from the Initial Offering of Common Units and from other sources to the Company as an additional capital contribution.

(e) Following the foregoing transactions, and by execution of this Agreement, all preferred interests of the Company are cancelled and the MLP shall hold 100% of the common Membership Interest in the Company.

Section 5.3 Additional Capital Contributions.

With the consent of the Board of Directors, any Member may, but shall not be obligated to, make additional Capital Contributions to the Company.

Section 5.4 Interest and Withdrawal.

No interest shall be paid by the Company on Capital Contributions. No Member or Assignee shall be entitled to the withdrawal or return of its Capital Contribution, except to the extent, if any, that distributions made pursuant to this Agreement or upon termination of the Company may be considered as such by law and then only to the extent provided for in this Agreement. Except to the extent expressly provided in this Agreement, no Member or Assignee shall have priority over any other Member or Assignee either as to the return of Capital Contributions or as to profits, losses or distributions. Any such return shall be a compromise to which all Members or Assignees agree within the meaning of Section 18-502(b) of the Act.

Section 5.5 Loans from Members.

Loans by a Member to the Company shall not constitute Capital Contributions. If any Member shall advance funds to the Company in excess of the amounts required hereunder to be contributed by it to the capital of the Company, the making of such excess advances shall not result in any increase in the amount of the Capital Account of such Member. The amount of any such excess advances shall be a debt obligation of the Company to such Member and shall be payable or collectible only out of the Company assets in accordance with the terms and conditions upon which such advances are made.

Section 5.6 Issuances of Additional Company Securities.

(a) The Company may issue additional Company Securities and options, rights, warrants and appreciation rights relating to the Company Securities for any Company purpose at any time and from time to time to such Persons for such consideration and on such terms and conditions as shall be established by the Board of Directors and approved by the Members. The issuance by the Company of Company Securities or rights, warrants or appreciation rights in respect thereof shall be deemed an amendment to this Agreement.

(b) Each additional Company Security authorized to be issued by the Company pursuant to Section 5.6(a) may be issued in one or more classes, or one or more series of any such classes, with such designations, preferences, rights, powers and duties (which may be senior to existing classes and series of Company Securities), as shall be fixed by the Board of Directors and approved by the Members, including (i) the right to share Company profits and losses or items thereof; (ii) the right to share in Company distributions; (iii) the rights upon dissolution and liquidation of the Company; (iv) whether, and the terms and conditions upon which, the Company may redeem the Company Security; (v) whether such Company Security is issued with the privilege of conversion or exchange and, if so, the terms and conditions of such conversion or exchange; (vi) the terms and conditions upon which each Company Security will be issued, evidenced by certificates and assigned or transferred; and (vii) the right, if any, of each such Company Security to vote on Company matters, including matters relating to the relative designations, preferences, rights, powers and duties of such Company Security.

(c) The Board of Directors is hereby authorized and directed to take all actions that it deems necessary or appropriate in connection with (i) each issuance of Company Securities and options, rights, warrants and appreciation rights relating to Company Securities pursuant to this Section 5.6, (ii) the admission of Additional Members and (iii) all additional issuances of Company Securities. The Board of Directors is further authorized and directed to specify the relative rights, powers and duties of the holders of the Membership Interests or other Company Securities being so issued, subject to the approval of the Members. The Board of Directors shall do all things necessary to comply with the Act and is authorized and directed to do all things it deems necessary or advisable in connection with any future issuance of Company Securities, including compliance with any statute, rule, regulation or guideline of any federal, state or other governmental agency.

Section 5.7 Limited Preemptive Rights.

No Person shall have preemptive, preferential or other similar rights with respect to (a) additional Capital Contributions; (b) issuance or sale of any class or series of Membership Interests, whether unissued, held in the treasury or hereafter created; (c) issuance of any obligations, evidences of indebtedness or other securities of the Company convertible into or exchangeable for, or carrying or accompanied by any rights to receive, purchase or subscribe to, any such Membership Interests; (d) issuance of any right of subscription to or right to receive, or any warrant or option for the purchase of, any such Membership Interests; or (e) issuance or sale of any other securities that may be issued or sold by the Company.

Section 5.8 Fully Paid and Non-Assessable Nature of Membership Interests.

All Membership Interests issued pursuant to, and in accordance with the requirements of this Article V shall be fully paid and non-assessable Membership Interests, except as such non-assessability may be affected by Section 18-607 of the Act.

ARTICLE VI
ALLOCATIONS AND DISTRIBUTIONS

Section 6.1 Allocations.

All income, gain, loss, deductions and items of income shall be allocated to the Members in proportion to their ownership unless otherwise required by the Code.

Section 6.2 Distributions.

(a) Within 45 days following the end of each Quarter commencing with the Quarter ending on September 30, 2001, an amount equal to 100% of Available Cash with respect to such Quarter shall, subject to Section 18-607 of the Act, be distributed in accordance with this Article VI by the Company to the Members in accordance with their respective Percentage Interests. The immediately preceding sentence shall not require any distribution of cash if and to the extent such distribution would be prohibited by applicable law or by any loan agreement, security agreement, mortgage, debt instrument or other agreement or obligation to which the Company is a party or by which it is bound or its assets are subject. All distributions required to be made under this Agreement shall be made subject to Section 18-607 of the Act.

(b) Notwithstanding Section 6.2(a), in the event of the dissolution and liquidation of the Company, all receipts received during or after the Quarter in which the Liquidation Date occurs, other than from borrowings described in (a)(ii) of the definition of Available Cash, shall be applied and distributed solely in accordance with, and subject to the terms and conditions of, Section 13.3.

(c) The Board of Directors shall have the discretion to treat taxes paid by the Company on behalf of, or amounts withheld with respect to, all or less than all of the Members, as a distribution of Available Cash to such Members.

ARTICLE VII
MANAGEMENT AND OPERATION OF BUSINESS

Section 7.1 Management.

(a) Except as otherwise expressly provided in this Agreement, all management powers over the business and affairs of the Company shall be exclusively vested in the Board of Directors, and subject to the direction of the Board of Directors and in accordance with Article VIII, the Officers. Except as otherwise expressly provided in this Agreement, neither the Managing General Partner (acting on behalf of the MLP) nor any Member shall have any management power or control over the business and affairs of the Company. Thus, except as otherwise expressly provided in this Agreement, the business and affairs of the Company shall be managed by or under the direction of the Board of Directors, and the day-to-day activities of the Company shall be conducted on the Company's behalf by the Officers, who shall be agents

of the Company. Except as otherwise provided in this Agreement, the authority, functions, duties and responsibilities of the Board of Directors and of the Officers shall be identical to the authority, functions, duties and responsibilities of the board of directors and officers, respectively, of a corporation organized under the Delaware General Corporation Law.

(b) Consistent with the management powers delegated to the Board of Directors pursuant to the provisions of this Agreement, the Board of Directors shall have the powers now or hereafter granted a board of directors of a limited liability company under the Act or any other applicable law and, except as otherwise expressly provided in this Agreement, shall have full power and authority to do all things and on such terms as it may deem necessary or appropriate to conduct the business of the Company, to exercise all powers set forth in Section 2.5 and to effectuate the purposes set forth in Section 2.4, including the following:

(i) the making of any expenditures, the lending or borrowing of money, the assumption or guarantee of, or other contracting for, indebtedness and other liabilities, the issuance of evidences of indebtedness, including indebtedness that is convertible into a Membership Interest, and the incurring of any other obligations;

(ii) the making of tax, regulatory and other filings, or rendering of periodic or other reports to governmental or other agencies having jurisdiction over the business or assets of the Company;

(iii) the acquisition, disposition, mortgage, pledge, encumbrance, hypothecation or exchange of any or all of the assets of the Company or the merger or other combination of the Company with or into another Person;

(iv) the use of the assets of the Company (including cash on hand) for any purpose consistent with the terms of this Agreement, including the financing of the conduct of the operations of the Company Group, the lending of funds to other Persons (including the MLP or any Group Member), the repayment of obligations of the MLP or Company Group and the making of capital contributions to any Group Member;

(v) the negotiation, execution and performance of any contracts, conveyances or other instruments (including instruments that limit the liability of the Company under contractual arrangements to all or particular assets of the Company, with the other party to the contract to have no recourse against the MLP or its assets other than its interest in the Company, even if same results in the terms of the transaction being less favorable to the Company than would otherwise be the case);

(vi) the distribution of Company cash;

(vii) the selection and dismissal of Officers and agents, outside attorneys, accountants, consultants and contractors and the determination of their compensation and other terms of employment or hiring;

(viii) the maintenance of such insurance for the benefit of the Company Group and the Members as it deems necessary or appropriate;

(ix) the formation of, or acquisition of an interest in, and the contribution of property and the making of loans to, any further limited or general partnerships, joint ventures, corporations or other relationships subject to the restrictions set forth in Section 2.4;

(x) the control of any matters affecting the rights and obligations of the Company, including the bringing and defending of actions at law or in equity and otherwise engaging in the conduct of litigation and the incurring of legal expense and the settlement of claims and litigation;

(xi) the indemnification of any Person against liabilities and contingencies to the extent permitted by law;

(xii) the purchase, sale or other acquisition or disposition of Membership Interests, or the issuance of additional options, rights, warrants and appreciation rights relating to Membership Interests; and

(xiii) the undertaking of any action in connection with the Company's participation in its Subsidiaries as the sole member or stockholder.

(c) Notwithstanding any other provision of this Agreement, the MLP Agreement, the Act or any applicable law, rule or regulation, each Member and each other Person who may acquire a Membership Interest in the Company hereby (i) approves, ratifies and confirms the execution, delivery and performance by the parties thereto of the Underwriting Agreement, the Contribution Agreement, and the other agreements and documents described in or filed as exhibits to the Registration Statement that are related to the transactions contemplated by the Registration Statement; (ii) agrees that the Board of Directors (on its own or through any duly authorized Officer of the Company) is authorized to execute, deliver and perform the agreements referred to in clause (i) of this sentence and the other agreements, acts, transactions and matters described in or contemplated by the Registration Statement on behalf of the Company without any further act, approval or vote of the Members or Assignees or the other Persons who may acquire an interest in the Company; and (iii) agrees that the execution, delivery or performance by the Board of Directors (on its own or through any duly authorized Officer), the MLP, any Group Member or any Affiliate of any of them, of this Agreement or any agreement authorized or permitted under this Agreement (including the exercise by the Board of Directors of the rights accorded pursuant to Article XV), shall not constitute a breach by the Board of Directors of any duty that the Board of Directors may owe the Company or the Members or any other Persons under this Agreement (or any other agreements) or of any duty stated or implied by law or equity.

Section 7.2 The Board of Directors; Appointment; Manner of Acting.

(a) The Board of Directors shall consist of the individuals who from time to time serve as members of the board of directors of the Managing General Partner.

(b) Each member of the Board of Directors shall have one vote. The vote of a majority of the members of the Board of Directors present at a meeting at which a quorum is present shall be the act of the Board of Directors. A majority of the number of members of the

Board of Directors then in office shall constitute a quorum for the transaction of business at any meeting of the Board of Directors, but if less than a quorum is present at a meeting, a majority of the members of the Board of Directors present at such meeting may adjourn the meeting from time to time, without notice other than announcement at the meeting until a quorum shall be present.

Section 7.3 Removal of Members of the Board of Directors.

Any member of the Board of Directors may be removed with or without Cause, by the affirmative vote of the majority of the members of the Board of Directors of the Managing General Partner, but only if such person is also removed as a member of the Managing General Partner's board of directors, provided that his or her successor on the Managing General Partner's board of directors is elected or appointed in the manner set forth in the MLP Agreement. If an individual who is a member of the board of directors of the Managing General Partner is removed from such board, such individual will automatically be removed from the Board of Directors.

Section 7.4 Resignations of Members of the Board of Directors.

Any member of the Board of Directors may resign at any time by giving written notice to the Board of Directors. Such resignation shall take effect at the time specified therein, but only if such person also resigns from the Managing General Partner's board of directors. If an individual who is a member of the board of directors of the Managing General Partner resigns from such board, such individual will automatically be deeded to have resigned from the Board of Directors.

Section 7.5 Vacancies on the Board of Directors.

If any Director is removed, resigns or is otherwise unable to serve as member of the Board of Directors, the Board of Directors shall in its sole discretion appoint an individual to fill the vacancy for the unexpired term of such Director's predecessor in office, who shall be the same individual appointed to fill the corresponding vacancy on the Managing General Partner's board of directors.

Section 7.6 Meetings; Committees.

(a) Regular meetings of the Board of Directors shall be held at such times and places as shall be designated from time to time by resolution of the Board of Directors. Notice of such regular meetings shall not be required. Special meetings of the Board of Directors may be called by written request of a majority of the members of the Board of Directors, on at least 48 hours prior written notice to the other members. Any such notice, or waiver thereof, need not state the purpose of such meeting except as may otherwise be required by law. Attendance of a member of the Board of Directors at a meeting (including pursuant to the penultimate sentence of this Section 7.6(a)) shall constitute a waiver of notice of such meeting, except where such member attends the meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened. Any action required or permitted to be taken at a meeting of the Board of Directors may be taken without a meeting, without prior notice and without a vote if a consent or consents in writing, setting forth the action

so taken, is signed by all the members of the Board of Directors. Members of the Board of Directors may participate in and hold meetings by means of conference telephone, videoconference or similar communications equipment by means of which all Persons participating in the meeting can hear each other, and participation in such meetings shall constitute presence in person at the meeting. The Board of Directors may establish any additional rules governing the conduct of its meetings that are not inconsistent with the provisions of this Agreement.

(b) The Board of Directors shall appoint the Audit Committee and Conflicts Committee to consist solely of the individuals who serve from time to time as members of the audit committee and conflicts committee, respectively, of the Managing General Partner. Each of the Audit Committee and the Conflicts Committee shall perform the functions delegated to it pursuant to the terms of this Agreement and such other matters as may be delegated to it from time to time by resolution of the Board of Directors. The Board of Directors, by a majority of the entire Board of Directors, may appoint one or more additional committees of the Board of Directors to consist of one or more members of the Board of Directors, which committees shall have and may exercise such of the powers and authority of the Board of Directors (including in respect of Section 7.1) with respect to the management of the business and affairs of the Company as may be provided in a resolution of the Board of Directors. Any committee designated pursuant to this Section 7.6(b) shall choose its own chairman, shall keep regular minutes of its proceedings and report the same to the Board of Directors when requested, shall fix its own rules or procedures and shall meet at such times and at such place or places as may be provided by such rules or by resolution of such committee or resolution of the Board of Directors. At every meeting of any such committee, the presence of a majority of all the members thereof shall constitute a quorum and the affirmative vote of a majority of the members present shall be necessary for the taking of any action. Subject to the first sentence of this Section 7.6(b), the Board of Directors may designate one or more members of the Board of Directors as alternate members of any committee who may replace any absent or disqualified member at any meeting of such committee. Subject to the first sentence of this Section 7.6(b), in the absence or disqualification of a member of a committee, the member or members present at any meeting and not disqualified from voting, whether or not constituting a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of the absent or disqualified member.

Section 7.7 Restrictions on Board of Directors' Authority.

(a) The Board of Directors may not, without written approval of the specific act by the Members or by other written instrument executed and delivered by the Members subsequent to the date of this Agreement, take any action in contravention of this Agreement, including, except as otherwise provided in this Agreement, (i) committing any act that would make it impossible to carry on the ordinary business of the Company; (ii) possessing Company property, or assigning any rights in specific Company property, for other than a Company purpose; (iii) admitting a Person as a Member; or (iv) amending this Agreement in any manner.

(b) Except as provided in Articles XIII and XV, the Board of Directors may not sell, exchange or otherwise dispose of all or substantially all of the Company's assets in a single transaction or a series of related transactions (including by way of merger, consolidation

or other combination) or approve on behalf of the Company the sale, exchange or other disposition of all or substantially all of the assets of the Company, without the approval of the Members; provided, however, that this provision shall not preclude or limit the Board of Directors' ability to mortgage, pledge, hypothecate or grant a security interest in all or substantially all of the assets of the Company and shall not apply to any forced sale of any or all of the assets of the Company pursuant to the foreclosure of, or other realization upon, any such encumbrance.

Section 7.8 Reimbursement of the Managing General Partner; Benefit Plans.

(a) The Managing General Partner shall be reimbursed on a monthly basis, or such other reasonable basis as the Board of Directors may determine in its sole discretion, for (i) all direct and indirect expenses it incurs or payments it makes on behalf of the Company (including salary, bonus, incentive compensation and other amounts paid to any Person including Affiliates of the Managing General Partner to perform services for the Company or for the Board of Directors in the discharge of its duties to the Company), and (ii) all other necessary or appropriate expenses allocable to the Company or otherwise reasonably incurred by the Managing General Partner in furtherance of the Company's business (including expenses allocated to the Managing General Partner by its Affiliates). Reimbursements pursuant to this Section 7.8 shall be in addition to any reimbursement to the Managing General Partner as a result of indemnification pursuant to Section 7.11.

(b) The Board of Directors, in its sole discretion and without the approval of any Member (who shall have no right to vote in respect thereof), may propose and adopt on behalf of the Company employee benefit plans, employee programs and employee practices, or cause the Company to issue Company Securities, in connection with or pursuant to any employee benefit plan, employee program or employee practice maintained or sponsored by any Group Member or any Affiliate thereof, in each case for the benefit of employees of the Managing General Partner, any Group Member or any Affiliate thereof, or any of them, in respect of services performed, directly or indirectly, for the benefit of the Company Group.

Section 7.9 Outside Activities.

(a) After the Closing Date, the Managing General Partner, for so long as it is the Managing General Partner of the MLP, (i) agrees that its sole business will be to act as the Managing General Partner of the MLP and a general partner or managing member of any other partnership or limited liability company of which the MLP or the Company is, directly or indirectly, a partner or member and to undertake activities that are ancillary or related thereto (including being a limited partner in the MLP) or (ii) shall not engage in any business or activity or incur any debts or liabilities except in connection with or incidental to (A) its performance as managing general partner of the MLP or as general partner or managing member of one or more Group Members or as described in or contemplated by the Registration Statement or (B) the acquiring, owning or disposing of debt or equity securities in any Group Member.

(b) Except as specifically restricted by the MLP Agreement, each Indemnitee shall have the right to engage in businesses of every type and description and other activities for profit and to engage in and possess an interest in other business ventures of any and every type or

description, whether in businesses engaged in or anticipated to be engaged in by any Group Member, independently or with others, including business interests and activities in direct competition with the business and activities of any Group Member, and none of the same shall constitute a breach of this Agreement or any duty express or implied by law to any Group Member or any Member or Assignee. Neither any Group Member, any Member nor any other Person shall have any rights by virtue of this Agreement or the relationship established hereby in any business ventures of any Indemnitee.

(c) Subject to the terms of Section 7.9(a) and Section 7.9(b), but otherwise notwithstanding anything to the contrary in this Agreement, (i) the engaging in competitive activities by any Indemnitees in accordance with the provisions of this Section 7.9 is hereby approved by the Company and all Members, (ii) it shall be deemed not to be a breach of the Board of Directors' fiduciary duty or any other obligation of any type whatsoever of the Board of Directors for the Indemnitees to engage in such business interests and activities in preference to or to the exclusion of the Company and (iii) the Indemnitees shall have no obligation to present business opportunities to the Company.

(d) The General Partners and any of their Affiliates may acquire Units or other MLP Securities, in addition to those acquired on the Closing Date and, except as otherwise provided in this Agreement, shall be entitled to exercise all rights relating to such Units or MLP Securities.

(e) The term "Affiliates" when used in Section 7.5(a) and 7.5(d) with respect to the Managing General Partner shall not include any Group Member or any Subsidiary of the Group Member.

(f) Anything in this Agreement to the contrary notwithstanding, to the extent that provisions of Sections 7.11, 7.12, 7.13, 7.14 or other Sections of this Agreement purport or are interpreted to have the effect of restricting the fiduciary duties that might otherwise, as a result of Delaware or other applicable law, be owed by the Board of Directors to the Company and its Members, or to constitute a waiver or consent by the Members to any such restriction, such provisions shall be inapplicable and have no effect in determining whether the Board of Directors has complied with its fiduciary duties in connection with determinations made by it under this Section 7.9.

Section 7.10 Loans from the General Partners; Loans or Contributions from the Company; Contracts with Affiliates.

(a) The General Partners or their Affiliates may lend to any Group Member, and any Group Member may borrow from the Company or any of its Affiliates, funds needed or desired by any Group Member for such periods of time and in such amounts as the Board of Directors may determine; provided, however, that in any such case the lending party may not charge the borrowing party interest at a rate greater than the rate that would be charged the borrowing party or impose terms less favorable to the borrowing party than would be charged or imposed on the borrowing party by unrelated lenders on comparable loans made on an arm's-length basis (without reference to the lending party's financial abilities or guarantees). The borrowing party shall reimburse the lending party for any costs (other than any additional interest

costs) incurred by the lending party in connection with the borrowing of such funds. For purposes of this Section 7.10(a) and Section 7.10(b), the term "Group Member" shall include any Affiliate of a Group Member that is controlled by the Group Member. No Group Member may lend funds to the General Partners or any of their Affiliates (other than the MLP, a subsidiary of the MLP or another Group Member).

(b) The General Partners may themselves, or may enter into an agreement with any of their Affiliates to, render services to a Group Member or to the MLP in the discharge of its duties as general partners of the MLP. Any services rendered to a Group Member by the General Partners or any of their Affiliates shall be on terms that are fair and reasonable to the Company, provided, however, that the requirements of this Section 7.10(b) shall be deemed satisfied as to (a) any transaction approved by Special Approval, (ii) any transaction, the terms of which are not less favorable to the Company Group than those generally being provided to or available from unrelated third parties or (iii) any transaction that, taking into account the totality of the relationships between the parties involved (including other transactions that may be particularly favorable or advantageous to the Company Group), is equitable to the Company Group. The provisions of Section 7.8 shall apply to the rendering of services described in this Section 7.10(b).

(c) The Company may lend or contribute to any Group Member, and any Group Member may borrow from the Company, funds on terms and conditions established in the sole discretion of the Board of Directors; provided, however, that the Company may not charge the Group Member interest at a rate less than the rate that would be charged to the Group Member by unrelated lenders on comparable loans. The foregoing authority shall be exercised by the Board of Directors in its sole discretion and shall not create any right or benefit in favor of any Group Member or any other Person.

(d) The Company Group may transfer assets to joint ventures, other partnerships, corporations, limited liability companies or other business entities in which it is or thereby becomes a participant upon such terms and subject to such conditions as are consistent with this Agreement and applicable law.

(e) Neither the General Partners nor any of their Affiliates shall sell, transfer or convey any property to, or purchase any property from, the Company, directly or indirectly, except pursuant to transactions that are fair and reasonable to the Company; provided, however, that the requirements of this Section 7.10(e) shall be deemed to be satisfied as to (i) the transactions effected pursuant to Sections 5.2 and 5.3, the Contribution Agreement and any other transactions described in or contemplated by the Registration Statement, (ii) any transaction approved by Special Approval, (iii) any transaction, the terms of which are no less favorable to the Company than those generally being provided to or available from unrelated third parties, or (iv) any transaction that, taking into account the totality of the relationships between the parties involved (including other transactions that may be particularly favorable or advantageous to the Company), is equitable to the Company.

(f) The General Partners and their Affiliates will have no obligation to permit any Group Member to use any facilities or assets of the General Partners and their Affiliates, except as may be provided in contracts entered into from time to time specifically dealing with

such use, nor shall there be any obligation on the part of the General Partners or their Affiliates to enter into such contracts.

(g) Without limitation of Sections 7.10(a) through 7.10(f), and notwithstanding anything to the contrary in this Agreement, the existence of the conflicts of interest described in the Registration Statement are hereby approved by all Members.

Section 7.11 Indemnification.

(a) To the fullest extent permitted by law but subject to the limitations expressly provided in this Agreement, all Indemnitees shall be indemnified and held harmless by the Company from and against any and all losses, claims, damages, liabilities, joint or several, expenses (including legal fees and expenses), judgments, fines, penalties, interest, settlements or other amounts arising from any and all claims, demands, actions, suits or proceedings, whether civil, criminal, administrative or investigative, in which any Indemnitee may be involved, or is threatened to be involved, as a party or otherwise, by reason of its status as an Indemnitee; provided, that in each case the Indemnitee acted in good faith and in a manner that such Indemnitee reasonably believed to be in, or not opposed to, the best interests of the Company and, with respect to any criminal proceeding, had no reasonable cause to believe its conduct was unlawful; provided, further, no indemnification pursuant to this Section 7.11 shall be available to the General Partners with respect to their obligations incurred pursuant to the Underwriting Agreement or the Contribution Agreement (other than obligations incurred by the General Partners on behalf of the MLP or the Company). The termination of any action, suit or proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere, or its equivalent, shall not create a presumption that the Indemnitee acted in a manner contrary to that specified above. Any indemnification pursuant to this Section 7.11 shall be made only out of the assets of the Company, it being agreed that the General Partners shall not be personally liable for such indemnification and shall have no obligation to contribute or loan any monies or property to the Company to enable it to effectuate such indemnification.

(b) To the fullest extent permitted by law, expenses (including legal fees and expenses) incurred by an Indemnitee who is indemnified pursuant to Section 7.11(a) in defending any claim, demand, action, suit or proceeding shall, from time to time, be advanced by the Company prior to the final disposition of such claim, demand, action, suit or proceeding upon receipt by the Company of any undertaking by or on behalf of the Indemnitee to repay such amount if it shall be determined that the Indemnitee is not entitled to be indemnified as authorized in this Section 7.11.

(c) The indemnification provided by this Section 7.11 shall be in addition to any other rights to which an Indemnitee may be entitled under any agreement, pursuant to any vote of the Members, as a matter of law or otherwise, both as to actions in the Indemnitee's capacity as an Indemnitee and as to actions in any other capacity (including any capacity under the Underwriting Agreement and the Bank Credit Agreement), and shall continue as to an Indemnitee who has ceased to serve in such capacity and shall inure to the benefit of the heirs, successors, assigns and administrators of the Indemnitee.

(d) The Company may purchase and maintain (or reimburse the members of the Board of Directors, the General Partners or their Affiliates for the cost of) insurance, on behalf of the Board of Directors, its Affiliates and such other Persons as the Board of Directors shall determine, against any liability that may be asserted against or expense that may be incurred by such Person in connection with the Company's activities or such Person's activities on behalf of the Company, regardless of whether the Company would have the power to indemnify such Person against such liability under the provisions of this Agreement.

(e) For purposes of this Section 7.11, the Company shall be deemed to have requested an Indemnitee to serve as fiduciary of an employee benefit plan whenever the performance by it of its duties to the Company also imposes duties on, or otherwise involves services by, it to the plan or participants or beneficiaries of the plan; excise taxes assessed on an Indemnitee with respect to an employee benefit plan pursuant to applicable law shall constitute "fines" within the meaning of Section 7.11(a); and action taken or omitted by it with respect to any employee benefit plan in the performance of its duties for a purpose reasonably believed by it to be in the interest of the participants and beneficiaries of the plan shall be deemed to be for a purpose which is in, or not opposed to, the best interests of the Company.

(f) In no event may an Indemnitee subject the Members to personal liability by reason of the indemnification provisions set forth in this Agreement. (g) An Indemnitee shall not be denied indemnification in whole or in part under this Section 7.11 because the Indemnitee had an interest in the transaction with respect to which the indemnification applies if the transaction was otherwise permitted by the terms of this Agreement.

(h) The provisions of this Section 7.11 are for the benefit of the Indemnitees, their heirs, successors, assigns and administrators and shall not be deemed to create any rights for the benefit of any other Persons.

(i) No amendment, modification or repeal of this Section 7.11 or any provision hereof shall in any manner terminate, reduce or impair the right of any past, present or future Indemnitee to be indemnified by the Company, nor the obligations of the Company to indemnify any such Indemnitee under and in accordance with the provisions of this Section 7.11 as in effect immediately prior to such amendment, modification or repeal with respect to claims arising from or relating to matters occurring, in whole or in part, prior to such amendment, modification or repeal, regardless of when such claims may arise or be asserted.

Section 7.12 Liability of Indemnitees.

(a) Notwithstanding anything to the contrary set forth in this Agreement or the MLP Agreement, no Indemnitee shall be liable for monetary damages to the Company, the Members, the Assignees or any other Persons who have acquired interests in the Company or MLP Securities, for losses sustained or liabilities incurred as a result of any act or omission if such Indemnitee acted in good faith.

(b) Subject to its obligations and duties set forth in Section 7.1(a), the Board of Directors may exercise any of the powers granted to it by this Agreement and perform any of

the duties imposed upon it hereunder either directly or by or through its agents, and the Board of Directors shall not be responsible for any misconduct or negligence on the part of any such agent appointed by the Board of Directors in good faith.

(c) To the extent that, at law or in equity, an Indemnitee has duties (including fiduciary duties) and liabilities relating thereto to the Company or to the Members, the Board of Directors and any other Indemnitee acting in connection with the Company's business or affairs shall not be liable to the Company or to any Member for its good faith reliance on the provisions of this Agreement. The provisions of this Agreement, to the extent that they restrict or otherwise modify the duties and liabilities of an Indemnitee otherwise existing at law or in equity, are agreed by the Members to replace such other duties and liabilities of such Indemnitee.

(d) Any amendment, modification or repeal of this Section 7.12 or any provision hereof shall be prospective only and shall not in any way affect the limitations on the liability to the Company, the Members, the Board of Directors, and the Member's directors, officers and employees under this Section 7.12 as in effect immediately prior to such amendment, modification or repeal with respect to claims arising from or relating to matters occurring, in whole or in part, prior to such amendment, modification or repeal, regardless of when such claims may arise or be asserted.

Section 7.13 Resolution of Conflicts of Interest.

(a) Unless otherwise expressly provided in this Agreement, whenever a potential conflict of interest exists or arises between the General Partners or any of their Affiliates, on the one hand, and the Company, any Member or any Assignee, on the other, any resolution or course of action by the Board of Directors or its Affiliates in respect of such conflict of interest shall be permitted and deemed approved by all Members, and shall not constitute a breach of this Agreement, of any agreement contemplated herein, or of any duty stated or implied by law or equity, if the resolution or course of action is, or by operation of this Agreement is deemed to be, fair and reasonable to the Company. The Board of Directors shall be authorized but not required in connection with its resolution of such conflict of interest to seek Special Approval of such resolution. Any conflict of interest and any resolution of such conflict of interest shall be conclusively deemed fair and reasonable to the Company if such conflict of interest or resolution is (i) approved by Special Approval (as long as the material facts known to the Board of Directors or any of its Affiliates regarding any proposed transaction were disclosed to the Conflicts Committee at the time it gave its approval), (ii) on terms no less favorable to the Company than those generally being provided to or available from unrelated third parties or (iii) fair to the Company, taking into account the totality of the relationships between the parties involved (including other transactions that may be particularly favorable or advantageous to the Company). The Board of Directors may also adopt a resolution or course of action that has not received Special Approval. The Board of Directors (including the Conflicts Committee in connection with Special Approval) shall be authorized in connection with its determination of what is "fair and reasonable" to the Company and in connection with its resolution of any conflict of interest to consider (A) the relative interests of any party to such conflict, agreement, transaction or situation and the benefits and burdens relating to such interest; (B) any customary or accepted industry practices and any customary or historical dealings with a particular Person; (C) any applicable generally accepted accounting practices or principles; and (D) such additional

factors as the Board of Directors (including the Conflicts Committee) determines in its sole discretion to be relevant, reasonable or appropriate under the circumstances. Nothing contained in this Agreement, however, is intended to nor shall it be construed to require the Board of Directors (including the Conflicts Committee) to consider the interests of any Person other than the Company. In the absence of bad faith by the Board of Directors, the resolution, action or terms so made, taken or provided by the Board of Directors with respect to such matter shall not constitute a breach of this Agreement or any other agreement contemplated herein or a breach of any standard of care or duty imposed herein or therein or, to the extent permitted by law, under the Act or any other law, rule or regulation.

(b) Whenever this Agreement or any other agreement contemplated hereby provides that the Board of Directors or any of its Affiliates is permitted or required to make a decision (i) in its "sole discretion" or "discretion," that it deems "necessary or appropriate" or "necessary or advisable" or under a grant of similar authority or latitude, except as otherwise provided herein, the Board of Directors or such Affiliate shall be entitled to consider only such interests and factors as it desires and shall have no duty or obligation to give any consideration to any interest of, or factors affecting, the MLP, the Company, any Member or any Assignee, (ii) it may make such decision in its sole discretion (regardless of whether there is a reference to "sole discretion" or "discretion") unless another express standard is provided for, or (iii) in "good faith" or under another express standard, the Board of Directors or such Affiliate shall act under such express standard and shall not be subject to any other or different standards imposed by this Agreement, the MLP Agreement or any other agreement contemplated hereby or under the Act or any other law, rule or regulation. In addition, any actions taken by the Board of Directors or such Affiliate consistent with the standards of "reasonable discretion" set forth in the definition of Available Cash shall not constitute a breach of any duty of the Board of Directors to the Company or the Members. The Board of Directors shall have no duty, express or implied, to sell or otherwise dispose of any asset of the Company Group other than in the ordinary course of business. No borrowing by any Group Member or the approval thereof by the Board of Directors shall be deemed to constitute a breach of any duty of the Board of Directors to the Company or the Members by reason of the fact that the purpose or effect of such borrowing is directly or indirectly to (A) enable distributions by the MLP to the Managing General Partner or its Affiliates to exceed 2% of the total amount distributed to all partners or (B) hasten the expiration of the Subordination Period or the conversion of any Subordinated Units into Common Units.

(c) Whenever a particular transaction, arrangement or resolution of a conflict of interest is required under this Agreement to be "fair and reasonable" to any Person, the fair and reasonable nature of such transaction, arrangement or resolution shall be considered in the context of all similar or related transactions.

Section 7.14 Other Matters Concerning the Board of Directors.

(a) The Board of Directors may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, bond, debenture or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties.

(b) The Board of Directors may consult with legal counsel, accountants, appraisers, management consultants, investment bankers and other consultants and advisers selected by it, and any act taken or omitted to be taken in reliance upon the opinion (including an Opinion of Counsel) of such Persons as to matters that the Board of Directors reasonably believes to be within such Person's professional or expert competence shall be conclusively presumed to have been done or omitted in good faith and in accordance with such opinion.

(c) The Board of Directors shall have the right, in respect of any of its powers or obligations hereunder, to act through any of its duly authorized officers, a duly appointed attorney or attorneys-in-fact or the duly authorized officers of the Company.

(d) Any standard of care and duty imposed by this Agreement or under the Act or any applicable law, rule or regulation shall be modified, waived or limited, to the extent permitted by law, as required to permit the Board of Directors to act under this Agreement or any other agreement contemplated by this Agreement and to make any decision pursuant to the authority prescribed in this Agreement, so long as such action is reasonably believed by the Board of Directors to be in, or not inconsistent with, the best interests of the Company.

(e) Each Director shall be deemed a "manager" for purposes of the Act.

Section 7.15 Reliance by Third Parties.

Notwithstanding anything to the contrary in this Agreement, any Person dealing with the Company shall be entitled to assume that the Board of Directors and any Officer authorized by the Board of Directors to act on behalf of and in the name of the Company has full power and authority to encumber, sell or otherwise use in any manner any and all assets of the Company and to enter into any authorized contracts on behalf of the Company, and such Person shall be entitled to deal with the Board of Directors or any such Officer as if it were the Company's sole party in interest, both legally and beneficially. Each Member hereby waives any and all defenses or other remedies that may be available against such Person to contest, negate or disaffirm any action of the Board of Directors or any such officer in connection with any such dealing. In no event shall any Person dealing with the Board of Directors or any such officer or its representatives be obligated to ascertain that the terms of the Agreement have been complied with or to inquire into the necessity or expedience of any act or action of the Board of Directors or any such officer or its representatives. Each and every certificate, document or other instrument executed on behalf of the Company by the Board of Directors or its representatives shall be conclusive evidence in favor of any and every Person relying thereon or claiming thereunder that (a) at the time of the execution and delivery of such certificate, document or instrument, this Agreement was in full force and effect, (b) the Person executing and delivering such certificate, document or instrument was duly authorized and empowered to do so for and on behalf of the Company and (c) such certificate, document or instrument was duly executed and delivered in accordance with the terms and provisions of this Agreement and is binding upon the Company.

ARTICLE VIII
OFFICERS

Section 8.1 Officers.

(a) Generally. The Board of Directors, as set forth below, shall appoint agents of the Company, referred to as "Officers" of the Company as described in this Section 8.1. Unless provided otherwise by resolution of the Board of Directors, the Officers shall have the titles, power, authority and duties described below in this Section 8.1.

(b) Titles and Number. The Officers shall be the Chairman of the Board of Directors (unless the Board of Directors provides otherwise), the President, any and all Vice Presidents, the Secretary and any and all Assistant Secretaries and any Treasurer and any and all Assistant Treasurers and any other Officers appointed pursuant to this Section 8.1. There shall be appointed from time to time, in accordance with this Section 8.1, such Vice Presidents, Secretaries, Assistant Secretaries, Treasurers and Assistant Treasurers as the Board of Directors may desire. Any person may hold two or more offices.

(i) Chairman of the Board of Directors. The Board of Directors, in its discretion, may elect an individual who is a Director to serve as Chairman of the Board. The Chairman shall preside at all meetings of the Board of Directors.

(ii) President. The Board of Directors shall elect an individual to serve as President. The President shall be the chief executive officer of the Company. The President may sign, with the secretary, an assistant secretary or any other proper officer of the Company thereunto duly authorized by the Board of Directors, any deeds, mortgages, bonds, contracts or other instruments which the Board of Directors has authorized to be executed except in cases where the execution thereof shall be expressly delegated by the Board of Directors or by this Agreement to some other officer or agent of the Company or shall be required by law to be otherwise executed. In general, the President shall perform all duties incident to the office of President and chief executive officer of the Company and such other duties as may be prescribed from time to time by the Board of Directors.

(iii) Vice Presidents. The Board of Directors, in its discretion, may elect one or more Vice Presidents. In the absence of the President or in the event of the President's inability or refusal to act, the Vice President (or in the event there be more than one vice president, the vice presidents in the order designated, or in the absence of any designation, then in the order of their election) shall perform the duties of the President, and the Vice President, when so acting, shall have all of the powers and be subject to all the restrictions upon the President. Each Vice President shall perform such other duties as from time to time may be assigned by the President or the Board of Directors.

(iv) Secretary and Assistant Secretaries. The Board of Directors, in its discretion, may elect a Secretary and one or more Assistant Secretaries. The Secretary shall record or cause to be recorded in books provided for that purpose the minutes of the meetings or actions of the Board of Directors and of the Members, shall see that all

notices are duly given in accordance with the provisions of this Agreement and as required by law, shall be custodian of all records (other than financial), shall see that the books, reports, statements, certificates and all other documents and records required by law are properly kept and filed, and, in general, shall perform all duties incident to the office of Secretary and such other duties as may, from time to time, be assigned to him by this Agreement, the Board of Directors or the President. The Assistant Secretaries shall exercise the powers of the Secretary during that Officer's absence or inability or refusal to act.

(v) Treasurer and Assistant Treasurers. The Board of Directors, in its discretion, may elect a Treasurer and one or more Assistant Treasurers. The Treasurer shall keep or cause to be kept the books of account of the Company and shall render statements of the financial affairs of the Company in such form and as often as required by this Agreement, the Board of Directors or the President. The Treasurer, subject to the order of the Board of Directors, shall have the custody of all funds and securities of the Company. The Treasurer shall perform all other duties commonly incident to his office and shall perform such other duties and have such other powers as this Agreement, the Board of Directors or the President, shall designate from time to time. The Assistant Treasurers shall exercise the power of the Treasurer during that Officer's absence or inability or refusal to act. Each of the Assistant Treasurers shall possess the same power as the Treasurer to sign all certificates, contracts, obligations and other instruments of the Company. If no Treasurer or Assistant Treasurer is appointed and serving or in the absence of the appointed Treasurer and Assistant Treasurer, the President and chief executive officer, or such other Officer as the Board of Directors shall select, shall have the powers and duties conferred upon the Treasurer.

(c) Other Officers and Agents. The Board of Directors may appoint such other Officers and agents as may from time to time appear to be necessary or advisable in the conduct of the affairs of the Company, who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board of Directors.

(d) Appointment and Term of Office. The Officers shall be appointed by the Board of Directors at such time and for such terms as the Board of Directors shall determine. Any Officer may be removed, with or without Cause, only by the Board of Directors. Vacancies in any office may be filled only by the Board of Directors.

(e) Powers of Attorney. The Board of Directors may grant powers of attorney or other authority as appropriate to establish and evidence the authority of the Officers and other Persons.

(f) Officers' Delegation of Authority. Unless otherwise provided by resolution of the Board of Directors, no Officer shall have the power or authority to delegate to any Person such Officer's rights and powers as an Officer to manage the business and affairs of the Partnership.

Section 8.2 Compensation.

The Officers shall receive such compensation for their services as may be designated by the Board of Directors. In addition, the Officers shall be entitled to be reimbursed for out-of-pocket costs and expenses incurred in the course of their service hereunder. The members of the Board of Directors who are not employees of the Company or its Affiliates shall receive such compensation for their services as members of the Board of Directors or members of a committee of the Board of Directors shall determine. In addition, the members of the Board of Directors shall be entitled to be reimbursed for out-of-pocket costs and expenses incurred in the course of their service hereunder.

ARTICLE IX
BOOKS, RECORDS, ACCOUNTING AND REPORTS

Section 9.1 Records and Accounting

The Board of Directors shall keep or cause to be kept at the principal office of the Company appropriate books and records with respect to the Company's business, including all books and records necessary to provide to the Members any information required to be provided pursuant to Section 3.4(a). Any books and records maintained by or on behalf of the Company in the regular course of its business, including books of account and records of Company proceedings, may be kept on, or be in the form of, computer disks, hard drives, punch cards, magnetic tape, photographs, micrographics or any other information storage device; provided, that the books and records so maintained are convertible into clearly legible written form within a reasonable period of time. The books of the Company shall be maintained, for financial reporting purposes, on an accrual basis in accordance with U.S. GAAP.

Section 9.2 Fiscal Year.

The fiscal year of the Company shall be a fiscal year ending September 30.

ARTICLE X
TAX MATTERS

Section 10.1 Tax Returns and Information.

The Company shall timely file all returns of the Company that are required for federal, state and local income tax purposes on the basis of the accrual method and a taxable year ending on December 31. The tax information reasonably required by the Members for federal and state income tax reporting purposes with respect to a taxable year shall be furnished to them within 90 days of the close of the calendar year in which the Company's taxable year ends. The classification, realization and recognition of income, gain, losses and deductions and other items shall be on the accrual method of accounting for federal income tax purposes.

Section 10.2 Tax Elections.

(a) The Company shall not elect to be treated as a corporation under the Code.

(b) Except as otherwise provided herein, the Board of Directors shall determine whether the Company should make any other elections permitted by the Code.

ARTICLE XI
ADMISSION OF MEMBERS

Section 11.1 Admission of MLP.

Upon the consummation of the transfers and conveyances described in Section 5.2, the MLP shall be admitted as a Member, Inergy Partners, Rolesville Gas and Wilson Oil shall withdraw from the Company and shall no longer be Members, and the MLP shall be the only Member of the Company.

Section 11.2 Admission of Substituted Members.

By transfer of a Membership Interest in accordance with Article IV, the transferor shall be deemed to have given the transferee the right to seek admission as a Substituted Member subject to the conditions of, and in the manner permitted under, this Agreement. A transferor of a Membership Interest shall, however, only have the authority to convey to a purchaser or other transferee (a) the right to negotiate such Membership Interest to a purchaser or other transferee and (b) the right to request admission as a Substituted Member to such purchaser or other transferee in respect of the transferred Membership Interests. Each transferee of a Membership Interest shall be an Assignee and be deemed to have applied to become a Substituted Member with respect to the Interests so transferred to such Person. Such Assignee shall become a Substituted Member (x) at such time as the Members consent thereto, which consent may be given or withheld in the Members' discretion, and (y) when any such admission is shown on the books and records of the Company. If such consent is withheld, such transferee shall remain an Assignee. An Assignee shall have an interest in the Company equivalent to that of a Member with respect to allocations and distributions, including liquidating distributions, of the Company. With respect to voting rights attributable to Membership Interests that are held by Assignees, the Board of Directors shall be deemed to be the Member with respect thereto and shall, in exercising the voting rights in respect of such Interests on any matter, vote such Membership Interests at the written direction of the Assignee. If no such written direction is received, such Membership Interests will not be voted. An Assignee shall have no other rights of a Member.

Section 11.3 Admission of Additional Members.

(a) A Person (other than a Substituted Member) who makes a Capital Contribution to the Company or acquires Company Securities in accordance with this Agreement shall be admitted to the Company as an Additional Member only upon furnishing to the Board of Directors (i) evidence of acceptance in form satisfactory to the Board of Directors of all of the terms and conditions of this Agreement, including the power of attorney granted in Section 2.6, and (ii) such other documents or instruments as may be required in the discretion of the Board of Directors to effect such Person's admission as an Additional Member.

(b) Notwithstanding anything to the contrary in this Section 11.3, no Person shall be admitted as an Additional Member without the consent of the Board of Directors, which consent may be given or withheld in the Board of Directors' discretion. The admission of any

Person as an Additional Member shall become effective on the date upon which the name of such Person is recorded as such in the books and records of the Company, following the consent of the Board of Directors to such admission.

Section 11.4 Amendment of Agreement and Certificate of Formation.

To effect the admission to the Company of any Member, the Board of Directors shall take all steps necessary and appropriate under the Act to amend the records of the Company to reflect such admission and, if necessary, to prepare as soon as practicable an amendment to this Agreement and, if required by law, the Board of Directors shall prepare and file an amendment to the Certificate of Formation, and the Board of Directors may for this purpose, among others, exercise the power of attorney granted pursuant to Section 2.6.

ARTICLE XII
WITHDRAWAL OF MEMBERS

Section 12.1 Withdrawal of Members.

Without the prior written consent of the Board of Directors, which may be granted or withheld in its sole discretion, and except as provided in Section 11.1, no Member shall have the right to withdraw from the Company.

ARTICLE XIII
DISSOLUTION AND LIQUIDATION

Section 13.1 Dissolution.

The Company shall not be dissolved by the admission of Substituted Members or Additional Members in accordance with the terms of this Agreement. The Company shall dissolve, and its affairs shall be wound up, upon:

(a) an election to dissolve the Company by the Board of Directors that is approved by all of the Members;

(b) the entry of a decree of judicial dissolution of the Company pursuant to the provisions of the Act;

(c) the sale of all or substantially all of the assets and properties of the Company Group; or

(d) the dissolution of the MLP.

Section 13.2 Liquidator.

Upon dissolution of the Company, the Board of Directors shall select one or more Persons to act as Liquidator. The Liquidator shall be entitled to receive such compensation for its services as may be approved by a majority of the Members. The Liquidator shall agree not to resign at any time without 15 days' prior notice and may be removed at any time, with or without

cause, by notice of removal approved by a majority of the Members. Upon dissolution, removal or resignation of the Liquidator, a successor and substitute Liquidator (who shall have and succeed to all rights, powers and duties of the original Liquidator) shall within 30 days thereafter be approved by holders of at least a majority of the Members. The right to approve a successor or substitute Liquidator in the manner provided herein shall be deemed to refer also to any such successor or substitute Liquidator approved in the manner herein provided. Except as expressly provided in this Article XIII, the Liquidator approved in the manner provided herein shall have and may exercise, without further authorization or consent of any of the parties hereto, all of the powers conferred upon the Board of Directors under the terms of this Agreement (but subject to all of the applicable limitations, contractual and otherwise, upon the exercise of such powers, other than the limitation on sale set forth in Section 7.7(a)) to the extent necessary or desirable in the good faith judgment of the Liquidator to carry out the duties and functions of the Liquidator hereunder for and during such period of time as shall be reasonably required in the good faith judgment of the Liquidator to complete the winding up and liquidation of the Company as provided for herein.

Section 13.3 Liquidation.

The Liquidator shall proceed to dispose of the assets of the Company, discharge its liabilities, and otherwise wind up its affairs in such manner and over such period as the Liquidator determines to be in the best interest of the Members, subject to Section 18-804 of the Act and the following:

(a) Disposition of Assets. The assets may be disposed of by public or private sale or by distribution in kind to one or more Members on such terms as the Liquidator and such Member or Members may agree. If any property is distributed in kind, the Member receiving the property shall be deemed for purposes of Section 13.3(c) to have received cash equal to its fair market value; and contemporaneously therewith, appropriate cash distributions must be made to the other Members. The Liquidator may, in its absolute discretion, defer liquidation or distribution of the Company's assets for a reasonable time if it determines that an immediate sale or distribution of all or some of the Company's assets would be impractical or would cause undue loss to the Members. The Liquidator may, in its absolute discretion, distribute the Company's assets, in whole or in part, in kind if it determines that a sale would be impractical or would cause undue loss to the Members.

(b) Discharge of Liabilities. Liabilities of the Company include amounts owed to Members otherwise than in respect of their distribution rights under Article VI. With respect to any liability that is contingent, conditional or unmatured or is otherwise not yet due and payable, the Liquidator shall either settle such claim for such amount as it thinks appropriate or establish a reserve of cash or other assets to provide for its payment. When paid, any unused portion of the reserve shall be distributed as additional liquidation proceeds.

(c) Liquidation Distributions. All property and all cash in excess of that required to discharge liabilities as provided in Section 13.3(b) shall be distributed to the Members in proportion to their ownership interests.

Section 13.4 Cancellation of Certificate of Formation.

Upon the completion of the distribution of Company cash and property as provided in Section 13.3 in connection with the liquidation of the Company, the Company shall be terminated and the Certificate of Formation, as well as all qualifications of the Company as a foreign limited liability company in jurisdictions other than the State of Delaware, shall be canceled and such other actions as may be necessary to terminate the Company shall be taken.

Section 13.5 Return of Capital Contributions.

The MLP shall not be personally liable for, and shall have no obligation to contribute or loan any monies or property to the Company to enable it to effectuate, the return of the Capital Contributions of the Members, or any portion thereof, it being expressly understood that any such return shall be made solely from Company assets.

Section 13.6 Waiver of Partition.

To the maximum extent permitted by law, each Member hereby waives any right to partition of the Company property.

Section 13.7 Capital Account Restoration.

No Member shall have any obligation to restore any negative balance in its Capital Account upon liquidation of the Company.

ARTICLE XIV
AMENDMENT OF AGREEMENT

Section 14.1 Amendment to be Adopted Solely by the Board of Directors.

Each Member agrees that the Board of Directors, without the approval of any Member, may amend any provision of this Agreement and execute, swear to, acknowledge, deliver, file and record whatever documents may be required in connection therewith, to reflect:

(a) a change in the name of the Company, the location of the principal place of business of the Company, the registered agent of the Company or the registered office of the Company;

(b) admission, substitution, withdrawal or removal of Members in accordance with this Agreement;

(c) a change that, in the sole discretion of the Board of Directors, is necessary or advisable to qualify or continue the qualification of the Company as a limited liability company in which the Members have limited liability under the laws of any state or to ensure that neither the Company nor the MLP will be treated as an association taxable as a corporation or otherwise taxed as an entity for federal income tax purposes;

(d) a change that, in the discretion of the Board of Directors, (i) does not adversely affect the Members in any material respect, (ii) is necessary or advisable to (A) satisfy any requirements, conditions or guidelines contained in any opinion, directive, order, ruling or

regulation of any federal or state agency or judicial authority or contained in any federal or state statute (including the Act) or (B) facilitate the trading of limited partner interests of the MLP (including the division of any class or classes of outstanding limited partner interests of the MLP into different classes to facilitate uniformity of tax consequences within such classes of limited partner interests of the MLP) or comply with any rule, regulation, guideline or requirement of any National Securities Exchange on which such limited partner interests are or will be listed for trading, compliance with any of which the Board of Directors determines in its discretion to be in the best interests of the MLP and the limited partners of the MLP, (iii) is required to effect the intent expressed in the Registration Statement or the intent of the provisions of this Agreement or is otherwise contemplated by this Agreement or (iv) is required to conform the provisions of this Agreement with the provisions of the MLP Agreement as the provisions of the MLP Agreement may be amended, supplemented or restated from time to time;

(e) a change in the fiscal year or taxable year of the Company and any changes that, in the discretion of the Board of Directors, are necessary or advisable as a result of a change in the fiscal year or taxable year of the Company including, if the Board of Directors shall so determine, a change in the definition of "Quarter" and the dates on which distributions are to be made by the Company;

(f) an amendment that is necessary, in the Opinion of Counsel, to prevent the Company or its directors, officers, trustees or agents from in any manner being subjected to the provisions of the Investment Company Act of 1940, as amended, the Investment Advisers Act of 1940, as amended, or "plan asset" regulations adopted under the Employee Retirement Income Security Act of 1974, as amended, regardless of whether such are substantially similar to plan asset regulations currently applied or proposed by the United States Department of Labor;

(g) any amendment expressly permitted in this Agreement to be made by the Board of Directors acting alone;

(h) an amendment effected, necessitated or contemplated by a Merger Agreement approved in accordance with Section 15.3;

(i) an amendment that, in the discretion of the Board of Directors, is necessary or advisable to reflect, account for and deal with appropriately the formation by the Company of, or investment by the Company in, any corporation, partnership, joint venture, limited liability company or other entity, in connection with the conduct by the Company of activities permitted by the terms of Section 2.4;

(j) a merger or conveyance pursuant to Section 15.3(d); or

(k) any other amendments substantially similar to the foregoing.

Section 14.2 Amendment Procedures.

Except with respect to amendments of the type described in Section 14.1, all amendments to this Agreement shall be made in accordance with the following requirements. Amendments to this Agreement may be proposed only by or with the consent of the Board of Directors which

consent may be given or withheld in its sole discretion. A proposed amendment shall be effective upon its approval by the Members.

ARTICLE XV
MERGER

Section 15.1 Authority.

The Company may merge or consolidate with one or more corporations, limited liability companies, business trusts or associations, real estate investment trusts, common law trusts or unincorporated businesses, including a general partnership or limited partnership, formed under the laws of the State of Delaware or any other state of the United States of America, pursuant to a written agreement of merger or consolidation ("Merger Agreement") in accordance with this Article

Section 15.2 Procedure for Merger or Consolidation.

Merger or consolidation of the Company pursuant to this Article XV requires the prior approval of the Board of Directors. If the Board of Directors shall determine, in the exercise of its discretion, to consent to the merger or consolidation, the Board of Directors shall approve the Merger Agreement, which shall set forth:

(a) The names and jurisdictions of formation or organization of each of the business entities proposing to merge or consolidate;

(b) The name and jurisdiction of formation or organization of the business entity that is to survive the proposed merger or consolidation (the "Surviving Business Entity");

(c) The terms and conditions of the proposed merger or consolidation;

(d) The manner and basis of exchanging or converting the equity securities of each constituent business entity for, or into, cash, property or general or limited partner interests, rights, securities or obligations of the Surviving Business Entity; and (i) if any general or limited partner interests, securities or rights of any constituent business entity are not to be exchanged or converted solely for, or into, cash, property or general or limited partner interests, rights, securities or obligations of the Surviving Business Entity, the cash, property or general or limited partner interests, rights, securities or obligations of any limited partnership, corporation, trust or other entity (other than the Surviving Business Entity) which the holders of such general or limited partner interests, securities or rights are to receive in exchange for, or upon conversion of their general or limited partner interests, securities or rights, and (ii) in the case of securities represented by certificates, upon the surrender of such certificates, which cash, property or general or limited partner interests, rights, securities or obligations of the Surviving Business Entity or any general or limited partnership, corporation, trust or other entity (other than the Surviving Business Entity), or evidences thereof, are to be delivered;

(e) A statement of any changes in the constituent documents or the adoption of new constituent documents (the articles or certificate of incorporation, articles of trust, declaration of trust, certificate or agreement of limited partnership or other similar charter or

governing document) of the Surviving Business Entity to be effected by such merger or consolidation;

(f) The effective time of the merger, which may be the date of the filing of the certificate of merger pursuant to Section 15.4 or a later date specified in or determinable in accordance with the Merger Agreement (provided, that if the effective time of the merger is to be later than the date of the filing of the certificate of merger, the effective time shall be fixed no later than the time of the filing of the certificate of merger and stated therein); and

(g) Such other provisions with respect to the proposed merger or consolidation as are deemed necessary or appropriate by the Board of Directors.

Section 15.3 Approval by Members of Merger or Consolidation.

(a) Except as provided in Section 15.3(d), the Board of Directors, upon its approval of the Merger Agreement, shall direct that the Merger Agreement be submitted to a vote of Members, whether at a special meeting or by written consent, in either case in accordance with the requirements of Article XIV. A copy or a summary of the Merger Agreement shall be included in or enclosed with the notice of a special meeting or the written consent.

(b) Except as provided in Section 15.3(d), the Merger Agreement shall be approved upon receiving the affirmative vote or consent of the Members.

(c) Except as provided in Section 15.3(d), after such approval by vote or consent of the Members, and at any time prior to the filing of the certificate of merger pursuant to Section 15.4, the merger or consolidation may be abandoned pursuant to provisions therefor, if any, set forth in the Merger Agreement.

(d) Notwithstanding anything else contained in this Article XV or in this Agreement, the Board of Directors is permitted, in its discretion, without Member approval, to merge the Company or any Group Member into, or convey all of the Company's assets to, another limited liability entity which shall be newly formed and shall have no assets, liabilities or operations at the time of such Merger other than those it receives from the Company or other Group Member if (i) the Board of Directors has received an Opinion of Counsel that the merger or conveyance, as the case may be, would not result in the loss of the limited liability of any Member or any limited partner in the MLP or cause the Company or the MLP to be treated as an association taxable as a corporation or otherwise to be taxed as an entity for federal income tax purposes (to the extent not previously treated as such), (ii) the sole purpose of such merger or conveyance is to effect a mere change in the legal form of the Company into another limited liability entity and (iii) the governing instruments of the new entity provide the Members with the same rights and obligations as are herein contained.

Section 15.4 Certificate of Merger.

Upon the required approval by the Board of Directors and the Members of a Merger Agreement, a certificate of merger shall be executed and filed with the Secretary of State of the State of Delaware in conformity with the requirements of the Act.

Section 15.5 Effect of Merger.

(a) At the effective time of the certificate of merger:

(i) all of the rights, privileges and powers of each of the business entities that has merged or consolidated, and all property, real, personal and mixed, and all debts due to any of those business entities and all other things and causes of action belonging to each of those business entities, shall be vested in the Surviving Business Entity and after the merger or consolidation shall be the property of the Surviving Business Entity to the extent they were of each constituent business entity;

(ii) the title to any real property vested by deed or otherwise in any of those constituent business entities shall not revert and is not in any way impaired because of the merger or consolidation;

(iii) all rights of creditors and all liens on or security interests in property of any of those constituent business entities shall be preserved unimpaired; and

(iv) all debts, liabilities and duties of those constituent business entities shall attach to the Surviving Business Entity and may be enforced against it to the same extent as if the debts, liabilities and duties had been incurred or contracted by it.

(b) A merger or consolidation effected pursuant to this Article shall not be deemed to result in a transfer or assignment of assets or liabilities from one entity to another.

ARTICLE XVI
GENERAL PROVISIONS

Section 16.1 Addresses and Notices.

Any notice, demand, request, report or proxy materials required or permitted to be given or made to a Member under this Agreement shall be in writing and shall be deemed given or made when delivered in person or when sent by first class United States mail or by other means of written communication to the Member at the address described below. Any notice to the Company shall be deemed given if received by the Board of Directors at the principal office of the Company designated pursuant to Section 2.3. The Board of Directors may rely and shall be protected in relying on any notice or other document from a Member, Assignee or other Person if believed by it to be genuine.

Section 16.2 Further Action.

The parties shall execute and deliver all documents, provide all information and take or refrain from taking action as may be necessary or appropriate to achieve the purposes of this Agreement.

Section 16.3 Binding Effect.

This Agreement shall be binding upon and inure to the benefit of the parties hereto and their heirs, executors, administrators, successors, legal representatives and permitted assigns.

Section 16.4 Integration.

This Agreement constitutes the entire agreement among the parties hereto pertaining to the subject matter hereof and supersedes all prior agreements and understandings pertaining thereto.

Section 16.5 Creditors.

None of the provisions of this Agreement shall be for the benefit of, or shall be enforceable by, any creditor of the Company.

Section 16.6 Waiver.

No failure by any party to insist upon the strict performance of any covenant, duty, agreement or condition of this Agreement or to exercise any right or remedy consequent upon a breach thereof shall constitute waiver of any such breach of any other covenant, duty, agreement or condition.

Section 16.7 Counterparts.

This Agreement may be executed in counterparts, all of which together shall constitute an agreement binding on all the parties hereto, notwithstanding that all such parties are not signatories to the original or the same counterpart. Each party shall become bound by this Agreement immediately upon affixing its signature hereto, independently of the signature of any other party.

Section 16.8 Applicable Law.

This Agreement shall be construed in accordance with and governed by the laws of the State of Delaware, without regard to the principles of conflicts of law.

Section 16.9 Invalidity of Provisions.

If any provision of this Agreement is or becomes invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not be affected thereby.

Section 16.10 Consent of Members.

Each Member hereby expressly consents and agrees that, whenever in this Agreement it is specified that an action may be taken upon the affirmative vote or consent of less than all of the Members, such action may be so taken upon the concurrence of less than all of the Members and each Member shall be bound by the results of such action.

* * * * *

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

SOLE MEMBER:

INERGY, L.P.

By: Inergy GP, LLC, its managing general partner

By:

Name:
Title:

WITHDRAWING MEMBERS:

INERGY PARTNERS, LLC

By:

Name:
Title:

ROLESVILLE GAS AND OIL COMPANY, INC.

By:

Name:
Title:

WILSON OIL COMPANY OF JOHNSTON COUNTY, INC.

By:

Name:
Title:

GENERAL PARTNERS:

INERGY GP, LLC

By:

Name:
Title:

INERGY PARTNERS, LLC

By:

Name:
Title:

EXHIBIT 3.8

SECOND AMENDED AND RESTATED

LIMITED LIABILITY COMPANY AGREEMENT

OF

INERGY PARTNERS, LLC

(JULY 31, 2001)

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(continued)

SECOND AMENDED AND RESTATED
LIMITED LIABILITY COMPANY AGREEMENT
OF
INERGY PARTNERS, LLC

THIS SECOND AMENDED AND RESTATED LIMITED LIABILITY COMPANY AGREEMENT (the "Agreement") is entered into as of July 31, 2001, among the present members of Inergy Partners, LLC, a Delaware limited liability company (the "Company").

RECITALS

A. The Company was originally organized as a limited liability company under the Delaware Limited Liability Company Act on November 8, 1996, and its original name was "Mid-Atlantic Energy, LLC."

B. The Limited Liability Company Agreement for the Company was amended and restated on September 30, 1998 and 10 amendments thereto have since been entered into, with Amendment No. 10 being entered into on May 2, 2001.

C. As a result of such amendments, a number of members were admitted to the Company as holders of common and preferred interests.

D. On the date hereof, a limited partnership organized by the Company has effected a public offering of limited partnership interests and certain other transactions have occurred pursuant to a Contribution, Conveyance and Assignment Agreement among various parties, including the Company, of even date herewith.

E. In addition, the Company, Inergy Holdings, LLC and certain holders of Class A Preferred Interest of the Company have entered into separate agreements pursuant to which, among other things, such holders of Class A Preferred Interests have either (1) exchanged such interests for interests in the aforementioned public limited partnership and therefore are no longer Members of the Company or (2) exchanged their Class A Preferred Interests for common interests in the Company.

F. As a result of the aforementioned agreements and actions, the Company no longer has outstanding any Class A Preferred Interests and all Members of the Company hold common interests in the Company and such Members have agreed to this Second Amended and Restated Limited Liability Company Agreement.

NOW, THEREFORE, in consideration of the premises and the mutual agreements contained herein, the parties hereto agree to amend and restate the Initial LLC Agreement in its entirety as follows:

ARTICLE I.

DEFINITIONS

1.1 Definitions Generally. Unless defined specifically herein, terms relating to a limited liability company shall have the meanings given to them in the Delaware Limited Liability Company Act.

1.2 Terms Defined Herein. As used herein, the following terms shall have the following meanings, unless the context otherwise specifies:

"Act" means the Delaware Limited Liability Company Act, as amended from time to time.

"Additional Capital Call" has the meaning set forth in Section 3.2 hereof.

"Additional Distributions" has the meaning set forth in Section 4.3 hereof.

"Adjusted Capital Account Deficit" means, with respect to each Member, the deficit balance, if any, in such Member's Capital Account as of the end of the relevant fiscal year, after giving effect to the following adjustments: (i) increased for any amounts such Member is unconditionally obligated to restore and the amount of such Member's share of Company Minimum Gain and Member Minimum Gain after taking into account any changes during such year; and (ii) reduced by the items described in Treasury Regulations (S)1.704-1(b)(2)(ii)(d)(4), (5) and (6).

"Affiliate" means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such Person. For the purposes of this definition, "control," when used with respect to any Person means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Agreement" means this Second Amended and Restated Limited Liability Company Agreement of Inergy Partners, LLC, as amended from time to time.

"Bankruptcy", with respect to any Person, means the entry of an order for relief against such Person under the Federal Bankruptcy Code or the insolvency of such Person under any state insolvency act.

"Bradley Members" are those members designated as such on Exhibit A hereto and their successors and permitted assigns.

"Business Day" shall mean any day other than a Saturday or Sunday or a day on which banking institutions in Kansas City, Missouri are authorized or obligated to close.

"Capital Account" means the separate account established and maintained by the Company for each Member pursuant to Section 3.5 hereof.

"Certificate" means the Certificate of Formation of the Company filed with the Secretary of State of Delaware, as amended from time to time.

"Code" means the Internal Revenue Code of 1986, as amended from time to time, or the corresponding provisions of future laws.

"Company" means Inergy Partners, LLC, a Delaware limited liability company.

"Company Minimum Gain" shall have the same meaning as the term "partnership minimum gain" set forth in Treasury Regulation (S)1.704-2(d)(1). Company Minimum Gain shall be determined, first, by computing for each Nonrecourse Debt any gain that the Company would realize if the Company disposed of the property subject to that liability for no consideration other than full satisfaction of such liability and, then, aggregating the separately computed gains. For purposes of computing gain, the Company shall use the basis of such property that is used for purposes of determining the amount of the Capital Accounts under Section 3.5 hereof. In any taxable year in which a Revaluation occurs, the net increase or decrease in Company Minimum Gain for such taxable year shall be determined by: (1) calculating the net decrease or increase in Company Minimum Gain using the current year's book value and the prior year's amount of Company Minimum Gain, and (2) adding back any decrease in Company Minimum Gain arising solely from the Revaluation.

"Contributing Member" has the meaning set forth in Section 3.3 hereof.

"Credits" means all tax credits allowed by the Code with respect to activities of the Company or the Property.

"Distributions" means any distributions by the Company to the Members of Liquidation Proceeds, Tax Distributions or Additional Distributions.

"EBITDA" means the net income of the Operating Company before provision for income taxes determined in accordance with GAAP plus the amount included in such net income for interest, depreciation and amortization of intangible items.

"Employee Member " means an individual or entity designated as such on Exhibit A hereto, and their successors and permitted assigns.

"Exempt Transfer" has the meaning set forth in Section 7.3 hereof.

"Fair Value" of an asset means its fair market value.

"GAAP" means generally accepted accounting principles.

"Holdings" means Inergy Holdings, LLC, a Delaware limited liability company.

"Illiquid Assets" has the meaning set forth in Section 3.4 hereof.

"Income" and "Loss" mean, respectively, for each fiscal year or other period, an amount equal to the Company's taxable income or loss for such year or period, determined in accordance

with Code Section 703(a), except that for this purpose (i) all items of income, gain, deduction or loss required to be separately stated by Code Section 703(a)(1) shall be included in taxable income or loss; (ii) tax exempt income shall be added to taxable income or loss; (iii) any expenditures described in Code Section 705(a)(2)(B) (or treated as Code Section 705(a)(2)(B) expenditures pursuant to Treasury Regulation (S)1.704-1(b)(2)(iv)(i)) and not otherwise taken into account in computing taxable income or loss shall be subtracted; and (iv) taxable income or loss shall be adjusted to reflect any item of income or loss specially allocated in Article IV hereof and the Company's taxable income shall be reduced or its loss increased by the amount of Operating Income allocated pursuant to Section 4.6(a)(ii)(A) hereof.

"Inergy Propane" means Inergy Propane, LLC, a Delaware limited liability company.

"Initial Contributions" means either the initial or the restated value of the capital contributed by the Members for their Interests.

"Interest" means all of a Member's rights and interests in the Company in such Member's capacity as a Member, all as provided in the Act, the Certificate and this Agreement, including, without limitation, the Member's interest in the capital, income, gain, deductions, basis, and credits of the Company. All Interest in the Company is common interest.

"Liquidation Proceeds" means all Property at the time of liquidation of the Company and all proceeds thereof.

"Member" means each Person executing this Agreement, including a Substitute Member, if any.

"Member Minimum Gain" shall have the same meaning as the term "partner nonrecourse debt minimum gain" as set forth in Treasury Regulation (S)1.704-2(i)(3). With respect to each Member Nonrecourse Debt, Member Minimum Gain shall be determined by computing for each Member Nonrecourse Debt any gain that the Company would realize if the Company disposed of the property subject to that liability for no consideration other than full satisfaction of such liability. For purposes of computing gain, the Company shall use the basis of such property that is used for purposes of determining the amount of the Capital Accounts under Section 3.5 hereof. In any taxable year in which a Revaluation occurs, the net increase or decrease in Member Minimum Gain for such taxable year shall be determined by: (1) calculating the net decrease or increase in Member Minimum Gain using the current year's book value and the prior year's amount of Member Minimum Gain, and (2) adding back any decrease in Member Minimum Gain arising solely from the Revaluation.

"Member Nonrecourse Debt" shall have the same meaning as the term "partner nonrecourse debt" set forth in Treasury Regulation (S)1.704-2(b)(4).

"Member Nonrecourse Deductions" shall have the same meaning as the term "partner nonrecourse deductions" set forth in Treasury Regulation (S)1.704-2(i)(2). Generally, the amount of Member Nonrecourse Deductions with respect to a Member Nonrecourse Debt for a fiscal year equals the net increase during the year in the amount of the Member Minimum Gain (determined in accordance with Treasury Regulation (S)1.704-2(i)) reduced (but not below zero)

by the aggregate distributions made during the year of proceeds of Member Nonrecourse Debt and allocable to the increase in Member Minimum Gain determined according to the provisions of Treasury Regulation (S)1.704-2(i).

"Non-Contributing Member" has the meaning set forth in Section 3.3 hereof.

"Non-Exempt Transfer" means any Transfer that is not an exempt transfer under Section 7.3 hereof.

"Nonrecourse Debt" means a Company liability with respect to which no Member bears the economic risk of loss as determined under Treasury Regulations (S)(S)1.752-1(a)(2) and 1.752-2.

"Nonrecourse Deductions" shall have the same meaning as the term "nonrecourse deductions" set forth in Treasury Regulation (S)1.704-2(c). Generally, the amount of Nonrecourse Deductions for a fiscal year equals the net increase in the amount of Company Minimum Gain (determined in accordance with Treasury Regulation (S)1.704-2(d)) during such year reduced (but not below zero) by the aggregate distributions made during the year of proceeds of a Nonrecourse Debt that are allocable to the increase in Company Minimum Gain, determined according to the provisions of Treasury Regulation (S)1.704-2(c) and (h).

"Non-Voting Member" is a Member who is not entitled to vote in any matter requiring a vote under the terms of this Agreement.

"Operating Companies" means Inergy Propane and such other entities in which the Company may from time to time acquire and own, directly or indirectly, voting control.

"Operating Income" means Income, unless otherwise designated by a Voting Member Majority.

"Percentage Interest" means a Member's percentage as set forth on Schedule A attached hereto, as adjusted from time to time pursuant to this Agreement.

"Person" means any individual, partnership, limited liability company, corporation, association, cooperative, estate, trust, custodian, nominee or any other individual or entity in its own or any representative capacity.

"Property" means all properties and assets, including intellectual property, contract rights and other intangible assets, that the Company may own or otherwise have an interest in from time to time.

"Representative" has the meaning set forth in Section 5.1 hereof.

"Reserves" means amounts set aside from time to time by the Members pursuant to Section 4.10 hereof.

"Revaluation" shall mean the occurrence of any event described in clause (x), (y) or (z) of Section 3.5(b) hereof in which the book basis of Property is adjusted to its Fair Value.

"Substitute Member" has the meaning set forth in Section 7.7 hereof.

"Tax Distribution" has the meaning set forth in Section 4.1 hereof.

"Tax Matters Partner" means the Member designated pursuant to Section 6.4 hereof to represent the Company in matters before the Internal Revenue Service.

"Transfer" means (i) when used as a verb, to give, sell, exchange, assign, transfer, lease, pledge, hypothecate, bequeath, devise or otherwise dispose of or encumber, and (ii) when used as a noun, the nouns corresponding to such verbs, in either case voluntarily or involuntarily, by operation of law or otherwise.

"Transferee" has the meaning set forth in Section 7.1 hereof.

"Transferor" has the meaning set forth in Section 7.2 hereof.

"Treasury Regulations" means the regulations promulgated by the Treasury Department with respect to the Code, as such regulations are amended from time to time, or the corresponding provisions of future regulations.

"Voting Member" is a Member who is entitled to vote in all matters requiring a vote under the terms of this Agreement.

"Voting Member Majority" means those Voting Members holding a majority of the Percentage Interests held by all Voting Members.

1.3 Other Definitional Provisions.

(a) As used in this Agreement, accounting terms not defined in this Agreement, and accounting terms partly defined to the extent not defined, shall have the respective meanings given to them under GAAP.

(b) The words "hereof," "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and section, subsection, schedule and exhibit references are to this Agreement unless otherwise specified.

(c) Words of the masculine gender shall be deemed to include the feminine or neuter genders, and vice versa, where applicable. Words of the singular number shall be deemed to include the plural number, and vice versa, where applicable.

ARTICLE II

BUSINESS PURPOSES AND OFFICES

2.1 Name; Business Purpose.

(a) The name of the Company shall be as stated in the Certificate. The name of the Company may be changed from time to time by the Voting Member Majority.

(b) The purpose of the Company is to:

(i) invest in and act as the Non-Managing General Partner of Inergy, L.P., a Delaware limited partnership;

(ii) invest in and be the sole owner of common units of New Inergy Propane, LLC, a Delaware limited liability company;

(iii) invest, directly or indirectly through other entities in Inergy Propane, to do any and all things necessary or incidental thereto; and

(iv) to engage in such other business as the Voting Member Majority deems in the best interests of the Company.

2.2 Powers. The Company may carry on any lawful business, purpose or activity permitted by the Act and shall possess and may exercise all the powers granted by the Act, any other law, or this Agreement, together with any powers incidental thereto, as far as such powers and privileges are necessary or convenient to the conduct, promotion or attainment of the business, purposes or activities of the Company.

2.3 Principal Office. The principal office of the Company shall be located at 1101 Walnut, Suite 1500, Kansas City, Missouri 64106, or at such other place(s) as the Voting Member Majority may determine from time to time.

2.4 Registered Office and Registered Agent. The location of the registered office and the name of the registered agent of the Company in the State of Delaware shall be as stated in the Certificate. The registered office and registered agent of the Company in the State of Delaware may be changed, from time to time, by the Voting Member Majority.

2.5 Amendment of the Certificate. The Company shall amend the Certificate at such time or times and in such manner as may be approved by the Voting Member Majority or as required by the Act or this Agreement.

2.6 Liability of Members. No Member, Representative or officer, solely by reason of being a Member, Representative or officer, shall be liable, under a judgment, decree or order of a court, or in any other manner, for any debt, obligation or liability of the Company, whether arising in contract, tort or otherwise, or for the acts or omissions of the other Members or any other Representative or officer of the Company. The failure of the Company to observe any formalities or requirements relating to the exercise of its powers or management of its business

or affairs under this Agreement or the Act shall not be grounds for imposing liability on the Members, Representatives or officers for liabilities of the Company.

2.7 Authority; Investment Intent; Restriction Against Transfer. Each Member warrants to the Company and to the other Members that: (a) the Member is duly organized, validly existing and in good standing under the laws of its state of organization, if applicable, and that the Member has the requisite power and authority to execute this Agreement and to perform its obligations hereunder; (b) the Member is acquiring an Interest for such Member's own account as an investment and without any intent to distribute such Interest or any portion thereof or interest therein; and (c) the Member acknowledges that the Interests have not been registered under the Securities Act of 1933 or any state securities laws, and such Member's Interest may not be resold or transferred except as provided in Article VII hereof and except pursuant to a registration statement under or an exemption from the registration provisions of the federal and applicable state securities laws.

ARTICLE III

CAPITAL CONTRIBUTIONS AND LOANS

3.1 Capital Accounts and Percentage Interests. The Capital Account and the Percentage Interest, as the case may be, of each Member shall be as set forth opposite such Member's name on Exhibit A attached hereto.

3.2 Additional Capital Calls. The Members recognize that the Company may require from time to time capital in order to accomplish the purpose and business of the Company. Accordingly, additional cash capital contributions ("Additional Capital Calls") may be called for from time to time by the Voting Member Majority. Within ten Business Days after the date such Additional Capital Call is declared by the Voting Member Majority, each Member shall be entitled to contribute, in cash, to the capital of the Company an amount (the "Additional Contribution") equal to such Member's Percentage Interest at the time of the Additional Capital Call multiplied by the aggregate additional capital contributions. No Member shall be obligated to make any Additional Contributions to the Company and, accordingly, no Member shall be liable for damage to the Company or any other Member as a result of the failure of such Member to make any such Additional Contributions. The remedies set forth in Section 3.3 below shall be the sole remedies for any such failure.

3.3 Percentage Interest Adjustments.

(a) If the Capital Accounts of the Members are adjusted pursuant to Section 3.5(b), then, after such adjustments are made, the Percentage Interests of the Members will be correspondingly adjusted as follows:

(i) Effective as of ten Business Days after the last date a capital contribution under Section 3.2 above may be made, the Percentage Interests of the Members shall be automatically adjusted to take account of such failure of such Member to make such capital contribution. The Percentage Interest of each Member shall be the respective percentage obtained by dividing the total balance

in such Member's Capital Account as of such date by the total balance in all Members' Capital Accounts as of such date. Any payment by a Contributing Member of all or a portion of a Non-Contributing Member's contribution pursuant to Section 3.3(a)(ii) below shall result in a comparable adjustment in the Percentage Interests of the Members. The sum of the Percentage Interests of the Members, as adjusted in accordance with this Section 3.3(a)(i), shall equal 100%.

(ii) If any Member fails for any reason to make in a timely manner any part or all of an Additional Contribution called for under Section 3.2 (the "Unpaid Additional Contribution"), such Member shall be deemed a "Non-Contributing Member" and the Company shall promptly give written notice of the failure to contribute to all Members. Each of the Members contributing their pro-rata share of an Additional Contribution (the "Contributing Members") shall have the right, but not the obligation, for a period of 10 days after notice of such failure to contribute by a Non-Contributing Member is given, to contribute to the Company an amount equal to (A) the amount of each Non-Contributing Member's Unpaid Additional Contribution multiplied by a fraction the numerator of which is the Contributing Member's Percentage Interest at the time of the Additional Capital Call and the denominator of which is the sum of the Percentage Interests of all Contributing Members who desire to contribute to the Company such Contributing Members' pro-rata share of the Non-Contributing Member's Unpaid Additional Contribution or (B) such greater amount of the Non-Contributing Member's Unpaid Additional Contribution as shall be agreed upon by all of such Contributing Members. Upon the payment by the Contributing Members of all or a portion of the Non-Contributing Member's Unpaid Additional Contribution, the Percentage Interests of the Members shall be adjusted as provided in Section 3.3(a)(i) above.

(b) The Company shall not dissolve as a result of any failure by a Member to make a capital contribution under Section 3.2 above, unless the Voting Member Majority following such a failure elects to dissolve the Company.

3.4 Capital Account Adjustments and Revaluation. If a Member fails for any reason to make a capital contribution under Section 3.2 above within ten Business Days after the last date such capital contribution may be made (the "Default Date"), then the Capital Accounts of the Members will be adjusted pursuant to Section 3.5(b) hereof. For purposes of adjustments made pursuant to this Section 3.4, the Fair Value of the Company's assets shall be determined as follows:

(a) Cash, deposit accounts, United States securities with a maturity of 90 days or less or other cash equivalents shall be valued at the principal or par amounts with accrued interest thereon, if any, through the Default Date.

(b) All securities and commodities which are traded on a generally recognized exchange shall be valued at the closing price, or if applicable the average of the bid and ask price, on the Default Date.

(c) All assets of the Company which are not described in subparagraphs (i) or (ii) above and which would be current assets of the Company under the accrual method of accounting shall be valued in an amount equal to their book value determined in accordance with generally accepted accounting principles consistently applied as if the Company applied the accrual method of accounting.

(d) Except as to the value of the Company's interests in the Operating Companies, all assets not described in the preceding subparagraphs (i) through (iii) (the "Illiquid Assets") shall be valued in an amount equal to the Fair Value of such Illiquid Assets as determined by a Voting Member Majority.

(e) The Company's interests in the Operating Companies shall be valued using the methods described in (i) through (iv) above for the valuation of assets held by the Operating Companies (based on the entire equity interests of the Operating Companies) multiplied by the Company's percentage interests in the equity of the Operating Companies at the time of such valuation.

3.5 Capital Accounts.

(a) A separate Capital Account shall be maintained for each Member. Each Member's Capital Account shall be (i) increased by (a) the amount of money contributed by such Member, (b) the Fair Value of property contributed by such Member (net of liabilities secured by such contributed property that the Company is considered to assume or take subject to under Code Section 752), (c) allocations to such Member, pursuant to Article IV hereof, of Company income and gain (or items thereof), and (d) to the extent not already netted out under clause (ii)(b) below, the amount of any Company liabilities assumed by the Member or which are secured by any property distributed to such Member; and (ii) decreased by (a) the amount of money distributed to such Member, (b) the Fair Value of property distributed to such Member (net of liabilities secured by such distributed property that such Member is considered to assume or take subject to under Code Section 752), (c) allocations to such Member, pursuant to Article IV hereof, of Company loss and deductions (or items thereof), and (d) to the extent not already netted out under clause (i)(b) above, the amount of any liabilities of the Member assumed by the Company or which are secured by any property contributed by such Member to the Company.

In the event any Interest is transferred in accordance with the terms of this Agreement, the Transferee shall succeed to the Capital Account of the Transferor to the extent it relates to the transferred interest, and the Capital Account of each Transferee shall be increased and decreased in the manner set forth above.

(b) In the event of (x) an additional capital contribution by a Member that results in a shift in Percentage Interests, (y) the distribution by the Company to a Member of more than a de minimis amount of property (other than cash) or a distribution of property as consideration for an Interest or (z) the liquidation of the Company within the meaning of Treasury Regulation (S)1.704-1(b)(2)(ii)(g), the book basis of the Property shall be adjusted to Fair Value and the Capital Accounts of the Members shall be

adjusted simultaneously to reflect the aggregate net adjustment to book basis as if the Company recognized gain or loss equal to the amount of such aggregate net adjustment.

(c) In the event that Property is subject to Code Section 704(c) or is revalued on the books of the Company in accordance with paragraph (b) above pursuant to Treasury Regulation (S)1.704-1(b)(2)(iv)(f), the Members' Capital Accounts shall be adjusted in accordance with Treasury Regulation (S)1.704-1(b)(2)(iv)(g) for allocations to the Members of depreciation, amortization and gain or loss, as computed for book purposes (and not tax purposes) with respect to such Property.

(d) The foregoing provisions of this Section 3.5 and the other provisions of this Agreement relating to the maintenance of the Capital Accounts are intended to comply with Treasury Regulations (S)(S)1.704-1(b) and 1.704-2, and shall be interpreted and applied in a manner consistent with such Treasury Regulations. In the event the Members determine that it is prudent or advisable to modify the manner in which the Capital Accounts, or any increases or decreases therein, are computed in order to comply with such Treasury Regulations, the Members may cause such modification to be made, provided such modification is not likely to have a material effect on the amounts distributable to any Member upon the dissolution of the Company.

3.6 Capital Withdrawal Rights, Interest and Priority. Except as expressly provided in this Agreement, no Member shall be entitled to withdraw or reduce such Member's Capital Account or to receive any Distributions. No Member shall be entitled to demand or receive any Distributions in any form other than in cash. No Member shall be entitled to receive or be credited with any interest on the balance in such Member's Capital Account at any time. Except as may be otherwise expressly provided herein, no Member shall have any priority over any other Member as to the return of the balance in such Member's Capital Account.

3.7 Loans. Any Member may advance funds as a loan to the Company in such amounts, at such times and on such terms and conditions as may be approved by the Voting Member Majority. Loans by a Member to the Company shall not be considered as contributions to the capital of the Company.

ARTICLE IV

ALLOCATIONS AND DISTRIBUTIONS

4.1 Distributions to Pay Taxes. With respect to any tax year in which the Company shall report taxable income, the Company shall distribute to the Members, based upon their respective Percentage Interests at the time of such distribution, an aggregate amount equal to the Company's taxable income, plus or minus other items of income, gain, loss or deduction passing through to the Members, times the sum of the effective applicable Federal income tax rate and the higher of North Carolina or Missouri state income tax rates and assuming that each Member is an individual paying Federal and state income tax at the highest marginal income tax rates with respect to the applicable type of income (a "Tax Distribution"). All Tax Distributions shall be made at a time sufficient to enable the Members to pay any required estimated tax payments.

4.2 [Not Used]

4.3 Additional Cash Distributions. The Company shall make, from time to time, such distributions as shall be determined by the Voting Member Majority (an "Additional Distribution"). Such Additional Distributions shall be distributed to the Members in accordance with their respective Percentage Interests, as adjusted.

4.4 Liquidation Distributions. Liquidation Proceeds shall be distributed in the following order of priority:

(a) First, to the payment of debts and liabilities of the Company (including to Members to the extent otherwise permitted by law) and the expenses of liquidation.

(b) Next, to the setting up of such reserves as the Person required or authorized by law to wind up the Company's affairs may reasonably deem necessary or appropriate for any disputed, contingent or unforeseen liabilities or obligations of the Company, provided that any such reserves shall be paid over by such Person to an independent escrow agent, to be held by such agent or its successor for such period as such Person shall deem advisable for the purpose of applying such reserves to the payment of such liabilities or obligations and, at the expiration of such period, the balance of such reserves, if any, shall be distributed as hereinafter provided.

(c) Next, to the Members in proportion to and to the extent of their respective positive Capital Account balances after taking into account the allocation of all Operating Income, Income or Loss pursuant to this Agreement for the fiscal year(s) in which the Company is liquidated.

(d) Next, to the Members in accordance with their respective Percentage Interests, as adjusted.

4.5 Profits, Losses and Distributive Shares of Tax Items. The Company's net income or net loss, as the case may be, for each fiscal year of the Company or part thereof, as determined in accordance with such method of accounting as may be adopted for the Company pursuant to Article VI hereof, shall be allocated to the Members for both financial accounting and income tax purposes as set forth in this Article IV, except as otherwise provided for herein or unless decided otherwise by the Voting Member Majority.

4.6 Allocation of Operating Income, Income, Loss and Credits.

(a) Operating Income, Income or Loss and Credits shall be allocated among the Members as follows:

(i) Loss shall be allocated among the Members in the following order of priority:

(A) First to the Members in proportion to and to the extent of their respective positive Capital Account balances; then

(B) To the Members in accordance with their respective Percentage Interests, as adjusted.

(ii) Operating Income, Income and Credits shall be allocated among the Members in the following order of priority:

(A) Income shall be allocated to the Members, on a pro rata basis in accordance with the amounts previously allocated to such Members under Section 4.6(a)(i)(B) hereof, until the cumulative amount of Income allocated pursuant to this subparagraph (B) equals the cumulative amount of Losses allocated to the Members pursuant to Section 4.6(a)(i)(B) hereof; then

(B) Income shall be allocated to the Members, on a pro rata basis in accordance with the amounts previously allocated to such Members under Section 4.6(a)(i)(A) hereof, until the cumulative amount of Income allocated pursuant to this subparagraph (D) equals the cumulative amount of Losses allocated to the Members pursuant to Section 4.6(a)(i)(A) hereof; then

(C) Income and Credits shall be allocated to the Members in accordance with their respective Percentage Interests, as adjusted.

To the extent there is any adjustment in the respective Percentage Interests of the Members, Operating Income, Income, Loss and Credits shall be allocated among the pre-adjustment and post-adjustment periods as provided in Section 4.7(k) below.

4.7 Special Rules Regarding Allocations. Notwithstanding the foregoing provisions of this Article IV, the following special rules shall apply in allocating the net income or net loss of the Company:

(a) Section 704(c) and Revaluation Allocations. In accordance with Code Section 704(c) and the Treasury Regulations thereunder, income, gain, loss and deduction with respect to any property contributed to the capital of the Company shall, solely for tax purposes, be allocated between the Members so as to take account of any variation between the adjusted basis of such property to the Company for federal income tax purposes and its Fair Value at the time of contribution. In the event of a Revaluation, subsequent allocations of income, gain, loss and deduction with respect to such property shall take account of any variation between the adjusted basis of such property to the Company for federal income tax purposes and its Fair Value immediately after the adjustment in the same manner as under Code Section 704(c) and the Treasury Regulations thereunder. Any elections or other decisions relating to such allocations shall be made by the Members in a manner that reasonably reflects the purpose and intention of this Agreement. Allocations pursuant to this Section 4.7(a) are solely for income tax purposes and shall not affect, or in any way be taken into account in computing, for book purposes, each Member's Capital Account, or share of income or loss, pursuant to any provision of this Agreement.

(b) Minimum Gain Chargeback. Notwithstanding any other provision of this Article IV, if there is a net decrease in Company Minimum Gain during a Company taxable year, each Member shall be allocated items of income and gain for such year (and, if necessary, for subsequent years) in an amount equal to that Member's share of the net decrease in Company Minimum Gain during such year (hereinafter referred to as the "Minimum Gain Chargeback Requirement"). A Member's share of the net decrease in Company Minimum Gain is the amount of the total decrease multiplied by the Member's percentage share of the Company Minimum Gain at the end of the immediately preceding taxable year. A Member is not subject to the Minimum Gain Chargeback Requirement to the extent: (1) the Member's share of the net decrease in Company Minimum Gain is caused by a guarantee, refinancing or other change in the debt instrument causing it to become partially or wholly recourse debt or a Member Nonrecourse Debt, and the Member bears the economic risk of loss for the newly guaranteed, refinanced or otherwise changed liability; (2) the Member contributes capital to the Company that is used to repay the Nonrecourse Debt and the Member's share of the net decrease in Company Minimum Gain results from the repayment; or (3) the Minimum Gain Chargeback Requirement would cause a distortion and the Commissioner of the Internal Revenue Service waives such requirement.

A Member's share of Company Minimum Gain shall be computed in accordance with Treasury Regulation (S)1.704-2(g) and as of the end of any Company taxable year shall equal: (1) the sum of the Nonrecourse Deductions allocated to that Member up to that time and the distributions made to that Member up to that time of proceeds of a Nonrecourse Debt allocable to an increase of Company Minimum Gain, minus (2) the sum of that Member's aggregate share of net decrease in Company Minimum Gain plus that Member's aggregate share of decreases resulting from revaluations of Property subject to Nonrecourse Debts. In addition, a Member's share of Company Minimum Gain shall be adjusted for the conversion of recourse and Member Nonrecourse Debts into Nonrecourse Debts in accordance with Treasury Regulation (S)1.704-2(g)(3). In computing the above, amounts allocated or distributed to the Member's predecessor in interest shall be taken into account.

(c) Member Minimum Gain Chargeback. Notwithstanding any other provision of this Article IV other than Section 4.7(b) above, if there is a net decrease in Member Minimum Gain during a Company taxable year, each Member who has a share of the Member Minimum Gain (determined under Treasury Regulations (S)1.704-2(i)(5) as of the beginning of the year) shall be allocated items of income and gain for such year (and, if necessary, for subsequent years) equal to that Member's share of the net decrease in Member Minimum Gain. In accordance with Treasury Regulations (S)1.704-2(i)(4), a Member is not subject to this Member Minimum Gain Chargeback requirement to the extent the net decrease in Member Minimum Gain arises because the liability ceases to be Member Nonrecourse Debt due to a conversion, refinancing or other change in the debt instrument that causes it to be partially or wholly a Nonrecourse Debt. The amount that would otherwise be subject to the Member Minimum Gain Chargeback requirement is added to the Member's share of Company Minimum Gain.

(d) Qualified Income Offset. In the event a Member unexpectedly receives an adjustment, allocation or distribution described in Treasury Regulation (S)1.704.1(b)(2)(ii)(d)(4), (5) or (6), that causes or increases such Member's Adjusted Capital Account Deficit, items of Company income and gain shall be specially allocated to such Member in an amount and manner sufficient to eliminate such Adjusted Capital Account Deficit as quickly as possible, provided that an allocation under this Section 4.7(d) shall be made if and only to the extent such Member would have an Adjusted Capital Account Deficit after all other allocations under this Article IV have been made.

(e) Nonrecourse Deductions. Nonrecourse Deductions for any fiscal year or other period shall be allocated to the Members in proportion to their Percentage Interests, as adjusted.

(f) Member Nonrecourse Deductions. Any Member Nonrecourse Deductions shall be allocated to the Member that bears the risk of loss with respect to the loan to which such Member Nonrecourse Deductions are attributable in accordance with Treasury Regulation (S)1.704-2(i).

(g) Curative Allocations. Any special allocations of items of income, gain, deduction or loss pursuant to Sections 4.7(b), (c), (d), (e) and (f) hereof shall be taken into account in computing subsequent allocations of income and gain pursuant to this Article IV, so that the net amount of any items so allocated and all other items allocated to each Member pursuant to this Article IV shall, to the extent possible, be equal to the net amount that would have been allocated to each such Member pursuant to the provisions of this Article IV if such adjustments, allocations or distributions had not occurred. In addition, allocations pursuant to this Section 4.7(g) with respect to Nonrecourse Deductions in Section 4.7(e) above and Member Nonrecourse Deductions in Section 4.7(f) above shall be deferred to the extent the Members reasonably determine that such allocations are likely to be offset by subsequent allocations of Company Minimum Gain or Member Minimum Gain, respectively.

(h) Loss Allocation Limitation. Notwithstanding the other provisions of this Article IV, unless otherwise agreed to by the Voting Member Majority, no Member shall be allocated Loss in any taxable year that would cause or increase an Adjusted Capital Account Deficit as of the end of such taxable year.

(i) Share of Nonrecourse Liabilities. Solely for purposes of determining a Member's proportionate share of the "excess nonrecourse liabilities" of the Company within the meaning of Treasury Regulation (S)1.752-3(a)(3), each Member's interest in Company profits is equal to such Member's respective Percentage Interest, as adjusted.

(j) Compliance with Treasury Regulations. The foregoing provisions of this Section 4.7 are intended to comply with Treasury Regulation (S)(S)1.704-1(b), 1.704-2 and 1.752-1 through 1.752-5, and shall be interpreted and applied in a manner consistent with such Treasury Regulations. In the event it is determined by the Voting Member Majority that it is prudent or advisable to amend this Agreement in order to comply with such

Treasury Regulations, the Voting Member Majority is empowered to so amend or modify this Agreement, notwithstanding any other provision of this Agreement.

(k) General Allocation Provisions. For purposes of determining the Operating Income, Income, Loss or any other items for any period, Operating Income, Income, Loss or any such other items shall be determined on a daily basis, using any permissible method under Code Section 706 and the Treasury Regulations thereunder.

4.8 Withholding of Distributions. Notwithstanding any other provision of this Agreement, a Voting Member Majority (or any Person required or authorized by law to wind up the Company's affairs) may suspend, reduce or otherwise restrict Distributions of Liquidation Proceeds or Additional Distributions for such time as a Voting Member Majority deems appropriate.

4.9 No Priority. Except as may be otherwise expressly provided herein, no Member shall have priority over the other Members as to Company income, gain, loss, credits and deductions or distributions.

4.10 Tax Withholding. Notwithstanding any other provision of this Agreement, the Voting Member Majority is authorized to take any action that they determine to be necessary or appropriate to cause the Company to comply with any withholding requirements established under any federal, state or local tax law, including, without limitation, withholding on any Distribution to any Member. For the purposes of this Article IV, any amount withheld on any Distribution and paid over to the appropriate governmental body shall be treated as if such amount had in fact been distributed to the Member.

4.11 Reserves. The Voting Member Majority shall have the right to establish, maintain and expend Reserves to provide for working capital, for future maintenance, repair or replacement of the Property, for debt service, for future investments and for such other purposes as the Voting Member Majority may deem necessary or advisable.

ARTICLE V

MANAGEMENT

5.1 Management. The business and affairs of the Company shall be managed by the Voting Member Majority. A Voting Member shall act through one or more persons (a "Representative") as it shall designate by notice to the other Voting Members.

5.2 Voting. All Members, other than Employee Members and the Bradley Members, shall be Voting Members to the extent of their Interests. All Employee Members and the Bradley Members shall have no right to vote with respect to their Interest. The Voting Members shall be entitled to vote on all matters requiring a vote under the terms of this Agreement. Each Voting Member shall vote according to their respective Percentage Interests in the Company. Upon the Transfer of an Interest pursuant to the terms of this Agreement, each Interest shall retain any and all voting rights associated therewith.

5.3 Officers. The Voting Members may delegate their powers and authority under this Agreement in whole or in part to one or more officers of the Company as the Voting Member Majority deems appropriate, which officer shall have such power and authority as the Voting Member Majority deems appropriate.

5.4 Meetings of the Voting Members. Meetings of the Voting Members shall not be required to be held at any regular frequency, but, instead, shall be held upon the call of any Voting Member holding more than 20% in Percentage Interest, acting through one or more of its Representatives. All meetings of the Voting Members shall be held at the principal office of the Company or at such other place, either within or without the State of Delaware, as shall be designated by the person calling the meeting and stated in the notice of the meeting or in a duly executed waiver of notice thereof. Representatives may participate in a meeting of the Voting Members by means of conference telephone or video equipment or similar communications equipment whereby all Representatives participating in the meeting can hear each other, and participation in a meeting in this manner shall constitute presence in person at the meeting.

5.5 Notice of Meeting. Notice of each meeting of the Voting Members, stating the place, day and hour of the meeting, shall be given by the Voting Member calling the meeting to the other Voting Members at least three Business Days before the day on which the meeting is to be held. "Notice" and "call" with respect to such meetings shall be deemed to be synonymous.

5.6 Waiver of Notice. Whenever any notice is required to be given to any Voting Member under the provisions of this Agreement, a waiver thereof in writing signed by such Member, acting through one or more of its Representatives, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice. Attendance of a Representative at any meeting of the Voting Members shall constitute a waiver of notice of such meeting by the Voting Member he/she represents except where a Representative attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

5.7 Action Without a Meeting. Any action that is required to or may be taken at a meeting of the Voting Members may be taken without a meeting if consents in writing, setting forth the action so taken, are signed by one or more of the Representatives of the Voting Member Majority. Such consents shall have the same force and effect as a unanimous vote at a meeting duly held.

5.8 Non-Voting Members. Non-Voting Members shall have no right to notice of or to attend any meeting of the Voting Members.

5.9 Definitions. For purposes of Sections 5.9 through 5.17 hereof, inclusive, references to:

(a) The "Company" shall include, in addition to the resulting or surviving limited liability company, any constituent limited liability company (including any constituent of a constituent) absorbed in a consolidation or merger so that any Person who is or was a manager or officer of such constituent limited liability company, or is or was serving at the request of such constituent limited liability company as a director,

officer or in any other comparable position of any Other Enterprise shall stand in the same position under the provisions of this Article V with respect to the resulting or surviving limited liability company as such Person would if such Person had served the resulting or surviving limited liability company in the same capacity;

(b) "Other Enterprises" or "Other Enterprise" shall include, without limitation, any other limited liability company, corporation, partnership, joint venture, trust or employee benefit plan, in which a Person is serving at the request of the Company;

(c) "fines" shall include any excise taxes assessed against a person with respect to an employee benefit plan;

(d) "defense" shall include investigations of any threatened, pending or completed action, suit or proceeding as well as appeals thereof and shall also include any defensive assertion of a cross-claim or counterclaim;

(e) "serving at the request of the Company" shall include any service as a director, officer, Representative or in any other comparable position that imposes duties on, or involves services by, a Person with respect to any Other Enterprise; and a Person who acted in good faith and in a manner such Person reasonably believed to be in or not opposed to the interest of any Other Enterprise shall be deemed to have acted "in the best interest of the Company" as referred to in this Article V; and "Officer" shall include any "Authorized Person" who is authorized to act on behalf of the Company pursuant to the terms hereof, whether or not such person has been designated an officer of the Company; and

(f) "officer" shall include an "authorized person" who is authorized to act on behalf of the Company pursuant to the terms hereof, whether or not such person has been designated an officer of the Company.

5.10 Limitation of Liability. No Person shall be liable to the Company or its Members for any loss, damage, liability or expense suffered by the Company or its Members on account of any action taken or omitted to be taken by such Person as an officer of the Company or as a Representative or by such Person while serving at the request of the Company as a director, officer or in any other comparable position of any Other Enterprise, if such Person discharges such Person's duties in good faith, and in a manner such Person reasonably believes to be in or not opposed to the best interests of the Company. The liability of an officer or Representative hereunder shall be limited only for those actions taken or omitted to be taken by such Person in the discharge of such Person's obligations in connection with the management of the business and affairs of the Company or any Other Enterprise. The foregoing limitation of liability shall apply to all officers and to all Persons who serve as a Representative at any time.

5.11 Right to Indemnification. The Company shall indemnify each Person who has been or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative, investigative or appellate (regardless of whether such action, suit or proceeding is by or in the right of the Company or by third parties) by reason of the fact that such Person is or was a Voting Member of the Company,

an officer of the Company, a Representative or is or was serving at the request of the Company as a director, officer or in any other comparable position of any Other Enterprise, against all liabilities and expenses, including, without limitation, judgments, amounts paid in settlement, attorneys' fees, ERISA excise taxes or penalties, fines and other expenses, actually and reasonably incurred by such Person in connection with such action, suit or proceeding (including, without limitation, the investigation, defense, settlement or appeal of such action, suit or proceeding); provided, however, that the Company shall not be required to indemnify or advance expenses to any Person on account of such Person's conduct that was finally adjudged to have been knowingly fraudulent, deliberately dishonest or willful misconduct; provided, further, that the Company shall not be required to indemnify or advance expenses to any Person in connection with an action, suit or proceeding initiated by such Person unless the initiation of such action, suit or proceeding was authorized in advance by the Voting Members; provided, however, that an officer or Representative shall be indemnified hereunder only for those actions taken or omitted to be taken by such Person in the discharge of such Person's obligations in connection with the management of the business and affairs of the Company or any Other Enterprise. The termination of any action, suit or proceeding by judgment, order, settlement, conviction or under a plea of nolo contendere or its equivalent shall not, of itself, create a presumption that such Person's conduct was finally adjudged to have been knowingly fraudulent, deliberately dishonest or willful misconduct. The foregoing right to indemnification shall apply to all Persons serving as officers and to all Persons who serve as a Representative at any time or who serve at any time at the request of the Company as a director, officer or in any other comparable position of any Other Enterprise. Nothing herein prevents any Member from indemnifying its representatives or officers under such Member's organizational documents or other agreements. If any Person is entitled to indemnification both from the Company and from a Member, then indemnification would come first from the Company and thereafter from the Member.

5.12 Enforcement of Indemnification. In the event the Company refuses to indemnify any Person who may be entitled to be indemnified or to have expenses advanced under this Article V, such Person shall have the right to maintain an action in any court of competent jurisdiction against the Company to determine whether or not such Person is entitled to such indemnification or advancement of expenses hereunder. If such court action is successful and the Person is determined to be entitled to such indemnification or advancement of expenses, such Person shall be reimbursed by the Company for all fees and expenses (including attorneys' fees) actually and reasonably incurred in connection with any such action (including, without limitation, the investigation, defense, settlement or appeal of such action).

5.13 Advancement of Expenses. Expenses (including attorneys' fees) reasonably incurred in defending an action, suit or proceeding, whether civil, criminal, administrative, investigative or appellate, shall be paid by the Company in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of the Person subject thereto to repay such amount if it shall ultimately be determined that such Person is not entitled to indemnification by the Company. In no event shall any advance be made in instances where the Voting Members or legal counsel for the Company reasonably determines that such Person would not be entitled to indemnification hereunder.

5.14 Non-Exclusivity. The indemnification and advancement of expenses provided by this Article V shall not be exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any statute, or any agreement, vote of Voting Members, policy of insurance or otherwise, both as to action in their official capacity and as to action in another capacity while holding their respective offices, and shall not limit in any way any right that the Company may have to make additional indemnifications with respect to the same or different Persons or classes of Persons. The indemnification and advancement of expenses provided by, or granted pursuant to, this Article V shall continue as to a Person who has ceased to be an officer of the Company, a Representative or a Person eligible for designation as a Representative and as to a Person who has ceased serving at the request of the Company as a director, officer or in any other comparable position of any Other Enterprise and shall inure to the benefit of the heirs, executors and administrators of such Person.

5.15 Insurance. The Voting Member Majority may cause the Company to purchase and maintain insurance on behalf of any Person who is or was an officer, agent or employee of the Company or a Representative or is or was serving at the request of the Company as a director, officer or in any other comparable position of any Other Enterprise, against any liability asserted against such Person and incurred by such Person in any such capacity, or arising out of such Person's status as such, whether or not the Company would have the power, or the obligation, to indemnify such Person against such liability under the provisions of this Article V.

5.16 Amendment and Vesting of Rights. The rights granted or created hereby shall be vested in each Person entitled to indemnification hereunder as a bargained-for, contractual condition of such Person's serving or having served as an officer of the Company or a Representative or serving at the request of the Company as a director, officer or in any other comparable position of any Other Enterprise and, while this Article V may be amended or repealed, no such amendment or repeal shall release, terminate or adversely affect the rights of such Person under this Article V with respect to any (a) act taken or the failure to take any act by such Person prior to such amendment or repeal, or (b) any action, suit or proceeding concerning such act or failure to act filed after such amendment or repeal.

5.17 Severability. If any provision of this Article V or the application of any such provision to any Person or circumstance is held invalid, illegal or unenforceable for any reason whatsoever, the remaining provisions of this Article V and the application of such provision to other Persons or circumstances shall not be affected thereby and, to the fullest extent possible, the court finding such provision invalid, illegal or unenforceable shall modify and construe the provision so as to render it valid and enforceable as against all Persons and to give the maximum possible protection to Persons subject to indemnification hereby within the bounds of validity, legality and enforceability. Without limiting the generality of the foregoing, if any officer of the Company, any Representative or any Person who is or was serving at the request of the Company as a director, officer or in any other comparable position of any Other Enterprise is entitled under any provision of this Article V to indemnification by the Company for some or a portion of the judgments, amounts paid in settlement, attorneys' fees, ERISA excise taxes or penalties, fines or other expenses actually and reasonably incurred by any such Person in connection with any threatened, pending or completed action, suit or proceeding (including, without limitation, the investigation, defense, settlement or appeal of such action, suit or proceeding), whether civil, criminal, administrative, investigative or appellate, but not, however,

for all of the total amount thereof, the Company shall nevertheless indemnify such Person for the portion thereof to which such Person is entitled.

5.18 Contracts with Members or their Affiliates. All contracts or transactions between the Company and one of its Members or officers or between the Company and another limited liability company, corporation, partnership, association or other organization in which a Member has a financial interest or with which such Member is affiliated are permissible if such contract or transaction, and such Member's or officer's interest therein, are fully disclosed to the Voting Members and approved by the Voting Member Majority.

5.19 Other Business Ventures. Any Member may engage in, or possess an interest in, other business ventures of every nature and description, independently or with others, whether or not similar or identical to the business of the Company, and neither the Company nor any other Member shall have any right by virtue of this Agreement in or to such other business ventures or to the income or profits derived therefrom. The Members and Representatives shall not be required to devote all of their time or business efforts to the affairs of the Company, but shall devote so much of their time and attention to the Company as is reasonably necessary and advisable to manage the affairs of the Company to the best advantage of the Company. The foregoing shall not supersede any employment, confidentiality, noncompete or other specific agreement that may exist between the Company (or an Affiliate of the Company) and any Member (or an Affiliate of any Member).

ARTICLE VI

ACCOUNTING AND BANK ACCOUNTS

6.1 Fiscal Year. The fiscal year and taxable year of the Company shall end on such date as is adopted by the Voting Member Majority.

6.2 Books and Records. At all times during the existence of the Company, the Company shall cause to be maintained full and accurate books of account, which shall reflect all Company transactions and be appropriate and adequate for the Company's business. The books and records of the Company shall be maintained at the principal office of the Company. Each Member or its representatives shall have the right during ordinary business hours and upon reasonable notice to inspect and copy (at such Member's own expense) all books and records of the Company. The Voting Member Majority may cause the Company to retain a firm of certified public accountants of recognized standing to audit the financial statements of the Company.

6.3 Tax Information. As soon as practicable after the end of each fiscal year, there shall be prepared and delivered to each Member all information with respect to the Company necessary for the preparation of the Members' federal and state income tax returns.

6.4 Tax Returns and Elections; Tax Matters Partner. The Company shall cause to be prepared and timely filed all federal, state and local income tax returns and other returns or statements required of the Company by applicable law. The Company shall claim all deductions and make such elections for federal or state income tax purposes that the Members reasonably

believe will produce the most favorable tax results for the Members. Holdings is hereby designated as the Company's "Tax Matters Partner," as defined in the Code, and in such capacity is hereby authorized and empowered to act for and represent the Company and each of the Members before the Internal Revenue Service in any audit or examination of any Company tax return and before any court selected by the Members for judicial review of any adjustment assessed by the Internal Revenue Service. Holdings does hereby accept such designation. Holdings shall provide the other Members with written notice of any federal income tax audit and shall keep the other Members informed of all material developments involved in such proceedings. The Members specifically acknowledge, without limiting the general applicability of this Section 6.4, that Holdings shall not be liable, responsible or accountable in damages or otherwise to the Company or any Member with respect to any action taken by it in its capacity as the Tax Matters Partner, provided that Holdings acted in a manner it believed to be in the best interests of the Company and its Members. All reasonable out-of-pocket expenses incurred by Holdings in its capacity as the Tax Matters Partner shall be considered expenses of the Company for which Holdings shall be entitled to full reimbursement. Nothing in this Section 6.4 shall limit the ability of the Members to take any action in their individual capacity relating to tax audit matters that is left to the determination of an individual partner under Code Section 6222 through Code Section 6232.

6.5 Section 754 Election. In the event a distribution of Company assets occurs that satisfies the provisions of Section 734 of the Code, upon the determination of the Voting Member Majority, the Company shall elect, pursuant to Section 754 of the Code, to adjust the basis of the Property to the extent allowed by Section 734 and shall cause such adjustments to be made and maintained. Any additional accounting expenses incurred by the Company in connection with making or maintaining any such basis adjustment shall be reimbursed to the Company from time to time by the distributee who benefits from the making and maintenance of such basis adjustment.

6.6 Bank Accounts. All funds of the Company shall be deposited in a separate bank, money market or similar account(s) approved by the Voting Member Majority and in the Company's name. Withdrawals therefrom shall be made only by such persons as are authorized by the Voting Member Majority.

ARTICLE VII

TRANSFERS OF INTERESTS

7.1 General Transfer Restrictions. No Member may Transfer all or any part of such Member's Interest, except (i) pursuant to the provisions of Section 7.2, (ii) pursuant to an Exempt Transfer or (iii) with the written consent of all the Voting Members; provided, however, that, notwithstanding, the described clauses (i), (ii) and (iii) above, no Transfer shall be permitted if it would result in the "termination" of the Company pursuant to (S)708 of the Code. Any purported Transfer of an Interest in violation of the terms of this Agreement shall be null and void and of no effect. Any permitted Transfer shall be effected by a written instrument and shall be effective as of the date specified in such instrument. Any person receiving an Interest from a Member in a permitted Transfer shall not become a Substitute Member except in accordance with Section 7.7. Any assignee of an Interest as allowed by this Section 7.1 who does not become a Substitute

Member as provided in Section 7.7 (a "Transferee") shall not be a Member and shall not have any right to vote as a Member or to participate in the management of the business and affairs of the Company, such right to vote such Interest and to participate in the management of the business and affairs of the Company continuing with the Transferor. The Transferee shall, however, be entitled to distributions and allocations of the Company, as provided in Article IV of this Agreement, attributable to the Interest that is the subject of the Transfer to such Transferee. Any Transferee desiring to make a further Transfer shall become subject to all of the provisions of this Article VII to the same extent and in the same manner as any Member desiring to make any Transfer.

7.2 First Offer Right.

(a) If any Member (the "Transferor") wishes to make a Non-Exempt Transfer of Interests, then, at least 25 Business Days before making any such Non-Exempt Transfer (the "First Offer Election Period"), the Transferor will deliver a written notice (the "First Offer Notice") to the Company and to all Voting Members (the "Offerees").

(b) The First Offer Notice will specify the proposed percentage and type of Interests to be the subject of such Transfer (the "Offered Interests") and disclose in reasonable detail the proposed terms and conditions of the Transfer. The purchase price for any such Transfer shall be payable at the closing of the transaction in cash or, at the option of the Offerees, with a promissory note payable in regular installments over a period of no more than five years bearing interest at a rate equal to the Company's cost of funds.

(c) The Offerees may, in the aggregate, give notice to elect to purchase all (but not less than all) of the Offered Interests, at the price and on the terms specified in the First Offer Notice by delivering written notice of such election (the "First Offer Election Notice") to the Transferor within 15 Business Days after delivery of the First Offer Notice. If more than one Offeree (other than the Company) gives notice of election to purchase the Offered Interests, they shall be entitled to purchase such Offered Interests in proportion to their existing Percentage Interests, as adjusted, of the Company, unless they agree otherwise. If the Offerees (other than the Company) do not elect to purchase all of the Offered Interests, the Company may give notice to elect to purchase all (but not less than all) of the Offered Interests by delivering written notice to the Transferor within 7 Business Days after the expiration of the period referred to in the first sentence of this clause (c).

(d) If any Offerees have elected to purchase any Offered Interests, the transfer of such shares will be consummated as soon as practical (but in any event within 10 Business Days) after the expiration of the First Offer Election Period. If the Offerees have not elected to purchase all of the Offered Interests, the Transferor may, within 90 days after the expiration of the First Offer Election Period, transfer all (but not less than all) of such Offered Interests to one or more Third Parties at a price and on terms no more favorable to the Third Parties than offered to the Offerees in the First Offer Notice; provided, however, that prior to such Transfer, such Third Parties shall have agreed in writing to be bound by the provisions of this Agreement and shall have delivered to the

Company an executed counterpart of this Agreement. Any Offered Interests not transferred within such 90-day period will be subject to the provisions of this Section 7.2 upon any subsequent transfer.

(e) Notwithstanding the foregoing, unless the Transferor shall have consented to the purchase of less than all of the Offered Interests, no Offeree may purchase any Offered Interests unless all of the Offered Interests are to be purchased by the Offerees.

(f) Any and all rights associated with any Interest shall be retained by each Offered Interest sold or otherwise transferred pursuant to this Section 7.2.

7.3 Exempt Transfers. The restrictions contained in this Article VII will not apply with respect to:

(a) any Transfer to the spouse of a Member;

(b) any Transfer to a lineal descendant, natural or adopted, of a Member or to the spouse of any such lineal descendant;

(c) any Transfer to the trustee of a trust for the substantial benefit of a Member and/or one or more persons described in (i) or (ii) above;

(d) any Transfer to John Sherman or any entity of which the vote is controlled by John Sherman; or

(e) any Transfer to the Company;

provided, however, that the restrictions contained in this Article VII and, in the case of an Interest held at any time by an Employee Member, Sections 7.10 through 7.14 hereof will continue to be applicable to the Interests after any such Transfer, other than a Transfer to the Company (but with the buy-back provisions of Section 7.13 being based upon the employment status of the original Employee Member), and before any such Transfer is effected the transferees of such Interests, other than the Company, shall agree in writing to be bound by all the provisions of this Agreement and shall execute and deliver to the Company a counterpart of this Agreement.

7.4 Third Party Offer to Purchase. If a third party (a "Proposed Purchaser") makes an offer (the "Third Party Offer") to purchase the Interest of a Member or Members, and such purchase would enable the Proposed Purchaser to acquire one or more Members' Interests, which Members' Interests include in the aggregate more than 50% in Percentage Interest, then within ten Business Days after the issuance of the Third Party Offer to a Member or Members, the Proposed Purchaser shall issue to the other Members an offer (the "Tag-Along Offer") whereby such Members, individually, may elect, within 30 days after receipt of the Tag-Along Offer, one of the following alternatives:

(a) To sell any or all of its Interest to the Proposed Purchaser under the same terms and conditions as the Third Party Offer; or

(b) To take no action and continue to hold its Interest in the Company.

7.5 Third Party Offer to Acquire the Entire Company. If a third party makes an offer (the "Purchase Offer") to purchase all of the Interests in the Company for an identical price per Percentage Interest, and the holders of more than 50% in Percentage Interest desire to accept the Purchase Offer, then the other Members hereby agree to participate in such sale on the same terms and conditions as the Purchase Offer.

7.6 [Not Used].

7.7 Substitute Members. No assignee of all or part of a Member's Interest shall become a Member in place of the Member assigning the Interest (a "Substitute Member") unless and until:

(a) The transferring Member has stated such intention in the instrument of assignment;

(b) The Transferee has executed an instrument accepting and adopting the terms and provisions of this Agreement;

(c) The Transferee delivers an opinion of Counsel acceptable to the Company that the Transfer will not result in a termination of the Company pursuant to Section 708 of the Code and such Transfer is exempt from registration under all applicable securities laws;

(d) The transferring Member or Transferee has paid all reasonable expenses of the Company in connection with the admission of the Transferee as a Substitute Member; and

(e) All non-transferring Voting Members in their sole and absolute discretion have consented in writing to such Transferee becoming a Substitute Member.

Upon satisfaction of all of the foregoing conditions with respect to a particular Transferee, the Voting Members shall cause this Agreement to be duly amended to reflect the admission of the Transferee as a Substitute Member.

7.8 Effect of Admission as a Substitute Member. Unless and until admitted as a Substitute Member pursuant to Section 7.7 hereof, a Transferee shall not be entitled to exercise any rights of a Member in the Company, including the right to vote, grant approvals or give consents with respect to such Interest, the right to require any information or accounting with respect to the Company's business or the right to inspect the Company's books and records, but such Transferee shall only be entitled to receive, to the extent of the Interest transferred to it, the Distributions to which the transferring Member would be entitled. A Transferee that has become a Substitute Member has, to the extent of the Interest transferred to it, all the rights and powers of the Person for whom it is substituted and is subject to the restrictions and liabilities of a Member under this Agreement and the Act. Upon admission of a Transferee as a Substitute Member, the transferring Member shall cease to be a Member of the Company to the extent of such Interest.

A Person shall not cease to be a Member upon assignment of all of such Member's Interest unless and until the Transferee becomes a Substitute Member.

7.9 Additional Members. Additional Members (whether Voting Members or Non-Voting Members) may be admitted to the Company and additional Interests may be issued only by the consent of a Voting Member Majority, and the Percentage Interests shall be adjusted as approved by such Voting Member Majority.

7.10 Applicability. The provisions of Sections 7.10, 7.11, 7.12, 7.13 and 7.14 hereof shall apply only to the Interests held by Employee Members.

7.11 Termination of Employment. Upon the termination of an Employee Member's employment with Inergy Partners, for any reason or no reason, the Employee Member shall sell and the Company shall buy such Employee Member's Interest or Interests in the Company, at a purchase price determined by a predetermined valuation formula, as set forth in Section 7.12 below, and subject to the terms and conditions set forth in Sections 7.13 and 7.14 below.

7.12 Valuation of Interests. The Interests held by the Employee Members shall be valued by the Company as of September 30th of each year using the valuation formula set forth in Schedule B attached hereto. The valuation determined each year by the valuation formula set forth in Schedule B is hereinafter referred to as the "EBITDA Valuation." The EBITDA Valuation determined as of September 30th of each year shall be used for the ensuing twelve-month period to determine the price at which an Employee Member's Interest is repurchased by the Company pursuant to Section 7.11 hereof.

7.13 Buy-Back Provisions. Upon the termination of an Employee Member's employment with Inergy Partners, for any reason or no reason, the Employee Member shall sell and the Company shall buy such Employee Member's Interest in the Company subject to the following terms and conditions:

If an Employee Member leaves the employment of Inergy Partners by reason of resigning, being terminated with or without cause or due to such Employee Member's normal retirement, death or disability at any time, then the Employee Member shall sell and the Company shall buy such Employee Member's Interest in the Company at a purchase price equal to the EBITDA Valuation on the date such Employee Member's employment with Inergy Partners terminate.

7.14 Payment upon Buy-Back. Upon the termination of an Employee Member's employment with Inergy Partners such that the Company will buy such Employee Member's Interest pursuant to the buy-back provisions set forth in Section 7.13 above, the Company shall pay the purchase price for the Interest as determined pursuant to Section 7.13 above, in cash, or at the Company's option, pay all or any part of the purchase price in equal quarterly installment payments over a period of 5 years, bearing interest at the applicable federal rate under Section 1274 of the Internal Revenue Code of 1986, as amended.

7.15 Resignation. No Member may resign or withdraw from the Company. Except as provided in Section 8.1(c) of this Agreement, upon the occurrence of any event that terminates the continued membership of a Member in the Company, the Company shall not be dissolved.

7.16 Miscellaneous Provisions Regarding Article VII.

(a) Without limiting any of the foregoing, the Members shall not, and shall cause each of their respective affiliates not to, (i) take any action the effect of which would prevent or frustrate the carrying out of the procedures contemplated by this Article VII or (ii) at any time (whether before or after any termination of this Agreement) make any assertion, claim or defense that this Article VII or any of the provisions hereof violate or are inconsistent with the terms of this Agreement or any laws or public policies.

(b) At the closing of any purchase and sale of a Interest under this Article VII, the purchaser and the selling Member shall deliver such certificates and such assignment documents in customary form as may be reasonably requested in order to consummate the transaction, and, unless otherwise specified herein, the purchaser shall deliver the purchase price in immediately available funds to such bank account as shall have been specified by the selling Member at least three Business Days prior to the closing (or, if no such notice has been given, by delivery of a certified or bank check). At such closing, the selling Member shall sell and transfer its Interest to the purchaser free and clear of Liens other than Liens arising out of Company financing and shall so warrant to the purchaser. The selling Member shall also represent and warrant to the purchaser that the selling Member has good and marketable title to the Interest being sold and transferred. In addition, each of the selling Member and the purchaser shall make customary representations and warranties to the other including representations and warranties with respect to organization, valid existence, authorization, and non-contravention. With respect to obligations arising out of Company financing, the purchaser shall, in addition to paying the purchase price, either (i) satisfy or otherwise obtain release from all liability on the part of the selling Member and its Affiliates with respect to all obligations of the Company, including debt and lease obligations, which such selling Member and/or its Affiliates shall have guaranteed, or (ii) indemnify and hold harmless the selling Member and its Affiliates against such liability and secure such indemnification with a letter of credit or payment bond reasonably satisfactory to such selling Member. As used herein, "Lien" shall mean, as to any Interest, liens, encumbrances, security interests and other rights, interest or claims of others therein (including, without limitation, warrants, options, rights of first refusal, rights of first offer, co-sale and similar rights).

(c) If, with respect to any purchase and sale of a Interest under this Article VII, the selling Member is not present at the time and place designated for a closing, or, if present, fails to produce the certificates or assignment documents reasonably requested to consummate the transaction or fails to satisfy any other obligation to be satisfied at the closing, as aforesaid, for any reason whatsoever or no reason, then the purchase price and any other document or instrument required by the Company at the closing ("Closing Documentation") shall be deposited with the President of the Company. The foregoing shall constitute valid payment even though the selling Member shall voluntarily encumber and dispose of said Interests contrary to the

provisions hereof and irrespective of the fact that any pledgee, transferee or other person may thereby have acquired said Interests or the fact that certificates or assignment documents for any of said Interests may have been delivered to any pledgee, transferee or other person.

If the Closing Documentation is deposited with the President of the Company as provided herein, then from and after the date of such deposit and even if the certificates evidencing said Interests or the assignment documents have not been delivered to the Company, the purchase of said Interests shall be deemed to have been fully effected and all title and interest in and to the Interests so purchased shall be deemed to have been vested in the Company, and all rights of the selling Member or of any transferee, assignee or any other person having an interest therein, as a Member of the Company or otherwise, shall terminate except for the right to receive the Closing Documentation, but without interest; and the President of the Company, as attorney-in-fact for and in the name of the selling Member, shall cause the Interests so purchased to be transferred on the books and records of the Company to the Company, and shall issue a new certificate or certificates therefor to the purchaser(s) thereof. The selling Member does hereby irrevocably appoint and designate the President of the Company and his successors in office as his attorney-in-fact, for and on his behalf, to receive, receipt for, hold and collect the said Closing Documentation, to effect the transfer of said Interests on the books and records of the Company, and to issue said certificate or certificates in the manner above provided. The selling Member shall be entitled to receive the Closing Documentation upon delivery to the Company of the certificates evidencing the Interests so purchased, and assignment documents duly indorsed for transfer, as aforesaid, together with any document or instrument required of such Member.

ARTICLE VIII

DISSOLUTION AND TERMINATION

8.1 Events Causing Dissolution. The Company shall be dissolved only upon the first to occur of the following events:

(a) December 31, 2026.

(b) The election to dissolve being made by a Voting Member Majority.

(c) At any time there are no Members, provided that the Company shall not be dissolved if within 90 days after the occurrence of the event that terminated the continued membership of the last remaining Member, the personal representative of the last remaining Member agrees in writing to continue the Company and to the admission of the personal representative of such Member or its nominee or designee to the Company as a Member, effective as of the occurrence of the event that terminated the continued membership of the last remaining Member.

(d) Upon the entry of a decree of dissolution with respect to the Company under Section 18-802 of the Act.

(e) When the Company is not the surviving entity in a merger or consolidation under the Act.

8.2 Effect of Dissolution. Except with respect to an event referred to in Section 8.1(e) of this Agreement, and except as otherwise provided in this Agreement, upon the dissolution of the Company, the Voting Members or surviving Voting Member, as the case may be, shall take such actions as may be required pursuant to the Act and shall proceed to wind up, liquidate and terminate the business and affairs of the Company. In connection with such winding up, the Voting Members or surviving Voting Member shall have the authority to liquidate and reduce to cash (to the extent necessary or appropriate) the assets of the Company as promptly as is consistent with obtaining Fair Value therefor, to apply and distribute the proceeds of such liquidation and any remaining assets in accordance with the provisions of Section 8.3 hereof, and to do any and all acts and things authorized by, and in accordance with, the Act and other applicable laws for the purpose of winding up and liquidation.

8.3 Application of Proceeds. Upon dissolution and liquidation of the Company, the assets of the Company shall be applied and distributed in the order of priority set forth in Section 4.4 hereof.

8.4 Continuing Obligations. In the event any Member is required to assume or pay any debt, expense, obligation or liability of the Company following dissolution or termination, first, the Members shall pay and indemnify such Member for their respective Percentage Interest of such debt, expense, obligation or liability required to be paid by such Member to the extent of assets distributed to such Members.

ARTICLE IX

MISCELLANEOUS

9.1 Title to Assets. Title to the Property and all other assets acquired by the Company shall be held in the name of the Company. No Member shall individually have any ownership interest or rights in the Property or any other assets of the Company, except indirectly by virtue of such Member's ownership of an Interest. No Member shall have any right to seek or obtain a partition of the Property or other assets of the Company, nor shall a Member have the right to any specific assets of the Company upon the liquidation of or any distribution from the Company.

9.2 Nature of Interest in the Company. An Interest shall be personal property for all purposes.

9.3 Notices. Any notice, demand, request or other communication required or permitted to be given pursuant to this Agreement or the Act to the Company, a Member, or any other Person (a "Notice") shall be sufficient if in writing and if hand-delivered, mailed or sent by commercial overnight delivery service, to the Company at its principal office or to a Member at the address of the Member as it appears on the records of the Company or if sent by facsimile transmission to the telephone number, if any, of the recipient's facsimile machine as such telephone number appears on the records of the Company. All Notices that are mailed shall be

deemed to be given when deposited in the United States mail, postage prepaid. All Notices that are hand-delivered shall be deemed to be given upon delivery. All notices that are given by commercial overnight delivery shall be deemed to be given upon delivery by the delivery service. All Notices that are given by facsimile transmission shall be deemed to be given upon receipt.

9.4 Waiver of Default. No consent or waiver, express or implied, by the Company or a Member with respect to any breach or default by the other Members hereunder shall be deemed or construed to be a consent or waiver with respect to any other breach or default by such Member of the same provision or any other provision of this Agreement. Failure on the part of the Company or a Member to complain of any act or failure to act of the other Members or to declare such other Member in default shall not be deemed to constitute a waiver by the Company or the Members of any rights hereunder.

9.5 No Third Party Rights. None of the provisions contained in this Agreement shall be for the benefit of or enforceable by any third parties, including, but not limited to, creditors of the Company; provided, however, the Company may enforce any right granted to the Company under the Act, the Certificate or this Agreement.

9.6 Entire Agreement. This Agreement, together with the Certificate, constitutes the entire agreement between the Members, in such capacity, relative to the formation, operation and continuation of the Company.

9.7 Amendments to this Agreement.

(a) Except as otherwise provided herein, this Agreement shall not be modified or amended in any manner other than by the written agreement of the Voting Member Majority at the time of such modification or amendment; provided, however, any amendment affecting the allocation of Income and Loss to a Member shall be approved by that Member.

(b) This Agreement may be amended by the Voting Member Majority, without any execution of such amendment by all Members, in order to reflect the occurrence of any of the following events provided that all of the conditions, if any, contained in the relevant sections of this Agreement with respect to such event have been satisfied:

(i) an adjustment of the Percentage Interests upon a Member's failure to make a capital contribution as required hereunder; and

(ii) the modification of this Agreement to comply with the relevant tax laws pursuant to Sections 3.6 or 4.7(j) hereof.

9.8 Severability. In the event any provision of this Agreement is held to be illegal, invalid or unenforceable to any extent, the legality, validity and enforceability of the remainder of this Agreement shall not be affected thereby and shall remain in full force and effect and shall be enforced to the greatest extent permitted by law.

9.9 Binding Agreement. Subject to the restrictions on the disposition of Interests herein contained, the provisions of this Agreement shall be binding upon, and inure to the benefit of, the parties hereto and their respective heirs, personal representatives, successors and permitted assigns.

9.10 Headings. The headings of Sections of this Agreement are for convenience of reference only and shall not be considered in construing or interpreting any of the terms or provisions hereof.

9.11 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original and all of which shall constitute one agreement.

9.12 Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware.

9.13 Remedies. In the event of a default by a Member in the performance of any obligation undertaken in this Agreement, in addition to any other remedy available to the non-defaulting Members, the defaulting Member shall pay to the non-defaulting Members all costs, damages, and expenses, including reasonable attorneys' fees, incurred by the non-defaulting Member as a result of such default. In the event that any dispute arises with respect to the enforcement, interpretation, or application of this Agreement and court proceedings are instituted to resolve such dispute, the prevailing party in such court proceedings shall be entitled to recover from the non-prevailing party all costs and expenses, including, but not limited to, reasonable attorneys' fees, incurred by the prevailing party in such court proceedings.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

INERGY HOLDINGS, LLC*

By /s/ John J. Sherman

Name: John J. Sherman
Title: President

* Inergy Holdings, LLC is signing on behalf of itself as a Member of Inergy Partners and, pursuant to agreement (as evidenced by a signed letter agreement from each of such persons), on behalf of the following Members:

Alton Parker Carter	Gregory L. Chappell
Randy Claiborne	Richard A. Garner
Elaine H. Johnson	Cynthia B. Kibler
H. Faye Owen	Elaine H. Trujillo
James Warren Rogers	Zero Butane Gas, Inc.
Donald Ray Kerr	John W. Thompson
Judy G. Carpenter	Michael L. Hendren
Peter H. Wilson	George Upchurch, Sr.
Shirley Upchurch	George Upchurch, Jr.
Inergy Holdings, LLC	

EXHIBIT A

MEMBER CAPITAL ACCOUNTS AND PERCENTAGE INTERESTS

Employee Members	Capital Accounts	Percentage
Alton Parker Carter	16,190	0.0365%
Gregory L. Chappell	16,190	0.0365%
Randy Claiborne	8,093	0.0182%
Richard A. Garner	8,093	0.0182%
Elaine H. Johnson	9,744	0.0220%
Cynthia B. Kibler	32,337	0.0729%
H. Faye Owen	8,093	0.0182%
Elaine H. Trujillo	32,337	0.0729%
James Warren Rogers	1,117,095	2.5177%

Bradley Members	Capital Accounts	Percentage
Zero Butane Gas, Inc.	2,346,546	5.2887%
Donald Ray Kerr	177,107	0.3992%
John W. Thompson	49,288	0.1111%
Judy G. Carpenter	12,381	0.0279%

Other Members	Capital Accounts	Percentage
Michael L. Hendren	1,564,520	3.5262%
Peter H. Wilson	745,784	1.6809%
George Upchurch, Sr.	204,000	0.4598%
Shirley Upchurch	96,000	0.2164%
George Upchurch, Jr.	100,000	0.2254%
Inergy Holdings, LLC	37,825,231	85.2514%

SCHEDULE A

[Not Used]

SCHEDULE B

INERGY PARTNERS, LLC
VALUATION FORMULA

The following formula sets forth the method that will be used to value the Company at September 30th of each year. The value determined by the valuation formula set forth below will then be used as a basis for determining the price at which an Employee Member's Interest in the Company will be repurchased by the Company upon the termination of such an Employee Member's employment with Inergy Propane. The following formula will be determined from the consolidated financial statements of the Company.

EBITDA for the fiscal year ended September 30th

PLUS OR MINUS

the Weather Adjustment Factor

EQUALS

Adjusted EBITDA

MULTIPLY BY

the Valuation Multiple

EQUALS

the value of the Company before adjustments

PLUS

Fixed Asset Purchases after April 1

PLUS OR MINUS

Net Working Capital

MINUS

Long-Term Debt

EQUALS

the EBITDA Valuation

The EBITDA Valuation determined pursuant to the valuation formula set forth above will be calculated with reference to the following assumptions and definitions:

1. "EBITDA" means earnings before interest, taxes, depreciation and amortization.

2. The "Weather Adjustment Factor" will be determined pursuant to the following formula:

Actual Degree Days for period from April through March	
Less:	Normal Degree Days of 3,750
Equals:	Degree Day deviation from normal
Times:	Actual propane and distillate gallons per Degree Day for period from October through March
Equals:	Estimated impact on gallons sold
Times:	90% of actual propane and distillate unit gross profit for period from October through March
Equals:	Weather Adjustment Factor

"Degree Days" represent the difference between sixty-five degrees Fahrenheit and the mean temperature on a given day, provided that the mean temperature on such day is less than sixty-five degrees Fahrenheit.

3. The "Valuation Multiple" will be equal to 6; provided, however, the Company and each Employee Members shall have the option of engaging, at their own expense, a third party mutually agreeable to the Company and such Employee Member to determine the Valuation Multiple to be used to determine the EBITDA Valuation for any year. Such third party shall determine the Valuation Multiple by valuing the Company as a going concern facing a change of control transaction. No minority discount shall be applied by such third party in determining the Valuation Multiple.

4. The EBITDA in a given year will receive minimal benefit for Fixed Assets acquired after the middle of the year. Therefore, only the amount of Fixed Assets purchased after April 1 of a given year will be added into the valuation formula.

5. The current portion of long-term debt is included in Long-Term Debt rather than Net Working Capital.

EXHIBIT 5.1

[LETTERHEAD OF VINSON & ELKINS L.L.P.]

May 24, 2002

Inergy, L.P.
1101 Walnut, Suite 1500
Kansas City, Missouri 64106

Re: Inergy, L.P.
Registration Statement on Form S-1
Filed May 24, 2002

Ladies and Gentlemen:

We have acted as counsel to Inergy, L.P., a Delaware limited partnership (the "Partnership"), Inergy GP, LLC, a Delaware limited liability company and the managing general partner of the Partnership (the "Managing General Partner"), and Inergy Holdings, LLC, a Delaware limited liability company and the non-managing general partner of the Partnership (the "Non-Managing General Partner" and collectively with the Managing General Partner, the "General Partners"), in connection with the registration under the Securities Act of 1933, as amended (the "Securities Act") of the offering and sale of up to an aggregate of 1,610,000 common units (including 345,259 common units to be sold by certain selling unitholders and up to 210,000 common units subject to an over allotment option granted by the Partnership to the underwriter) (collectively the "Common Units") representing limited partner interests in the Partnership.

As the basis for the opinion hereinafter expressed, we examined such statutes, including the Delaware Uniform Revised Limited Partnership Act, corporate records and documents, certificates of corporate and public officials, and other instruments and documents as we deemed necessary or advisable for the purposes of this opinion. In such examination, we assumed the authenticity of all documents submitted to us as originals and the conformity with the original documents of all documents submitted to us as copies.

Based on the foregoing and on such legal considerations as we deem relevant, we are of the opinion that:

1. The Partnership has been duly formed and is validly existing as a limited partnership under the Delaware Revised Uniform Limited Partnership Act.

2. The presently outstanding Common Units owned by the selling unitholders to be sold to the underwriter are duly authorized, validly issued, fully paid and nonassessable.

3. The Common Units to be sold by the Partnership to the underwriter, when issued and paid for as contemplated by the Partnership's Registration Statement on Form S-1 relating to the Common Units, will be duly authorized, validly issued, fully paid and nonassessable.

We hereby consent to the reference to us under the heading "Validity of the Common Units" in the prospectus forming a part of the Registration Statement and to the filing of this opinion as an exhibit to the Registration Statement, but we do not thereby admit that we are within the class of persons whose consent is required under the provisions of the Securities Act or the rules and regulations of the Securities and Exchange Commission issued thereunder.

Very truly yours,

/s/ VINSON & ELKINS L.L.P.

VINSON & ELKINS L.L.P.

EXHIBIT 8.1

[LETTERHEAD OF VINSON & ELKINS L.L.P.]

May 24, 2002

Inergy, L.P.
1101 Walnut, Suite 1500
Kansas City, Missouri 64106

RE: INERGY, L.P.; REGISTRATION STATEMENT ON FORM S-1

Ladies and Gentlemen:

We have acted as counsel to Inergy, L.P., a Delaware limited partnership (the "Partnership"), Inergy GP, LLC, a Delaware limited liability company and the managing general partner of the Partnership (the "Managing General Partner"), and Inergy Holdings, LLC, a Delaware limited liability company and the non-managing general partner of the Partnership (the "Non-Managing General Partner" and collectively with the Managing General Partner, the "General Partners"), in connection with the registration under the Securities Act of 1933, as amended (the "Securities Act"), of the offering and sale of up to 1,610,000 common units representing limited partner interests in the Partnership (the "Common Units") pursuant to a Registration Statement on Form S-1 (the "Registration Statement"). In connection therewith, we prepared the discussion set forth under the caption "Tax Considerations" in the Registration Statement (the "Discussion"). Capitalized terms not defined herein shall have the meanings ascribed to them in the Registration Statement.

All statements of legal conclusions contained in the Discussion, unless otherwise noted, are our opinion with respect to the matters set forth therein as of the effective date of the Registration Statement. In addition, we are of the opinion that the federal income tax discussion in the Registration Statement with respect to those matters as to which no legal conclusions are provided is an accurate discussion of such federal income tax matters (except for the representations and statements of fact of the Partnership and its General Partners, included in the Discussion, as to which we express no opinion).

We hereby consent to the filing of this opinion as an exhibit to the Registration Statement and to the use of our name in the Registration Statement. This consent does not constitute an admission that we are "experts" within the meaning of such term as used in the Securities Act of 1933, as amended.

Very truly yours,

/s/ Vinson & Elkins L.L.P.

VINSON & ELKINS L.L.P.

Exhibit 10.1A

AMENDMENT NO. 1
TO
FOURTH AMENDED AND RESTATED CREDIT AGREEMENT

This AMENDMENT NO. 1 TO FOURTH AMENDED AND RESTATED CREDIT AGREEMENT (this "Amendment") dated as of May 15, 2002, is by and between INERGY PROPANE, LLC, a Delaware limited liability company (the "Borrower"); each of the Lenders that is a signatory hereto (each, individually, a "Lender" and, collectively, the "Lenders"); and WACHOVIA BANK, NATIONAL ASSOCIATION (f/k/a FIRST UNION NATIONAL BANK), as Administrative Agent for the Lenders (in such capacity, together with its successors and assigns in such capacity, the "Administrative Agent").

WITNESSETH:

WHEREAS, the Borrower, the Administrative Agent and the Lenders are parties to that certain Fourth Amended and Restated Credit Agreement dated as of December 20, 2001 (the "Credit Agreement");

WHEREAS, the Borrower has requested, and the Administrative Agent and the Required Lenders have agreed, on the terms set forth in this Amendment, that the IPC Acquisition Facility Termination Date be extended from December 19, 2002, to April 1, 2003;

WHEREAS, as permitted pursuant to Section 5(b) of the Credit Agreement, the Borrower intends to incur Permitted Private Placement Debt;

WHEREAS, in connection with the incurrence of the Permitted Private Placement Debt, the Borrower has requested and the Administrative Agent and the Required Lenders have agreed, on the terms and conditions set forth in this Amendment, to amend certain provisions of the Credit Agreement (i) to permit the proceeds of the Permitted Private Placement Debt to prepay the outstanding principal balance of the Permitted Acquisition Facility prior to the repayment of a portion of the IPC Acquisition Facility and (ii) to permit the Borrower to use the Permitted Acquisition Facility to repay the IPC Acquisition Loan in full; and

WHEREAS, the Borrower, the Administrative Agent and the Required Lenders have agreed to execute this Amendment in order to document the above-described modifications to the terms of the Credit Agreement.

NOW THEREFORE, the parties hereto hereby agree as follows:

Section 1. Definitions; Incorporation of Recitals. Except as otherwise defined in this Amendment, capitalized terms used herein and not otherwise defined herein have the meanings ascribed thereto in the Credit Agreement. Each of the above recitals is incorporated herein and made a part hereof.

Section 2. Amendments to Credit Agreement. Subject to the satisfaction of the conditions precedent specified in Section 4 below, but effective as of the date hereof, the Credit Agreement shall be amended as follows:

2.01. Definitions. Section 1.01 of the Credit Agreement shall be amended as follows:

(a) The definition of "IPC Acquisition Facility Termination Date" is deleted in its entirety and replaced with the following:

"IPC Acquisition Facility Termination Date" means the earlier to occur of (a) April 1, 2003, and (b) the Termination Date.

2.02. Order of Application of Mandatory Prepayments. Section 4.02(h) of the Credit Agreement is deleted in its entirety and replaced with the following:

(h) Order of Application of Mandatory Prepayments. Any prepayment pursuant to Sections 4.02(f) or (g) shall be applied first to permanently reduce the outstanding principal balance of the IPC Acquisition Loan, and, upon payment in full thereof, then to the outstanding principal balance of the Permitted Acquisition Loans, and, upon payment in full thereof, then to the outstanding principal balance of the Swingline Loans, and, upon payment in full thereof, then to the outstanding principal balance of the Working Capital Loans; provided, however, that the Borrower, at its election, may apply any such prepayment first to the outstanding principal balance of the Permitted Acquisition Loans, and, upon payment in full thereof, then, the balance of such prepayment to permanently reduce a portion of the outstanding principal balance of the IPC Acquisition Loan, so long as immediately after any such prepayment, the Borrower prepays the outstanding principal balance of the IPC Acquisition Loan in an amount equal to the amount of the prepayment of the Permitted Acquisition Loan. Each such prepayment shall be accompanied by any amount required to be paid pursuant to Section 4.14.

2.03. Use of Proceeds. Section 8.08 of the Credit Agreement is amended by deleting subsection (ii) thereof in its entirety and replacing subsection (ii) with the following:

(ii) the Permitted Acquisition Loans for refinancing indebtedness of the Borrower under the Existing Credit Agreement, for refinancing the IPC Acquisition Loan, Permitted Acquisitions, Expansion Capital Expenditures and the payment of fees and expenses incurred in connection with this Agreement and the other Credit Documents and the transactions contemplated hereby and thereby;

Section 2.04. General. References (a) in the Credit Agreement (including references to the Credit Agreement as amended hereby) to "this Agreement" (and indirect references such as "hereunder," "hereof" and words of like import referring to the Credit Agreement), and (b) in the other Credit Documents to "the Credit Agreement" and "the Agreement" (and indirect references such as "thereunder," "thereof" and words of like import referring to the Credit Agreement), shall be deemed to be references to the Credit Agreement as amended by this Amendment.

Section 3. Representations and Warranties. The Borrower represents and warrants to the Lenders and the Administrative Agent that: (a) the representations and warranties set forth in Article VI of the Credit Agreement are true and complete on the date hereof as if made on and as

of the date hereof and as if each reference in said Article VI to "this Agreement" includes reference to this Amendment; and (b) no Default or Event of Default has occurred and is continuing on the date hereof.

Section 4. Conditions Precedent. As provided in Section 2 above, the amendments to the Credit Agreement set forth in Section 2 shall become effective as of the date hereof, upon the satisfaction of the following conditions precedent:

4.01. Execution. This Amendment shall have been executed and delivered by the Borrower, the Administrative Agent and the Required Lenders.

4.02. Documents; Fees. The Administrative Agent shall have received the following documents, each of which shall be satisfactory to the Administrative Agent in form and substance:

(a) Corporate Documents. All documents that the Administrative Agent may reasonably request relating to the existence of the Borrower, the corporate authority for, and the validity and enforceability of, this Amendment, the Loan Documents as amended hereby, and any other matters relevant hereto, all in form and substance satisfactory to the Administrative Agent.

(b) Other Documents. Such other documents, approvals and opinions as the Administrative Agent may reasonably request.

(c) Fees. Receipt by the Administrative Agent (for its own account and the account of the Lenders, as applicable) of all fees required to be received in connection with this Amendment.

Section 5. Extension Fee. In the event that the IPC Acquisition Loan is not prepaid in full by December 19, 2002, the Borrower shall pay to the Administrative Agent for the account of the Lenders, a fee equal to twenty-five (25) basis points multiplied by the outstanding principal balance of the IPC Acquisition Loan as of December 19, 2002.

Section 6. Expenses. The Borrower shall pay (a) all out-of-pocket expenses of the Administrative Agent (including reasonable fees and disbursements of counsel for the Administrative Agent) in connection with the preparation of this Amendment and any other instruments or documents to be delivered hereunder, any waiver or consent hereunder or thereunder or any amendment hereof or thereof or any Default hereunder or thereunder; and (b) if an Event of Default occurs, all out-of-pocket expenses incurred by the Administrative Agent and each of the Lenders, including fees and disbursements of counsel of the Administrative Agent and each Lender, in connection with such Event of Default and collection and other enforcement proceedings resulting therefrom, including out-of-pocket expenses incurred in enforcing the Credit Agreement as amended by this Amendment, and the other Credit Documents.

Section 7. Miscellaneous. Except as herein provided, the Credit Agreement and all other Credit Documents shall remain unchanged and shall continue to be in full force and effect and are hereby ratified and confirmed in all respects. This Amendment may be executed in any

number of counterparts, all of which taken together shall constitute one and the same amendatory instrument, and any of the parties hereto may execute this Amendment by signing any such counterpart. This Amendment shall be governed by, and construed in accordance with, the law of the State of Missouri.

[NO ADDITIONAL TEXT ON THIS PAGE]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered as of the day and year first above written.

INERGY PROPANE, LLC

By: /s/ John J. Sherman

Name: John J. Sherman
Title: President

WACHOVIA BANK, NATIONAL ASSOCIATION
(f/k/a First Union National Bank), as
Lender, as Swingline Lender and as
Issuing Lender

By: /s/ Joe K. Dancy

Name: Joe K. Dancy
Title: Vice President

FLEET NATIONAL BANK, as Syndication
Agent and as Lender

By: /s/ Allison I. Ross

Name: Allison I. Ross
Title: Vice President

BANK OF OKLAHOMA, N.A., as Documentation Agent and as Lender

By: /s/ Chris Amburgy

Name: Chris Amburgy
Title: Vice President

U.S. BANK, N.A. (f/k/a FIRSTAR BANK,
N.A. OVERLAND PARK, as Syndication Agent
and as Lender

By: /s/ Paul Tamasco

Name: Paul Tamasco
Title: Senior Loan Officer

WELLS FARGO BANK TEXAS, N.A., as Lender

By: /s/ J. Alan Alexander

Name: J. Alan Alexander
Title: Vice President

TEAMBANK, N.A., as Lender

By: /s/ Rick P. Bartley

Name: Rick P. Bartley
Title: President & CEO

THIS AMENDMENT ACCEPTED AND AGREED
TO THIS ___ DAY OF MAY, 2002, BY EACH OF
THE BELOW GUARANTORS:

INERGY, L.P.

By: Inergy GP, LLC, its Managing Partner

By: /s/ John J. Sherman

Name: John J. Sherman
Title: President

INERGY TRANSPORTATION, LLC

By: /s/ John J. Sherman

Name: John J. Sherman
Title: President

L & L TRANSPORTATION, LLC

By: /s/ John J. Sherman

Name: John J. Sherman
Title: President

INERGY SALES & SERVICE, INC.

By: /s/ John J. Sherman

Name: John J. Sherman
Title: President

IPCH ACQUISITION CORP.

By: /s/ John J. Sherman

Name: John J. Sherman
Title: President

EXHIBIT 10.14

CONTRIBUTION, CONVEYANCE, ASSIGNMENT AND ASSUMPTION AGREEMENT

THIS AGREEMENT (the "Agreement"), is made this 31st day of July, 2001, by and among the following parties:

INERGY PARTNERS, LLC, a Delaware limited liability company ("Partners");
INERGY PROPANE, LLC, a Delaware limited liability company ("Propane");
NEW INERGY PROPANE, LLC, a Delaware limited liability company ("New Propane");
INERGY, L. P., a Delaware limited partnership ("MLP");
INERGY GP, LLC, a Delaware limited liability company ("GP");
INERGY HOLDINGS, LLC, a Delaware limited liability company ("Holdings");
INERGY SALES & SERVICE, INC., a Delaware corporation ("Inergy S & S");
WILSON OIL COMPANY OF JOHNSTON COUNTY, INC., a North Carolina corporation ("Wilson");
ROLESVILLE GAS AND OIL COMPANY, a North Carolina corporation ("Rolesville"); and
L & L TRANSPORTATION, LLC, a Delaware limited liability company ("L & L Transportation").

WITNESSETH:

WHEREAS, Holdings has caused to be organized GP as a Delaware limited liability company and, in that regard, acquired all of the interests in GP in exchange for a cash capital contribution of $1,000; and

WHEREAS, Partners has caused to be organized New Propane as a Delaware limited liability company and, in that regard, acquired all of the interests in New Propane in exchange for a cash capital contribution of $1,000; and

WHEREAS, GP and Partners have caused to be organized MLP as a Delaware limited partnership of which GP is the managing general partner (with no economic interest) and of which Partners is a non-managing general partner with a 2% non-managing general partner interest and is a limited partner with a 98% limited partner interest, all in exchange for an aggregate cash contribution by Partners to MLP of $1,000; and

WHEREAS, Propane has caused to be organized Inergy S & S as a Delaware corporation of which Propane acquired all of the issued and outstanding capital stock of Inergy S & S which was received in exchange for a cash contribution by Propane to Inergy S & S of $1,000; and

WHEREAS, attached hereto as Exhibit A is a diagram of the ownership structure of each of the parties hereto as it existed immediately prior to the transactions provided for herein; and

WHEREAS, MLP has filed a registration statement (together with all amendments thereto, the "Registration Statement") with the Securities and Exchange Commission to register the sale to the public of Common Units (the "MLP Common Units") of MLP (such sale to be referred to herein as the "IPO"); and

WHEREAS, MLP has entered into an underwriting agreement (the "Underwriting Agreement") with a group of underwriters respecting such IPO and caused the Registration Statement to become effective to permit the sale of MLP Common Units to the public; and

WHEREAS, there are various transactions among the parties hereto which must occur preparatory to completing such IPO, and the parties desire to effect such transactions as hereinafter set forth;

NOW, THEREFORE, the parties hereto do hereby agree as follows:

ARTICLE I

CONTRIBUTIONS OF ASSETS AND VARIOUS INTERESTS

1. Contribution of Assets by Partners to Propane. By its execution and delivery of this Agreement and as a capital contribution to Propane, Partners hereby grants, contributes, transfers, assigns and conveys to Propane, its successors and assigns, for its and their own use forever, all right, title and interest in and to the assets used in the wholesale propane business conducted by Partners and listed on Exhibit B hereto (the "Assets") other than (a) $1,837,000 in cash and cash equivalents held by Partners and (b) the stock of Wilson. Propane hereby accepts the Assets as a capital contribution.

TO HAVE AND HOLD the Assets unto Propane, its successors and assigns, together with all and singular the rights and appurtenances thereto in anywise belonging, subject, however, to the terms and conditions stated in this Agreement, forever.

2. Contribution of Partners' Interest in Propane to MLP and Issuance of MLP Units to Partners.

(a) By its execution and delivery of this Agreement, Partners hereby grants, contributes, transfers, assigns and conveys to MLP, its successors and assigns, for its and their own use forever, all right, title and interest in and to the 100% common interest in Propane owned by Partners (the "Partners Interest in Propane").

TO HAVE AND HOLD the Partners Interest in Propane unto MLP, its successors and assigns, together with all and singular the rights and appurtenances thereto

in anywise belonging, subject, however, to the terms and conditions stated in this Agreement, forever.

(b) The grant, contribution, transfer, assignment and conveyance provided for in Section 2(a) above is hereby accepted by MLP and MLP hereby (i) agrees to the continuation of Partners' 2% non-managing general partner Interest in MLP and all rights related thereto, (ii) issues to Partners 3,143,143 Senior Subordinated Units of MLP ("MLP Senior Subordinated Units"), (iii) issues to Partners 497,839 Junior Subordinated Units of MLP ("MLP Junior Subordinated Units"), (iv) issues to Partners the Incentive Distribution Rights of MLP and (v) subject to Article III hereof, assumes the obligations of Partners under certain Subordinated Debentures, dated January 12, 2001, in the aggregate principal amount of $5,000,000 (the "Subordinated Debentures").

(c) By its execution and delivery of this Agreement, Wilson and Rolesville each hereby consents to the transfer referenced in Section 2(a) above.

3. Contribution of MLP Units by Partners to New Propane. By its execution and delivery of this Agreement, Partners hereby grants, contributes, transfers, conveys and assigns to New Propane, its successors and assigns, for its and their own use forever, all right, title and interest in and to 1,136,687 MLP Senior Subordinated Units and 497,839 MLP Junior Subordinated Units owned by Partners in exchange for the continuation of Partners' ownership of 100% of the common interest of New Propane (the "New Propane Common Interest"). New Propane hereby accepts such transfer of MLP Senior Subordinated Units and MLP Junior Subordinated Units from Partners and acknowledges the issuance to and ownership by Partners of all of the New Propane Common Interest.

TO HAVE AND HOLD the 1,136,687 MLP Senior Subordinated Units and 497,839 MLP Junior Subordinated Units unto New Propane, its successors and assigns, together with all and singular the rights and appurtenances thereto in anywise belonging, subject, however, to the terms and conditions stated in this Agreement, forever.

TO HAVE AND HOLD the New Propane Common Interest unto Partners, its successors and assigns, together with all and singular the rights and appurtenances thereto in anywise belonging, subject, however, to the terms and conditions stated in this Agreement, forever.

4. Rolesville and Wilson Exchanges.

(a) By its execution and delivery of this Agreement, Rolesville hereby grants, contributes, transfers, conveys and assigns to New Propane, its successors and assigns, for its and their own use forever, all right, title and interest in and to a $2,780,000 preferred interest in Propane owned by Rolesville (the "Rolesville Propane Interest") in exchange for a $2,780,000 preferred interest in New Propane (the "Rolesville New Propane Interest").

TO HAVE AND HOLD the Rolesville Propane Interest unto New Propane, its successors and assigns, together with all and singular the rights and appurtenances thereto in anywise belonging, subject, however, to the terms and conditions stated in this Agreement, forever.

TO HAVE AND HOLD the Rolesville New Propane Interest unto Rolesville, its successors and assigns, together with all and singular the rights and appurtenances thereto in anywise belonging, subject, however, to the terms and conditions stated in this Agreement, forever.

(b) By its execution and delivery of this Agreement, Wilson, hereby grants, contributes, transfers, conveys and assigns to New Propane, its successors and assigns, for its and their own use forever, all right, title and interest in and to a $2,608,385 preferred interest in Propane owned by Wilson (the "Wilson Propane Interest") in exchange for a $2,608,385 preferred interest in New Propane (the "Wilson New Propane Interest").

TO HAVE AND HOLD the Wilson Propane Interest unto New Propane, its successors and assigns, together with all and singular the rights and appurtenances thereto in anywise belonging, subject, however, to the terms and conditions stated in this Agreement, forever.

TO HAVE AND HOLD the Wilson New Propane Interest unto Wilson, its successors and assigns, together with all and singular the rights and appurtenances thereto in anywise belonging, subject, however, to the terms and conditions stated in this Agreement, forever.

(c) New Propane hereby accepts the assignments and transfers made in Sections 4(a) and 4(b) and acknowledges the issuance of the preferred interests in New Propane as referenced in said sections.

5. Contribution of Preferred Interest in Propane Held by New Propane. By its execution and delivery of this Agreement, New Propane hereby grants, contributes, transfers, conveys and assigns to MLP, its successors and assigns, for its and their own use forever, all right, title and interest in and to a $5,388,385 preferred interest in Propane held by New Propane (the "New Propane Interest in Propane") in exchange for 170,224 MLP Senior Subordinated Units and 74,703 MLP Junior Subordinated Units. MLP hereby accepts the foregoing transfer and assignment and acknowledges the issuance of the foregoing MLP Units to New Propane.

TO HAVE AND HOLD the New Propane Interest in Propane unto MLP, its successors and assigns, together with all and singular the rights and appurtenances thereto in anywise belonging, subject, however, to the terms and conditions stated in this Agreement, forever.

TO HAVE AND HOLD the 170,224 MLP Senior Subordinated Units and 74,703 MLP Junior Subordinated Units unto New Propane, its successors and assigns,

together with all and singular the rights and appurtenances thereto in anywise belonging, subject, however, to the terms and conditions stated in this Agreement, forever.

6. Contribution of Cash by Public to MLP. The parties to this Agreement acknowledge a cash contribution of $40,480,000 ($37,646,400 after payment of underwriting discounts and commissions) from the public to the MLP in exchange for 1,840,000 MLP Common Units. The foregoing includes exercise of the underwriters' over-allotment option granted in the Underwriting Agreement.

7. Contribution of Cash by MLP to Propane. By its execution and delivery of this Agreement, MLP hereby grants, contributes, transfers, conveys and assigns to Propane, its successors and assigns, for its and their own use forever, all cash and cash equivalents MLP holds as a result of the transactions described above, as a result of the IPO and otherwise. Propane hereby accepts such cash as a capital contribution.

8. Propane Uses Cash to Pay Transaction Costs. By its execution and delivery of this Agreement, Propane hereby agrees to use the cash contributed by MLP to Propane pursuant to Section 7 above to pay all transaction costs relating to the IPO (estimated to be $5.3 million, including approximately $2.8 million in underwriting discounts and commissions) and retire approximately $35,180,000 of Propane's outstanding indebtedness.

9. Transfer of Incentive Distribution Rights by Partners to Holdings. By its execution and delivery of this Agreement, Partners hereby grants, contributes, transfers, conveys and assigns to Holdings, its successors and assigns, for its and their own use forever, all of its right, title and interest in and to the Incentive Distribution Rights of MLP in redemption of a one-tenth of one percent (.1%) common interest in Partners held by Holdings (the "Holdings Interest in Partners").

TO HAVE AND HOLD the Incentive Distribution Rights unto Holdings, its successors and assigns, together with all and singular the rights and appurtenances thereto in anywise belonging, subject, however, to the terms and conditions stated in this Agreement, forever.

TO HAVE AND HOLD the Holdings Interest in Partners unto New Propane, its successors and assigns, together with all and singular the rights and appurtenances thereto in anywise belonging, subject, however, to the terms and conditions stated in this Agreement, forever.

10. Redemption of Certain Preferred Interest in Partners. By its execution and delivery of this Agreement, Partners hereby agrees to distribute to certain members of Partners an aggregate of 2,006,456 MLP Senior Subordinated Units in redemption of $44,142,032 in preferred interests (after giving effect to certain provisions of Partners' Limited Liability Company Agreement which adjust the preferred capital accounts of certain holders of preferred interests as a result of the IPO) held by such members of Partners.

TO HAVE AND HOLD 2,006,456 MLP Senior Subordinated Units unto certain members of Partners, its successors and assigns, together with all and singular the rights and appurtenances thereto in anywise belonging, subject, however, to the terms and conditions stated in this Agreement, forever.

ARTICLE II

POST-CLOSING MATTERS

1. Transfer of Assets to S & S Services. By its execution and delivery of this Agreement, Propane hereby grants, contributes, transfers, conveys and assigns to S & S Services, its successors and assigns, for its and their own use forever, all of their respective right, title and interest in and to the assets (the "Sales and Service Assets") listed on Exhibit C as a capital contribution to S & S Services by Propane. S & S Services accepts the Sales and Service Assets as a capital contribution.

TO HAVE AND HOLD the Sales and Service Assets unto S & S Services, its successors and assigns, together with all and singular the rights and appurtenances thereto in anywise belonging, subject, however, to the terms and conditions stated in this Agreement, forever.

2. Redemption of MLP Limited Partner Interest Held by Partners. By its execution and delivery of this Agreement, MLP hereby agrees to redeem the limited partner interest in MLP held by Partners (as the Organizational Limited Partner) in exchange for $990 in cash.

ARTICLE III

ASSUMPTION OF CERTAIN LIABILITIES

1. Assumption of Certain Liabilities of Partners by Propane. In connection with the contribution by Partners of the Assets to Propane, as set forth in Section 1 of Article I and, with respect to the Subordinated Debentures pursuant to Section 2 of Article I, Propane hereby assumes and agrees to duly and timely pay, perform and discharge all of the Assumed Liabilities, to the full extent that Partners has been heretofore or would have been in the future, were it not for the execution and delivery of this Agreement, obligated to pay, perform and discharge such Assumed Liabilities; provided, however, that said assumption and agreement to duly and timely pay, perform and discharge the Assumed Liabilities shall not (i) increase the obligation of Propane with respect to the Assumed Liabilities beyond that of Partners, (ii) waive any valid defense that was available to Propane with respect to such Assumed Liabilities or (iii) enlarge any rights or remedies of any third party under any of the Assumed Liabilities.

2. As used in this Article III, the term "Assumed Liabilities" means all of Partners' liabilities arising from or relating to the Subordinated Debentures and the Assets, of every kind, character and description, whether known or unknown, accrued or

contingent, and whether or not reflected on the books and records of Partners, excluding liabilities for which Partners has agreed to indemnify the MLP Entities (as hereinafter defined) pursuant to Article IV.

ARTICLE IV

INDEMNIFICATION

1. Indemnification.

(a) Partners, on behalf of itself and its Affiliates (as defined in the Amended and Restated Agreement of Limited Partnership of the MLP) excluding the MLP Entities (as hereinafter defined), shall indemnify, defend and hold harmless the MLP, Propane, Inergy S&S, L&L Transportation LLC and Inergy Transportation LLC (the "MLP Entities") from and against all federal, state and local income tax liabilities attributable to the operation of the Assets and to the operation of the Assets of Propane, in each case, prior to the date of this Agreement, including any such income tax liabilities of any of Partners and its Affiliates that may result from the consummation of the transactions provided for in Sections 1, 2(a) and 5 of Article I of this Agreement.

(b) As used in this Article IV, the term "Indemnifying Party" refers to Partners in the case of any indemnification obligation arising under paragraph (a) above, and the term "Indemnified Party" refers to the MLP Entities, as applicable, in the case of any indemnification obligation arising under paragraph (a) above.

(c) If any action, suit or proceeding shall be brought against an Indemnified Party, or if the Indemnified Party should otherwise become aware of facts giving rise to a claim for indemnification pursuant to paragraph (a) above, the Indemnified Party shall promptly notify the Indemnifying Party in writing specifying the nature of and specific basis for such claim.

(d) The Indemnifying Party shall have the right to control all aspects of the defense of (and any counterclaims with respect to) any claims brought against the Indemnified Party that are covered by the indemnification set forth in paragraph (a) above including, without limitation, the selection of counsel, determination of whether to appeal any decision of any court and the settling of any such matter or any issues relating thereto; provided, however, that no such settlement shall be entered into without the consent of the Indemnified Party unless it includes a full release of the Indemnified Party from such matter or issues, as the case may be.

(e) The Indemnified Party agrees, at its own cost and expense, to cooperate fully with the Indemnifying Party with respect to all aspects of the defense of any claims covered by the indemnification set forth in paragraph (a) above, including, without limitation, the prompt furnishing to the Indemnifying Party of any correspondence or other notice relating thereto that the Indemnified Party may receive, permitting the name(s) of the Indemnified Party to be utilized in connection with such defense, the making available to the Indemnifying Party of any files, records or other

information of the Indemnified Party that the Indemnifying Party considers relevant to such defense and the making available to the Indemnifying Party of any employees of the Indemnified Party; provided, however, that in connection therewith the Indemnifying Party agrees to use reasonable efforts to minimize the impact thereof on the operations of such Indemnified Party. In no event shall the obligation of the Indemnified Party to cooperate with the Indemnifying Party as set forth in the immediately preceding sentence be construed as imposing upon the Indemnified Party an obligation to hire and pay for counsel in connection with the defense of any claims covered by the indemnification set forth in this Article IV; provided, however, that an Indemnified Party may, at its own option, cost and expense, hire and pay for counsel in connection with any such defense. The Indemnifying Party agrees to keep any such counsel hired by the Indemnified Party reasonably informed as to the status of any such defense, but the Indemnifying Party shall have the right to retain sole control over such defense.

(f) In determining the amount of any Losses (as hereinafter defined) for which any Indemnified Party is entitled to indemnification under this Article V, the gross amount thereof will be reduced by any insurance proceeds realized or to be realized by such Indemnified Party, and such correlative insurance benefit shall be net of any insurance premium that becomes due as a result of such claim. "Losses" shall mean means all liabilities, losses, costs, damages (including punitive, consequential and treble damages), penalties or expenses (including, without limitation, reasonable attorneys' fees and expenses and costs of investigation and litigation), and also including any expenditures or expenses incurred to cover, remedy or rectify any such Losses.

ARTICLE V

MISCELLANEOUS

1. Order of Transactions. The transactions provided for in Articles I, II and III of this Agreement shall be completed in the following order:

(a) First, the transactions provided for in Articles I and III shall be completed;

(b) Second, the transactions provided for in Article II shall be completed.

2. Amendments to Organizational Documents.

(a) The Agreement of Limited Partnership of MLP will be amended and restated to reflect the matters set forth in Articles I and II of this Agreement.

(b) The Limited Liability Company Agreements of the following will be amended (or amended and restated) to reflect the applicable matters set forth in Articles I and II of this Agreement:

(i) Partners;

(ii) New Propane; and
(iii) Propane.

3. Representations and Warranties. Each party hereto represents and warrants to each of the other parties hereto as follows:

(a) Such party has the right, power and authority for, and has taken all necessary corporate and other action to authorize, the execution, delivery and performance of this Agreement;

(b) This Agreement has been duly executed and delivered by the duly authorized officers of such party and constitutes the legal, valid and binding obligation of such party, enforceable in accordance with its terms; and

(c) Any property or right being transferred and assigned by such party hereunder to another party is owned by such transferor/assignor, free and clear of all liens, claims and encumbrances, and upon such transfer the transferee/assignee will succeed to all right, title and ownership in such property or right, other than any security interest, mortgage, lien, claim or encumbrance created pursuant to the Third Amended and Restated Credit Agreement, dated as of July 25, 2001, among Propane, First Union National Bank, as Administrative Agent, and the Lenders named therein.

THE PARTIES ACKNOWLEDGE AND AGREE THAT, EXCEPT FOR THE FOREGOING REPRESENTATIONS AND WARRANTIES, ALL PROPERTY AND RIGHTS TRANSFERRED AND ASSIGNED PURSUANT TO THIS AGREEMENT ARE BEING TRANSFERRED AND ASSIGNED ON AN AS-IS, WHERE-IS BASIS, AND NO OTHER REPRESENTATIONS OR WARRANTIES ARE MADE WITH RESPECT TO SUCH PROPERTY OR RIGHTS.

4. Costs. Each transferee/assignee hereunder shall pay all sales, use and similar taxes arising out of the contributions, conveyances and deliveries to be made hereunder, and shall pay all documentary, filing, recording, transfer, deed, and conveyance taxes and fees required in connection therewith.

5. Headings. All section headings in this Agreement are for convenience only and shall not be deemed to control or affect the meaning or construction of any of the provisions hereof.

6. Successors and Assigns. The Agreement shall be binding upon and inure to the benefit of the parties signatory hereto and their respective successors and assigns.

7. No Third Party Rights. The provisions of this Agreement are intended to bind the parties signatory hereto as to each other and are not intended to and do not create rights in any other person or confer upon any other person any benefits, rights or remedies and no person is or is intended to be a third party beneficiary of any of the provisions of this Agreement.

8. Counterparts. This Agreement may be executed in any number of counterparts, all of which together shall constitute one agreement binding on the parties hereto.

9. Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Missouri applicable to contracts made and to be performed wholly within such state without giving effect to conflict of law principles thereof.

10. Severability. If any of the provisions of this Agreement are held by any court of competent jurisdiction to contravene, or to be invalid under, the laws of any political body having jurisdiction over the subject matter hereof, such contravention or invalidity shall not invalidate the entire Agreement. Instead, this Agreement shall be construed as if it did not contain the particular provision or provisions held to be invalid, and an equitable adjustment shall be made and necessary provision added so as to give effect to the intention of the parties as expressed in this Agreement at the time of execution of this Agreement.

11. Deed; Bill of Sale; Assignment. To the extent required by applicable law, this Agreement shall also constitute a "deed," "bill of sale" or "assignment" of the Assets.

12. Amendment or Modification. This Agreement may be amended or modified from time to time only by the written agreement of all the parties hereto.

13. Integration. This Agreement supersedes all previous understandings or agreements between the parties, whether oral or written, with respect to its subject matter. This document is an integrated agreement which contains the entire understanding of the parties. No understanding, representation, promise or agreement, whether oral or written, is intended to be or shall be included in or form part of this Agreement unless it is contained in a written amendment hereto executed by the parties hereto after the date of this Agreement.

14. Further Assurances. Each party hereto agrees to execute and deliver such additional instruments, documents and certifications and to take such other action as is necessary or appropriate to carry out the purpose and intent of this Agreement and the transactions contemplated herein.

IN WITNESS WHEREOF, the undersigned have executed the foregoing Agreement as of the day and year first above written.

INERGY HOLDINGS, LLC

By

John J. Sherman, President

INERGY, L. P.

By: Inergy GP, LLC
(its General Partner)

By

John J. Sherman
President of Inergy GP, LLC

INERGY PARTNERS, LLC

By

John J. Sherman, President

INERGY PROPANE, LLC

By

John J. Sherman, President

INERGY GP, LLC

By

John J. Sherman, President

L & L TRANSPORTATION, LLC

By

John J. Sherman, President

NEW INERGY PROPANE, LLC

By

John J. Sherman, President

INERGY TRANSPORTATION, LLC

By

John J. Sherman, President

INERGY SALES & SERVICE, INC.

By

John J. Sherman, President

WILSON OIL COMPANY OF
JOHNSTON COUNTY, INC.

By

John J. Sherman, President

ROLESVILLE GAS AND OIL COMPANY

By ----------
John J. Sherman, President

L & L TRANSPORTATION, LLC

By ----------
John J. Sherman, President

EXHIBIT B

Description of Wholesale Assets

All of the following assets of Inergy Partners, LLC:

- Cash (other than $1,837,000)
- Accounts receivable (excluding intercompany balances with Wilson Oil Co.)
- Propane inventory
- Prepaid insurance
- Other prepaid expenses
- Inventory deposits
- Fixed assets:
  - Leasehold improvements
  - Furniture and fixtures
  - Computer equipment
- Intangible assets:
  - Goodwill
  - Customer accounts
  - Organization costs
  - Deferred financing costs
  - Deferred acquisition costs
- Lease relating to office space at 1101 Walnut, Suite 1500, Kansas City, Missouri

EXHIBIT C

Inergy Propane Assets to be Transferred to S & S Services

All of the following assets of Inergy Propane, LLC:

All appliance inventories (excluding those in Indiana and Michigan), including:

- Gas grills
- Artificial fireplace logs
- Space and room heaters
- Radio Shack inventories
- Other miscellaneous appliances

Parts and fittings inventories relating to the above appliances and propane tank repairs (excluding those in Indiana and Michigan)

Other tangible assets:

Service vehicles:

Location	No. of vehicles
Tennessee	6
North Carolina	10
Illinois	3

Radio Shack stores and related furniture and fixtures

EXHIBIT 21.1

Subsidiaries of Inergy, L.P.

Name	Jurisdiction
Inergy Propane, LLC	Delaware
L & L Transportation, LLC	Delaware
Inergy Transportation, LLC	Delaware
Inergy Sales & Service, Inc.	Delaware

EXHIBIT 23.1

CONSENT OF INDEPENDENT AUDITORS

Board of Directors and Members
Inergy, L.P.

We consent to the references to our firm under the caption "Experts" and to the use of our report dated December 10, 2001, except for Notes 4 and 12, as to which the date is December 20, 2001, with respect to Inergy, L.P. and subsidiary; our report dated May 2, 2001 with respect to the Hoosier Propane Group; and our report dated May 22, 2002 with respect to Inergy GP, LLC, in the Registration Statement (Form S-1) and related Prospectus of Inergy, L.P. for the registration of 1,400,000 common units.

/s/ Ernst & Young LLP

Kansas City, Missouri
May 23, 2002

EXHIBIT 23.2

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the use of our report (and to all references to our firm) included in or made a part of this registration statement.

/s/ Arthur Andersen LLP

Dallas, Texas
May 23, 2002