UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended December 31, 2005

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ______ to ______.

COMMISSION FILE NUMBER: 0-32453

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

Delaware	**43-1918951**
(State or other jurisdiction of incorporation or organization)	**(IRS Employer Identification No.)**
Two Brush Creek Blvd., Suite 200 **Kansas City, Missouri**	**64112**
(Address of principal executive offices)	**(Zip code)**

(816) 842-8181
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the last 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes ☒ No ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.): Yes ☐ No ☒

The following units were outstanding at February 1, 2006:

Common Units	35,311,329
Senior Subordinated Units	3,821,884
Junior Subordinated Units	1,145,084

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

INERGY, L.P. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	December 31, 2005 (Unaudited)	September 30, 2005
	(In Thousands)	
Assets		
Current assets:		
Cash	$ 26,423	$ 9,500
Accounts receivable, less allowance for doubtful accounts of $3,148 and $2,356 at December 31, 2005 and September 30, 2005, respectively	212,019	94,876
Inventories	95,732	117,812
Assets from price risk management activities	46,593	58,356
Prepaid expenses and other current assets	12,393	22,674
Total current assets	393,160	303,218
Property, plant and equipment		
Land and buildings	170,586	156,823
Office furniture and equipment	18,323	18,088
Vehicles	83,254	68,783
Tanks and plant equipment	652,719	561,080
	924,882	804,774
Less accumulated depreciation	(87,910)	(72,756)
Property, plant and equipment, net	836,972	732,018
Intangible assets:		
Customer accounts	161,000	161,000
Covenants not to compete	35,699	30,606
Trademarks	32,845	32,845
Deferred financing costs	18,805	20,444
Deferred acquisition costs	516	725
	248,865	245,620
Less accumulated amortization	(33,347)	(30,972)
Intangible assets, net	215,518	214,648
Goodwill	287,340	249,173
Other assets	3,921	3,187
Total assets	$1,736,911	$ 1,502,244

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INERGY, L.P. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (continued)

	December 31, 2005 *(Unaudited)*	September 30, 2005
	(In Thousands)	
Liabilities and partners' capital		
Current liabilities:		
Accounts payable	**$ 175,713**	$ 104,148
Current portion of long-term debt	**76,184**	17,931
Customer deposits	**60,351**	68,567
Accrued expenses	**46,016**	44,366
Liabilities from price risk management activities	**20,748**	49,572
Total current liabilities	**379,012**	284,584
Long-term debt, less current portion	**675,694**	541,800
Other long-term liabilities	**12,926**	11,966
Partners' capital:		
Common unitholders (35,311,329 and 34,411,329 units issued and outstanding as of December 31, 2005 and September 30, 2005, respectively)	**632,088**	623,861
Senior subordinated unitholders (3,821,884 units issued and outstanding as of December 31, 2005 and September 30, 2005, respectively)	**12,249**	14,276
Junior subordinated unitholders (1,145,084 units issued and outstanding as of December 31, 2005 and September 30, 2005, respectively)	**(3,710)**	(3,163)
Special unitholders (769,941 units issued and outstanding as of December 31, 2005 and September 30, 2005, respectively)	**25,000**	25,000
Non-managing general partners and affiliate	**3,652**	3,920
Total partners' capital	**669,279**	663,894
Total liabilities and partners' capital	**$1,736,911**	$ 1,502,244

See accompanying notes to the consolidated financial statements.

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INERGY, L.P. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(In Thousands, Except Per Unit Data)
(unaudited)

	Three Months Ended December 31,	
	2005	**2004**
Revenue:		
Propane	**$367,285**	$224,476
Other	**82,981**	32,989
	450,266	257,465
Cost of product sold (excluding depreciation and amortization as shown below)		
Propane	**285,198**	172,643
Other	**52,594**	20,134
	337,792	192,777
Gross profit	**112,474**	64,688
Expenses:		
Operating and administrative	**68,758**	34,790
Depreciation and amortization	**19,721**	8,846
Operating income	**23,995**	21,052
Other income (expense):		
Interest expense, net	**(13,143)**	(3,469)
Write-off of deferred financing costs	**—**	(6,990)
Gain (loss) on sale of property, plant and equipment	**(388)**	173
Finance charges	**587**	236
Other	**78**	57
Income before income taxes	**11,129**	11,059
Provision for income taxes	**425**	58
Net income	**$ 10,704**	$ 11,001
Partners' interest information:		
Non-managing general partners' and affiliate's interest in net income	**$ 3,931**	$ 728
Limited partners' interest in net income:		
Common unit interest	**$ 5,936**	$ 7,584
Senior subordinated unit interest	**644**	2,224
Junior subordinated unit interest	**193**	465
Total limited partners' interest in net income	**$ 6,773**	$ 10,273
Net income per limited partner unit:		
Basic	**$ 0.17**	$ 0.41
Diluted	**$ 0.16**	$ 0.40
Weighted average limited partners' units outstanding:		
Basic	**40,220**	25,310
Diluted	**41,492**	25,874

See accompanying notes to the consolidated financial statements.

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INERGY, L.P. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF PARTNERS' CAPITAL
(In Thousands)
(unaudited)

	Common Unit Capital	Senior Subordinated Unit Capital	Junior Subordinated Unit Capital	Non-Managing General Partner and Affiliate	Special Units Capital	Total Partners' Capital
Balance at September 30, 2005	$623,861	$ 14,276	$ (3,163)	$ 3,920	$ 25,000	$663,894
Net proceeds from issuance of common units	24,853	—	—	—	—	24,853
Contribution from employee unit plans	51	—	—	—	—	51
Distributions	(18,161)	(2,189)	(595)	(4,140)	—	(25,085)
Comprehensive income:						
Net income	5,936	644	193	3,931	—	10,704
Unrealized loss on derivative instruments, net of reclassification adjustment of $(582)	(4,440)	(481)	(144)	(59)	—	(5,124)
Foreign currency translation	(12)	(1)	(1)	—	—	(14)
Comprehensive income						5,566
Balance at December 31, 2005	$632,088	$ 12,249	$ (3,710)	$ 3,652	$ 25,000	$669,279

See accompanying notes to the consolidated financial statements.

INERGY, L.P. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)
(unaudited)

	Three Months Ended December 31,	
	2005	**2004**
Operating activities		
Net income	**$ 10,704**	$ 11,001
Adjustments to reconcile net income to net cash used by operating activities:		
Depreciation	**15,352**	5,960
Amortization	**4,369**	2,886
Amortization of deferred financing costs	**494**	336
Unit-based compensation charges	**51**	—
Write-off of deferred financing costs	**—**	6,990
Provision for doubtful accounts	**903**	186
(Gain) loss on disposal of property, plant and equipment	**388**	(173)
Net liabilities from price risk management activities	**(22,184)**	(7,647)
Changes in operating assets and liabilities, net of effects from acquisitions:		
Accounts receivable	**(106,231)**	(74,472)
Inventories	**40,138**	(20)
Prepaid expenses and other current assets	**10,839**	1,756
Other assets	**(2)**	105
Accounts payable	**53,943**	53,046
Accrued expenses	**(464)**	174
Customer deposits	**(18,629)**	(10,333)
Net cash used by operating activities	**(10,329)**	(10,205)
Investing activities		
Acquisitions, net of cash acquired	**(155,975)**	(569,918)
Purchases of property, plant and equipment	**(5,285)**	(6,039)
Deferred acquisition costs incurred	**(113)**	(21,673)
Proceeds from sale of property, plant and equipment	**929**	590
Net cash used in investing activities	**(160,444)**	(597,040)

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INERGY, L.P. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)
(In Thousands)
(unaudited)

	Three Months Ended December 31,	
	2005	**2004**
Financing activities		
Proceeds from issuance of long-term debt	**$ 328,800**	$1,240,508
Principal payments on long-term debt	**(140,008)**	(816,209)
Distributions	**(25,085)**	(11,053)
Payments for deferred financing costs	**(850)**	—
Net proceeds from issuance of common units	**24,853**	212,274
Net cash provided by financing activities	**187,710**	625,520
Effect of foreign exchange rate changes on cash	**(14)**	66
Net increase in cash	**16,923**	18,341
Cash at beginning of period	**9,500**	2,256
Cash at end of period	**$ 26,423**	$ 20,597
Supplemental disclosure of cash flow information		
Cash paid during the period for interest	**$ 16,466**	$ 2,892
Supplemental schedule of noncash investing and financing activities		
Additions to covenants not to compete through the issuance of noncompete obligations	**$ 4,314**	$ 6,055
Decrease in the fair value of long-term debt and related increase in the interest rate swap liability	**$ 1,468**	$ —
Acquisitions of retail propane companies, net of cash acquired:		
Current assets	**$ 30,429**	$ 71,316
Property, plant and equipment	**116,340**	318,151
Intangible assets	**4,770**	135,828
Goodwill	**38,167**	124,300
Other assets	**732**	1,359
Current liabilities	**(30,149)**	(74,981)
Non-compete liabilities	**(4,314)**	(6,055)
	$ 155,975	$ 569,918

See accompanying notes to the consolidated financial statements.

INERGY, L.P. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1 – Organization and Basis of Presentation

Organization

The consolidated financial statements of Inergy, L.P. (“Inergy” or the “Company”) include the accounts of Inergy and its subsidiaries, including Inergy Propane, LLC (“Inergy Propane”) and its subsidiary Inergy Sales and Service Inc. (“Services”), Inergy Acquisition Company, LLC (collectively, the “Operating Companies”) and Inergy Finance Corp.

Inergy Partners, LLC (“Inergy Partners” or the “Non-Managing General Partner”), a subsidiary of Inergy Holdings, L.P. (“Holdings”), owns the Non-Managing General Partner interest in the Company. Inergy GP, LLC (‘Inergy GP” or the “Managing General Partner”), a wholly owned subsidiary of Holdings, has sole responsibility for conducting our business and managing our operations. Holdings is a holding company whose principal business, through its subsidiaries, is its management of and ownership in Inergy, L.P. Holdings also directly owns the incentive distribution rights with respect to Inergy, L.P.

Pursuant to a Partnership Agreement, Inergy GP or any of its affiliates is entitled to reimbursement for all direct and indirect expenses, incurred or payments it makes on behalf of Inergy and all other necessary or appropriate expenses allocable to Inergy or otherwise reasonably incurred by Inergy GP in connection with operating the Company’s business. These costs, which totaled approximately $1.8 million and $0.6 million, for the three months ended December 31, 2005 and 2004, respectively, include compensation and benefits paid to officers and employees of Inergy GP and its affiliates.

As of December 31, 2005, Holdings owns an aggregate 10.4% interest in Inergy, inclusive of ownership of the Non-Managing General Partner and Managing General Partner. This ownership is comprised of an approximate 1.1% general partnership interest and a 9.3% limited partnership interest.

Nature of Operations

Inergy is engaged primarily in the sale, distribution, storage, marketing, trading, processing and fractionation of propane, natural gas 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 primarily concentrated in the Midwest, Northeast, and Southeast regions of the United States.

Basis of Presentation

The financial information contained herein as of December 31, 2005 and for the three-month periods ended December 31, 2005 and 2004 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 retail distribution business is largely seasonal due to propane’s primary use as a heating source in residential and commercial buildings. Accordingly, the results of operations for the three-month period ended December 31, 2005 is not indicative of the results of operations that may be expected for the entire year.

INERGY, L.P. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The accompanying consolidated financial statements should be read in conjunction with the consolidated financial statements of Inergy, L.P. and subsidiaries and the notes thereto included in Form 10-K, as amended, as filed with the Securities and Exchange Commission for the year ended September 30, 2005.

Reclassifications

Certain prior period amounts have been reclassified to conform to the current period presentation. These reclassifications had no effect on net income.

Note 2 – Accounting Policies

Financial Instruments and Price Risk Management

Inergy utilizes certain derivative financial instruments to (i) manage its exposure to commodity price risk, specifically, the related change in the fair value of inventories, as well as the variability of cash flows related to forecasted transactions; (ii) to ensure adequate physical supply of commodity will be available; and (iii) manage its exposure to interest rate risk. Inergy records all derivative instruments on the balance sheet as either assets or liabilities measured at fair value under the provisions of Statement of Financial Accounting Standards No. 133, “Accounting for Derivative Instruments and Hedging Activities” (“SFAS 133”), as amended. Changes in the fair value of these derivative instruments are recorded either through current earnings or as other comprehensive income, depending on the type of hedge transaction. Gains and losses on derivative instruments designated as cash flow hedges are reported in other comprehensive income and reclassified into earnings in the periods in which earnings are impacted by the variability of the cash flow of the hedged item. The ineffective portion of all hedge transactions is recognized in current period earnings.

On the date the derivatives contract is entered into, Inergy designates the derivative as either a hedge of the fair value of a recognized asset or liability or of an unrecognized firm commitment (fair value hedge), or a hedge of a forecasted transaction or the variability of cash flows to be received or paid related to a recognized asset or liability (cash flow hedge). Inergy documents all relationships between hedging instruments and hedged items, as well as its risk-management objective and strategy for undertaking various hedge transactions. Inergy uses regression analysis and the dollar offset method to assess, both at the hedge’s inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair value or cash flows of hedged items. When it is determined that a derivative is not highly effective as a hedge or that it has ceased to be a highly effective hedge, Inergy discontinues hedge accounting prospectively. When hedge accounting is discontinued because it is determined that the derivative no longer qualifies as an effective hedge, Inergy continues to carry the derivative on the balance sheet at its fair value, and recognizes changes in the fair value of the derivative through current period earnings.

Inergy is party to certain commodity derivative financial instruments that are designated as hedges of selected inventory positions, and qualify as fair value hedges, as defined in SFAS 133. Inergy’s overall objective for entering into fair value hedges is to manage its exposure to fluctuations in commodity prices and changes in the fair market value of its inventories as well as to ensure an adequate physical supply will be available. These derivatives are recorded at fair value on the balance sheets as price risk

INERGY, L.P. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

management assets or liabilities and the related change in fair value is recorded to earnings in the current period as cost of product sold. Any ineffective portion of the gain or loss is recognized as cost of product sold in the current period.

Inergy also enters into derivative financial instruments that qualify as cash flow hedges, which hedge the exposure of variability in expected future cash flows attributable to a particular risk. These derivatives are recorded on the balance sheet at fair value as price risk management assets or liabilities. The effective portion of the gain or loss on these cash flow hedges is recorded in other comprehensive income in partner's capital and reclassified into earnings in the same period in which the hedge transaction closes. Any ineffective portion of the gain or loss is recognized as cost of product sold in the current period.

Furthermore, Inergy has elected to use the special hedge accounting rules in SFAS 133 and hedge the fair value of certain of its inventory positions, whereby the hedged inventory is marked to market. Inventories purchased under energy contracts subsequent to October 25, 2002, and not otherwise designated as being hedged are carried at the lower-of-cost or market.

The cash flow impact of derivative financial instruments is reflected as cash flows from operating activities in the consolidated statement of cash flows.

Revenue Recognition

Sales of propane and other liquids are recognized at the time product is shipped or delivered to the customer. Gas processing and fractionation fees are recognized upon delivery of the product. 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. Revenue from storage contracts is recognized during the period in which it is earned.

Expense Classification

Cost of products sold consists of tangible products sold including all propane and other natural gas liquids sold and all propane related appliances sold. Operating and administrative expenses consist of all expenses incurred by Inergy other than those described above in cost of products sold and depreciation and amortization. Certain of Inergy's operating and administrative expenses and depreciation and amortization are incurred in the distribution of our product sales but are not included in cost of product sold. These amounts were $11.6 million and $5.9 million for the three months ended December 31, 2005 and 2004, respectively.

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.

INERGY, L.P. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Inventories

Inventories for retail operations, which mainly consist of propane gas and other liquids, are stated at the lower of cost or market and are computed using the average-cost method or on a first-in, first-out basis. Wholesale propane inventories are stated at the lower of cost or market determined by using the average-cost method unless designated as being hedged by forward sales contracts. Wholesale propane inventories being hedged and carried at market at December 31, 2005 and September 30, 2005 amount to $31.4 million and $85.8 million, respectively.

Inventories consist of (in thousands):

	December 31, 2005	September 30, 2005
Propane gas and other liquids	**$ 83,777**	$ 110,085
Appliances, parts and supplies	**11,955**	7,727
	$ 95,732	$ 117,812

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 except as discussed in “Expense Classification”.

Identifiable Intangible Assets

The Company has recorded certain identifiable intangible assets, including covenants not to compete, customer accounts, trademarks, deferred financing costs and deferred acquisition costs. Covenants not to compete, customer accounts and trademarks have arisen from the various acquisitions by Inergy. Deferred financing costs represent financing costs incurred in obtaining financing and are being amortized over the term of the debt. Deferred acquisition costs represent costs incurred on acquisitions that Inergy is actively pursuing, most of which relate to the acquisitions completed subsequent to quarter end.

Certain intangible assets are amortized on a straight-line basis over their estimated economic lives, as follows:

	Years
Covenants not to compete	2-10
Deferred financing costs	1-10
Customer accounts	15
Trademarks	-

Trademarks have been assigned an indefinite economic life and are thereafter not being amortized. However, they are subject to an annual impairment evaluation.

INERGY, L.P. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Income Per Unit

Basic net income per limited partner unit is computed by dividing net income, after considering the Non-Managing General Partner's interest, by the weighted average number of common and subordinated units outstanding. Diluted net income per limited partner unit is computed by dividing net income, after considering the Non-Managing General Partner's interest, by the weighted average number of common and subordinated units outstanding and the effect of dilutive units, including the Special Units and unit options granted under the long-term incentive plan. The following table presents the calculation of basic and dilutive net income per limited partner unit (in thousands, except per unit data):

	Three Months Ended December 31,	
	2005	**2004**
Numerator:		
Net income	$10,704	$11,001
Less: Non-Managing General Partner's interest in net income	3,931	728
Limited partners' interest in net income – basic and diluted	$ 6,773	$10,273
Denominator:		
Weighted average limited partners' units outstanding – basic	40,220	25,310
Effect of dilutive units	1,272	564
Weighted average limited partners' units outstanding – dilutive	41,492	25,874
Net income per limited partner unit:		
Basic	$ 0.17	$ 0.41
Diluted	$ 0.16	$ 0.40

Accounting for Unit-Based Compensation

Inergy has a unit-based employee compensation plan, which is accounted for under the provisions of Financial Accounting Standards No. 123 (revised 2004), Share-Based Payment ("SFAS 123R"), which is a revision of SFAS No. 123, *Accounting for Stock-Based Compensation*. SFAS 123(R) supersedes APB Opinion No. 25, *Accounting for Stock Issued to Employees* ("APB 25"), and amends FASB Statement No. 95, *Statement of Cash Flows*. SFAS No. 123(R) *requires* all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fair values.

The Company adopted SFAS No. 123(R) on October 1, 2005 using the modified prospective method. Under the modified prospective method, compensation cost is recognized beginning with the effective date (a) for all share-based payments granted after the effective date and (b) for all awards granted to employees prior to effective date of SFAS No. 123(R) that remain unvested as of the effective date. The amount of compensation expense recorded by the Company under the provisions of SFAS 123(R) during the three months ended December 31, 2005 was not significant.

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INERGY, L.P. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The following table illustrates the effect on net income and net income per limited partner unit as if Inergy had applied the fair value recognition provisions of SFAS No. 123(R) to unit-based employee compensation for the three months ended December 31, 2004. For purposes of pro forma disclosures, the estimated fair value of an option is amortized to expense over the option's vesting period.

	Three Months Ended December 31, 2004
	(in thousands, except per unit data)
Net income as reported	$ 11,001
Deduct: Total unit-based employee compensation expense determined under fair value method for all awards	64
Pro forma net income	$ 10,937
Deduct: Non-managing general partners' interest in net income (loss)	$ 728
Pro forma limited partners' interest in net income for the three months ended December 31, 2004	$ 10,209
Net income per limited partner unit:	
Basic – as reported	$ 0.41
Basic – pro forma	$ 0.40
Diluted – as reported	$ 0.40
Diluted – pro forma	$ 0.39

Segment Information

SFAS No. 131, *Disclosures about Segments of an Enterprise and Related Information* ("SFAS 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 131 defines operating segments 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 reportable segments under the provisions of SFAS 131, Inergy examined the way it organizes its business internally for making operating decisions and assessing business performance. See Note 7 for disclosures related to Inergy's propane and midstream segments.

INERGY, L.P. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Recently Issued Accounting Pronouncements

SFAS No. 151, *Inventory Costs, an amendment of ARB No. 43, Chapter 4* ("SFAS 151"), amends the existing standard that provides guidance on accounting for inventory costs and specifically clarifies that abnormal amounts of costs should be recognized as period costs. This statement is effective for the fiscal year beginning after June 15, 2005. The adoption of SFAS 151 does not have a material effect on the Company's consolidated financial statements.

SFAS No. 153, *Exchanges of Nonmonetary Assets, an amendment of APB Opinion No. 29, Accounting for Nonmonetary Transactions* ("SFAS 153") eliminates the narrow exception for nonmonetary exchanges of similar productive assets and replaces it with a broader exception for exchanges of nonmonetary assets that do not have commercial substance. Further, the amendments made by SFAS 153 are based on the principle that exchanges of nonmonetary assets should be measured based on the fair value of the assets exchanged. Previously, Opinion No. 29 required that the accounting for an exchange of a productive asset for a similar productive asset or an equivalent interest in the same or similar productive asset should be based on the recorded amount of the asset relinquished. SFAS 153 is effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. The provisions of SFAS 153 shall be applied prospectively. The adoption of SFAS 153 does not have a material effect on the Company's consolidated financial statements.

SFAS No. 154, *Accounting Changes and Error Corrections* ("SFAS 154") is a replacement of APB Opinion No. 20, *Accounting Changes*, and FASB Statement No. 3, *Reporting Accounting Changes in Interim Financial Statements*. SFAS 154 applies to all voluntary changes in accounting principle and changes the accounting for and a reporting of a change in accounting principle. SFAS 154 requires retrospective application to the prior periods' financial statements of a voluntary change in accounting principle unless it is impracticable. SFAS 154 is effective for the accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The adoption of SFAS 154 is not expected to have a material effect on the Company's consolidated financial statements.

In March 2005, the FASB issued FASB Interpretation No. 47, *Accounting for Conditional Asset Retirement Obligations – an interpretation of FASB Statement No. 143* ("FIN 47"). FIN 47 clarifies that the term conditional retirement obligation, as used in FASB Statement No. 143, *Asset Retirement Obligations*, refers to a legal obligation to perform an asset retirement activity in which the timing or method of settlement, or both, are conditional on a future event that may or may not be within the control of the entity. An entity is required to recognize a liability for the fair value of a conditional asset retirement obligation if the fair value of the liability can be reasonably estimated. FIN 47 is required to be adopted by Inergy for the fiscal year ended September 30, 2006 and Inergy is currently assessing the impact on its financial statements.

EITF 04-13, *Accounting for Purchases and Sales of Inventory with the Same Counterparty* addresses the accounting for an entity's sale of inventory to another entity from which it also purchases inventory to be sold in the same line of business. EITF 04-13 concludes that two or more inventory transactions with the same counterparty should be accounted for as a single non-monetary transaction at fair value or recorded amounts based on inventory classifications. EITF 04-13 is effective for new arrangements entered into, and modifications or renewals of existing arrangements, beginning in the first interim or annual reporting period beginning after March 15, 2006. The Company is evaluating the potential impact of EITF 04-13 and does not believe it will have a material effect on its financial position, results of operations and cash flows.

INERGY, L.P. AND SUBSIDIARIES
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(Unaudited)

Note 3 – Long-Term Debt

Long-term debt consisted of the following (in thousands):

	December 31, 2005	September 30, 2005
Credit agreement	**$ 316,500**	$ 126,800
Senior unsecured notes	**421,885**	423,352
Obligations under noncompetition agreements and notes to former owners of businesses acquired	**13,493**	9,579
	751,878	559,731
Less current portion	**76,184**	17,931
	$ 675,694	$ 541,800

The Company's credit agreement ("Credit Agreement") consists of a $75 million revolving working capital facility (the "Working Capital Facility") and a $350 million revolving acquisition facility (the "Acquisition Facility"). At December 31, 2005 and September 30, 2005, the balance outstanding under the Credit Agreement included $45.9 million and $20 million, respectively, under the Working Capital Facility. Additionally, at December 31, 2005, the Company had $36.6 million borrowed under the Acquisition Facility for working capital purposes. The prime rate and LIBOR plus the applicable spreads were between 6.12% and 7.50% at December 31, 2005, and between 6.19% and 7.75% at September 30, 2005, for all outstanding debt under the Credit Agreement. Unused borrowings under the Credit Agreement amounted to $83.0 million and $276.2 million at December 31, 2005 and September 30, 2005, respectively. See Note 8.

At December 31, 2005, the Company was in compliance with all of its debt covenants.

Note 4 – Business Acquisitions

For the quarter ended December 31, 2005, Inergy closed three acquisitions including Atlas Gas Products Inc., Dowdle Gas, and Graeber Brothers Inc. during the first week of October. The aggregate purchase price for these acquisitions, net of cash acquired was $155.1 million. The purchase price allocation for these acquisitions has been prepared on a preliminary basis and changes may occur when additional information becomes available.

The operating results for these acquisitions are included in the consolidated results of operations from the dates of acquisition through December 31, 2005.

The purchase price allocation of Stagecoach has been prepared on a preliminary basis, and changes may occur when additional information becomes available.

INERGY, L.P. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 5 – Partner's Capital

In October 2005, the underwriters of a September 2005 6,500,000 common unit offering exercised a portion of their over-allotment provision and Inergy issued an additional 900,000 common units in a follow-on offering, resulting in proceeds of $24.9 million, net of underwriters' discounts, commissions, and offering expenses. These funds were used to repay borrowings under the Credit Agreement.

Quarterly Distributions of Available Cash

On November 14, 2005, a quarterly distribution of $0.52 per limited partner unit was paid to unitholders of record on November 7, 2005 with respect to the fourth fiscal quarter of 2005, which totaled $25.1 million. Inergy will distribute $0.53 per limited partner unit on February 14, 2006 to unitholders of record on February 7, 2006 for a total distribution of $25.9 million with respect to its first fiscal quarter of 2006.

On November 12, 2004, a quarterly distribution of $0.425 per limited partner unit was paid to its unitholders of record on November 5, 2004 with respect to the fourth fiscal quarter of 2004, which totaled $11.1 million. Inergy distributed $0.475 per limited partner unit on February 14, 2005 to unitholders of record on February 7, 2005, for a total distribution of $17.6 million with respect to its first fiscal quarter of 2005.

Note 6 – Commitments and Contingencies

Inergy periodically enters into agreements to purchase fixed quantities of liquid propane and distillates at fixed prices with suppliers. At December 31, 2005, the total of these firm purchase commitments was approximately $219.2 million. The Company also enters into agreements to purchase quantities of liquid propane and distillates at variable prices with suppliers at future dates at the then prevailing market prices. At December 31, 2005, the quantity of these variable purchase commitments was approximately 307.1 million gallons.

At December 31, 2005, Inergy was contingently liable for letters of credit outstanding totaling $25.5 million, which guarantee various transactions.

Inergy is periodically involved in litigation proceedings. The results of litigation proceedings cannot be predicted with certainty; however, management believes that Inergy does not have material potential liability in connection with these proceedings that would have a significant financial impact on its consolidated financial condition or results of operations.

Inergy utilizes third-party insurance subject to varying retention levels of self-insurance, which management considers prudent. Such self-insurance relates to losses and liabilities primarily associated with workers' compensation claims and general, product, vehicle, and environmental liability. Losses are accrued based upon management's estimates of the aggregate liability for claims incurred using certain assumptions followed in the insurance industry and based on past experience.

To the extent they have not already been paid, certain employees are entitled to receive up to $1.7 million in aggregate of bonus payments at the end of the subordination periods of the Junior and Senior Subordinated Units. As these amounts will only become due if the employees remain employed by Inergy, no amount has been accrued at December 31, 2005.

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Note 7 – Segments

Inergy's financial statements reflect two operating and reportable segments: propane operations and midstream operations. Inergy's propane operations include propane sales to end users, the sale of propane-related appliances and service work for propane-related equipment, the sale of distillate products and wholesale distribution of propane and provide marketing and price risk management services to other users, retailers and resellers of propane. Inergy's midstream operations include storage of natural gas liquids for third parties, fractionation of natural gas liquids, processing of natural gas liquids, and the distribution of natural gas liquids. Results of operations for acquisitions that occurred during the three months ended December 31, 2005 are included in the propane segment.

The identifiable assets associated with each reportable segment include accounts receivable and inventories. Goodwill is also presented for each segment. The net asset/liability from price risk management, as reported in the accompanying consolidated balance sheets, is related to the propane segment.

Revenues, gross profit, identifiable assets and goodwill for each of Inergy's reportable segments are presented below. Certain reclassifications have been made to the prior period information to conform to the current period presentation.

The following segment information is presented in thousands of dollars:

	Three Months Ended December 31, 2005			
	Propane Operations	Midstream Operations	Intersegment Eliminations	Total
Retail Propane revenues	$237,399	$ —	$ —	$237,399
Wholesale propane revenues	124,653	5,232	—	129,885
Storage, fractionation and other midstream revenues	—	33,775	(179)	33,596
Transportation revenues	2,662	—	—	2,662
Propane-related appliance sales revenues	8,178	—	—	8,178
Retail service revenues	5,406	—	—	5,406
Rental service and other revenues	5,034	—	—	5,034
Distillate revenues	28,106	—	—	28,106
Gross profit	101,759	10,715	—	112,474
Identifiable assets	293,455	14,296	—	307,751
Goodwill	264,316	23,024	—	287,340

INERGY, L.P. AND SUBSIDIARIES
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	Three Months Ended December 31, 2004			
	Propane Operations	Midstream Operations	Intersegment Eliminations	Total
Retail Propane revenues	$ 119,245	$ —	$ —	$ 119,245
Wholesale propane revenues	99,053	6,178	—	105,231
Storage, fractionation and other midstream revenues	—	11,415	—	11,415
Transportation revenues	2,508	—	—	2,508
Propane-related appliance sales revenues	2,241	—	—	2,241
Retail service revenues	3,128	—	—	3,128
Rental service and other revenues	2,302	—	—	2,302
Distillate revenues	11,395	—	—	11,395
Gross profit	61,566	3,122	—	64,688
Identifiable assets	220,096	13,708	—	233,804
Goodwill	202,427	—	—	202,427

Note 8 – Subsequent Events

On January 10, 2006, Inergy announced it has executed an agreement to purchase the assets of Propane Gas Service, Inc. located in South Windsor, CT, which delivers propane to approximately 10,000 customers in the northeast United States market.

On January 11, 2006 Inergy, L.P. and its wholly owned subsidiary Inergy Finance Corporation issued $200 million aggregate principal amount of 8 1/4% senior unsecured notes due 2016 in a private placement to eligible purchasers. Inergy used the net proceeds of the offering to repay outstanding indebtedness under its revolving acquisition credit facility.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operation

"Management's Discussion and Analysis of Financial Condition and Results of Operations" should be read in conjunction with the accompanying consolidated financial statements and "Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Annual Report on Form 10-K, as amended, of Inergy, L.P. for the fiscal year ended September 30, 2005.

The statements in this Quarterly Report on Form 10-Q that are not historical facts, including most importantly, those statements preceded by, or that include the words "may", "believes", "expects", "anticipates" or the negation thereof, or similar expressions, constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements include, but are not limited to, statements that: (i) we believe our wholesale supply, marketing and distribution business complements our retail distribution business, (ii) we expect recovery of goodwill through future cash flows associated with acquisitions, and (iii) we believe that anticipated cash from operations and borrowings under our credit facility will be sufficient to meet our liquidity needs for the foreseeable future. Such forward-looking statements involve risks, uncertainties and other factors which may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, but are not limited to, the following: weather in our area of operations; market price of propane; availability of financing; changes in, or failure to comply with, government regulations; the costs, uncertainties and other effects of legal and administrative proceedings and other risks and uncertainties detailed in our Securities and Exchange Commission filings. For those statements, we claim the protection of the safe harbor for forward-looking statements contained in the Reform Act. We will not undertake and specifically decline any obligation to publicly release the result of any revisions to any forward-looking statements to reflect events or circumstances after the date of such statements or to reflect events or circumstances after anticipated or unanticipated events.

Overview

We are a rapidly growing retail and wholesale propane, supply, marketing and distribution business. We also own and operate a growing midstream operation, including a high performance, multicycle natural gas storage facility ("Stagecoach") and a natural gas liquids ("NGL") business in California, which includes natural gas processing, NGL fractionation, NGL rail and truck terminals, bulk storage, trucking and marketing operations. We have grown primarily through acquisitions of retail propane operations. Since the inception of Inergy's predecessor in 1996 through December 31, 2005, Inergy has acquired 52 companies, 50 propane companies and 2 midstream businesses. Inergy further intends to pursue its growth objectives through, among other things, future acquisitions, maintaining a high percentage of retail sales to residential customers, operating in attractive markets and focusing its operations under established, and locally recognized trade names.

In October 2005, we acquired Atlas Gas Products, Dowdle Gas, Inc., and Graeber Brothers Inc. for a total purchase price of $155.1 million, net of cash acquired. The operating results for these entities are included in our consolidated results of operations from the dates of acquisition.

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. As a result, operating income is highest during the

period of October through March. 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 operating regions. “Heating degree days” are a general indicator of weather impacting propane usage and are calculated for any given period by adding the difference between 65 degrees and the average temperature of each day in the period (if less than 65 degrees).

The retail 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 as sales prices may not change as rapidly. 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.

We believe our wholesale supply, marketing and distribution business complements our retail distribution business. Through our wholesale operations, we distribute propane and also offer price risk management services to propane retailers, resellers and other related businesses as well as energy marketers and dealers, through a variety of financial and other instruments. We engage in derivative 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.

Three Months Ended December 31, 2005 Compared to Three Months Ended December 31, 2004

Volume. During the three months ended December 31, 2005, we sold 125.1 million retail gallons of propane, an increase of 51.8 million gallons, or 71% over the 73.3 million retail gallons sold during the same three-month period in 2004. The increase in retail sales volume was principally due to the December 2004 acquisition of Star Gas Propane, L.P. (“Star Gas”) and the October 2005 acquisition of Dowdle Gas Inc. (“Dowdle”), as well as the impact from the seven other retail propane companies for which results are only included in the 2004 and 2005 periods subsequent to the date of acquisition. Acquisition-related volume accounted for approximately 56.9 million gallons of this increase. Offsetting the acquisition-related volume increase as well as the colder weather experienced in the 2005 period was a decline in the volume sales at existing locations due to customer conservation as a result of an approximate 22% increase in the average cost of propane in the 2005 period over the 2004 period. Weather was approximately 6% colder in our comparable areas of operations in the three months ended December 31, 2005 as compared to the same period in 2004.

Wholesale gallons delivered during the three months ended December 31, 2005 were 127.5 million gallons, as compared to 125.2 million gallons during the same three-month period in 2004.

Revenues. Revenues for the three months ended December 31, 2005 were $450.3 million, an increase of $192.8 million, or 75%, from $257.5 million during the same three-month period in 2004.

Revenues from retail propane sales were $237.4 million for the three months ended December 31, 2005, an increase of $118.2 million, or 99%, from $119.2 million from the same three-month period in 2004. This increase was primarily the result of $107.0 million of sales related to the Star Gas, Dowdle and other acquisitions together with an increase of approximately $19.9 million due to higher selling prices of propane, which was driven by higher cost per gallon of propane. These increases were partially offset by an $8.7 million decline in revenues as a result of lower retail volume sales at our existing locations as discussed above.

Revenues from wholesale propane sales were $129.9 million for the three months ended December 31, 2005, an increase of $24.7 million or 23%, from $105.2 million from the same three-month period in 2004. Approximately $22.3 million of this increase was attributable to the higher cost of propane, approximately $0.6 million was attributable to acquisition-related volume, and $1.8 million was attributable to volume increases generated in our wholesale propane operations. The higher selling price in our wholesale division resulted primarily from the higher cost of propane.

Revenues from other retail sales, primarily service, appliance, transportation, and distillates, were $49.4 for the three months ended December 31, 2005, an increase of $27.8 million or 129% from $21.6 million during the same three-month period in 2004. This increase was primarily due to the Star Gas and Dowdle acquisitions, which contributed approximately $19.3 million and $4.7 million of this increase, respectively.

Revenues from storage, fractionation and other midstream activities were $33.6 million for the three months ended December 31, 2005, an increase of $22.2 million or 195% from $11.4 million from the same three-month period in 2004. Approximately $13.8 million of this increase was due to higher volumes and sales prices of natural gas, butane, and isobutene. Approximately $8.4 million of this increase was due to the acquisition of the Stagecoach natural gas storage facility.

Cost of Product Sold. Retail propane cost of product sold for the three months ended December 31, 2005 was $161.7 million, an increase of $92.2 million or 133%, from $69.5 million during the same three-month period in 2004. Approximately $65.9 million of this increase was the result of increased volumes from acquisitions, approximately $15.8 million of the increase was attributable to the higher average cost of propane in addition to an increase of $16.1 million due to non-cash charges from derivative contracts associated with retail propane fixed price sales contracts (as discussed below). These increases were partially offset by approximately $5.6 million less cost of product sold as a result of lower retail volume sales at our existing locations as discussed above. The $16.1 million non-cash charge results primarily from a decrease in the market price of propane and the delivery of propane under contract to the retail customers in the quarter ended December 31, 2005 since recognizing an approximate $19.4 million non-cash gain in the quarter ended September 30, 2005 on these derivative contracts.

Wholesale propane cost of product sold for the three months ended December 31, 2005 was $123.5 million, an increase of $20.4 million or 20%, from $103.1 million from the same three-month period in 2004. Approximately $18.1 million of this increase was a result of the higher average cost of product, approximately $0.5 million of this increase was a result of acquisition-related volume, and approximately $1.8 million of this increase was the result of higher volumes experienced in our wholesale propane areas of operations.

Other retail cost of product was $29.3 million for the three months ended December 31, 2005, an increase of $17.7 million from $11.6 million from the same three-month period in 2004. This increase was primarily due to acquisition-related volume.

Fractionation, storage, and other midstream cost of product sold was $23.3 million for the three months ended December 31, 2005, an increase of $14.7 million, or 171%, from $8.6 million from the same three-month period in 2004. Approximately $12.8 million of this increase was due to higher volumes and cost of natural gas, butane, and isobutane at the West Coast NGL operations, and the balance was due to acquisition-related volume from the Stagecoach natural gas storage facility.

Our retail cost of product sold consists primarily of tangible products sold including all propane, distillates and other natural gas liquids sold and all propane-related appliances sold. Other costs incurred in conjunction with the distribution of these products are included in operating and administrative expenses and consist primarily of wages to delivery personnel and delivery vehicle costs consisting of fuel costs, repair and maintenance and lease expense. These costs approximated $8.7 million and $4.5 million for the three months ended December 31, 2005 and 2004, respectively. In addition, the depreciation expense associated with the delivery vehicles is reported within depreciation and amortization expense and amounted to $2.9 million and $1.4 million for the three months ended December 31, 2005 and 2004, respectively. Since we include these costs in our operating and administrative expenses rather than in cost of product sold, our results may not be comparable to other entities in our lines of business if they include these costs in cost of product sold.

Gross Profit. Retail propane gross profit was $75.7 million for the three months ended December 31, 2005 compared to $49.7 million in the same three-month period in 2004, an increase of $26.0 million, or 52%. This increase was primarily attributable to an increase in retail gallons sold primarily as a result of acquisitions, which accounted for approximately $41.1 million of the increase, as well as an increase in margin per gallon, which resulted in an increase of approximately $4.1 million. The increase in margin per gallon was primarily the result of our ability to increase our selling prices in certain markets in excess of our increased cost of propane. These increases were partially offset by lower retail propane gross profit of approximately $3.1 million at our existing locations as a result of lower volume sales discussed above. Additionally, the increase was reduced by the $16.1 million non-cash charge from derivative contracts as described above.

Wholesale propane gross profit was $6.4 million for the three months ended December 31, 2005 compared to $2.1 million in the same three-month period in 2004, an increase of $4.3 million or 205%. Approximately $4.2 million of this increase was a result of increased margin per gallon from our existing business, with the balance of the increase attributable to acquisition-related volume.

Other retail gross profit was $20.1 million for the three months ended December 31, 2005 compared to $10.0 million in the same three-month period in 2004, an increase of $10.1 million, or 101%. This increase was due primarily to acquisition-related volume.

Fractionation, storage, and other midstream gross profit was $10.3 million for the three months ended December 31, 2005 compared to $2.8 million in the same three-month period in 2004, an increase of $7.5 million, or 268%. This increase was due primarily to $6.7 million of acquisition-related volume and $0.8 million due to increased volumes and margins to existing customers.

Operating and Administrative Expenses. Operating and administrative expenses increased to $68.8 million in the three months ended December 31, 2005 as compared to $34.8 million in the same three-month period in 2004. This increase in our operating and administrative expenses was primarily attributable to increases in personnel expenses of $18.3 million, general operating expenses of $11.6 million including insurance, professional services and facility costs, and increased vehicle costs of $4.1 million. These higher costs were driven primarily from acquisitions.

Depreciation and Amortization. Depreciation and amortization increased to $19.7 million in the three months ended December 31, 2005 from $8.8 million during the same period in 2004 primarily as a result of retail propane acquisitions.

Interest Expense. Interest expense increased to $13.1 million in the three months ended December 31, 2005 as compared to $3.5 million during the same period in 2004. Interest expense increased primarily due to an increase in the average debt outstanding including the additional financing related to the acquisition of Star Gas Propane, L.P. and higher average interest rates.

Write-off of Deferred Financing Costs. A charge of $7.0 million was recorded in the three-month period ended December 31, 2004 as a result of the write-off of the deferred financing costs associated with the repayment of the previously existing credit agreement and the 364-day facility. No such charge was recorded in the three months ended December 31, 2005.

Net Income. Net income was $10.7 million for the three months ended December 31, 2005 compared to net income of $11.0 million for the same three-month period in 2004. The slight decrease in net income was attributable to the higher gross profit in the 2005 period being more offset by the $16.1 million non cash derivatives charge discussed above, as well as increases in operating and administrative expenses, depreciation and amortization, and interest expense. The increases in these expense related items were primarily attributable to acquisitions.

EBITDA and Adjusted EBITDA. EBITDA is defined as income before taxes, plus net interest expense (inclusive of write-off of deferred financing costs) and depreciation and amortization expense. For the three months ended December 31, 2005, EBITDA was $44.0 million compared to $30.4 million during the same three-month period in 2004. The increase was primarily attributable to higher gross profit from increased sales volumes due to acquisitions partially offset by the $16.1 million non-cash charge from derivative contracts discussed above with increases in operating and administrative expenses serving to further partially offset the increase in EBITDA. As indicated in the table below, Adjusted EBITDA represents EBITDA excluding the $16.1 million of non-cash charge on derivative contracts associated with our retail fixed price sales, the gain or loss on the sale of fixed assets and non-cash equity compensation expenses. Adjusted EBITDA was $60.6 million in the quarter ended December 31, 2005 compared to $30.2 million in the quarter ended December 31, 2004. EBITDA and Adjusted 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 and Adjusted EBITDA provide additional information for evaluating our ability to make the minimum quarterly distribution and are presented solely as supplemental measures. EBITDA and Adjusted EBITDA, as we define them, may not be comparable to EBITDA and Adjusted EBITDA or similarly titled measures used by other corporations or partnerships.

	Three Months Ended December 31,	
	2005	**2004**
	(in thousands)	
EBITDA:		
Net income	**$10,704**	$11,001
Interest expense, net	**13,143**	3,469
Write off of deferred financing costs	**—**	6,990
Provision for income taxes	**425**	58
Depreciation and amortization	**19,721**	8,846
EBITDA	**$43,993**	$30,364
Non-cash loss on derivative contracts	**16,141**	—
(Gain)/loss on sale of property, plant and equipment	**388**	(173)
Non-cash compensation expense	**51**	—
Adjusted EBITDA	**$60,573**	$30,191

Liquidity and Sources of Capital

In October 2005, the underwriters of a September 2005 6,500,000 common unit offering exercised a portion of their over-allotment provision and Inergy issued an additional 900,000 common units in a follow-on offering, resulting in proceeds of approximately $24.9 million, net of underwriters' discounts, commissions, and offering expenses. These funds were used to repay borrowings under the credit agreement.

On January 11, 2006, Inergy, L.P. and its wholly owned subsidiary Inergy Finance Corporation issued $200 million aggregate principal amount of 8 1/4 % senior unsecured notes due 2016 in a private placement to eligible purchasers. Inergy used the net proceeds of the offering to repay outstanding indebtedness under its revolving acquisition credit facility.

Cash flows used in operating activities of $10.3 million in the three months ended December 31, 2005 consisted primarily of the following: net income of $10.7 million, net non-cash charges of $(0.6) million including depreciation and amortization of $19.7 million, $(22.2) million in price risk management activities due to a $16.1 million non-cash charge from derivative contracts associated with retail propane fixed price sales and $1.9 million of other non-cash charges, and a decrease in cash flows of $20.4 million associated with the changes in operating assets and liabilities. Net cash used relating to changes in operating assets and liabilities was primarily due to an increase in accounts receivable due to the seasonal nature of the business offset by a decrease in inventory due to price per gallon decreases as well as utilization of inventory due to the seasonal nature of the business. Cash flows used in operating activities of $10.2 million in the same three-month period in 2004 consisted primarily of the following: net income of $11.0 million, net non-cash charges of $8.5 million relating to depreciation and amortization of $8.8 million, $7.0 million in write-offs of deferred financing costs related to the repayment of the previously existing credit agreement and 364-day facility, net changes of $(7.6) million in price risk management activities and $0.3 million of other non-cash charges; and a decrease in cash flows of $29.7 million associated with the changes in operating assets and liabilities. The cash used in the changes in operating assets and liabilities is primarily due to an increase in accounts receivable due to acquisition-related revenue growth, the seasonal nature of the business and increased wholesale

volumes; an increase in net liabilities from price risk management activities, and an increase in customer deposits as a result of acquisition related activity offset by an increase in accounts payable due to propane purchases.

Cash used in investing activities was $160.4 million in the three months ended December 31, 2005 compared to $597.0 million in the same three-month period in 2004. Investing activities for the three months ended December 31, 2005 included a use of cash of $156.0 million, net of cash acquired, primarily for the acquisition of three retail propane companies. Investing activities during the same three-month period in 2004 included a use of cash of $569.9 million, net of cash acquired, for the acquisitions of three retail propane companies, including Star Gas Propane.

Cash provided by financing activities was $187.7 million in the three months ended December 31, 2005 and $625.5 million in the same three-month period in 2004. Cash provided by financing activities in the three months ended December 31, 2005 and the three months ended December 31, 2004 included net borrowings of $188.8 million and $424.3 million, respectively, under debt agreements, including borrowings and repayments of our revolving working capital and acquisition credit facility and the issuance of senior unsecured notes in the three months ended December 31, 2004. In addition, net proceeds were received from the issuance of common units of $24.9 million and $212.3 million in the three months ended December 31, 2005 and 2004, respectively. Offsetting these cash sources was $25.1 million and $11.1 million of distributions in the three months ended December 31, 2005 and 2004, respectively.

The following table summarizes our long-term debt and operating lease obligations as of December 31, 2005 in thousands of dollars:

	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	$751,878	$76,184	$ 5,236	$245,997	$ 424,461
Future minimum lease payments under noncancelable operating leases	$ 23,246	$ 6,510	$ 9,878	$ 4,552	$ 2,306
Standby letters of credit	$ 25,547	$24,657	$ 700	$ 190	$ —

We believe that anticipated cash from operations and borrowings under existing credit agreements 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 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.

Seasonality

The retail market for propane is seasonal because it is used primarily for heating in residential and commercial buildings. Approximately three-quarters 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.

Description of Credit Facility

Inergy maintains borrowing capacity under a credit facility ("Credit Agreement"), which consists of a $75 million revolving working capital facility ("Working Capital Facility") and a $350 million revolving acquisition facility ("Acquisition Facility"). The Credit Agreement accrues interest at either prime rate or LIBOR plus applicable spreads, resulting in interest rates between 6.12% and 7.50% at December 31, 2005. At December 31, 2005, borrowings outstanding under the Credit Agreement were $316.5 million, including $45.9 million under the Working Capital Facility and $36.6 million borrowed under the Acquisition Facility for working capital purposes. Of the outstanding Credit Agreement balance of $316.5 million, $244 million is classified as long-term in the accompanying consolidated balance sheet as of December 31, 2005. In January, 2006, we issued $200 million aggregate principal amount of 8 1/4 % senior unsecured notes due 2016 in a private placement to eligible purchasers and used the net proceeds to repay outstanding indebtedness under the Acquisition Facility.

During each fiscal year beginning October 1, the outstanding balance of the Working Capital Facility must be reduced to $10.0 million or less for a minimum of 30 consecutive days during the period commencing March 1 and ending September 30 of each calendar year.

At Inergy's option, loans under the Credit Agreement bear interest at either the prime rate or LIBOR (preadjusted for reserves), plus, in each case, an applicable margin. The applicable margin varies quarterly based on its leverage ratio. Inergy also pays a fee based on the average daily unused commitments under the Credit Agreement.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate 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 December 31, 2005, we had floating rate obligations totaling approximately $316.5 million for amounts borrowed under our credit agreement and an additional $100 million of floating rate obligations as a result of interest rate swap agreements as discussed below.

In the quarter ending March 2005, we entered into four interest rate swap agreements scheduled to mature in December 2014, each designed to hedge $25 million in underlying fixed rate senior unsecured notes, in order to manage interest rate risk exposure. These swap agreements, which expire on the same date as the maturity date of the related senior unsecured notes and contain call provisions consistent with the underlying senior unsecured notes, require the counterparty to pay us an amount based on the stated fixed interest rate on the notes due every six months. In exchange, we are required to make semi-annual floating interest rate payments on the same dates to the counterparty based on an annual interest rate equal to the 6 month LIBOR interest rate plus spreads between 1.95% and 2.20% applied to the same notional amount of $100 million. The swap agreements have been recognized as fair value hedges.

Amounts to be received or paid under the agreements are accrued and recognized over the life of the agreements as an adjustment to interest expense. During the three months ended December 31, 2005, the Company recognized an approximate $1.5 million decrease in the fair market value of the related senior unsecured notes at December 31, 2005 with a corresponding change in the fair value of its interest rate swaps, which are recorded in other liabilities. The fair value of the interest rate swaps was $3.1 million at December 31, 2005.

If the floating rate were to fluctuate by 100 basis points from December 2005 levels, our interest expense would change by a total of approximately $4.2 million per year.

Commodity Price, Market and Credit Risk

Inherent in our 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 have 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 position to senior management. Inergy provides for such risks at the time derivative financial instruments are adjusted to fair value and when specific risks become known. We attempt to minimize credit risk exposure through credit policies and periodic monitoring procedures as well as through customer deposits and letters of credit, as deemed appropriate. The counterparties associated with assets from price risk management activities as of December 31, 2005 and 2004 were propane retailers, resellers, energy marketers and dealers.

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, including various types of forward contracts, options, swaps and futures contracts, to reduce the effect of price volatility on our product costs, protect the value of our inventory positions, 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.

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Notional Amounts and Terms

The notional amounts and terms of these financial instruments as of December 31, 2005 and September 30, 2005 include fixed price payor for 8.9 million and 12.9 million barrels of propane, respectively, and fixed price receiver for 7.8 million and 14.6 million barrels of propane, respectively. Notional amounts reflect the volume of 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 derivative financial instruments related to price risk management activities as of December 31, 2005, and September 30, 2005 was assets of $46.6 million and $58.4 million, respectively, and liabilities of $20.7 million and $49.6 million, respectively. 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, recent transactions, time value and volatility factors underlying the commitments.

The following table summarizes the change in the unrealized fair value of our energy contracts related to our risk management activities for the three months ended December 31, 2005 and the same three-month period in 2004 where settlement has not yet occurred (in thousands of dollars):

	Three Months Ended	
	December 31, 2005	**December 31, 2004**
Net unrealized gains and (losses) in fair value of contracts outstanding at beginning of period	**$ 8,784**	$ (6,626)
Net unrealized gain acquired through acquisition during the period	**—**	1,881
Net change in inventory exchange contracts	**23,063**	(85)
Change in fair value of contracts attributable to market movement during the year	**(4,004)**	4,983
Less: realized gains recognized	**1,998**	2,031
Net unrealized gains and (losses) in fair value of contracts outstanding at end of period	**$ 25,845**	$ (1,878)

Of the outstanding unrealized gain as of December 31, 2005, all contracts had a maturity of one year or less.

Sensitivity Analysis

A theoretical change of 10% in the underlying commodity value would result in a change of approximately $0.2 million in the market value of the contracts as there were approximately 2.1 million gallons of net unbalanced positions at December 31, 2005.

Item 4. Controls and Procedures

We maintain controls and procedures designed to ensure that information required to be disclosed in our reports that are filed or submitted under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified by the rules and forms of the SEC, and that information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. An evaluation was performed under the supervision and with the participation of our management, including the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of the Company’s disclosure controls and procedures (as such terms are defined in Rule 13a-15(e) and 15d-15(e) of the Exchange Act). Based upon that evaluation, management, including the Chief Executive Officer and the Chief Financial Officer, concluded that the Company’s disclosure controls and procedures were adequate and effective as of December 31, 2005. There have been no changes in the Company’s internal controls over financial reporting (as defined in Rule 13(e)-15 or Rule 15d-15(f) of the Exchange Act) or in other factors during the fiscal quarter covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

Part I, Item 1. Financial Statements, Note 6 to the Consolidated Financial Statements of this Form 10Q is hereby incorporated herein by reference.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Submission of Matters to a Vote of Security Holders

None.

Item 5. Other Information

None.

Item 6. Exhibits

10.1 Asset Purchase Agreement dated October 4, 2005 between Inergy Propane, LLC, Dowdle Gas, Inc. and certain shareholders of Dowdle Gas.

31.1 Certification of Chief Executive Officer of Inergy, L.P. pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification of Chief Financial Officer of Inergy, L.P. pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certification of Chief Executive Officer of Inergy, L.P. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification of Chief Financial Officer of Inergy, L.P. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURE

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

INERGY, L.P.

By: INERGY GP, LLC
(its managing general partner)

Date: February 9, 2006

By: /s/ R. Brooks Sherman, Jr.

R. Brooks Sherman, Jr.
Senior Vice President and Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

Exhibit 10.1

ASSET PURCHASE AGREEMENT

by and among

DOWDLE GAS, INC.,

JOHN CHARLES DOWDLE INVESTMENT MANAGEMENT TRUST,

J. NUTIE DOWDLE,

JOHN C. DOWDLE

and

INERGY PROPANE, LLC

(October 4, 2005)

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Exhibit G	Opinion of Buyer’s Counsel
Exhibit H	Bank Account Information for Wire Transfer

ASSET PURCHASE AGREEMENT

THIS ASSET PURCHASE AGREEMENT is made and entered into this 4th day of October, 2005, by and among Dowdle Gas, Inc., a Mississippi corporation (“Seller”), J. Nutie Dowdle and John C. Dowdle, as co-trustees of the John Charles Dowdle Investment Management Trust, J. Nutie Dowdle and John C. Dowdle, each a shareholder of Seller (each individually, a “Shareholder” and collectively, the “Shareholders”), and Inergy Propane, LLC, a Delaware limited liability company (“Buyer”).

RECITALS

A. Seller desires to sell to Buyer, and Buyer desires to acquire from Seller, substantially all of the operating assets of Seller upon the terms and conditions hereinafter set forth.

B. Shareholders, along with J. Nutie Dowdle as trustee of the Edith Elizabeth Tyler Dowdle Seven Year Trust u/a/d December 30, 2002, and J. Nutie Dowdle as trustee of the J. Nutie Dowdle Seven Year Trust u/a/d December 30, 2002, being the holders of all of the issued and outstanding capital stock of Seller, desire that Seller sell to Buyer substantially all of the assets of Seller upon the terms and conditions hereinafter set forth.

C. Each Shareholder desires to sell to Buyer, and Buyer desires to acquire from each Shareholder, certain real property of such Shareholder that is used by Seller in the conduct of Seller’s business upon the terms and conditions hereinafter set forth.

AGREEMENT

In consideration of the above premises, the mutual agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE 1. DEFINITIONS

In addition to terms defined elsewhere in this Agreement, the following terms shall have the meanings assigned to them herein, unless the context otherwise dictates, both for purposes of this Agreement and all Schedules and Exhibits hereto:

“Agreement” or “this Agreement” shall mean this Asset Purchase Agreement, as amended from time to time by the parties hereto, together with all Schedules and Exhibits hereto.

“Assets” shall mean the entire right, title and interest in and to all of the assets and properties owned or used by Seller in connection with or arising out of the Business of every type and description, tangible and intangible, wherever located and whether or not reflected on the books and records of Seller, including the assets and properties described on Schedule 2.1 hereto, but in no event shall “Assets” include the Excluded Assets.

“Assumed Contracts” shall mean the Contracts set forth on Schedule 2.1A, Schedule 2.1C and Schedule 2.1D hereto.

"Assumed Liabilities" shall have the meaning set forth in Section 4.2(b) hereof.

"Benefit Plans" shall mean any and all pension, retirement, savings, disability, medical, dental, health, life (including any individual life insurance policy as to which Seller is the owner, beneficiary or both), death benefit, group insurance, profit sharing, deferred compensation, stock options or other stock incentive, bonus incentive, vacation pay, sick pay, severance or termination pay, employment agreement, "cafeteria" or "flexible benefit" plan under Section 125 of the Code, or other employee or director benefit plan, trust, arrangement, contract, agreement, policy or commitment, whether formal or informal, written or oral, under which employees, former employees, directors or former directors of Seller are entitled to participate by reason of their current or prior employment, or current or former directorship, with Seller, including any "employee benefit plan" as defined in Section 3(3) of ERISA, (i) to which Seller is a party or a sponsor or a fiduciary thereof or (ii) with respect to which Seller has made payments, contributions or commitments, or may otherwise have any liability.

"Business" shall mean the business of Seller, including its business with respect to: (i) purchasing, trading, marketing, distributing and selling propane gas on a retail or wholesale basis; and (ii) selling, servicing and installing parts, appliances and supplies related thereto on a retail basis, and which business is being acquired by Buyer pursuant to this Agreement at the Closing.

"Closing" shall mean the transfer by Seller to Buyer of the Assets and by Buyer to Seller of the consideration set forth herein and the consummation of the transactions contemplated by this Agreement, except as relating to the transfer of the Seller Property as contemplated in Article 14 of this Agreement.

"Closing Date" shall be the time of the Closing established pursuant to Section 4.1 hereof.

"Code" shall mean the Internal Revenue Code of 1986, as amended.

"Contracts" shall mean all contracts, agreements, understandings, notes, bonds, instruments, leases, subleases, mortgages, licenses, commitments or binding arrangements, express or implied, oral or written.

"Documents and Other Papers" shall mean and include any document, agreement, instrument, certificate, notice, consent, affidavit, letter, statement, file, computer disk, microfiche or other document in electronic format, schedule, exhibit or any other paper whatsoever.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended.

"Excluded Assets" shall mean any and all parcels of real property that are owned by Seller or any Shareholder, including the Real Property, and the assets and properties described on Schedule 2.2 hereof.

"GAAP" shall mean generally accepted accounting principles for financial reporting in the United States, applied on a basis consistent with the basis on which the financial statements referred to in Section 6.8 were prepared.

"HSR Act" shall mean the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

"IRS" shall mean the United States Internal Revenue Service.

"Knowledge" (i) with respect to Seller and Shareholders shall encompass all facts and information which are within the actual knowledge of J. Nutie Dowdle, John C. Dowdle or John R. Bowen after reasonable inquiry, and (ii) with respect to Buyer shall encompass all facts and information which are within the actual knowledge of John J. Sherman, R. Brooks Sherman or Carl A. Hughes after reasonable inquiry.

"Lien" shall mean any lien, pledge, claim, charge, security interest or encumbrance of any nature whatsoever.

"Material Adverse Effect" means a material adverse change in the Business or its operation or in the condition of the Assets or the Real Property, as a whole; provided, however, that in no event shall any of the following changes, in and of themselves, constitute a "Material Adverse Effect": (i) any change in the sources of competition in the market in which the Business is located, other than from Seller, or any other change resulting from general business or economic conditions in the United States that affects the market for propane gas or natural gas; (ii) any casualty or condemnation proceeding affecting all or part of the Business, Assets or Real Property which does not result in damage or have an impact in excess of $250,000; (iii) any change resulting from conditions affecting the propane or natural gas industry generally (including any change in laws, generally accepted accounting principles for financial reporting in the United States or regulatory accounting principles generally applicable to such industry), or any change resulting from general business or economic conditions in the United States; (iv) any change that would not be material to the operation of the Business by members of the propane or natural gas industry generally if such operation were continued in the same manner as conducted by Seller prior to the Closing Date, yet would be material to Buyer due to Buyer's unique circumstances, its proposed change in the operation of the Business or its integration of the Business into its corporate organization; (v) any change resulting from the announcement of any of the transactions contemplated in this Agreement; (vi) any change resulting from compliance by Seller with the terms of, or the taking of any action contemplated by, this Agreement; or (vii) any change in the availability, cost, terms and coverage of liability, hazard, comprehensive and any other insurance for the Business or its operation that is of general application to members of the propane or natural gas industry.

"Material Contract" shall mean and involve any Contract that involves, relates to or affects the Business, the Assets or the Real Property, or any of them, if any one or more of the following applies: (i) it involves, or may reasonably be expected to involve, the payment or receipt of Fifty Thousand Dollars ($50,000) or more (whether in cash or in goods or services of an equivalent value) over its term, including renewal options, or Twenty-Five Thousand Dollars ($25,000) during any one year or (ii) it imposes restrictions on the conduct of the Business,

including any noncompetition agreement or territorial restriction, or (iii) it was not made in the ordinary and usual course of the Business consistent with past practice, or (iv) it is a continuing contract for the purchase, sale or distribution of materials, supplies, equipment, products or services and is not cancelable on notice of thirty (30) days or less and without liability, premium or penalty, or (v) it burdens, benefits, or imposes liabilities upon, or otherwise with respect to, any real property owned or leased by Seller, or (vi) it is not cancelable on notice of thirty (30) days or less and without liability, premium or penalty, or (vii) the present or prospective Business is dependent upon it to avoid a Material Adverse Effect, or (viii) it involves the future purchase or sale of propane at a fixed price and is not cancelable on notice of thirty (30) days or less and without liability, premium or penalty, or (ix) it is a collective bargaining or other labor union contract.

"Organizational Documents" of an entity shall mean, if a corporation, its articles of incorporation or certificate of incorporation, as the case may be, and Bylaws, and if a limited liability company, its certificate of formation and limited liability company agreement, and, in each case, any other documents, agreements or instruments relating to the creation, formation, organization, governance or ownership of such entity.

"Person" means a natural person, partnership, limited partnership, corporation, limited liability company, trust, government, government agency and any other legal entity.

"Real Property" shall have the meaning set forth in Section 4.5(a) hereof.

"Retained Liabilities" shall have the meaning set forth in Article 5 hereof.

"Seller Lease Property" shall have the meaning set forth in Section 4.5(a) hereof.

"Seller Property" shall have the meaning set forth in Section 4.5(a) hereof.

"Shareholder Lease Property" shall have the meaning set forth in Section 4.5(a) hereof.

"Shareholder Property" shall have the meaning set forth in Section 4.5(a) hereof.

"Third Party Landlord" shall have the meaning set forth in Section 4.5(a) hereof.

"Third Party Lease" shall have the meaning set forth in Section 4.5(f) hereof.

"Third Party Property" shall have the meaning set forth in Section 4.5(a) hereof.

ARTICLE 2. PURCHASE AND SALE OF ASSETS

2.1 Assets. Subject to the terms and conditions hereof and subject to the representations and warranties made herein, at the Closing Seller shall validly sell, assign, transfer, grant, bargain, deliver and convey to Buyer the Assets, including the assets and properties described on Schedule 2.1 hereto.

2.2 Excluded Assets. The Excluded Assets are specifically not being purchased by or transferred to Buyer and are excluded from the Assets.

2.3 Non-Assignable Contracts. This Agreement and any document delivered hereunder shall not constitute an assignment or an attempted assignment by Seller of any right contemplated to be assigned to Buyer hereunder:

(a) Which is not assignable by Seller without the consent of a third party if such consent has not been obtained and such assignment or attempted assignment would constitute a breach thereof; or

(b) If the remedies for the enforcement or any other particular provisions thereof available to Seller would not pass to Buyer.

Seller shall use its best efforts to obtain, within 40 days of the Closing Date, such consents of third parties as may be necessary for the assignment of any such right by Seller, including those listed in Schedule 6.4 hereto; provided, however, that, unless otherwise notified by Buyer, Seller will not be required to take such action with respect to (i) any such right that is subject to termination on thirty (30) days or less without liability, premium or penalty, or (ii) any such right to use shrink-wrap packaged software (i.e., Microsoft and other commercially available software) installed on Seller's computers. To the extent that any such right of Seller is not assignable or where consents to the assignment thereof are not obtained, at the Closing Seller shall assign to Buyer the full benefit thereof (which shall be deemed to be part of the Assets) and grant to Buyer an irrevocable power of attorney to perform Seller's covenants and obligations under such rights in respect of the period after the Closing Date, and to enforce Seller's rights thereunder in the name of Seller but for the benefit of Buyer. Notwithstanding anything to the contrary herein contained, Seller makes no representation or warranty with respect to the enforceability of any covenants not to compete being assigned by Seller to Buyer, including the covenants not to compete for which the remaining payment obligations are set forth on Schedule 6.12 hereto, and Seller is not liable to Buyer or responsible for any Person failing to perform or abide by such covenants not to compete.

ARTICLE 3. PURCHASE PRICE; NONCOMPETITION PAYMENTS

3.1 Aggregate Purchase Price. The aggregate purchase price (the "Purchase Price") for the Assets is One Hundred Six Million Ninety Thousand Dollars ($106,090,000), plus an amount equal to the sum of the following:

(a) The value of the propane gas inventories of the Business (i) located in Seller's bulk storage tanks and trucks on September 30, 2005, (ii) located in Seller's yard tanks (i.e., tanks located on the Real Property) on September 30, 2005, (iii) stored by Seller in the Hattiesburg underground storage facility on September 30, 2005, and (iv) located in the Dixie pipeline and reflected in Seller's Dixie pipeline shipper's account on September 30, 2005, with the amount of such inventory to be based upon a reading from the sight gauge located on such bulk storage tanks and trucks for propane gas located therein, upon a reading from the sight gauge, tank scale or other means agreed upon by Buyer and Seller for propane gas in yard tanks, and upon the bailment, detail stock report

or similar documentation of the Hattiesburg underground storage facility and of the Dixie pipeline, in each case, determined jointly by a representative of Buyer and a representative of Seller on September 30, 2005, and the value of such inventory in Seller’s bulk storage tanks and trucks and in Seller’s yard tanks to be based upon the lowest wholesale delivered price at which Seller could purchase propane on the Closing Date, the value of such inventory in the Hattiesburg underground storage facility to be based upon the price of $0.97 per gallon with respect to the first 3.5 million gallons of such inventory and upon the Hattiesburg OPIS daily average for propane on the Closing Date with respect to any such inventory in excess of the first 3.5 million gallons, and the value of any such inventory in the Dixie pipeline and reflected in Seller’s Dixie pipeline shipper’s account to be based upon the Hattiesburg OPIS daily average for propane on the Closing Date plus laid in freight charges incurred by Seller for such inventory; provided, however, Seller will cause there to be at least 3.5 million gallons of propane gas stored by Seller in the Hattiesburg underground storage facility on the Closing Date and will be responsible for any shortfall (to the extent that there is less than 3.5 million gallons of propane gas stored by Seller in the Hattiesburg underground storage facility on the Closing Date, Buyer may purchase propane gas in an amount equal to the shortfall and Seller thereupon shall reimburse Buyer for an amount equal to the number of gallons so purchased by Buyer multiplied by the difference between the price per gallon paid by Buyer for such propane and $0.97 per gallon).

(b) The value of the parts and appliances inventories of the Business on the Closing Date that are usable and saleable in the ordinary course of business, with the amount of such inventory to be based upon a physical inventory taken jointly by a representative of Buyer and a representative of Seller on or as soon after the Closing Date as practicable, but in any event within thirty (30) days after the Closing Date, and the value of such inventory to be based upon the actual cost as reflected on Seller’s books and records;

(c) The amount of the accounts receivable arising from the Business and owned by Seller as of the Closing Date that are actually collected by Buyer during the one hundred eighty (180) days immediately following the Closing Date (the “Accounts Receivable”), and collections received by Buyer during such one hundred eighty (180) day period from a customer who owes money on accounts receivables arising from the Business both before and after the Closing Date will be applied first against those accounts receivables that arose before the Closing Date, and second against those accounts receivables that arose after the Closing Date;

(d) An amount equal to the sum of propane deposits of the Business held on account with suppliers on the Closing Date under those of the Assumed Contracts that are for the purchase of propane at a fixed price, as determined by Buyer and Seller from the books and records of Seller on the Closing Date;

(e) An amount equal to the sum of the purchase price paid by Seller with respect to each acquisition by Seller of the business and assets of retail propane companies that was closed from July 26, 2005 to the Closing Date plus the out of pocket transaction costs incurred by Seller in making such acquisition, which acquisitions are

listed on Schedule 3.1(e) hereto together with, for each such acquisition, the closing date, the location of the business and assets acquired, the Person who sold such business and assets, the purchase price paid by Seller, the out of pocket transaction costs incurred by Seller in making such acquisition, and the trailing twelve-month propane gallons sold by the business acquired;

(f) An amount equal to the property and ad valorem taxes with respect to the Assets that are required to be paid by Buyer subsequent to the Closing Date, to the extent such taxes were paid in advance by Seller and relate to periods after the Closing Date; and

minus an amount equal to the sum of the following:

(w) An amount equal to the sum of the amounts of the remaining payment obligations of Seller as of the Closing Date in respect of various covenants not to compete, which remaining payment obligations are set forth on Schedule 6.12 hereto;

(x) An amount equal to the sum of the customer deposits and customer budget payment account credits of the Business held by Seller on the Closing Date as determined by Buyer and Seller from the books and records of Seller on or as soon after the Closing Date as practicable, but in any event within five (5) days after the Closing Date (the "Customer Deposits");

(y) An amount equal to the cost and expense actually incurred by Buyer that is attributable to vacation time and sick time provided to employees of the Business who are hired by Buyer and which is furnished by Buyer to said employees with respect to the period commencing on the Closing Date and ending on December 31, 2005, with such amount being documented in the books and records of Buyer; and

(z) An amount equal to the property and ad valorem taxes with respect to the Assets that are required to be paid by Buyer subsequent to the Closing Date, to the extent such taxes relate to periods prior to the Closing Date. In the event the amount of any such tax in Section 3.1(f) or in Section 3.1(z) cannot be ascertained as of the Closing Date, proration shall be made on the basis of the preceding year and to the extent that such proration may be inaccurate Seller and Buyer agree to make such payment to the other after the tax statements have been received which are necessary to allocate such taxes properly between Seller and Buyer on a pro rata basis as of the Closing Date.

The amount determined pursuant to this Section 3.1 is payable at the times and in the manner specified in Section 4.3 hereof.

3.2 Allocation of Purchase Price. Buyer and Seller agree to allocate the Purchase Price to the Assets in the manner provided on Schedule 3.2 hereto.

3.3 Noncompete Payments. At the Closing on the Closing Date, Seller, J. Nutie Dowdle and John C. Dowdle will enter into a noncompetition agreement with Buyer in the form of Exhibit A attached hereto, pursuant to which Buyer will pay a total of Thirty Thousand Dollars ($30,000) in additional consideration for their performance of such noncompetition agreement.

ARTICLE 4. CLOSING

4.1 Closing Date. The Closing shall take place concurrently with the execution and delivery by Buyer, Seller and Shareholders of this Agreement (such time of Closing is herein called the "Closing Date"), and shall be effective as of 12:01 a.m. on October 1, 2005. Subject to the satisfaction of the conditions set forth in Article 14 hereof, the closing of the purchase of the Seller Property shall take place as provided in Article 14.

4.2 Transfer of Assets. At the Closing:

(a) Seller shall sell, transfer, assign, grant, bargain, deliver and convey to Buyer (or one or more of its designees) all right, title and interest in and to the Assets (other than governmental licenses, permits and approvals to the extent not assignable to Buyer), free and clear of any and all Liens. The transactions contemplated by this Section 4.2(a) shall be effected or evidenced by delivery by Seller to Buyer of bills of sale, assignments, warranty deeds and other documents of transfer reasonably acceptable in form and substance to Buyer.

(b) Buyer shall assume the obligations of Seller accruing after the Closing (and not attributable to any violation, breach or failure to perform occurring prior to the Closing) under the Assumed Contracts to which Seller is a party, with respect to Customer Deposits, with respect to accrued but unused vacation time and sick time to which employees of the Business that are hired by Buyer will be entitled as of the Closing Date and such other obligations of Seller as Buyer may agree in writing to assume prior to the Closing (collectively, the "Assumed Liabilities"). Such assumption of the Assumed Liabilities shall be effected or evidenced by delivery by Buyer to Seller of an appropriate written instrument or instruments of assumption reasonably acceptable in form and substance to Seller.

4.3 Payments by Buyer. Subject to the terms and conditions of this Agreement, Buyer shall make payments to Seller and Shareholders, as follows:

(a) At the Closing, delivering to Seller by wire transfer in immediately available funds to the bank account of Seller identified on Exhibit H attached hereto the aggregate amount of One Hundred Six Million Ninety Thousand Dollars ($106,090,000);

(b) At the Closing, delivering to Seller, J. Nutie Dowdle and John C. Dowdle by wire transfer in immediately available funds to the bank accounts of Seller and the Shareholders identified on Exhibit H attached hereto the aggregate amount of Thirty Thousand Dollars ($30,000), as set forth in the noncompetition agreement referred to in Section 3.3 above;

(c) At the Closing, assuming the Assumed Liabilities and only the Assumed Liabilities; and

(d) Forty (40) days after the Closing, delivering to Seller, a check in an amount equal to the sum of (i) the value of the propane gas inventories of the Business as calculated under Section 3.1(a) above, (ii) the value of the parts and appliances inventories of the Business as calculated under Section 3.1(b) above, (iii) amount of the Accounts Receivable, as calculated under Section 3.1(c) above, actually collected by Buyer within the thirty (30) days following the Closing Date, (iv) the amount of the propane deposits as calculated under Section 3.1(d) above, (v) the amount calculated under Section 3.1(e) above and (vi) the amount calculated under Section 3.1(f) above, which sum shall be reduced by (A) the amount calculated under Section 3.1(w) above, (B) the amount of the Customer Deposits as calculated under Section 3.1(x) above, (C) the amount contemplated by Section 3.1(y) above that is actually incurred by Buyer after the Closing Date through December 31, 2005, and (D) the amount calculated under Section 3.1(z) above;

(e) Seventy (70) days after the Closing, delivering to Seller, a check in an amount equal to the sum of the Accounts Receivable, as calculated under Section 3.1(c) above, actually collected by Buyer between thirty (30) and sixty (60) days following the Closing Date, which sum shall be reduced by the amount contemplated by Section 3.1(y) above that is actually incurred by Buyer after the Closing Date through December 31, 2005 (but only to the extent not already applied to reduce the amount payable to Seller under Section 4.3(d) hereof);

(f) One hundred (100) days after the Closing, delivering to Seller, a check in an amount equal to the sum of the Accounts Receivable, as calculated under Section 3.1(c) above, actually collected by Buyer between sixty (60) and ninety (90) days following the Closing Date, which sum shall be reduced by the amount contemplated by Section 3.1(y) above that is actually incurred by Buyer after the Closing Date through December 31, 2005 (but only to the extent not already applied to reduce the amount payable to Seller under Section 4.3(d) or (e) hereof);

(g) One hundred thirty (130) days after the Closing, delivering to Seller, a check in an amount equal to the sum of the Accounts Receivable, as calculated under Section 3.1(c) above, actually collected by Buyer between ninety (90) and one hundred twenty (120) days following the Closing Date, which sum shall be reduced by the amount contemplated by Section 3.1(y) above that is actually incurred by Buyer after the Closing Date through December 31, 2005 (but only to the extent not already applied to reduce the amount payable to Seller under Section 4.3(d), (e) or (f) hereof);

(h) One hundred sixty (160) days after the Closing, delivering to Seller, a check in an amount equal to the sum of the Accounts Receivable, as calculated under Section 3.1(c) above, actually collected by Buyer between one hundred twenty (120) and one hundred fifty (150) days following the Closing Date, which sum shall be reduced by the amount contemplated by Section 3.1(y) above that is actually incurred by Buyer after the Closing Date through December 31, 2005 (but only to the extent not already applied to reduce the amount payable to Seller under Section 4.3(d), (e), (f) or (g) hereof); and

(i) One hundred ninety (190) days after the Closing, delivering to Seller, a check in an amount equal to the sum of the Accounts Receivable, as calculated under Section 3.1(c) above, actually collected by Buyer between one hundred fifty (150) and one hundred eighty (180) days following the Closing Date, which sum shall be reduced by the amount contemplated by Section 3.1(y) above that is actually incurred by Buyer after the Closing Date through December 31, 2005 (but only to the extent not already applied to reduce the amount payable to Seller under Section 4.3(d), (e), (f), (g) or (h) hereof). After the expiration of the one hundred eighty (180) day period following the Closing Date, Buyer shall review the remaining outstanding accounts receivable arising from the Business and owned by Seller as of the Closing Date and then, within ten days after the expiration of such period, Buyer shall, on a customer by customer basis, either (A) pay to Seller an amount for such remaining outstanding accounts receivables of such customer that is mutually acceptable to Buyer and Seller, or (B) release, assign and transfer to Seller all of Buyer's right, title and interest in and to such remaining outstanding accounts receivables of such customer; provided, however, that if Buyer and Seller are unable to agree on a mutually acceptable amount in clause (A) with respect to the remaining outstanding accounts receivables of any customer, then clause (B) shall apply to such accounts receivables of such customer. With respect to any such remaining accounts receivable that is released, assigned and transferred to Seller, Seller shall have the right to receive payment of such accounts receivable and pursue collection of such accounts receivable as deemed appropriate by Seller, all at Seller's cost and expense.

4.4 Sales and Transfer Taxes. Buyer shall be responsible for and agrees to pay when due all sales, use and transfer taxes arising out of the transfer of the Assets by Seller, including recording fees and such taxes payable upon recording the deeds and any memoranda of leases with respect to the Real Property.

4.5 Real Property.

(a) The parcels of real property used by Seller in its conduct of the Business are referred to herein as the "Real Property" and consist of: (i) the real property owned by Seller and described on Schedule 4.5A hereto, and all easements, rights of access and rights-of-way appurtenant thereto and all buildings, improvements and fixtures located thereon, which is subject to Buyer's purchase pursuant to Article 14 hereof (the "Seller Property"), (ii) the real property owned by Seller and described on Schedule 4.5B hereto, and all easements, rights of access and rights-of-way appurtenant thereto and all buildings, improvements and fixtures located thereon (the "Seller Lease Property"), (iii) the real property owned by one or both Shareholders (or Person controlled by one or both Shareholders) and described on Schedule 4.5C hereto, and all easements, rights of access and rights-of-way appurtenant thereto and all buildings, improvements and fixtures located thereon, which is subject to Buyer's purchase pursuant to Article 14 hereof (the "Shareholder Property"), (iv) the real property owned by one or both Shareholders (or Person controlled by one or both Shareholders) and described on Schedule 4.5D hereto, and all easements, rights of access and rights-of-way appurtenant thereto and all buildings, improvements and fixtures located thereon (the "Shareholder Lease Property"), and (v) the real property owned by one or more persons or entities other than Seller and Shareholders (or Person controlled by one or both Shareholders)

(each, a “Third Party Landlord”) and described on Schedule 4.5E hereto, and all easements, rights of access and rights-of-way appurtenant thereto and all buildings, improvements and fixtures located thereon (the “Third Party Property”). Seller and Shareholders (or Person controlled by one or both Shareholders) own certain other parcels of real property that are not described on Schedule 4.5A, Schedule 4.5B, Schedule 4.5C or Schedule 4.5D hereto and are not subject to the terms of this Agreement.

(b) At the Closing on the Closing Date, (i) Seller will enter into a Lease Agreement with Buyer in the form of Exhibit B attached hereto with respect to the parcels of the Seller Property, pursuant to which Buyer will acquire a leasehold interest in each such parcel, and (ii) if requested by Buyer, Seller will enter into a Memorandum of Lease with respect to each parcel of the Seller Property specified by Buyer, which Memorandum of Lease will be in a recordable form and as specified by Buyer and reasonably acceptable to Seller. Subject to the terms and conditions hereof and subject to the representations and warranties made herein, Buyer may purchase from Seller the Seller Property at the time and in the manner provided in Article 14 hereof.

(c) At the Closing on the Closing Date, (i) Seller will enter into a separate Lease Agreement with Buyer in the form of Exhibit C attached hereto with respect to each parcel of the Seller Lease Property, pursuant to which Buyer will acquire a leasehold interest in each such parcel, and (ii) if requested by Buyer, Seller will enter into a Memorandum of Lease with respect to each parcel of the Seller Lease Property specified by Buyer, which Memorandum of Lease will be in a recordable form and as specified by Buyer and reasonably acceptable to Seller.

(d) At the Closing on the Closing Date, (i) Seller and each owner of the Shareholder Property will terminate their leases with respect to each parcel of the Shareholder Property, (ii) the owners of the Shareholder Property will enter into a Lease Agreement with Buyer in the form of Exhibit B attached hereto with respect to the parcels of the Shareholder Property, pursuant to which Buyer will acquire a leasehold interest in each such parcel, and (iii) if requested by Buyer, the owners of the Shareholder Property will enter into a Memorandum of Lease with respect to each parcel of the Shareholder Property specified by Buyer, which Memorandum of Lease will be in a recordable form and as specified by Buyer and reasonably acceptable to Seller. Subject to the terms and conditions hereof and subject to the representations and warranties made herein, Buyer may purchase the Shareholder Property from the owners of the Shareholder Property at the time and in the manner provided in Article 14 hereof.

(e) At the Closing on the Closing Date, (i) Seller and each owner of the Shareholder Lease Property will terminate their leases with respect to each parcel of the Shareholder Lease Property, (ii) the owners of the Shareholder Lease Property will enter into a separate Lease Agreement with Buyer in the form of Exhibit C attached hereto with respect to each parcel of the Shareholder Lease Property, pursuant to which Buyer will acquire a leasehold interest in each such parcel, and (iii) if requested by Buyer, the owners of the Shareholder Lease Property will enter into a Memorandum of Lease with respect to each parcel of the Shareholder Lease Property specified by Buyer, which Memorandum of Lease will be in a recordable form and as specified by Buyer and reasonably acceptable to Seller.

(f) At the Closing on the Closing Date, Seller and Buyer will enter into an Assignment and Assumption of Lease in the form of Exhibit D attached hereto with respect to each lease agreement identified on Schedule 2.1A hereof relating to the Third Party Property (each, a “Third Party Lease”), pursuant to which Buyer will acquire Seller’s leasehold interest in each parcel of the Third Party Property. Within forty (40) days after the Closing, Seller will use its best efforts to obtain and furnish to Buyer a consent and estoppel certificate from each Third Party Landlord with respect to Seller’s assignment of each Third Party Lease, which consent and estoppel certificate shall be in the form of Exhibit E attached hereto; provided, however, that the consent of the Third Party Landlord may be excluded from such consent and estoppel certificate with respect to any Third Party Lease if (A) such Third Party Lease is subject to termination by the Third Party Landlord or Seller on notice of thirty (30) days or less without liability, premium or penalty, or (B) such Third Party Lease may be assigned without the consent of the Third Party Landlord (so long as Seller provides any notice and takes any other action, in each case, as may be required under the Third Party Lease as a condition to making any assignment thereof).

ARTICLE 5. LIABILITIES NOT ASSUMED BY BUYER

Anything in this Agreement to the contrary notwithstanding, Seller shall be responsible for all liabilities and obligations of Seller and of the Business not hereby expressly assumed by Buyer (the “Retained Liabilities”), and Buyer shall not assume, or in any way be liable or responsible for, any liabilities or obligations of Seller or of the Business, except the Assumed Liabilities. Without limiting the generality of the foregoing, Buyer shall not assume, or in any way be liable or responsible for, the following Retained Liabilities:

(a) Any liability or obligation of Seller with respect to employment or consulting agreements, pension, profit sharing, welfare and other Benefit Plans, or amounts owing for commissions or compensation, termination, severance or other payments to present or former employees, officers, directors or shareholders of Seller, except with respect to accrued but unused vacation time and sick time to which employees of the Business that are hired by Buyer will be entitled as of the Closing Date;

(b) Any liability or obligation of Seller arising under any Contract that is attributable to any violation, breach or failure to perform occurring prior to Closing, and any liability or obligation of Seller arising under any Contract that is not assumed by Buyer;

(c) Any liability or obligation of Seller, or any consolidated group of which Seller is a member, for any foreign, federal, state, county or local taxes of any kind or nature, or any interest or penalties thereon; or

(d) Any liability or obligation under the Consolidated Omnibus Budget Reconciliation Act, as amended, and the Tax Reform Act of 1986, with respect to employees of Seller (whether salary, hourly or otherwise).

ARTICLE 6. REPRESENTATIONS AND WARRANTIES OF SELLER AND SHAREHOLDERS

Seller and Shareholders hereby, jointly and severally, represent and warrant to Buyer and agree as of the Closing Date as follows:

6.1 Corporate Organization. Seller is a corporation duly organized, validly existing and in good standing under the laws of the State of Mississippi, and has all requisite power and authority to own, operate and lease its Assets and to conduct the Business as and where such Business is now conducted. With the exception of its investment in Preferred Energy Group, Seller has no subsidiary and does not hold any equity or other ownership interest in any other entity. Shareholders, J. Nutie Dowdle as trustee of the Edith Elizabeth Tyler Dowdle Seven Year Trust u/a/d December 30, 2002, and J. Nutie Dowdle as trustee of the J. Nutie Dowdle Seven Year Trust u/a/d December 30, 2002 are the sole owners of all of the issued and outstanding capital stock of Seller.

6.2 Due Qualification. Seller is duly qualified to do business and is in good standing under the laws of each jurisdiction in which the nature of its Business or of the properties owned or leased by it makes such qualification necessary. A list of such jurisdictions is attached hereto as Schedule 6.2.

6.3 Authority; Binding Effect. Seller and Shareholders have the right, power, authority, and capacity to execute and deliver this Agreement and all other agreements contemplated hereby to be entered into by it, to perform the obligations hereunder and thereunder on its part to be performed and to consummate the transactions contemplated hereby and thereby. The execution and delivery by Seller and Shareholders of this Agreement and all other agreements and documents contemplated hereby to be entered into by it and the performance of their respective obligations hereunder and thereunder have been duly approved by all necessary action, and no further approvals are required by the officers, directors or shareholders of Seller in connection therewith. This Agreement and all other agreements contemplated hereby to be entered into by it constitute the legal, valid, and binding obligations of Seller and Shareholders, enforceable against such parties in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium, or other similar laws relating to or affecting creditors' rights generally and to general equity principles (whether such enforceability is considered in a proceeding at law or in equity).

6.4 No Creation of Violation, Default, Breach or Encumbrance. The execution, delivery and performance of this Agreement by Seller and Shareholders does not (i) violate (A) any statute, rule or regulation to which such Person is subject or (B) any order, writ, injunction, decree, judgment or ruling of any court, administrative agency or governmental body to which such Person is subject, (ii) conflict with or violate any provision of the Organizational Documents of Seller, or (iii) assuming receipt of the consents set forth in Schedule 6.4 hereto and the expiration of the waiting period under the HSR Act, require the consent of any Person or

result in the breach of or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under, violate, conflict with, breach or give rise to any right of termination, cancellation or acceleration of, or to a loss of benefit to which Seller is entitled, under (A) any Contract to which Seller is a party, or (B) any governmental licenses, authorizations, permits, consents or approvals required for Seller to own, license or lease and operate its properties or to conduct its Business as presently conducted by it, to the extent transferable.

6.5 No Present Default. Except as set forth on Schedule 6.5 hereto, all Contracts to which Seller is a party are valid and in full force and effect and constitute legal, valid and binding obligations of Seller. Except as set forth on Schedule 6.5 hereto, Seller is not in default under or in breach of any Contract, and to the Knowledge of Seller and Shareholders, no other parties to any such Contract is in default thereunder or in breach thereof; no event has occurred which, with the passage of time or the giving of notice, would constitute such a breach or default by Seller or, to the Knowledge of Seller and Shareholders, by any such other party; no claim of default thereunder has been asserted or, to the Knowledge of Seller and Shareholders, threatened; and neither Seller nor, to the Knowledge of Seller and Shareholders, any other party thereto, is seeking the renegotiation thereof.

6.6 Approvals, Licenses and Authorizations.

(a) No (i) order, license, consent, waiver, authorization or approval of, or (ii) giving of notice to, or (iii) filing, recording, publication, registration or other action is necessary on behalf of Seller (y) to authorize Seller's execution, delivery and performance of this Agreement or any other agreement, document or instrument contemplated hereby to be executed and delivered by Seller, or (z) for the legality, validity, binding effect or enforceability with respect to Seller of any of the foregoing.

(b) All licenses, permits and other governmental or regulatory authorizations and approvals required or necessary for Seller to carry on the Business as and where presently conducted by it have been obtained and are in full force and effect, except where the failure to obtain and hold in full force and effect any such licenses, permits and other governmental or regulatory authorizations and approvals would not have a Material Adverse Effect. Schedule 6.6 hereto sets forth a true, correct and complete list of all licenses, permits and other governmental or regulatory authorizations and approvals that, to the Knowledge of Seller and Shareholders, are required or necessary for Seller to carry on the Business as and where presently conducted by it. There are no proceedings pending or, to the Knowledge of Seller and Shareholders, threatened which are likely to result in the revocation, cancellation or suspension or any material modification of any thereof.

6.7 Compliance With Law. To the Knowledge of Seller and Shareholders, Seller is not in violation of any statute, law, rule or regulation, or any order, writ, injunction or decree of any court, administrative agency, governmental body or arbitration tribunal, to which it or any of the Assets is subject.

6.8 Financial Statements.

(a) Seller has delivered to Buyer the balance sheets of Seller as of July 31, 2002, 2003 and 2004 and the related statements of income, shareholder's equity and cash flows for each of the fiscal years then ended, and the notes thereto, if any, together with the report of Thomas, Kerby and Brown, independent certified public accountants, thereon and the unaudited internally generated balance sheet of Seller as of July 31, 2005 and the related unaudited internally generated statements of income, shareholder's equity and cash flows for the twelve-month period then ended.

(b) The financial statements referred to in Section 6.8(a) above fairly present the financial position, results of operation and cash flows of Seller as and at the relevant dates thereof and for the periods covered thereby in accordance with GAAP.

(c) Except as set forth in the July 31, 2004 balance sheet of Seller or in the Schedules hereto, Seller has no (i) liabilities or obligations, direct or contingent, accrued or otherwise, of a nature customarily reflected in financial statements in accordance with GAAP, except those incurred after July 31, 2004 in the ordinary course of business consistent with past practice and except lease and other contract obligations and other obligations or liabilities which are disclosed in this Agreement or the Schedules hereto, and (ii) liabilities or obligations under any Benefit Plans except those incurred after July 31, 2004 in the ordinary course of business consistent with past practice and pursuant to the terms of the Benefit Plans.

6.9 Absence of Certain Events. Except as set forth on Schedule 6.9 hereto, since July 31, 2004, the Business has been operated only in the ordinary and normal course of business and in particular:

(a) There has not been any damage, destruction, loss or other adverse change in the Assets or adverse change in the financial condition, results of operations, prospects or condition, financial or otherwise, of Seller with respect to the Business, which would have a Material Adverse Effect;

(b) There has not been any increase or decrease in the compensation payable to or to become payable by Seller to any of the officers, key employees or agents of the Business, or change in any insurance, pension or other beneficial plan, payment or arrangement made to, for or with any of such officers, key employees or agents or any commission or bonus paid to any of such officers, key employees or agents, except for (i) those made in the ordinary course of business consistent with past practice, and (ii) certain bonuses, prompted by the transactions contemplated by this Agreement, which are the sole responsibility of Seller and will be paid by Seller on the Closing Date or promptly thereafter; and

(c) Seller has not (i) incurred any obligation or liability or assumed, guaranteed, endorsed or otherwise become responsible for the liabilities or obligations of any other person (whether absolute, accrued, contingent or otherwise), except normal trade or business obligations incurred in the ordinary course of business; (ii) mortgaged,

pledged, created or subjected to a Lien any of the Assets; (iii) sold, assigned, transferred, leased or otherwise disposed of any of the Assets, except in the ordinary course of business; (iv) transferred or granted any rights under any Material Contract; (v) modified or changed any Material Contract (other than any such modifications or changes that reflected in the copies of the Material Contracts furnished to Buyer by Seller), or (vi) entered into any transaction, contract or commitment which by reason of its size or otherwise was material to the Business or financial condition of Seller or which was not in the ordinary course of the Business as now conducted.

6.10 Title to and Condition of Properties.

(a) Schedule 4.5A, Schedule 4.5B, Schedule 4.5C, Schedule 4.5D and Schedule 4.5E hereto contains a true, correct and complete list of all real property related to the operation of the Business in which Seller has any interest. An accurate and legally sufficient description of the Seller Property, the Seller Lease Property, the Shareholder Property, the Shareholder Lease Property and the Third Party Property is set forth on Schedule 4.5A, Schedule 4.5B, Schedule 4.5C, Schedule 4.5D and Schedule 4.5E, respectively. Schedule 2.1A hereto contains a true, correct and complete list of all leases and subleases of real and mixed property related to the operation of the Business under which Seller is a lessor or lessee (true, accurate and complete copies of which have previously been delivered to Buyer). Seller has good fee simple title to all of the real properties described on Schedule 4.5A and Schedule 4.5B hereto, free and clear of any mortgage, deed of trust, trust deed, mechanics lien or similar lien, and good, marketable and indefeasible title to all the leasehold estates created by the leases and subleases described on Schedule 2.1A hereto. The Shareholders have good fee simple title to all of the real properties described on Schedule 4.5C and Schedule 4.5D hereto as specified on such Schedules, free and clear of any mortgage, deed of trust, trust deed, mechanics lien or similar lien. As to leasehold estates under the leases and subleases of the Shareholder Property, the Shareholder Lease Property and the Third Party Property, Seller has quiet and peaceable possession of each of the leased properties. All such leases and subleases are in full force and effect, there is no default or event of default by Seller thereunder or, to the Knowledge of Seller and Shareholders, by the other parties to such leases and subleases.

(b) A true, correct and complete list of all propane tanks (by size and location) which are owned by Seller having a fair market or book value per unit in excess of Two Hundred Fifty Dollars ($250) and all other personal property included in the Assets (by type and location) having a fair market or book value per unit in excess of One Thousand Dollars ($1,000) is included on Schedule 2.1B and a true, correct and complete list of all leases of personal property included in the Assets under which Seller is a lessee or lessor involving any propane tank having a fair market or book value per unit in excess of Two Hundred Fifty Dollars ($250), any other personal property having a fair market or book value per unit in excess of One Thousand Dollars ($1,000), or any motor vehicle is included on Schedule 2.1C (true, accurate and complete copies of which have previously been delivered to Buyer). A true, correct and complete list of all propane tanks (by serial number) which are owned by Seller having a fair market or book value per unit in excess of Two Hundred Fifty Dollars ($250) previously has been furnished by Seller to Buyer.

All propane tanks used in the Business which have a capacity of at least one hundred twenty (120) gallons are under contract to customers or are physically located on the plant lot of Seller's retail locations. Seller has good and indefeasible title to (i) all of the personal property set forth on Schedule 2.1B and indicated as being owned by it, (ii) all of the Assets reflected in the July 31, 2004 balance sheet of Seller, and (iii) all Assets purported to have been acquired by Seller after July 31, 2004, free and clear of all Liens, except for such Assets disposed of in the usual and ordinary course of business consistent with past practices. All of the Assets are in Seller's possession and control, except that propane tanks leased by Seller to its customers may be located on the premises of the respective customers in accordance with the terms of the applicable lease.

(c) The conduct of the Business by Seller in the ordinary course is not dependent upon the right to use the property of others, except under valid and binding lease agreements identified on Schedule 2.1C hereto and under licenses to use shrink-wrap packaged software (i.e., Microsoft and other commercially available software) installed on Seller's computers.

(d) Seller owns or has irrevocable rights to use and is transferring to Buyer hereunder all assets, property and rights as are necessary or useful for the conduct of Business as the Business has been conducted during at least the past two years, except for (i) the Excluded Assets, (ii) governmental licenses, permits and approvals to the extent not assignable to Buyer, and (iii) assets, property and rights that have been disposed of in the ordinary course of Seller's business.

(e) The tangible personal property Assets being transferred by Seller are in good operating condition and repair (ordinary wear and tear excepted).

(f) The values at which the inventories of the Business are carried on Seller's books of account fairly represent the value thereof, are not in excess of realizable value, and reflect the normal inventory valuation policy of Seller.

(g) The accounts receivable of the Business as shown on Seller's books and records have arisen in the ordinary course of business, represent valid and enforceable obligations owed to Seller and are recorded as accounts receivable on the books of Seller in accordance with GAAP.

(h) Schedule 3.1(e) hereto sets forth a true, correct and complete list of each acquisition by Seller of the business and assets of retail propane companies that was completed between July 26, 2005 and the Closing Date, including the closing date for such acquisition, the location of the business and assets acquired, the Person from whom such business and assets were acquired by Seller, the purchase price paid by Seller for such business and assets, and the trailing twelve-month propane gallons sold by the business acquired. True, accurate and complete copies of all Contracts relating to each such acquisition previously have been delivered to Buyer.

6.11 Intellectual Property. Seller has no patents or applications therefor, trademarks, trademark registrations or applications therefor, trade names, service marks,

copyrights, copyright registrations or applications therefor, or trade secrets, owned, possessed, used or held by or licensed to Seller and related to the operation of the Business except for its unregistered “Dowdle Gas” logo, its unregistered “Dowdle Gas” trade name and the license to use shrink-wrap packaged software installed on Seller’s computers. There has never been any claim by a third party concerning the “Dowdle Gas” name or logo. At the Closing, Seller will transfer its entire right, title and interest in and to its unregistered “Dowdle Gas” logo, its unregistered “Dowdle Gas” trade name and the license to use shrink-wrap packaged software (i.e., Microsoft and other commercially available software) installed on Seller’s computers to Buyer, together with the goodwill associated therewith. To the Knowledge of Seller and Shareholders, Seller has not infringed upon any unexpired patent, trademark, trademark registration, trade name, copyright, copyright registration, trade secret or any other proprietary or intellectual property right of any party in connection with the operation of the Business. Seller has not given any indemnification for patent, trademark, service mark or copyright infringements.

6.12 Contracts and Commitments.

(a) To the extent not listed on Schedule 2.1A or Schedule 2.1C, Schedule 2.1D hereto lists all Material Contracts related to the operation of the Business to which Seller is a party or by which it or any of its assets or properties are bound (true and correct copies of each of which have been previously delivered to Buyer). Each Material Contract is in full force and effect and embodies the complete understanding between the parties thereto with respect to the subject matter thereof. Except as expressly set forth on Schedule 2.1D, (i) there exists no material default or claim thereof by any party to any Material Contract, (ii) to the Knowledge of Seller and Shareholders, there are no facts or conditions which, if continued or noticed, would result in a default by Seller under any Material Contract, (iii) Seller has not received any notice that any person intends to cancel, modify or terminate any Material Contract, or to exercise or not to exercise any options thereunder, (iv) Seller has not given any notice of cancellation, modification or termination of any Material Contract or of exercise or non-exercise of any options thereunder, (v) each Material Contract is a valid and binding agreement enforceable in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium, or other similar laws relating to or affecting creditors’ rights generally and to general equity principles (whether such enforceability is considered in a proceeding at law or in equity), and (vi) no consent or approval of the other parties to any Material Contract or any person pursuant to any Material Contract is required for the consummation of the transactions contemplated herein except as set forth on Schedule 6.4 hereto, and Seller will use its best efforts to obtain, within 40 days of the Closing Date, all consents and approvals set forth on such Schedule.

(b) Except as set forth on Schedule 6.12 hereto, Seller is not a party to any contract for goods or services or any lease with any officer, director, shareholder, employee or agent of Seller or any affiliate of any such person.

(c) Except as set forth on Schedule 6.12 hereto, Seller has no outstanding power of attorney to any person, firm or corporation for any purpose whatsoever.

(d) With the exception of this Agreement, Seller has not made any contract or agreement or granted any option to sell or otherwise transfer all or a significant part of the capital stock, Assets or Real Property of Seller.

(e) The Customer Deposits (as defined in Section 3.1(x)) are all amounts owed to customers of Seller as a result of amounts held by Seller as a customer deposit. Except as set forth on Schedule 6.12 hereto, Seller grants no discounts or rebates to its customers.

(f) Schedule 6.12 hereto contains a list of all payment obligations of Seller as of the Closing Date in respect of various covenants not to compete, which listing includes the remaining amount of each such obligation.

6.13 Insurance. Schedule 6.13 hereto contains a list of all policies of insurance and bonds of any type presently in force (including all occurrence based policies which provide coverage for events occurring in any of the five years prior to the date hereof) with respect to the Business, including those covering product liability claims and the Assets and operations. Such policies and bonds provide coverage in such amounts, and against such losses and risks, as are maintained by comparable businesses exercising prudent business practices to provide for the protection of the Business and Assets.

6.14 Tax Returns and Tax Audits.

(a) Except as set forth on Schedule 6.14 hereto, Seller has filed with all appropriate governmental agencies all Tax or information returns and Tax reports required to be filed. Except as set forth on Schedule 6.14 hereto, all such returns and reports as are based on income have been prepared on the same basis as those of previous years; and all federal, state, foreign and local income, profits, franchise, sales, use, occupation, property, excise, ad valorem, employment or other taxes (“Tax” or “Taxes”) of Seller, and all interest, penalties, assessments or deficiencies claimed to be due by any such taxing authority with respect to the foregoing have been fully paid.

(b) Seller has made adequate accruals for the payment of all Taxes payable in respect of the period subsequent to the last period for which such taxes were paid, and, to the Knowledge of Seller and Shareholders, Seller has no liability for such taxes in excess of the amounts so paid or accruals so made.

(c) Except as set forth on Schedule 6.14 hereto, Seller is not a party to any pending action or proceeding, nor, to the Knowledge of Seller and Shareholders, is any action or proceeding threatened or contemplated by any governmental authority for assessment or collection of Taxes or any other governmental charges, and no claim for assessment or collection of Taxes or any other governmental charges has been asserted against Seller and remains outstanding, nor, to the Knowledge of Seller and Shareholders, is the assertion of any such claim pending or contemplated nor is there any basis for any such claim. To the Knowledge of Seller and Shareholders, there have been no reports prepared by any agent of the IRS with respect to any Tax matter involving Seller.

(d) Seller is not or has not been required to file any Tax returns with, or pay any Taxes to, any foreign countries or political subdivisions thereof.

6.15 Books and Records.

(a) The books, records and accounts of Seller with respect to the Business (i) are true, complete and correct, (ii) have been maintained in accordance with good business practices on a basis consistent with prior years, (iii) stated in reasonable detail and accurately and fairly reflect the transactions and dispositions of the Assets by Seller, and (iv) accurately and fairly reflect the depreciation associated with such Assets.

(b) Seller has devised and maintains a system of internal accounting controls sufficient to provide reasonable assurances that (i) transactions are executed in accordance with management's general or specific authorization; and (ii) transactions are recorded as necessary (A) to permit preparation of financial statements in conformity with GAAP or any other criteria applicable to such statements, and (B) to maintain accountability for the assets of Seller.

6.16 Substantial Customers and Suppliers. Schedule 6.16 hereto sets forth a true and complete list of the ten largest suppliers to the Business (on the basis of cost) of propane purchased during the twelve months ended July 31, 2004 and 2005, as well as the dollar amounts of such propane purchased during such period. Schedule 6.16 hereto also sets forth a true and complete list of the ten largest customers of the Business (in terms of sales) during the twelve months ended July 31, 2004 and 2005, as well as the dollar amounts of such sales during such period. Except to the extent set forth in Schedule 6.16, since July 31, 2005, no such supplier or customer has ceased or reduced its sales to or purchases from Seller, or given notice of an intention to cease or reduce such sales or purchases.

6.17 No Litigation, Adverse Events or Violations. Except as set forth on Schedule 6.17 hereto, there is no action, suit, claim or legal, administrative, arbitration, condemnation or other proceeding or governmental investigation or examination or any change in any zoning or building ordinance affecting any of the Assets, pending or, to the Knowledge of Seller and Shareholders, threatened or injunction or orders entered, pending or threatened against Seller or any business, properties or assets of Seller, at law or in equity, before or by any federal, state, municipal or other governmental department, court, commission, board, bureau, agency or instrumentality to restrain or prohibit the consummation of the transactions contemplated hereby or which, if determined adversely, is reasonably likely to (i) result in a Material Adverse Effect or (ii) materially and adversely affect the consummation of the transactions contemplated by this Agreement.

6.18 Employee Benefit Plans; Labor Matters.

(a) Schedule 6.18 sets forth a true and complete list of any and all Benefit Plans. With respect to the Benefit Plans, individually and in the aggregate, Seller has made available to Buyer, a true and correct copy of (i) the most recent annual report

(Form 5500), if any, filed with the IRS, (ii) such Benefit Plan, (iii) any summary plan description relating to such Benefit Plan and (iv) each trust agreement and group annuity contract, if any, relating to such Benefit Plan.

(b) To the Knowledge of Seller and Shareholders, the Benefit Plans have been operated and administered by Seller in compliance with all applicable laws relating to employment or labor matters including ERISA and the Code. With respect to the Benefit Plans, to the Knowledge of Seller and Shareholders, no event has occurred which would subject Seller to liability (except liability for benefits, claims and funding obligations payable in the ordinary course) under ERISA, the Code, or any other applicable statute, order or governmental rule or regulation. With respect to the Benefit Plans, individually and in the aggregate, to the Knowledge of Seller and Shareholders, there has been no prohibited transaction within the meaning of Section 406 of ERISA or Section 4975 of the Code which would result in liability to Seller, and there has been no action, suit, grievance, arbitration or other claim with respect to the administration or investment of assets of the Benefit Plans (other than routine claims for benefits made in the ordinary course of plan administration) pending, or to the Knowledge of Seller and Shareholders, threatened.

(c) All contributions to and payments under any Benefit Plan required in respect of periods ending on or before the Closing Date have been made by Seller before the Closing Date or will be made by Seller within thirty (30) days after the Closing Date. There is no agreement, contract or understanding between Seller, on the one hand, and any employee, participant, labor union, collective bargaining unit or other person or entity, on the other hand, that requires or may require any amendment to any of the Benefit Plans.

(d) Each employee pension benefit plan (“Pension Plan”), as defined in Section 3(3) of ERISA, is intended to be tax qualified under Section 401(a) of the Code, and each such Pension Plan has received, or application has been made for, a favorable determination letter from the IRS stating that the Pension Plan meets the requirements of the Code and that any trust or trusts associated with the Plan are tax exempt under Section 501(a) of the Code (and Seller has furnished to Buyer a true, correct and complete copy of such determination letter or application).

(e) Seller does not maintain any Benefit Plan that is funded with a trust that is intended to be tax-exempt under Section 501(c)(9) of the Code.

(f) Seller, and any entity which together with Seller could be deemed to be a “single employer” within the meaning of Section 414(b), (c), (m) or (o) of the Code, does not now maintain or contribute to and, within the immediately preceding three-year period, has not maintained or contributed to, any defined plan that is (i) a benefit plan within the meaning of Section 3(35) of ERISA or (ii) subject to the requirements of Title IV of ERISA.

(g) Seller is not a party to any collective bargaining or other labor union contract. There is no pending or, to the Knowledge of Seller and Shareholders,

threatened, union organization effort, labor dispute, strike or work stoppage relating to employees of Seller and none has occurred within the immediately preceding five (5)-year period. To the Knowledge of Seller and Shareholders, Seller, and any representative or employee of Seller, has not committed any unfair labor practice in connection with the operation of the Business of Seller, and there is no pending or threatened charge or complaint against Seller by the National Labor Relations Board or any comparable state agency. To the Knowledge of Seller and Shareholders, Seller is in compliance with all applicable laws respecting employment, wages, hours, safety and health and other terms and conditions of employment. Seller has not experienced a "plant closing" or "mass layoff" within the meaning of the Worker Adjustment and Retraining Notification Act, 29 U.S.C. §§ 2101 et seq. ("WARN") within the immediately preceding three-year period.

(h) Except as set forth on Schedule 6.18(h) hereto, there are no written or oral employment agreements, employment contracts or understandings relating to employment (other than ordinary course arrangements for "at-will" employment) to which Seller is a party.

(i) Except as set forth on Schedule 6.18(i) hereto, the consummation of the transactions contemplated by this Agreement will not (either alone or upon the occurrence of any additional acts or events) result in any payment (whether of severance pay or increase in compensation, benefits or rights or otherwise) becoming due from Seller to any of its employees, former employees, directors or former directors, nor accelerate the timing of any payment or the vesting of any rights or increase the amount of any compensation due to any such person. Seller has, or promptly following the Closing will, satisfy and discharge each such amount becoming due.

6.19 Business Names. Seller does not do business in any state or country under any name other than "Dowdle Gas, Inc." or "Dowdle Butane Gas Company" or "Johnson Gas."

6.20 Brokers and Finders. No broker or finder has acted for Seller or any Shareholder in connection with this Agreement and the transactions contemplated hereby; and no broker or finder is entitled to any brokerage or finder's fee or other commission in respect thereof based on any agreement, arrangement or understanding made by Seller or any Shareholder.

6.21 Environmental. Except as disclosed on the Phase I and Phase II environmental reports furnished to Buyer by Seller prior to the date hereof:

(a) To the Knowledge of Seller and Shareholders, there has not been, as of the date hereof, any "Release" (as defined in 42 U.S.C. §9601(22)) or threat of a Release of any "Hazardous Substances" (as defined in 42 U.S.C. §9601(14)) or oil, gasoline or other petroleum related products on or about any of the Real Property.

(b) Seller has no contract or agreement and has not otherwise arranged for disposal or treatment, or arranged with a transporter for transport for disposal or treatment, of Hazardous Substances at any "facility" (as defined in 42 U.S.C. § 9601(9)) owned or operated by another Person.

(c) Seller has not accepted any Hazardous Substances for transport to disposal or treatment facilities or sites selected by Seller.

(d) To the Knowledge of Seller and Shareholders, the Real Property and the use thereof is in compliance with and Seller is in compliance with all applicable laws, statutes, ordinances, rules and regulations of any governmental or quasi-governmental authority (federal, state or local) relating to environmental protection, underground storage tanks, toxic waste, hazardous waste, oil or hazardous substance handling, treatment, storage, disposal or transportation, or arranging therefor, respecting any products or materials previously or now located, delivered to or in transit to or from the Real Property, including the Resource Conservation and Recovery Act, the Comprehensive Environmental Response, Compensation and Liability Act, and the Superfund Amendments and Reauthorization Act of 1986.

(e) To the Knowledge of Seller and Shareholders, the past disposal practices of Seller relating to Hazardous Substances of Seller (and its predecessors, if any) have been accomplished in accordance with all applicable laws, rules, regulations and ordinances.

(f) Seller has not been notified of, and, to the Knowledge of Seller and Shareholders, there is no basis for, any potential liability of Seller with respect to the clean-up of any waste disposal site or facility. Seller has no information to the effect that any site at which Seller has disposed of Hazardous Substances or oil has been or is under investigation by any local, state or federal governmental body, authority or agency.

(g) Seller has not received any notification of Releases of Hazardous Substances or oil from any governmental or quasi-governmental agency.

6.22 Disclosure. To the Knowledge of Seller and Shareholders, none of the financial statements referred to in Section 6.8 above, or any representation or warranty or other provision contained herein, or in any document, schedule or certificate delivered or to be delivered to Buyer in connection with this Agreement or the transactions contemplated hereby, or any written statement, certificate or other document furnished to Buyer in connection with this Agreement or the transactions contemplated hereby, contains any untrue statement of a fact or omits to state a fact necessary in order to make the statements contained therein not misleading, which is reasonably likely to result in a Material Adverse Effect. There is no fact which has not been disclosed in writing to Buyer by Seller which would be material to a purchaser of the Assets or the Business or which is reasonably likely to result in a Material Adverse Effect.

ARTICLE 7. REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer represents and warrants to Seller and Shareholders as of the Closing Date, as follows:

7.1 Organization; Documentation. Buyer is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Delaware, and has all requisite power and authority and all licenses, authorizations, permits, consents and approvals

required to own, license or lease and operate its properties and to conduct its business as presently conducted by it. Buyer is qualified to do business and is in good standing under the laws of the State of Mississippi.

7.2 Authority; Binding Effect. Buyer has the right, power and authority to execute and deliver this Agreement and all other agreements contemplated hereby to be entered into by it, to perform its obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby. The execution and delivery by Buyer of this Agreement and all other agreements and documents contemplated hereby to be entered into by it and the performance by Buyer of its obligations hereunder and thereunder have been duly approved by all necessary action by Buyer. This Agreement and all other agreements contemplated hereby to be entered into by it constitute the legal, valid and binding obligation of Buyer, enforceable against Buyer, in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to or affecting creditors' rights generally and to general equity principles (whether such enforceability is considered in a proceeding at law or in equity).

7.3 No Creation of Violation, Default, Breach or Encumbrance. The execution, delivery and performance by Buyer of this Agreement does not (i) violate (A) any statute, rule or regulation to which Buyer is subject or (B) any order, writ, injunction, decree, judgment or ruling of any court, administrative agency or governmental body to which Buyer is subject; (ii) conflict with or violate any provision of the Organizational Documents of Buyer; or (iii) assuming receipt of the consents set forth in Schedule 7.3 hereto and the expiration of the waiting period under the HSR Act, require the consent of any Person or result in the breach of or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under any Contract to which Buyer is a party, which could adversely affect the ability of Buyer to consummate the transactions contemplated by this Agreement.

7.4 Brokers and Finders. No broker or finder has acted for Buyer in connection with this Agreement and the transactions contemplated hereby; and no broker or finder is entitled to any brokerage or finder's fee or other commission in respect thereof based in any way on any agreement, arrangement or understanding made by Buyer.

7.5 No Litigation, Adverse Events or Violations. There is no action, suit, claim or legal, administrative, arbitration, condemnation or other proceeding or governmental investigation or examination pending or, to Buyer's Knowledge, threatened against Buyer or injunction or orders entered, pending or threatened against Buyer or any business, properties or assets of Buyer, at law or in equity, before or by any federal, state, municipal or other governmental department, court, commission, board, bureau, agency or instrumentality to restrain or prohibit the consummation of the transactions contemplated hereby or which, if decided adversely, is reasonably likely to materially and adversely affect the ability of Buyer to consummate the transactions provided for in this Agreement, including its payment obligations under this Agreement.

7.6 Approvals, Licenses and Authorizations. No (i) order, license, consent, waiver, authorization or approval of, or (ii) giving of notice to, or (iii) filing, recording, publication, registration or other action is necessary on behalf of Buyer (y) to authorize Buyer's

execution, delivery and performance of this Agreement or any other agreement, document or instrument contemplated hereby to be executed and delivered by it, or (z) for the legality, validity, binding effect or enforceability with respect to Buyer of any of the foregoing.

ARTICLE 8. COVENANTS OF THE PARTIES

8.1 Further Assurances. Seller shall execute and deliver or cause to be executed and delivered to Buyer such further instruments of transfer, assignment and conveyance and take such other action as Buyer may reasonably require to more effectively carry out the transfer of the Assets and Business to Buyer and the consummation of the matters contemplated by this Agreement and to place Buyer in a legal position to be assured of the Assets and Business Buyer is acquiring under this Agreement.

8.2 Compliance. Seller and each Shareholder hereby agrees to and shall obtain any and all consents, waivers, amendments, modifications, approvals, authorizations, notations and licenses necessary to the consummation of the transactions contemplated by this Agreement.

8.3 Delivery of Corporate Documents. At or prior to the Closing, Seller shall deliver to Buyer the keys to any improvements located on any of the Real Property, all Documents and Other Papers related to the operation of the Business or the Assets, including all files relating to the receivables and payables (whether current or past), and hard copies of any books or records or Documents and Other Papers or information and data relating to the operation of the Business or the Assets stored on any electronic media, including computers.

8.4 Bulk Transfer Law. The parties hereto each waives compliance by the others with the provisions of any statute of any state or jurisdiction regulating bulk sales or transfers which may be applicable to the sale of the Assets. Seller hereby agrees to indemnify and hold Buyer and its members, officers, employees, agents, representatives, successors and assigns harmless from and against any and all losses, claims, damages, expenses and liabilities (including legal fees and expense) to which Buyer may become subject pursuant to any such bulk transfer or sale statute with regard to the sale of the Assets contemplated by this Agreement.

8.5 Employee Matters.

(a) Schedule 8.5 sets forth a list of all salaried and hourly employees employed by Seller and such employees' current compensation. Buyer has no obligation to offer employment to any employee, but Buyer has notified Seller of the identity of each employee of Seller employed in the Business to whom Buyer intends to offer employment. Except as set forth in the next sentence, Buyer shall have no liability for any salary or benefits accrued prior to the Closing Date. With respect to employees hired by Buyer, Buyer agrees to afford to such employees their accrued but unused vacation time and sick time as of the Closing Date.

(b) COBRA. Seller shall be solely responsible for any obligations under the Consolidated Omnibus Budget Reconciliation Act, as amended, and the Tax Reform Act of 1986, with respect to its employees (whether salary, hourly or otherwise).

(c) Employment-Related Claims. Seller assumes all liability, costs and expenses (including reasonable attorneys' fees) for all employment claims which have been filed, or hereafter are filed, by any employee or former employee of Seller relating to arbitrations, unfair labor practice charges, employment discrimination charges, lawsuits, any employment-related tort claim or other claims or charges arising as a result of actions or events which occurred prior to the Closing Date. Except as disclosed on Schedule 6.17 hereto, no such claims have been filed as of the date hereof.

ARTICLE 9. CONDITIONS TO BUYER'S OBLIGATION TO CONSUMMATE THE TRANSACTION

Each and every obligation of Buyer to be performed at or before the Closing hereunder is subject, at the Buyer's election, to the satisfaction on or prior to the Closing Date of the conditions set forth below.

9.1 Compliance with Agreement. Seller and Shareholders shall have performed all of their respective obligations and agreements, and complied with all covenants, warranties and conditions contained in this Agreement which are required to be performed or complied with by such party on or prior to the Closing Date.

9.2 Corporate Authorization. Buyer shall have received a copy of (a) the Articles of Incorporation of Seller, as in effect on the Closing Date, (b) the Bylaws of Seller, as in effect on the Closing Date, (c) the resolutions of the directors and shareholders of Seller, certified as of the Closing Date by the secretary or assistant secretary thereof, duly authorizing the execution, delivery and performance by Seller of this Agreement and each other agreement and instrument contemplated hereby, together with an incumbency certificate as to the persons authorized to execute and deliver such documents and instruments on its behalf.

9.3 Opinion of Counsel. Buyer shall have been furnished with the opinion of Sirote & Permutt, counsel to Seller and Shareholders, dated the Closing Date and addressed to Buyer, substantially in the form set forth in Exhibit F hereto.

9.4 Good Standing. Seller shall have delivered to Buyer a certificate issued by the appropriate governmental authority evidencing the good standing of Seller as of a date or dates not more than ten (10) days prior to the Closing Date as a corporation of the state in which it was organized.

9.5 Noncompetition and Real Property Agreements.

(a) Seller, J. Nutie Dowdle and John C. Dowdle shall have executed and delivered to Buyer a noncompetition agreement in the form attached hereto as Exhibit A.

(b) Seller shall have executed and delivered to Buyer (i) a Lease Agreement in the form attached hereto as Exhibit B with respect to the parcels of the Seller Property, (ii) a separate Lease Agreement in the form attached hereto as Exhibit C with respect to each parcel of the Seller Lease Property, and (iii) if requested by Buyer, the related Memorandum of Lease with respect to each parcel of the Seller Property and of the Seller Lease Property specified by Buyer.

(c) (i) Seller and each owner of the Shareholder Property and Shareholder Lease Property shall have terminated each lease between them with respect to the Shareholder Property and the Shareholder Lease Property, and (ii) the owners of the Shareholder Property and of the Shareholder Lease Property shall have executed and delivered to Buyer (A) a Lease Agreement in the form attached hereto as Exhibit B with respect to the parcels of the Shareholder Property, (B) a separate Lease Agreement in the form attached hereto as Exhibit C with respect to each parcel of the Shareholder Lease Property, and (C) if requested by Buyer, the related Memorandum of Lease with respect to each parcel of the Shareholder Property and of the Shareholder Lease Property specified by Buyer.

(d) Seller shall have executed and delivered to Buyer an Assignment and Assumption of Lease in the form of Exhibit D attached hereto with respect to each Third Party Lease relating to the Third Party Property, pursuant to which Buyer will acquire Seller's leasehold interest in each parcel of the Third Party Property.

9.6 Tax Certificates. Seller shall have delivered to Buyer letters or certificates from the appropriate Mississippi, Tennessee, Alabama, Georgia and Florida state agencies indicating that all sales, use and employment taxes payable by Seller on or prior to the Closing Date have been paid and that there is no lien for unpaid sales, use or employment taxes on the Assets, to the extent such letters or certificates are available and have been obtained by Seller prior to the Closing. To the extent that such letters or certificates have not been obtained and delivered prior to the Closing, Seller shall use its best efforts to obtain them as soon as possible within 90 days after the Closing Date and shall deliver them to Buyer.

9.7 Receipt. Seller and Shareholders shall have duly executed and delivered to Buyer an instrument acknowledging receipt of the sums required to be paid on the Closing Date as specified in Section 4.3 above.

9.8 Instruments of Transfer. Seller shall have executed and delivered to Buyer such bills of sale, warranty deeds, assignments and other instruments of transfer and conveyance (in form and substance reasonably satisfactory to counsel for Buyer) as shall be necessary or desirable to vest in Buyer all the right, title and interest in and to the Assets.

9.9 Use of Names. Seller shall have changed its corporate name and adopted a name that does not include the following words or phrases, or any derivatives thereof: "Dowdle Gas," "Dowdle Propane" or "Dowdle Butane Gas." Seller has selected "Dowdle Enterprises, Inc." as its new corporate name.

9.10 U.C.C. Search. Buyer shall have received Uniform Commercial Code search reports (state and local, personal property and fixture) with respect to Seller and any name under which Seller is doing business, for all counties and states in which Seller has any real or personal property or otherwise maintains a place of business or in which Seller's assets are located shall be provided to Buyer by Seller, and Seller shall have arranged for all Liens on the Assets that are reflected in such search reports to have been discharged as of the Closing Date.

9.11 401(k) Plan. Seller shall have adopted any and all resolutions and taken all other actions that are necessary or appropriate: (i) to fund Seller's 401(k) Plan as referenced on Schedule 6.18 (the "401(k) Plan") with any profit sharing and matching contributions that have accrued as of the Closing Date or that otherwise customarily and historically would have been made by Seller prior to the 401(k) Plan's year end; (ii) to require that all 401(k) Plan participant elective deferrals which are salary reduced by Seller through the Closing Date are remitted to the trustees of the 401(k) Plan as soon after the Closing as is administratively possible and in compliance with ERISA and the Code; (iii) except as set forth immediately above in (i) and (ii) of this Section and except with respect to those persons who continue as employees of Seller, to cease all other contributions to the 401(k) Plan as of the date immediately prior to the Closing Date on behalf of persons who will no longer be employed by Seller; (iv) to fully vest all participant account balances in the 401(k) Plan immediately prior to the Closing Date with respect to persons who terminate employment with the Seller as of the date immediately prior to the Closing Date; and (v) to provide for distribution of the assets of the 401(k) Plan to employees who terminate participation in the 401(k) Plan as of the date immediately prior to the Closing Date, but not earlier than the receipt of a favorable determination letter (which shall be obtained by Seller, at its expense) from the IRS with respect to the termination or partial termination of the 401(k) Plan and the distribution of assets of the 401(k) Plan.

9.12 HSR Act. The waiting period under the HSR Act shall have expired, and there shall not be in force any order of any court of competent jurisdiction prohibiting consummation of the transactions contemplated by this Agreement by reason of the application of the application of the antitrust laws of the United States.

ARTICLE 10. CONDITIONS TO OBLIGATIONS OF SELLER AND SHAREHOLDERS TO CONSUMMATE THE TRANSACTION

Each and every obligation of Seller and Shareholders to be performed at or before the Closing hereunder is subject, at such party's election, to the satisfaction on or prior to the Closing Date of the conditions set forth below.

10.1 Compliance With Agreement. Buyer shall have performed all of its obligations and agreements and complied with all covenants, warranties and conditions contained in this Agreement which are required to be performed or complied with by Buyer on or prior to the Closing Date, including the tender of payment of the amounts to be paid by Buyer at the Closing pursuant to Section 4.3 hereof.

10.2 Opinion of Counsel. Seller shall have been furnished with the opinion of Laura Ozenberger, vice president and general counsel to Buyer, dated the Closing Date and addressed to Seller, substantially in the form set forth in Exhibit G hereto.

10.3 Noncompetition and Real Property Agreements.

(a) Buyer shall have executed and delivered to Seller, J. Nutie Dowdle and John C. Dowdle a noncompetition agreement in the form attached hereto as Exhibit A.

(b) Buyer shall have executed and delivered to Seller (i) a Lease Agreement in the form attached hereto as Exhibit B with respect to the parcels of the Seller Property, and (ii) a separate Lease Agreement in the form attached hereto as Exhibit C with respect to each parcel of the Seller Lease Property.

(c) Buyer shall have executed and delivered to the owners of the Shareholder Property and of the Shareholder Lease Property (i) a Lease Agreement in the form attached hereto as Exhibit B with respect to the parcels of the Shareholder Property, and (ii) a separate Lease Agreement in the form attached hereto as Exhibit C with respect to each parcel of the Shareholder Lease Property.

(d) Buyer shall have executed and delivered to Seller an Assignment and Assumption of Lease in the form of Exhibit D attached hereto with respect to each Third Party Lease relating to the Third Party Property, pursuant to which Buyer will acquire Seller's leasehold interest in each parcel of the Third Party Property.

10.4 HSR Act. The waiting period under the HSR Act shall have expired, and there shall not be in force any order of any court of competent jurisdiction prohibiting consummation of the transactions contemplated by this Agreement by reason of the application of the application of the antitrust laws of the United States. All filing fees payable to the Federal Trade Commission with respect to the filing under the HSR Act shall be paid by Buyer.

ARTICLE 11. INDEMNIFICATION

11.1 Seller's and Shareholders' Indemnity.

(a) Subject to the provisions of this Article 11, Seller and Shareholders, from and after the Closing Date, jointly and severally agree to, indemnify and hold Buyer and its members, directors, officers, agents, employees, representatives, successors and assigns, harmless from and against any and all damage, loss, cost, obligation, claims, demands, assessments, judgments or liability (whether based on contract, tort, product liability, strict liability or otherwise), including taxes, and all expenses (including interest, penalties and attorneys' and accountants' fees and disbursements) (collectively "Damages") incurred in litigation or otherwise, and any investigation relating thereto, by any of the above-named persons, directly or indirectly, resulting from or in connection with:

(i) Any misrepresentation, breach of warranty or failure to perform any covenant or agreement made or undertaken by Seller or Shareholders in this Agreement or in any other agreement, certificate, schedule, exhibit or writing delivered to Buyer pursuant to this Agreement;

(ii) The Retained Liabilities;

(iii) All debts, obligations, expenses and liabilities and costs (other than the Assumed Liabilities) incurred, arising out of or in connection with any transaction or series of transactions or any facts or series of facts existing on the Closing Date or which occurred on or prior to the Closing Date relating to the Assets or the Real Property or to the ownership, lease or operation thereof by Seller, including violations, actual or alleged, of or any other liabilities under or in connection with any law, statute, ordinance, rule or regulation, except to the extent Damages are caused by Buyer; and

(iv) Any action, suit, proceeding or claim incident to any of the foregoing.

(b) Seller and each Shareholder hereby acknowledges and agrees that should Seller or any Shareholder make any claim or institute any actions, suits or proceedings with respect to the validity or applicability of this indemnification provision, each such party shall be responsible for all Damages incurred by Buyer in connection therewith.

11.2 Buyer's Indemnity.

(a) Subject to the provisions of this Article 11, Buyer, from and after the Closing Date, shall indemnify and hold Seller and Shareholders harmless from and against any Damages incurred by Seller and/or Shareholders resulting from or in connection with:

(i) Any misrepresentation, breach of warranty or failure to perform any covenant or agreement made or undertaken by Buyer in this Agreement or in any other agreement, certificates, schedule, exhibit or writing delivered by Buyer to Seller or Shareholders pursuant to this Agreement;

(ii) The Assumed Liabilities; and

(iii) Any action, suit, proceeding or claim incident to any of the foregoing.

(b) Buyer hereby acknowledges and agrees that should Buyer make any claim or institute any actions, suits or proceedings with respect to the validity or applicability of this indemnification provision, Buyer shall be responsible for all Damages incurred by Seller and Shareholders in connection therewith.

11.3 Special Hazardous Substances Indemnity. Subject to the provisions of this Article 11, Seller and Shareholders, from and after the Closing Date, jointly and severally agree to indemnify, protect and hold harmless Buyer and its members, officers, agents, employees, representatives, successors and assigns from and against any and all Damages (including reimbursement of clean-up costs) directly or indirectly arising from or as a result of (a) claims, actions or causes of action, including those involving toxic torts and those seeking

reimbursement of clean-up costs, which arise out of the handling, treatment, storage, disposal or transportation or arranging therefor, by Seller of any pollutant, contaminant or hazardous substance or toxic substance (including any constituent thereof) and which handling, treatment, storage, disposal or transportation or arrangement therefor occurred or began, in whole or in part, on or prior to the Closing Date, even though such claim, action or cause of action may be made or filed after the Closing Date, (b) Seller, by contract, agreement or otherwise, prior to the Closing, arranging for disposal or treatment, or arranging with a transporter for transport for disposal or treatment of any Hazardous Substance (as defined in Section 6.21(a) hereof) at any facility owned or operated by another person or entity, (c) Seller accepting, prior to the Closing, any Hazardous Substance for transport to disposal or treatment facilities or sites selected by Seller, (d) any Release (as defined in Section 6.21(a) hereof) or threat of a Release, actual or alleged, of Hazardous Substances or oil, gasoline or other petroleum related products upon, about or into the Real Property or respecting any products or materials prior to the Closing located upon, delivered to or in transit to or from the Real Property whether or not such Release or threat of a Release occurs as the result of the negligence or misconduct of Seller or any third party or otherwise, or (e) any violation, actual or alleged, of or any other liability under or in connection with any law, statute, ordinance, rule or regulation of any governmental or quasi-governmental authority relating to environmental protection or environmental matters, specifically including the Resource Conservation and Recovery Act, the Comprehensive Environmental Response, Compensation and Liability Act, and the Superfund Amendments and Reauthorization Act of 1986. Furthermore, in the event Buyer is required to clean up any Real Property as a result of contamination occurring prior to the Closing, Seller and Shareholder hereby agrees to conduct such environmental cleanup to the full extent required by any regulatory authorities having jurisdiction over the subject matter thereof.

11.4 Procedure. All claims for indemnification by a party under this Article 11 (the party claiming indemnification and the party against whom such claims are asserted being hereinafter called the “Indemnified Party” and the “Indemnifying Party,” respectively) shall be asserted and resolved as follows:

(a) In the event that any claim or demand for which an Indemnifying Party would be liable to an Indemnified Party hereunder is asserted against or sought to be collected from such Indemnified Party by a third party, such Indemnified Party shall with reasonable promptness (within 30 days of such claim or demand being made by such third party or a period of more than 30 days if the defense or opposition of such claim or demand would not be adversely affected by such longer period) give notice (the “Claim Notice”) to the Indemnifying Party of such claim or demand, specifying the nature of and specific basis for such claim or demand and the amount or the estimated amount thereof to the extent then feasible (which estimate shall not be conclusive of the final amount of such claim and demand). The Indemnifying Party shall have thirty (30) days from the delivery or mailing of the Claim Notice (the “Notice Period”) to notify the Indemnified Party (i) whether or not it disputes the liability of the Indemnifying Party to the Indemnified Party hereunder with respect to such claim or demand, and (ii) whether or not it desires, at the cost and expense of the Indemnifying Party, to defend the Indemnified Party against such claim or demand; provided, however, that any Indemnified Party is hereby authorized, but is not obligated, prior to and during the Notice Period, to file any motion, answer or other pleading that it shall deem necessary or

appropriate to protect its interests or those of the Indemnifying Party. If the Indemnifying Party notifies the Indemnified Party within the Notice Period that it desires to defend the Indemnified Party against such claim or demand, the Indemnifying Party shall, subject to the last sentence of this paragraph, have the right to control the defense against the claim by all appropriate proceedings and any settlement negotiations, provided that to the satisfaction of the Indemnified Party, the Indemnifying Party shall secure the Indemnified Party against such contested claims by posting a bond or otherwise. If the Indemnified Party desires to participate in, but not control, any such defense or settlement, it may do so at its sole cost and expense. If the Indemnifying Party fails to respond to the Indemnified Party within the Notice Period, elects not to defend the Indemnified Party, or after electing to defend fails to commence or reasonably pursue such defense, then the Indemnified Party shall have the right, but not the obligation, to undertake or continue the defense of, and to compromise or settle (exercising reasonable business judgment), the claim or other matter all on behalf, for the account and at the risk of the Indemnifying Party. Notwithstanding the foregoing, if the basis of the proceeding relates to a condition of operations which existed or were conducted both prior to and after the Closing Date or if the Indemnified Party would be otherwise adversely affected as a result of any adverse decision of such proceeding, each party shall have the same right to participate at its own expense and at its own risk in the proceeding without either party having the right of control.

(b) If any Indemnified Party should have a claim against the Indemnifying Party hereunder which does not involve a claim or demand being asserted against or sought to be collected from it by a third party, the Indemnified Party shall send a Claim Notice with respect to such claim to the Indemnifying Party. If the Indemnifying Party disputes such claim, such dispute, if it is not settled without resort to litigation, shall be resolved by litigation in an appropriate court of competent jurisdiction.

11.5 Costs. If any legal action or other proceeding is brought for the enforcement or interpretation of any of the rights or provisions of this Agreement (including the indemnification provision), or because of an alleged dispute, breach, default or misrepresentation in connection with any of the provisions of this Agreement, the successful or prevailing party shall be entitled to recover reasonable attorneys' fees and all other costs and expenses incurred in that action or proceeding, in addition to any other relief to which it may be entitled.

11.6 Limitations on Indemnification.

(a) The indemnification obligations of the parties in this Article 11 shall survive the Closing for a period of eighteen (18) months thereafter, except that (i) indemnification claims relating to Seller's title to and ownership of the Assets and the respective responsibilities of the parties for the Retained Liabilities and the Assumed Liabilities shall survive the Closing for a period of six (6) years thereafter; (ii) indemnification claims relating to Taxes and Benefit Plans shall survive the Closing for the period of the applicable statute of limitations, (iii) indemnification claims relating to environmental matters shall survive the Closing until (A) in the case of indemnification claims asserted under Section 11.3 hereof with respect to any parcel of Seller Property or Shareholder Property purchased by Buyer pursuant to Article 14 hereof, the closing date

for Buyer's purchase of such parcel, (B) in the case of indemnification claims asserted under Section 11.3 hereof with respect to any parcel of Seller Lease Property or Shareholder Lease Property for which Buyer has elected to waive its option to reject such parcel pursuant to Section 14.3(b) hereof, the date on which Buyer has given notice of such election, and (C) in the case of all other indemnification claims relating to environmental matters, the earlier of the date of the expiration of the applicable statute of limitations for such matters or the expiration of a period of six (6) years after the Closing; and (iv) any indemnification claim asserted during the applicable survival period shall continue in effect with respect to such claim until such claim shall have been finally resolved or settled.

(b) Notwithstanding anything to the contrary contained or implied in this Agreement, (i) no party will be required to indemnify any other party hereto in respect of any Damages suffered by such party unless and until the aggregate dollar amount of such Damages shall have exceeded $530,000, and then only to the extent that such amount of Damages exceeds such amount, and (ii) the aggregate Damages for which an Indemnifying Party will be obligated to indemnify an Indemnified Party under this Article 11 shall not exceed $10,600,000; *provided, however*, the limitations contained in this Section 11.6(b) shall not apply to (A) any failure of Buyer to pay the Purchase Price as provided herein, (B) any failure of Seller to sell and transfer the Assets to Buyer free and clear of all Liens, (C) any failure of Seller to perform its obligations under Section 8.5, (D) any breach of Sellers' obligations with respect to Retained Liabilities (excluding any Contracts and rights contemplated by Section 2.3 hereof) or of Buyer's obligations with respect to the Assumed Liabilities, and (E) any breach by Seller or of Buyer of their respective obligations in Article 13 hereof; and *provided further, however*, the limitation contained in Section 11.6(b)(i) shall not apply to (1) any Damages suffered by Buyer with respect to environmental matters or conditions associated with any parcel of Seller Property or Shareholder Property and which relate to conditions existing or events occurring prior to the closing date for Buyer's purchase of such parcel pursuant to Article 14 hereof, (2) any Damages suffered by Buyer with respect to environmental matters or conditions associated with any parcel of Seller Lease Property or Shareholder Lease Property and which relate to conditions existing or events occurring prior to the date on which Buyer has given notice of its election to waive its option to reject such parcel pursuant to Section 14.3(b) hereof, and (3) any Damages suffered by Buyer with respect to environmental matters or conditions associated with any parcel of Third Party Property and which relate to conditions existing or events occurring prior to the expiration of Buyer's option to reassign the applicable Third Party Lease back to Seller pursuant to the related Assignment and Assumption of Lease; and *provided further, however*, the limitation contained in Section 11.6(b)(ii) shall be reduced, dollar for dollar, to the extent of any costs incurred by Seller in effecting any remedy required to be made by Seller pursuant to Section 14.2, up to a maximum reduction of $5,980,000.

ARTICLE 12. SURVIVAL OF COVENANTS, AGREEMENTS, REPRESENTATIONS AND WARRANTIES; RIGHT OF OFFSET

12.1 Survival. Subject to Section 11.6, all representations, warranties, covenants and agreements made by the parties each to the other in this Agreement or pursuant

hereto in any certificate, instrument or document shall survive the consummation of the transactions contemplated by this Agreement, and may be fully and completely relied upon by Buyer and by Seller and Shareholders, as the case may be, notwithstanding any investigation made by such party or on behalf of any of them, and shall not be deemed merged into any instruments or agreements delivered at Closing.

12.2 Right of Offset. Seller and Shareholders have made certain representations and warranties to Buyer in this Agreement and the Schedules and Exhibits attached hereto in connection with Buyer's acquisition of the Assets. As a result of such representations, warranties and agreements, there exists the possibility that Seller or Shareholders will be liable to Buyer and/or be required to indemnify Buyer in accordance with this Agreement. Any obligation of Buyer to Seller or to any Shareholder is subject to any such liability or indemnification, and Buyer may, at its election, offset against any payment required by Buyer pursuant to this Agreement or the Schedules and Exhibits attached hereto, an amount equal to or less than the amount that such party may be liable to Buyer or may be required to pay Buyer pursuant to such indemnification.

ARTICLE 13. EXPENSES

Except as otherwise set forth herein, each party agrees to pay, without right of reimbursement from any other, the costs incurred by such party incident to the preparation and execution of this Agreement and performance of their respective obligations hereunder, including the fees and disbursements of legal counsel, accountants and consultants employed by the respective parties in connection with the transactions contemplated by this Agreement.

ARTICLE 14. PURCHASE AND SALE OF THE SELLER PROPERTY AND SHAREHOLDER PROPERTY

14.1 Seller Property and Shareholder Property. Subject to the terms and conditions hereof and subject to the representations and warranties made herein, at the closing for the Seller Property or Shareholder Property, as the case may be, as provided in this Article 14, Buyer shall purchase from the respective owner of such Seller Property or Shareholder Property (Seller or a Shareholder, as the case may be), and Seller or Shareholders, as the case may be, shall validly sell, assign, transfer, grant, bargain, deliver and convey to Buyer, the Seller Property described on Schedule 4.5A hereto and the Shareholder Property described on Schedule 4.5C hereto.

14.2 Inspections of Real Property.

(a) Seller has delivered to Buyer, or within ten (10) days after the Closing Date Seller will deliver to Buyer, all title reports, title abstracts, title commitments and title policies, including exception documents identified therein, surveys and environmental site assessments and reports, in each case, in the possession or control of Seller or of any Shareholder with respect to any parcel of the Real Property.

(b) On or after the Closing Date, Buyer and its representatives and agents may conduct such investigations of the title to the Real Property as Buyer considers necessary or advisable. In this regard, Buyer may order such commitments for

title insurance, policies of title insurance and land surveys with respect to any or all parcels of the Real Property as Buyer may determine in its sole discretion. Each such commitment for title insurance, policy of title insurance and survey will be at Buyer's expense and will contain such endorsements and conform to such specifications as Buyer may determine in its sole discretion. Buyer shall notify Seller in writing if the commitment for title insurance, policy of title insurance or survey discloses any Liens, easements, restrictions, reservations or other defects or any other matters which Buyer in good faith believes would materially interfere with Buyer's use of any parcel of the Real Property in the operation of its business, or would materially detract from the value or marketability of Buyer's interest in such parcel, and therefore are not acceptable. Thereupon, Seller shall promptly remedy each such matter to Buyer's reasonable satisfaction and provide evidence reasonably acceptable to Buyer reflecting that such remedy has been effected; provided, however, that Seller will not be required to effect such remedy in the event its cost of doing so would exceed the portion of the Real Property Price allocated to the affected parcel of Seller Property or Shareholder Property on Schedule 4.5A or Schedule 4.5C hereto or the aggregate rent required to be paid by Buyer under the lease of the affected parcel of any other Real Property, as the case may be.

(c) On or after the Closing Date, Buyer and its representatives and agents may conduct such inspections and assessments of the Real Property as Buyer considers necessary or advisable, including environmental assessments of the Real Property. In this regard, Buyer may order such environmental assessments, inspections and re-inspections with respect to the Real Property as Buyer may determine in its sole discretion. Each such assessment, inspection and re-inspection will be at Buyer's expense, will conform to such specifications as Buyer may determine in its sole discretion and will be performed by environmental consultants selected by Buyer and reasonably satisfactory to Seller. Buyer shall notify Seller in writing if the environmental condition of any of the parcels of Real Property is, in Buyer's reasonable judgment supported by documentation prepared by a qualified professional, not acceptable. Thereupon, Seller shall promptly remedy each such matter to Buyer's reasonable satisfaction and provide evidence reasonably acceptable to Buyer reflecting that such remedy has been effected; provided, however, that Seller will not be required to effect such remedy in the event its cost of doing so would exceed the portion of the Real Property Price allocated to the affected parcel of Seller Property or Shareholder Property on Schedule 4.5A or Schedule 4.5C hereto or the aggregate rent required to be paid by Buyer under the lease of the affected parcel of any other Real Property, as the case may be.

(d) All of Buyer's investigations, inspections and assessments with respect to the Real Property must be completed by 5:00 p.m. local time on the first anniversary of the Closing Date; provided, however, that if Buyer has notified Seller of any unacceptable Liens, easements, restrictions, reservations, defects, environmental conditions or other matters with respect to any parcel of Real Property pursuant to Section 14.2(b) or (c) hereof, the period during which Buyer may conduct such investigations, inspections and assessments with respect to such parcel shall be extended until Seller has remedied each matter identified.

14.3 Buyer’s Election; Real Property Closing.

(a) After Buyer has completed its investigations, inspections and assessments with respect to any parcel of the Seller Property or Shareholder Property, Buyer will notify the owner of such parcel either that (i) Buyer is electing to purchase such parcel, or (ii) Buyer is electing to reject such parcel from the purchase transaction and waive its option to purchase such parcel; provided, however, that if Buyer has notified Seller of any unacceptable Liens, easements, restrictions, reservations, defects, environmental conditions or other matters with respect to such parcel pursuant to Section 14.2(b) or (c) hereof and Seller has remedied each matter identified, Buyer will give the notice contemplated by Section 14.3(a)(i). If Buyer gives notice of its election to purchase a parcel of Seller Property or Shareholder Property, Buyer and the owner of such parcel will proceed to closing of Buyer’s purchase of such parcel. In that event, the closing for Buyer’s purchase of such parcel will occur on the last business day of the calendar month in which such notice is given (if such notice is given on or before the 20th day of the month, otherwise on the last business day of the immediately following calendar month); provided, however, Buyer and the owner of such parcel may agree to close with respect to one or more parcels of the Seller Property or Shareholder Property, as the case may be, on different dates. If Buyer gives notice of its election to reject a parcel of Seller Property or Shareholder Property, the Real Property Price shall be reduced by the amount allocated to such parcel on Schedule 4.5A or Schedule 4.5C hereto, as the case may be, and Buyer will vacate such parcel by the time specified in the Lease Agreement for such parcel (which Lease Agreement will be in the form attached hereto as Exhibit B) and will be solely responsible for the costs and expenses incurred by it in relocating Assets from such parcel to another location; provided, however, that if Buyer desires to continue to lease the affected parcel, Buyer may notify the owner of such parcel of such desire and thereupon Buyer and such owner shall negotiate in good faith for a mutually acceptable lease agreement with respect to such parcel, which lease would include an indemnification of Buyer by such owner with respect to all Liens, easements, restrictions, reservations, defects, environmental conditions or other matters with respect to such parcel that were identified by Buyer pursuant to Section 14.2(b) or (c) hereof and that have not been remedied by Seller.

(b) After Buyer has completed its investigations, inspections and assessments with respect to any parcel of the Seller Lease Property or Shareholder Lease Property, Buyer will notify the owner of such parcel either that (i) Buyer is electing to reject such parcel, or (ii) Buyer is electing to waive its option to reject such parcel; provided, however, that if Buyer has notified Seller of any unacceptable Liens, easements, restrictions, reservations, defects, environmental conditions or other matters with respect to such parcel pursuant to Section 14.2(b) or (c) hereof and Seller has remedied each matter identified, Buyer will give the notice contemplated by Section 14.3(b)(ii). If Buyer gives notice of its election to reject such parcel, Buyer will vacate such parcel by the time specified in the Lease Agreement for such parcel (which Lease Agreement will be in the form attached hereto as Exhibit C) and will be solely responsible for the costs and expenses incurred by it in relocating Assets from such parcel to another location; provided, however, that if Buyer desires to continue to lease the affected parcel, Buyer may notify the owner of such parcel of such desire and thereupon

Buyer and such owner shall negotiate in good faith for a mutually acceptable lease agreement with respect to such parcel, which lease would include an indemnification of Buyer by such owner with respect to all Liens, easements, restrictions, reservations, defects, environmental conditions or other matters with respect to such parcel that were identified by Buyer pursuant to Section 14.2(b) or (c) hereof and that have not been remedied by Seller.

14.4 Purchase Price for Seller Property and Shareholder Property. The aggregate purchase price (the "Real Property Price") for the Seller Property and Shareholder Property is Five Million Nine Hundred Eighty Thousand Dollars ($5,980,000) (allocated among the parcels of Seller Property and Shareholder Property as provided on Schedule 4.5A and Schedule 4.5C hereto).

14.5 Payment for Seller Property and Shareholder Property; Proration of Taxes.

(a) Subject to the terms and conditions of this Agreement, Buyer shall make payment to the owner of the Seller Property or Shareholder Property being purchased by Buyer (Seller or a Shareholder, as the case may be) by wire transfer in immediately available funds to the bank account of such owner identified on Exhibit H attached hereto, or at Buyer's option, through escrow with a title company or escrow or other closing agent, of the portion of the Real Property Price allocated as provided on Schedule 4.5A or Schedule 4.5C to the parcel of the Seller Property or Shareholder Property being purchased by Buyer, which payment shall be made at the closing for such parcel as set forth in Section 14.3 above.

(b) All property taxes and special assessments payable in respect of any parcel of the Seller Property and Shareholder Property being purchased by Buyer pursuant to this Article 14 shall be prorated between Buyer and the owner of such parcel on the basis of the actual days elapsed between the commencement of the tax year in which the closing date for such parcel occurs and such closing date, based on a 365-day year. In the event the amount of any such tax or assessment cannot be ascertained as of the closing date for such parcel, proration shall be made on the basis of such amount for the preceding year and to the extent that such amount may be inaccurate the owner of such parcel and Buyer agree to make such payments to the other after the tax statements have been received which are necessary to allocate such taxes and assessments properly between the owner of such parcel, on the one hand, and Buyer, on the other hand, on a pro rata basis as of such closing date.

14.6 Deed. At the closing for Buyer's purchase of any parcel of the Seller Property or Shareholder Property pursuant to this Article 14, the owner of such parcel shall execute and deliver to Buyer such deeds and other instruments of transfer and conveyance (in form and substance reasonably satisfactory to the Buyer's title company and counsel for Buyer) as shall be necessary or desirable to vest in Buyer all the right, title and interest in and to such parcel.

14.7 Right to Use Real Property. Pursuant to the Lease Agreements in the forms attached hereto as Exhibit B and Exhibit C, from and after the Closing Date, Buyer and its

agents have the right to enter upon the Seller Property, the Seller Lease Property, the Shareholder Property and the Shareholder Lease Property, including all improvements located thereon, and to use such Real Property in the conduct of Buyer's business. This right automatically shall expire at the times, or under the circumstances, specified in such Lease Agreements.

ARTICLE 15. MISCELLANEOUS

15.1 Notices. Any notice, request, consent or communication under this Agreement shall be effective only if it is in writing and personally delivered or sent by certified mail, return receipt requested, postage prepaid, by a nationally recognized overnight delivery service, with delivery confirmed, addressed as follows:

If to Seller and/or Shareholders:	If to Buyer:
Dowdle Enterprises, Inc. P. O. Box 8060 Columbus Mississippi 39705 Attn: J. Nutie Dowdle	Inergy Propane, LLC Two Brush Creek Blvd., Suite 200 Kansas City, Missouri 64112 Attn: Laura Ozenberger

With a copy to:

Sirote & Permutt, P.C.
2311 Highland Avenue South
Suite 500
Birmingham, Alabama 35205
Joseph S. Bluestein, Esq.

or such other persons and/or addresses as shall be furnished in writing by any party to the other party, and shall be deemed to have been given only upon its delivery in accordance with this Section 15.1.

15.2 Parties in Interest and Assignment.

(a) This Agreement is binding upon and is for the benefit of the parties hereto and their respective successors and assigns. Except as expressly provided herein, nothing in this Agreement, express or implied, is intended to confer on any Person other than the parties hereto or their respective successors and assigns any rights, remedies or obligations or liabilities under or by reason of this Agreement.

(b) Except as provided in Section 15.2(c) hereof, neither this Agreement nor any of the rights or duties of any party hereto may be transferred or assigned to any Person except by a written agreement executed by all of the parties hereto.

(c) Notwithstanding the above, Buyer may transfer and assign all or any portion of its rights under this Agreement in connection with any merger, consolidation or conversion of Buyer or any sale of all or substantially all of the assets of Buyer.

15.3 Modification. This Agreement may not be amended or modified except by a writing signed by an authorized representative of the party against whom enforcement of the change is sought. No waiver of the performance or breach of, or default under, any condition or obligation hereof shall be deemed to be a waiver of any other performance, or breach of, or default under the same or any other condition or obligation of this Agreement.

15.4 Waiver. Each party hereto may, by written notice to the other party hereto: (a) extend the time for the performance of any of the obligations or other actions of such other party under this Agreement; (b) waive any inaccuracies in the representations or warranties of such other party contained in this Agreement or in any document delivered pursuant to this Agreement; (c) waive compliance by such other party with any of the conditions or covenants of the other contained in this Agreement; or (d) waive or modify performance of any of the obligations of such other party under this Agreement. Except as provided in the preceding sentence, no action taken by or on behalf of any party, including any investigation by or on behalf of such party, shall be deemed to constitute a waiver by the party taking such action of compliance with any representations, warranties, covenants or agreements contained in this Agreement.

15.5 Entire Agreement. This Agreement embodies the entire agreement between the parties hereto and there are no agreements, representations or warranties between the parties other than those set forth or provided herein. All Exhibits and Schedules called for by this Agreement and delivered to the parties are incorporated herein and made a part of this Agreement by this reference thereto with the same force and effect as if the same had been specifically set forth in this Agreement.

15.6 Execution in Multiple Originals. This Agreement may be executed in multiple originals, each of which shall be deemed an original but all of which together shall constitute but one and the same instrument.

15.7 Headings; Illustrations. The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Illustrations and examples set forth in this Agreement are not be construed to limit, expressly or by implication, the matter they illustrate.

15.8 Invalid Provisions. If any provision of this Agreement is held to be illegal, invalid or unenforceable under any present or future law, and if the rights or obligations of any party hereto under this Agreement will not be materially and adversely affected thereby, (a) such provision will be fully severable; (b) this Agreement will be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part hereof; and (c) the remaining provisions of this Agreement will remain in full force and effect and will not be affected by the illegal, invalid or unenforceable provision or by its severance herefrom.

15.9 Governing Law. This Agreement shall be governed by and construed, interpreted and enforced in accordance with the laws of the State of Delaware applicable to agreements made and to be performed entirely within such State, including all matters of enforcement, validity and performance.

15.10 Gender. Masculine pronouns used in this Agreement shall be construed to include feminine and neuter pronouns, and words in the singular shall include the plural, unless the context otherwise requires.

15.11 Construction of Agreement. No consideration may be given to the fact or presumption that one party had a greater or lesser hand in drafting this Agreement. The word “includes” and its derivatives means “includes, but is not limited to,” and corresponding derivative expressions. The word “or” is disjunctive but not necessarily exclusive.

[The remainder of this page intentionally has been left blank]

IN WITNESS WHEREOF, the parties hereto have duly executed this Asset Purchase Agreement on the date first above written.

DOWDLE GAS, INC.

By: ______________________________

Name: J. Nutie Dowdle
Title: Chief Executive Officer

JOHN CHARLES DOWDLE INVESTMENT MANAGEMENT TRUST

By: ______________________________

Name: J. Nutie Dowdle
Title: Co-Trustee

____

Name: John C. Dowdle
Title: Co-Trustee

____

J. NUTIE DOWDLE

____

JOHN C. DOWDLE

INERGY PROPANE, LLC

By: ______________________________

Name: Carl A. Hughes
Title: V. P. – Business Development

Exhibit 31.1

CERTIFICATIONS

I, John J. Sherman, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Inergy, L.P. (the “registrant”);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over the financial reporting (as defined in Exchange Act Rules 13a-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of registrant’s board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: February 9, 2006

/s/ John J. Sherman

John J. Sherman
President and Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, R. Brooks Sherman, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Inergy, L.P. (the “registrant”);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over the financial reporting (as defined in Exchange Act Rules 13a-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of registrant’s board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: February 9, 2006

/s/ R. Brooks Sherman, Jr.

R. Brooks Sherman, Jr.
Senior Vice President and Chief Financial Officer

Exhibit 32.1

Certification of the Chief Executive Officer

Pursuant to 18 U.S.C. Section 1350

As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Inergy, L.P. (the "Company") on Form 10-Q for the period ended December 31, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John J. Sherman, Chief Executive Officer of Inergy, L.P., certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ John J. Sherman

John J. Sherman
Chief Executive Officer

February 9, 2006

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

Certification of the Chief Executive Officer

Pursuant to 18 U.S.C. Section 1350

As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Inergy, L.P. (the "Company") on Form 10-Q for the period ended December 31, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, R. Brooks Sherman, Jr., Chief Financial Officer of Inergy, L.P., certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ R. Brooks Sherman, Jr.

R. Brooks Sherman, Jr.
Chief Financial Officer

February 9, 2006

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.