As filed with the Securities and Exchange Commission on June 13, 2002

Registration Statement No. 333-89010

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Amendment No. 1

to

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

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

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

2 Brush Creek Blvd.

Kansas City, Missouri 64112

(816) 842-8181
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

John J. Sherman

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

Copies to:

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

If any of the securities being registered on this Form are being offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box: [_]

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

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

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

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

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

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

- --
- --

++
+The information in this Prospectus is not complete and may be changed. We may +
+not sell these securities until the Registration Statement filed with the +
+Securities and Exchange Commission is effective. This Prospectus is not an +
+offer to sell these securities, and we are not soliciting an offer to buy +
+these securities in any state where the offer or sale is not permitted. +
++

Subject to completion, dated June 13, 2002

PROSPECTUS

1,400,000 Common Units

[INERGY LOGO]

Representing Limited Partner Interests

We are offering 1,060,945 common units, and the selling unitholders are offering 339,055 common units. We will not receive any proceeds from the sale of the common units by the selling unitholders. Our common units are traded on the Nasdaq National Market under the symbol "NRGY." On June 11, 2002, the last reported sale price of our common units on the Nasdaq was $30.65 per common unit.

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

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

These risks include the following:

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

PRICE $ PER COMMON UNIT

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

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

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

A.G. Edwards & Sons, Inc.

Raymond James

UBS Warburg

Wachovia Securities

Prospectus dated , 2002

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

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GUIDE TO READING THIS PROSPECTUS

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

- Throughout this prospectus,

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

  (2) when we use the term "our predecessor," we are referring to Inergy Partners, LLC, the entity that conducted our business prior to our initial public offering, which closed on July 31, 2001. Inergy, L.P. was formed as a Delaware limited partnership on March 7, 2001 and did not have operations until the initial public offering. Our predecessor commenced operations in November 1996. The discussion of our business throughout this prospectus relates to the business operations of Inergy Partners, LLC prior to Inergy, L.P.'s initial public offering and Inergy, L.P. thereafter.

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

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

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

PROSPECTUS SUMMARY

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

INERGY, L.P.

Our Business

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

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

Recent Developments

Recent Acquisitions

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

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

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

Secured Notes Offering. On June 7, 2002, our operating company, Inergy Propane, LLC, issued $85.0 million of senior secured notes with a weighted average interest rate of 9.07% and a weighted average maturity

of 5.9 years. The senior secured notes are guaranteed by IPCH Acquisition Corp., Inergy Propane's subsidiaries and us. We obtained an investment grade rating of "BBB-" for the senior secured notes from Fitch Ratings Service. We used the net proceeds from the senior secured notes offering to repay indebtedness under our bank credit facility.

Summary of Risk Factors

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

Risks Inherent in Our Business

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Tax Risks to Common Unitholders

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

Our Competitive Strengths

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

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

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

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

- Flexible Financial Structure. We have a $75.0 million revolving credit facility for acquisitions and a $50.0 million revolving working capital facility. Upon completion of this offering, we expect to have available capacity of approximately $56.7 million under our acquisition facility and approximately $48.0 million under our working capital facility. We believe our available capacity under these facilities combined with our ability to fund acquisitions through the issuance of additional partnership interests will provide us with a flexible financial structure that will facilitate our acquisition strategy.

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

Distribution History

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

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

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

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

Industry Background

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

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

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

SUMMARY OF CONFLICTS OF INTEREST AND FIDUCIARY RESPONSIBILITIES

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

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

PARTNERSHIP STRUCTURE AND MANAGEMENT

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

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

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

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

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

- New Inergy Propane, LLC, a wholly-owned subsidiary of our non-managing general partner, owns 961,158 senior subordinated units and 507,063 junior subordinated units, representing an aggregate limited partner interest in us of approximately 19.0% after this offering.

Our principal executive offices are located at 2 Brush Creek Blvd., Kansas City, Missouri 64112, and our phone number is (816) 842-8181.

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

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                                              ---------------------------------------------------
                                                Ownership of Inergy, L.P. after the offering:
                                              Common units..........................     47.7%
- ---------------------------                    Senior subordinated units.............     42.9%
    Public Unitholders                        Junior subordinated units.............      7.4%
  3,274,216 Common Units                      General partner interest..............      2.0%
- ---------------------------                                                              ------
       |                                                                                100.0%
       |                                                                                ------
       |                                      ----------------------------------------------------
       |
       |       ---------------------------------------                                  -----------------------------
       |                 Owners of Certain                                                 Inergy Holdings, LLC
       |                Acquired Businesses                                                 and its affiliates
       |                and Other Investors                                                404,601 Common Units
       |        2,352,209 Senior Subordinated Units          ________________              Incentive Distribution       _________
       |          65,479 Junior Subordinated Units          |                                     Rights                         |
       |       ---------------------------------------      |                           -----------------------------           |
       |                  |                                 |                                      |                            |
       |                  |                     100% membership interest                           |                            |
       |                  |                                 |                          100% membership interest                 |
       |                  |                                 |                                      |                            |
       |                  |                     -------------------------                ---------------------                  |
       |                  |                       Inergy Partners, LLC                      Inergy GP, LLC                      |
   42.5% limited          |               _______ (The Non-managing                         (The Managing                       |
  partner interest        |              |         General Partner)                         General Partner                     |
       |                  |              |      -------------------------                ---------------------                  |
       |                  |              |                  |                                      |                            |
       |                  |              |       100% membership interest                          |                            |
       |                  |              |                  |                                      |                            |
       |                  |              |      --------------------------                         |                            |
       |                  |              |        New Inergy Propane, LLC                          |                            |
       |                  |      2% non-managing      961,158 Senior                               |                            |
       |                  |          general       Subordinated Units                     management rights                     |
       |                  |       partner interest     507,063 Junior                         /                                 |
       |                  |              |         Subordinated Units                        /                                  |
       |                  |              |      --------------------------                  /                                   |
       |            31.3% limited        |                  |                              /                                    |
       |          partner interest       |     19.0% limited partner interest             /                                     |
       |                                 |                  |                            /                   5.2% limited       |
       |                  |              |                  |                           /               partner interest _____|
       |                  |              |                                             /                       |
       |                  |              |____________         ----------------                                |
       |                  |              |____________                               ___________________________|
       |                  |                                Inergy, L.P.
       |                  |___________________________  (The Partnership)
       |_______________________________________________
                                                           ----------------
                                                                  |
                                                                  |
                                                       100% membership interest
                                                                  |
                                                      -------------------------
                                                         Inergy Propane, LLC
                                                           (The Operating
                                                             Company)
                                                      -------------------------
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The Offering

Common units offered by Inergy, L.P.	1,060,945 common units. 1,270,945 common units if the underwriters exercise their over-allotment option in full.
Common units offered by the selling unitholders	339,055 common units. For information about the selling unitholders, please read "Selling Unitholders."
Units outstanding after this offering	3,678,817 common units, representing a 47.7% limited partner interest in Inergy, L.P.; 3,313,367 senior subordinated units, representing a 42.9% limited partner interest in Inergy, L.P.; and 572,542 junior subordinated units, representing a 7.4% limited partner interest in Inergy, L.P.
Cash distributions	Common units are entitled to receive distributions of available cash of $0.60 per quarter, or $2.40 on an annualized basis, before any distributions are paid on our subordinated units.

In general, we will pay any cash distributions we make each quarter in the following manner:

- first, 98% to the common units and 2% to the non-managing general partner, until each common unit has received a minimum quarterly distribution of $0.60 plus any arrearages from prior quarters;
- second, 98% to the senior subordinated units and 2% to the non-managing general partner, until each senior subordinated unit has received a minimum quarterly distribution of $0.60;
- third, 98% to the junior subordinated units and 2% to the non-managing general partner, until each junior subordinated unit has received a minimum quarterly distribution of $0.60; and
- fourth, 98% to all units, pro rata, and 2% to the non-managing general partner, until each unit has received a distribution of $0.66 per quarter.

If cash distributions exceed $0.66 per unit in any quarter, Inergy Holdings will receive increasing percentages, up to 48%, of the cash we distribute in excess of that amount. We refer to Inergy Holdings' right to receive these higher amounts of cash as "incentive distribution rights."

We must distribute all of our cash on hand at the end of each quarter, less reserves established by our managing general partner. We refer to this cash as "available cash," and we define its meaning in our partnership agreement and in the glossary in

Appendix A. The amount of available cash may be greater than or less than the minimum quarterly distribution.

Timing of distributions .... We pay distributions approximately 45 days after March 31, June 30, September 30 and December 31 to unitholders of record on the applicable record date and to our non-managing general partner.

Subordination period ..... The subordination period will end once we meet the financial tests in the partnership agreement, but it generally cannot end before June 30, 2006 with respect to the senior subordinated units and June 30, 2008 with respect to the junior subordinated units.

When the applicable subordination period ends, all remaining senior subordinated units or junior subordinated units, as applicable, will convert into common units on a one-for-one basis. Once all subordinated units have been converted into common units, the common units will no longer be entitled to arrearages.

Early conversion of subordinated units ....

If we meet the applicable financial tests in the partnership agreement for any quarter ending on or after June 30, 2004, 25% of the senior subordinated units will convert into common units. If we meet these tests for any quarter ending on or after June 30, 2005, an additional 25% of the senior subordinated units will convert into common units. The early conversion of the second 25% of the senior subordinated units may not occur until at least one year after the early conversion of the first 25% of the senior subordinated units.

If we meet the applicable financial tests in the partnership agreement for any quarter ending on or after June 30, 2006, 25% of the junior subordinated units will convert into common units. If we meet these tests for any quarter ending on or after June 30, 2007, an additional 25% of the junior subordinated units will convert into common units. The early conversion of the second 25% of the junior subordinated units may not occur until at least one year after the early conversion of the first 25% of the junior subordinated units.

Notwithstanding the foregoing, all outstanding junior subordinated units may convert into common units on a one-for-one basis on or after June 30, 2006, if we have paid a distribution of at least $2.80 on each outstanding unit for each of the three preceding non-overlapping four-quarter periods, all of the senior subordinated units have been converted into common units, and we have met other applicable financial tests in the partnership agreement.

Issuance of additional units .... In general, while any senior subordinated units remain outstanding, we may not issue more than 800,000 additional common units without obtaining unitholder approval. We may, however, issue an

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

SUMMARY PRO FORMA FINANCIAL AND OPERATING DATA

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

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

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

	Year Ended September 30, 2001		Six Months Ended March 31, 2002	
	Pro Forma (a)	Pro Forma As Adjusted (b)	Pro Forma (a)	Pro Forma As Adjusted (b)
	(in thousands, except per unit amounts)			
Statement of Income Data:				
Revenues................	$350,420	$350,420	$178,823	$178,823
Cost of product sold....	258,510	258,510	119,984	119,984
Gross profit............	91,910	91,910	58,839	58,839
Expenses:				
Operating and administrative........	52,118	52,118	28,048	28,048
Depreciation and amortization..........	13,066	13,066	6,258	6,258
Operating income........	26,726	26,726	24,533	24,533
Other income (expense):				
Interest expense.......	(12,642)	(11,766)	(4,344)	(5,634)
Interest income........	238	238	6	6
Gain (loss) on sale of property, plant and equipment.............	46	46	(119)	(119)
Finance charges........	302	302	85	85
Other..................	246	246	39	39
Income before income taxes..................	14,916	15,792	20,200	18,910
Provision for income taxes..................	39	39	52	52
Net income..............	$ 14,877	$ 15,753	$ 20,148	$ 18,858
Non-managing general partner's interest in net income.............	$ 298	$ 315	$ 403	$ 377
Limited partners' interest in net income.................	$ 14,579	$ 15,438	$ 19,745	$ 18,481
Net income per limited partner unit:				
Basic..................	$ 2.24	$ 2.04	$ 3.04	$ 2.44
Diluted................	$ 2.22	$ 2.02	$ 2.99	$ 2.41
Weighted average limited partners' units outstanding:				
Basic..................	6,504	7,565	6,504	7,565
Diluted................	6,569	7,630	6,595	7,656
Balance Sheet Data (end of period):				
Current assets..........				$ 53,049(c)
Total assets............				272,430(c)
Long-term debt, including current portion................				111,924(c)
Partners' capital.......				134,790(c)
Other Financial Data:				
EBITDA..................	$ 40,386	$ 40,386	$ 30,796	$ 30,796
Maintenance capital expenditures (d).......	3,428	3,428	1,068	1,068
Reconciliation of Net Income to EBITDA:				
Net income..............	$ 14,877	$ 15,753	$ 20,148	$ 18,858
Plus:				
Income taxes...........	39	39	52	52
Interest expense.......	12,642	11,766	4,344	5,634
Depreciation and amortization expense..	13,066	13,066	6,258	6,258
	40,624	40,624	30,802	30,802
Less:				
Interest income........	238	238	6	6
EBITDA..................	$ 40,386	$ 40,386	$ 30,796	$ 30,796

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

(footnotes on following page)

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

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

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

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

RISK FACTORS

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

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

Risks Inherent in our Business

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

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

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

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

Weather conditions have a significant impact on the demand for propane because our customers depend on propane principally for heating purposes. As a result, warm weather conditions will adversely impact our operating results and financial condition. On a pro forma basis for the fiscal year ended September 30, 2001, approximately 75% of our retail propane volume and approximately 73% of our gross profit was attributable to sales during the peak heating season of October through March. Actual weather conditions can substantially change from one year to the next. Furthermore, warmer than normal temperatures in one or more regions in which we operate can significantly decrease the total volume of propane we sell. Consequently, our operating results may vary significantly due to actual changes in temperature. During the fiscal years ended September 30, 1999 and 2000, temperatures were significantly warmer than normal in our areas of operation. Similarly, the first half of fiscal 2002 was significantly warmer than normal in our areas of operations. We believe that our results of operations during these periods were adversely affected primarily due to this abnormally warm weather.

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

The propane industry is not a growth industry because of increased competition from alternative energy sources. In addition, as a result of longstanding customer relationships that are typical in the retail home

propane industry, the inconvenience of switching tanks and suppliers and propane's higher cost as compared to certain other energy sources, we may have difficulty in increasing our retail customer base other than through acquisitions. Therefore, while our business strategy includes internal growth, our ability to grow will depend principally on acquisitions. Our future financial performance depends on our ability to continue to make acquisitions at attractive prices. We cannot assure you that we will be able to continue to identify attractive acquisition candidates in the future or that we will be able to acquire businesses on economically acceptable terms. In particular, competition for acquisitions in the propane business has intensified and become more costly. We may not be able to grow as rapidly as we expect through acquiring additional businesses after this offering closes for various reasons, including the following:

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

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

Moreover, acquisitions involve potential risks, including:

- the inability to integrate the operations of recently acquired businesses,

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

- customer or key employee loss from the acquired businesses, and

- a significant increase in our indebtedness.

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

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

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

The propane industry is a "margin-based" business in which gross profits depend on the excess of sales prices over supply costs. As a result, our profitability will be sensitive to changes in wholesale prices of propane caused by changes in supply or other market conditions. When there are sudden and sharp increases in the wholesale cost of propane, we may not be able to pass on these increases to our customers through retail or wholesale prices. Propane is a commodity and the price we pay for it can fluctuate significantly in response to supply or other market conditions. We have no control over supply or market conditions. In addition, the timing of cost pass-throughs can significantly affect margins. Sudden and extended wholesale price increases could reduce our gross profits and could, if continued over an extended period of time, reduce demand by encouraging our retail customers to conserve or convert to alternative energy sources. Furthermore, on May 1, 2002, we entered into a one-year contract to purchase all of Sunoco Inc. (R&M)'s propane production at its Toledo, Ohio refinery, which is approximately 62 million gallons per year. If we are unable to market all of this propane at competitive prices, our gross profits and margins could be significantly reduced.

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

Upon completion of this offering, we expect our total outstanding long-term indebtedness (excluding borrowings under our working capital facility) to be approximately $106.9 million, including $85.0 million of senior secured notes, approximately $18.3 million under our acquisition facility and approximately $3.6 million of other indebtedness. Our payment of principal and interest on the indebtedness will reduce the cash available for distribution on our outstanding units. We will be prohibited by our credit facility and the terms of our senior secured notes from making cash distributions during an event of default under any of our indebtedness. Furthermore, our leverage and various limitations in the credit facility and the note purchase agreement relating to the senior secured notes may reduce our ability to incur additional indebtedness, to engage in some transactions and to capitalize on acquisition or other business opportunities.

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

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

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

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

- price,
- reliability and quality of service,
- responsiveness to customer needs,
- safety concerns,
- long-standing customer relationships,
- the inconvenience of switching tanks and suppliers, and
- the lack of growth in the industry.

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

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

During the fiscal year ended September 30, 2001, Louis Dreyfus Energy Services, L.P. and Dynegy Inc. each accounted for approximately 10% of our volume of propane purchases on a pro forma combined basis. Most of these purchases were made under supply contracts that have a term of one year, are subject to annual renewal and provide various pricing formulas. On May 1, 2002, we entered into a one-year contract to purchase all of Sunoco Inc. (R&M)'s propane production at its Toledo, Ohio refinery, which is approximately 62 million gallons per year. In the event that we are unable to purchase propane from Sunoco or our other significant suppliers, our failure to obtain alternate sources of supply at competitive prices and on a timely basis would hurt our ability to satisfy customer demand, reduce our revenues and adversely affect our results of operations.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- the conversion of subordinated units into common units,

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

- issuances of common units under our employee benefit plans.

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

- your proportionate ownership interest in us will decrease,

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

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

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

- the market price of the common units may decline.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Tax Risks To Common Unitholders

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately $29.6 million from the sale of the 1,060,945 common units by us, together with a capital contribution from our non-managing general partner of approximately $0.6 million to maintain its 2% general partner interest in our partnership, assuming an offering price of $30.65 per unit and after deducting underwriting discounts and estimated offering expenses. We intend to use all of the net proceeds of this offering to repay a portion of our borrowings incurred in connection with the acquisition of IPC and Pro Gas under our bank credit facility. We will use the net proceeds from any exercise of the overallotment option to further repay borrowings under our bank credit facility.

As of June 11, 2002, total borrowings under our credit facility were approximately $50.5 million and had a weighted average interest rate of 4.38%. The credit facility has a maturity date of December 20, 2004. We incurred all of our debt to fund acquisitions and for working capital purposes.

We will not receive any proceeds from the sale of the 339,055 common units by the selling unitholders.

CAPITALIZATION

The following table shows (1) our historical capitalization as of March 31, 2002 on an actual basis, and (2) our pro forma capitalization as of March 31, 2002, as adjusted to reflect the sale of 1,060,945 common units in this offering at an assumed price of $30.65 per unit and the application of the net proceeds we receive in the offering as described under "Use of Proceeds" as well as the issuance of the senior secured notes and the application of the proceeds therefrom. We derived this table from, and it should be read in conjunction with and is qualified in its entirety by reference to, the historical and pro forma financial statements and the accompanying notes included elsewhere in this prospectus.

	As of March 31, 2002			
	Actual	Senior Secured Note Offering Adjustments	Common Unit Offering Adjustments	As Adjusted
	(in thousands)			
Cash and cash equivalents	$ 2,475	$ (1,000)		$ 1,475
Debt:				
Current portion of long-term debt	$ 3,722	$ --	$ --	$ 3,722
Long-term bank debt, less current portion	138,442	(85,000)	(30,240)	23,202
Senior secured notes	--	85,000		85,000
Total debt	142,164	--	(30,240)	111,924
Partners' capital:				
Common unitholders	49,514	(306)	29,611	78,819
Senior subordinated unitholders	51,421	(276)		51,145
Junior subordinated unitholders	2,358	(48)		2,310
Non-managing general partner	1,900	(13)	629	2,516
Total partners' capital	105,193	(643)	30,240	134,790
Total capitalization	$247,357	$ (643)	$ --	$246,714

PRICE RANGE OF COMMON UNITS AND DISTRIBUTIONS

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

Period Ended	Low	High	Cash Distributions Per Unit
Fiscal 2002:			
June 30, 2002(a)	$29.75	$34.24	
March 31, 2002	27.65	30.10	$0.660
December 31, 2001	23.50	28.25	0.625
Fiscal 2001:			
September 30, 2001	$22.20	$27.45	$0.400(b)

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(a) Through June 11, 2002.

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

The last reported sale price of the common units on the Nasdaq on June 11, 2002 was $30.65. As of June 11, 2002, there were approximately 2,500 holders of record of our common units.

CASH DISTRIBUTION POLICY

Distributions of Available Cash

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

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

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

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

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

Operating Surplus and Capital Surplus

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

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

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

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

- borrowings other than working capital borrowings,

- sales of debt and equity securities, and

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

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

Subordination Period

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- operating surplus generated during that period,

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

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

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

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

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

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

Distributions of Available Cash from Operating Surplus During the Subordination Period

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

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

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

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

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

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

Distributions of Available Cash from Operating Surplus After the Subordination Period

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

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

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

Incentive Distribution Rights

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

If for any quarter:

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

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

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

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

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

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

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

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

Percentage Allocations of Available Cash from Operating Surplus

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

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

Distributions from Capital Surplus

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

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

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

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

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

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

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

Adjustment to the Minimum Quarterly Distribution and Target Distribution Levels

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

Distributions of Cash Upon Liquidation

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The third set of adjustments reflects this offering, including:

- the public offering of 1,060,945 common units of Inergy, L.P. at an assumed public offering price of $30.65 per common unit,

- the contribution by Inergy Partners, LLC to Inergy L.P. of $0.6 million to maintain its 2% general partner interest,

- the payment of approximately $2.9 million of underwriting fees and commissions and other fees and expenses associated with this offering, and

- the application of the net proceeds of this offering to repay $30.2 million of indebtedness under the bank credit facility.

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

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

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

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

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

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

INERGY, L.P.

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

	Inergy, L.P.	Adjustments	Pro Forma
ASSETS			
Current assets:			
Cash	$ 2,475	$ 33,147 A (2,907)B (30,240)C 85,000 D (85,000)D (1,000)D	$ 1,475
Accounts receivable, net	24,111		24,111
Inventories	16,591		16,591
Prepaid expenses and other current assets	1,975		1,975
Assets from price risk management activities	8,897		8,897
Total current assets	54,049	(1,000)	53,049
Property, plant and equipment, at cost	134,853		134,853
Less accumulated depreciation	(9,378)		(9,378)
Net property, plant and equipment	125,475		125,475
Intangible assets:			
Covenants not to compete	6,124		6,124
Deferred financing costs	4,977	1,000 D (643)E	5,334
Customer accounts	41,411		41,411
Goodwill	47,053		47,053
	99,565	357	99,922
Less accumulated amortization	(6,489)		(6,489)
Net intangible assets	93,076	357	93,433
Other	473		473
Total assets	$273,073	$ (643)	$272,430
LIABILITIES AND PARTNERS' CAPITAL			
Current liabilities:			
Accounts payable	$ 9,041	$	$ 9,041
Accrued expenses	6,743		6,743
Customer deposits	5,314		5,314
Liabilities from price risk management activities	4,618		4,618
Current portion of long-term debt	3,722		3,722
Total current liabilities	29,438		29,438
Long-term debt, less current portion	138,442	(30,240)C 85,000 D (85,000)D	108,202
Partners' capital:			
Common unitholders (2,617,872 units issued and outstanding, actual, and 3,678,817 units, pro forma)	49,514	32,518 A (2,907)B (306)E	78,819
Senior subordinated unitholders (3,313,367 units issued and outstanding, actual and pro forma)	51,421	(276)E	51,145
Junior subordinated unitholders (572,542 units issued and outstanding, actual and pro forma)	2,358	(48)E	2,310
Non-managing general partner (2% interest with dilutive effect equivalent to 132,730 units issued and outstanding, actual, and 154,382, pro forma)	1,900	629 A (13)E	2,516
Total partners' capital	105,193	29,597	134,790
Total liabilities and partners' capital	$273,073	$ (643)	$272,430

INERGY, L.P.

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

	Inergy, L.P.	Pro Gas(F)	IPC(G)	Acquisition Adjustments	Pro Forma	Offering Adjustments	Pro Forma As Adjusted
Revenues	$164,060	$1,227	$13,536	$ --	$178,823	$ --	$178,823
Cost of product sold	113,787	793	5,404	--	119,984	--	119,984
Gross profit	50,273	434	8,132	--	58,839	--	58,839
Expenses:							
Operating and administrative	23,326	267	4,455	--	28,048	--	28,048
Depreciation and amortization	5,145	53	1,649	4 H (593)I	6,258	--	6,258
Operating income	21,802	114	2,028	589	24,533	--	24,533
Other income (expense):							
Interest expense	(3,236)	(1)	(842)	(143)J (122)K	(4,344)	(85)N 695 O (1,900)P	(5,634)
Interest income	--	6	--	--	6	--	6
Gain (loss) on sale of property, plant and equipment	(119)	--	--	--	(119)	--	(119)
Finance charges	85	--	--	--	85	--	85
Other	36	--	3	--	39	--	39
Income before income tax	18,568	119	1,189	324	20,200	(1,290)	18,910
Provision for income taxes	52	--	--	--	52	--	52
Net income	$ 18,516	$ 119	$ 1,189	$ 324	$ 20,148	$(1,290)	$ 18,858
Partners' interest information:							
Non-managing general partner's interest in net income	$ 370				$ 403		$ 377
Limited partners' interest in net income:							
Common unit interest	$ 6,702				$ 7,948		$ 8,988
Senior subordinated unit interest	9,758				10,059		8,095
Junior subordinated unit interest	1,686				1,738		1,398
Total limited partners' interest in net income	$ 18,146				$ 19,745		$ 18,481
Net income per limited partner unit:							
Basic	$ 2.94				$ 3.04		$ 2.44
Diluted	$ 2.90				$ 2.99		$ 2.41
Weighted average limited partners' units outstanding:							
Basic	6,162			342 L	6,504	1,061 Q	7,565
Diluted	6,249			346 M	6,595	1,061 Q	7,656

INERGY, L.P.

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

	Inergy, L.P. and Predecessor	Hoosier Propane Group(R)	Pro Gas(S)	IPC	IPO and Acquisition Adjustments	Pro Forma	Offering Adjustments	Pro Forma As Adjusted
Revenues	$223,139	$31,541	$19,320	$76,420	$ --	$350,420	$ --	$350,420
Cost of product sold	182,582	25,172	12,995	37,761	--	258,510	--	258,510
Gross profit	40,557	6,369	6,325	38,659	--	91,910	--	91,910
Expenses:								
Operating and administrative	23,501	2,538	3,757	22,322	--	52,118	--	52,118
Depreciation and amortization	6,532	373	639	7,019	33 H (2,201)I 671 T	13,066		13,066
Operating income	10,524	3,458	1,929	9,318	1,497	26,726	--	26,726
Other income (expense):								
Interest expense	(6,670)	(246)	(32)	(6,297)	(652)J 1,255 K	(12,642)	(170)N 2,297 O (1,251)P	(11,766)
Interest income	--	57	181	--	--	238	--	238
Gain (loss) on sale of property, plant and equipment	37	10	(1)	--	--	46	--	46
Finance charges	290	12	--	--	--	302	--	302
Other	168	78	--	--	--	246	--	246
Income before income tax	4,349	3,369	2,077	3,021	2,100	14,916	876	15,792
Provision for income taxes	--	--	39	--	--	39	--	39
Net income	$ 4,349	$ 3,369	$ 2,038	$ 3,021	$ 2,100	$ 14,877	$ 876	$ 15,753
Net income for the period from October 1, 2000 to July 31, 2001 attributable to Inergy, L.P. predecessor	$ 6,664							
Net loss for the period from July 31, 2001 through September 30, 2001 attributable to Inergy, L.P. following initial public offering	$ (2,315)							
Partners' interest information for the period from July 31, 2001 through September 30, 2001, actual (the year ended September 30, 2001, pro forma):								
Non-managing general partner's interest in net income (loss):	$ (46)					$ 298		$ 315
Limited partners' interest in net income (loss):								
Common unit interest:								
Allocation of net income (loss)	$ (729)					$ 5,869		$ 7,508
Less beneficial conversion value allocated to senior subordinated units	(8,600)				8,600 U	--		--
Net common unit interest	(9,329)					5,869		7,508
Senior subordinated interest:								
Allocation of net loss	(1,313)					7,427		6,762
Plus beneficial conversion value allocated to senior subordinated units	8,600				(8,600)U	--		--
Net senior subordinated								

unit interest.........	7,287		7,427		6,762
Junior subordinated unit interest.........	(227)		1,283		1,168
Total limited partners' interest in net income (loss)................	$ (2,269)		$ 14,579		$ 15,438
Net income (loss) per limited partner unit					
Basic..................	$ (0.40)		$ 2.24		$ 2.04
Diluted................	$ (0.40)		$ 2.22		$ 2.02
Weighted average limited partners' units outstanding					
Basic..................	5,726	778 L	6,504	1,061 Q	7,565
Diluted................	5,726	843 M	6,569	1,061 Q	7,630

INERGY, L.P.

NOTES TO UNAUDITED PRO FORMA
CONSOLIDATED FINANCIAL STATEMENTS

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

(A) Reflects the gross proceeds to Inergy, L.P. of $32.5 million from the issuance and sale of 1,060,945 common units at an assumed offering price of $30.65 per common unit, together with a capital contribution from the non-managing general partner of approximately $0.6 million to maintain its 2% general partner interest.

(B) Reflects the payment of the underwriters' discounts and commissions and offering expenses, estimated to be $2.9 million.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(Q) Reflects the issuance of 1,060,945 common units offered by Inergy, L.P. in this offering.

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

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

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

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

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

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

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

SELECTED HISTORICAL FINANCIAL AND OPERATING DATA

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

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

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

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

Inergy Partners, LLC and Inergy, L.P.

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

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

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

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

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

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

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

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

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

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

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

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

General

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

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

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

- The acquisition of IPC on December 19, 2001. At the time of the acquisition, IPC had annual sales of approximately 49.8 million retail gallons.

- The acquisition of Pro Gas on November 1, 2001. At the time of the acquisition, Pro Gas had annual sales of approximately 12.4 million retail gallons.

- The acquisition of the Hoosier Propane Group on January 12, 2001, effective January 1, 2001. At the time of the acquisition, the Hoosier Propane Group had annual sales of approximately 22.9 million retail gallons and 68.8 million wholesale gallons.

- The acquisition of Country Gas Company, Inc. on June 1, 2000. At the time of the acquisition, Country Gas had annual sales of approximately 9.9 million retail gallons.

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

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

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

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

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

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

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

- forward contracts involving the physical delivery of propane;

- swap agreements which require payments to (or receipt of payments from) counterparties based on the differential between a fixed and variable price for propane; and

- options, futures contracts on the New York Mercantile Exchange and other contractual arrangements.

We purchase a portion of our propane (approximately 50% of a given typical year's projected propane needs) pursuant to agreements with terms of one year that contain various pricing formulas. The balance of our propane needs are satisfied in the spot market. On a pro forma basis, during the fiscal year ended September 30, 2001, two suppliers each provided approximately 10% of our propane supplies, and no other single supplier provided more than ten percent of our total propane supply for the year ended September 30, 2001. On May 1, 2002, we entered into a one-year contract with Sunoco Inc. (R&M) to purchase all of its propane production at its Toledo, Ohio refinery. Current annual production at this refinery is 62 million gallons.

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

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

Inergy, L.P. and Inergy Partners, LLC

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

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

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

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

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

acquisition related volume (approximately $33.4 million), partially offset by lower selling prices of propane (approximately $11.0 million) and volume decreases (approximately $4.1 million) primarily due to warmer weather in the six months ended March 31, 2002. Other retail revenues increased approximately $2.4 million, or 46%, from $5.2 million in the six months ended March 31, 2001 to $7.6 million in the six months ended March 31, 2002 due to acquisitions. These revenues consist of transportation revenues, tank rentals, heating oil sales, appliance sales and service. Revenues from wholesale propane sales were $89.8 million (after elimination of sales to our retail operations) in the six months ended March 31, 2002, a decrease of $27.2 million, or 23%, from $117.0 million for the six months ended March 31, 2001. This decrease was attributable to decreased selling prices as a result of the lower cost of propane.

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

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

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

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

Interest Expense. Interest expense increased $0.2 million, or 7%, to $3.2 million in the six months ended March 31, 2002 as compared to $3.0 million for the six months ended March 31, 2001. This increase is the result of additional debt outstanding during 2002 as compared to 2001, partially offset by lower interest rates in 2002.

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

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

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

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

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

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

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

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

Gross Profit. Retail gross profit was $34.6 million in fiscal 2001 compared to $10.7 million in fiscal 2000, an increase of $23.9 million, or 223%. This increase was primarily attributable to higher retail gallons (approximately $17.4 million) and an increase in margin per gallon (approximately $3.7 million). Wholesale gross profit was $5.9 million (after elimination of gross profit attributable to our retail operations) in fiscal 2001 compared to $1.3 million in fiscal 2000, an increase of $4.6 million, or 368%. This increase was attributable to higher wholesale gallon sales in fiscal 2001, including the acquisition of the wholesale operations within the Hoosier Propane Group (approximately $2.3 million), and an increase in gross profit per gallon (approximately $2.3 million).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Independent Propane Company

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

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

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

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

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

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

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

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

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

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

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

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

Cost of Sales. Cost of sales in fiscal 2000 was $28.3 million, an increase of $12.3 million, or 77%, over fiscal 1999 cost of sales of $16.0 million. The increase was attributable to the approximate 71% increase in the average cost of propane.

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

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

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

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

Hoosier Propane Group

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Liquidity and Capital Resources

Cash Flows

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

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

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

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

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

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

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

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

Distributions

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

Total Contractual Cash and Other Obligations

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

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

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

Liquidity Needs

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

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

Description of Indebtedness

Upon completion of this offering, we expect our total outstanding long-term indebtedness (excluding borrowings under our working capital facility) to be approximately $106.9 million, including approximately $85.0 million of senior secured notes, approximately $18.3 million under our acquisition facility and approximately $3.6 million of other indebtedness.

Bank Credit Facility. In conjunction with the acquisition of IPC, on December 19, 2001, our operating company, Inergy Propane, entered into a $195 million amended and restated senior secured credit facility with First Union National Bank and other lenders. The revolving portion of the credit facility has a term of three years and is guaranteed by us and each subsidiary of Inergy Propane. The $70 million IPC acquisition term loan portion of the credit facility had a maturity of April 1, 2003 and was guaranteed by us and each subsidiary of Inergy Propane. The IPC acquisition term loan was repaid on June 7, 2002 with a portion of the proceeds from the senior secured notes offering. No amounts may be reborrowed under this term loan. We currently have approximately $50.5 million outstanding under the credit facility, comprised of approximately $48.5 million outstanding under the revolving acquisition facility and approximately $2.0 million under the working capital facility.

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

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

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

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

The obligations under the credit facility are secured by first priority liens on all assets of Inergy Propane and its subsidiaries, the pledge of all of Inergy Propane's equity interests in its subsidiaries and by a pledge of our membership interest in Inergy Propane.

Indebtedness under the credit facility bears interest at the option of Inergy Propane at either a base rate or LIBOR (preadjusted for reserves), plus in each case, an applicable margin. The applicable margin varies quarterly based on Inergy Propane's leverage ratio. Inergy Propane will incur a fee based on the average daily unused commitments under the credit facility.

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

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

- grant or incur liens;
- incur other indebtedness (other than permitted debt, including the senior secured notes which are secured on a pari passu basis);
- make investments, loans and acquisitions;
- enter into a merger, consolidation or sale of assets;
- enter into in any sale-leaseback transaction or enter into any new business;
- issue or modify the terms of any equity or other securities,
- enter into any agreement that conflicts with the credit facility or ancillary agreements;
- make any change in its principles and methods of accounting as currently in effect, except as such changes are permitted by GAAP;
- enter into certain affiliate transactions;
- pay dividends or make distributions;
- permit operating lease obligations to exceed $5 million in any fiscal year;
- enter into any debt which contains covenants more restrictive than those of the credit facility;

- enter into put agreements granting put rights with respect to equity interests of Inergy Propane or its subsidiaries; and
- modify their respective organizational documents.

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

Furthermore, the credit facility contains the following financial covenants:

- the ratio of consolidated EBITDA (as defined in the credit facility) to consolidated interest expense (as defined in the credit facility) must be at least 2.5 to 1.0 for any fiscal quarter; and
- the ratio of total funded debt (as defined in the credit facility) to consolidated EBITDA may not exceed 4.5 to 1.0.

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

- default in payment of principal when due;
- default in payment of interest, fees or other amounts within three days of their due date;
- violation of specified affirmative and negative covenants;
- default in performance or observance of any term, covenant, condition or agreement contained in the credit facility or ancillary agreements;
- specified cross-defaults;
- bankruptcy and other insolvency events of Inergy Propane, its subsidiaries or Inergy, L.P.;
- impairment of the enforceability or the validity of agreements relating to the credit facility;
- judgments exceeding $500,000 against Inergy Propane, its subsidiaries or Inergy, L.P. are undischarged or unstayed for 30 days;
- certain change of control events; and
- a condition or event occurs that could have a material adverse effect in the reasonable judgment of two-thirds of the credit facility lenders.

Senior Secured Notes. Inergy Propane entered into a note purchase agreement on June 7, 2002 with a group of institutional lenders pursuant to which it issued $85.0 million aggregate principal amount of senior secured notes with a weighted average interest rate of 9.07% and a weighted average maturity of 5.9 years. The senior secured notes consist of the following: $35.0 million principal amount of 8.85% senior secured notes with a 5-year maturity, $25.0 million principal amount of 9.10% senior secured notes with a 6-year maturity, and $25.0 million principal amount of 9.34% senior secured notes with a 7-year maturity.

The following is a summary of the material terms of the senior secured notes.

The notes represent senior secured obligations of our operating company and will rank at least pari passu in right of payment with all other present and future senior indebtedness of our operating company. The notes are secured, on an equal and ratable basis with the obligations of the operating company under the credit facility, by (i) a first priority lien on substantially all of the existing and future assets of the operating company and its current and future subsidiaries (as defined in the note purchase agreement), (ii) a lien on all of our existing and future equity and other interests in the operating company and (iii) a lien on all of the operating company's existing and future equity and other interests in each of its current and future subsidiaries.

The senior secured notes are guaranteed by our operating company's subsidiaries, IPCH Acquisition Corp. and us. The IPCH Acquisition Corp. guaranty is limited to $35.0 million.

The senior secured notes are redeemable, at our operating company's option, at a purchase price equal to 100% of the principal amount together with accrued interest, plus a make-whole amount determined in accordance with the note purchase agreement.

In addition, so long as any of the notes are outstanding or any amounts are owed by Inergy Propane to any holder of the notes, the note purchase agreement relating to the notes limits the ability of Inergy Propane and, in certain cases, its subsidiaries to (subject to various exceptions), among other things:

- make restricted payments (as defined in the note purchase agreement);
- grant or incur liens;
- in the case of subsidiaries, incur debt;
- make investments, loans and acquisitions;
- enter into a merger, consolidation, sale of assets, acquisition or similar transaction;
- make certain dispositions of assets;
- sell or discount receivables;
- enter into certain affiliate transactions;
- enter into sale-leaseback transactions involving a fair market value exceeding $5.0 million;
- make any change in its principles and methods of accounting as currently in effect, except as such changes are permitted by GAAP;
- enter into or engage in any business which is not substantially similar to that which is currently existing;
- modify their respective organizational documents;
- enter into any agreement which would cause a default or an event of default or conflict with the agreements governing the notes;
- in the case of subsidiaries, issue any equity interests;
- in the case of subsidiaries, permit the sale of any equity interests or debt;
- enter into any agreement which contains covenants more restrictive than the note purchase agreement;
- enter into any commodity swap agreement other than in the ordinary course of business with a term of less than 24 months; and

- enter into put agreements granting put rights with respect to the equity interests of Inergy Propane or its subsidiaries.

Furthermore, the note purchase agreement contains the following financial covenants:

- the ratio of total indebtedness to EBITDA (as defined in the note purchase agreement) for the four fiscal quarters most recently ended may generally not exceed 4.5 to 1.0; and

- the ratio of EBITDA to consolidated total interest expense (as defined in the note purchase agreement) for the four fiscal quarters most recently ended may not be less than 2.5 to 1.0.

Each of the following is an event of default under the note purchase agreement:

- default in payment of principal or make-whole amounts on any senior secured note when due;

- default in payment of any interest on any senior secured note within three days of its due date;

- violation of specified affirmative and negative covenants;

- a default on any of the terms in the note purchase agreement or ancillary agreements that is not timely cured;

- inaccuracy of representations and warranties made by Inergy Propane and affiliated entities;

- an event that would cause Inergy Propane, its subsidiaries, IPCH Acquisition Corp. or Inergy, L.P. to be in default or cause prepayment of any of its indebtedness in excess of $1.0 million;

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

- judgments exceeding $1.0 million against Inergy Propane, its subsidiaries, IPCH Acquisition Corp. or Inergy, L.P. are not bonded, discharged or stayed within specified time periods;

- any default and/or violation relating to any of our employee benefit plans;

- the actual or asserted invalidity of a material provision in any of the guarantees relating to the notes;

- the actual or asserted invalidity of a material provision in any of the security documents relating to the senior secured notes; and

- any event of default under any ancillary agreement relating to the senior secured notes.

If an event of default resulting from bankruptcy or other insolvency events occurs, the senior secured notes will become immediately due and payable. If any other event of default occurs and is continuing, holders of more than 33 1/3% in principal amount of the outstanding notes may at any time declare all the notes then outstanding to be immediately due and payable. If an event of default relating to nonpayment of principal, make-whole amounts or interest occurs, any holder of outstanding notes affected by such event of default may declare all the notes held by such holder to be immediately due and payable.

Intercreditor and Collateral Agency Agreement. In connection with the execution of the note purchase agreement, Inergy Propane, the lenders under its credit facility and the initial purchasers of the senior secured notes entered into an Intercreditor and Collateral Agency Agreement on June 7, 2002. This agreement appointed Wachovia Bank, N.A. to act as collateral agent and authorized Wachovia Bank to execute various security documents on behalf of the lenders under the credit facility and the initial purchasers of the senior secured notes. This agreement specifies various rights and obligations of Wachovia Bank and the other parties thereto in respect of the collateral securing Inergy Propane's obligations under the credit facility and the note purchase agreement.

Environmental Matters

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

Recent Accounting Pronouncements

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

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

Critical Accounting Policies

Accounting for Price Risk Management

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

Revenue Recognition

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

Impairment of Long-Lived Assets

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

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

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

Quantitative and Qualitative Disclosure About Market Risk

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

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

Propane Price Risk

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

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

Trading Activities

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

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

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

We have no negative Enron exposure.

Notional Amounts and Terms

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

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

Fair Value

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

Market and Credit Risk

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

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

BUSINESS

General

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

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

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

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

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

Recent Acquisitions

Independent Propane Company Acquisition and Related Transactions

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

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

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

Pro Gas Acquisition

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

Industry Background and Competition

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

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

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

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

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

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

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

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

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

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

Competitive Strengths

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

Proven Acquisition Expertise

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

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

Internal Growth

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

Operations in High Growth Markets

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

Regional Branding

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

High Percentage of Retail Sales to Residential Customers

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

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

Strong Wholesale Supply, Marketing and Distribution Business

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

Flexible Financial Structure

We have a $75.0 million revolving credit facility for acquisitions and a $50.0 million revolving working capital facility. Upon completion of this offering, we expect to have available capacity of approximately $56.7 million under our acquisition facility and approximately $48.0 million under our working capital facility. We believe our available capacity under these facilities combined with our ability to fund acquisitions through the issuance of additional partnership interests will provide us with a flexible financial structure that will facilitate our acquisition strategy.

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

Retail Operations

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

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

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

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

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

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

- 72% to residential customers;

- 20% to industrial and commercial customers; and

- 8% to agricultural customers.

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

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

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

Wholesale Supply, Marketing and Distribution Operations

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

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

Transportation Assets, Truck Fabrication and Maintenance

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

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

Supply

We obtain propane from over 80 vendors at approximately 80 locations. During the fiscal year ended September 30, 2001 on a pro forma basis, Louis Dreyfus Energy Services, L.P. and Dynegy Inc. each accounted for approximately 10% of our volume of propane purchases. Most of these purchases were made under supply contracts that have a term of one year, are subject to annual renewal and provide various pricing formulas. No other single supplier accounted for more than 10% of our pro forma volume propane purchases for the fiscal year ended September 30, 2001. On May 1, 2002, we entered into a one-year contract with Sunoco, Inc. (R&M) to purchase all of its propane production at its Toledo, Ohio refinery, which is currently 62 million gallons. We believe that our diversification of suppliers will enable us to purchase all of our supply needs at market prices if supplies are interrupted from any of the sources without a material disruption of our operations.

Approximately 95% of our propane suppliers were domestic suppliers during the fiscal year ended September 30, 2001 on a pro forma basis. Our remaining suppliers were in Canada. During the fiscal year ended September 30, 2001 on a pro forma basis, we purchased approximately 50% of our propane supplies pursuant to contracts that have a term of one year; the balance of our purchases were made on the spot market. The percentage of our contract purchases varies from year to year. Supply contracts generally provide for pricing in accordance with posted prices at the time of delivery or the current prices established at major storage points, and some contracts include a pricing formula that typically is based on such market prices. Some of these agreements provide maximum and minimum seasonal purchase guidelines.

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

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

Pricing Policy

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

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

Billing and Collection Procedures

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

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

Properties

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

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

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

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

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

Trademark and Tradenames

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

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

Employees

As of June 12, 2002, we had 679 full-time employees of which 22 were general and administrative and 657 were operational employees. We employed 27 part-time employees, all of whom were operational employees. None of our employees is a member of a labor union. We believe that our relations with our employees are satisfactory.

Government Regulation

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

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

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

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

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

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

Litigation

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

MANAGEMENT

Our Managing General Partner Manages Inergy, L.P.

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

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

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

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

Directors and Executive Officers of Inergy GP, LLC

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

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

Executive Officers and Directors

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

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

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

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

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

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

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

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

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

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

Reimbursement of Expenses of the Managing General Partner

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

Compensation of Directors

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

Executive Compensation

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

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

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

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

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

Option Grants in Last Fiscal Year

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

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

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

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

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

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

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

Employment Agreements

The following executive officers have entered into employment agreements with the managing general partner, which were transferred to our operating company effective January 1, 2002:

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

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

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

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

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

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

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

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

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

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

In addition to his employment agreement, Mr. Elbert has entered into an option contract with Inergy Holdings whereby Inergy Holdings has granted Mr. Elbert the right and option to invest in Inergy Holdings an aggregate of $2,292,000, subject to adjustment, for a percentage interest in Inergy Holdings equal to 7.7%, subject to adjustment.

Long-Term Incentive Plan

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

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

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

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

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

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

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

Unit Purchase Plan

Inergy Holdings established a unit purchase plan for employees of the managing general partner and its affiliates. The unit purchase plan permits participants to purchase common units in market transactions, from us, our general partners or any other person. We currently expect such purchases to occur primarily in market transactions, although our plan allows us to issue additional units. We have reserved 50,000 units for purchase under the unit purchase plan. As determined by the compensation committee, the managing general partner may match each participant's cash base pay or salary deferrals by an amount up to 10% of such deferrals and have such amount applied toward the purchase of additional units. The managing general partner has also agreed to pay the brokerage commissions, transfer taxes and other transaction fees associated with a participant's purchase of common units. The maximum amount that a participant may elect to have withheld from his or her salary or cash base pay with respect to unit purchases in any calendar year may not exceed 10% of his or her base salary or wages for the year. Units purchased on behalf of a participant under the unit purchase plan generally are to be held by the participant for at least one year. To the extent a participant desires to sell or dispose of such units prior to the end of this one year holding period, the participant will be ineligible to participate in the unit purchase plan again until the one year anniversary of the date of such sale. The unit purchase plan is intended to serve as a means for encouraging participants to invest in our common units.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table shows the beneficial ownership of units of Inergy, L.P. as of June 12, 2002 held by:

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

Name of Beneficial Owner(1)	Common Units Beneficially Owned	Percentage of Common Units Beneficially Owned	Senior Subordinated Units Beneficially Owned	Percentage of Senior Subordinated Units Beneficially Owned	Junior Subordinated Units Beneficially Owned	Percentage of Junior Subordinated Units Beneficially Owned	Percentage of Total Units Beneficially Owned
Inergy Holdings, LLC (2)	404,601	15.5%	961,158	29.0%	507,063	88.6%	28.8%
Country Partners, Inc. (3) 4010 Highway 14 Crystal Lake, IL 60014	--	--	409,091	12.3%	--	--	6.3%
KCEP Ventures II, L.P. (4) 253 West 47th Street Kansas City, MO 64112	--	--	395,454	11.9%	--	--	6.1%
Hoosier Propane Group (5) P.O. Box 9 Kendallville, IN 46755	--	--	336,456	10.2%	--	--	5.2%
J.P. Morgan Partners (SBIC) LLC 1221 Avenue of the Americas, 39th Floor New York, NY 10020	314,671	12.0%	--	--	--	--	4.8%
Rocky Mountain Mezzanine Fund (6) 1125 17th Street Suite 2260 Denver, CO 80202	--	--	241,818	7.3%	--	--	3.7%
John J. Sherman (7)	404,601	15.5%	961,158	29.0%	507,063	88.6%	28.8%
Phillip L. Elbert (5)	9,000	*	--	--	--	--	*
R. Brooks Sherman, Jr.	1,000	*	--	--	--	--	*
Carl A. Hughes	--	--	--	--	--	--	--
Michael D. Fox	--	--	--	--	--	--	--
William C. Gautreaux	13,500	*	--	--	--	--	*
Richard C. Green, Jr. (8)	--	--	31,818	1.0%	--	--	*
Warren H. Gfeller (9)	--	--	6,364	*	--	--	*
David J. Schulte (4)	875	*	395,454	11.9%	--	--	6.1%
All directors and executive officers as a group (9 persons)	428,976	16.4%	1,394,794	42.1%	507,063	88.6%	35.8%

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* less than 1%

(1) Unless otherwise indicated, the address of each person listed above is: 2 Brush Creek Blvd., Kansas City, Missouri 64112. All persons listed have sole voting power and investment power with respect to their units unless otherwise indicated.

(2) The senior and junior subordinated units indicated as beneficially owned by Inergy Holdings are held by New Inergy Propane, LLC, a wholly-owned subsidiary of Inergy Partners, LLC and an indirect subsidiary of Inergy Holdings. The common units indicated as beneficially owned by Inergy Holdings are held by Inergy Partners, LLC (10,000 units) and IPCH Acquisition Corp. (394,601 units), a wholly-owned subsidiary of Inergy Holdings.

(3) Country Partners, Inc. (formerly Country Gas Company, Inc.) is controlled by Arlene Peterson and the the estate of Leonard Peterson.

(4) KCEP Ventures II, LP ("KCEP II") owns 395,454 senior subordinated units. KCEP II is a Missouri limited partnership. Mr. Schulte in his capacity as a managing director of KCEP II may be deemed to beneficially own these units. Mr. Green is a special limited partner in KCEP II. Both Mr. Schulte and Mr. Green disclaim beneficial ownership of these units.

(5) The Hoosier Propane Group consisted of Domex, Inc., Investors, Inc. and L&L Leasing, Inc., each of which was merged into DIL, Inc. (collectively, the "Hoosier Entities"). Each of Jerry Boman, Glen Cook and Wayne Cook own 31.8% of the Hoosier Entities. Mr. Elbert, one of our executive officers, holds the remaining ownership interest in the Hoosier Entities. He disclaims beneficial ownership of the units held by the Hoosier Entities.

(6) Edward C. Brown in his capacity as managing partner of Rocky Mountain Capital Partners, LLP, the general partner of Rocky Mountain Mezzanine Fund, may be deemed to beneficially own these units.

(7) Mr. Sherman holds an ownership interest in and has voting control of Inergy Holdings, as indicated in the following table.

(8) Mr. Green in his capacity as a general partner of RNG Investments, LP, a Delaware limited partnership ("RNG Investments"), may be deemed to beneficially own 31,818 senior subordinated units held by RNG Investments.

(9) Mr. Gfeller in his capacity as managing member of Clayton-Hamilton, LLC may be deemed to beneficially own 6,364 units held by Clayton-Hamilton.

The following table shows the beneficial ownership as of June 12, 2002 of Inergy Holdings, LLC of the directors and executive officers of the managing general partner. As reflected above, Inergy Holdings owns our managing general partner, non-managing general partner, the incentive distribution rights and, through a subsidiary, approximately 24% of our outstanding units.

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

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(1) The address of each person listed above is 2 Brush Creek Blvd., Kansas City, Missouri 64112.

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

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

SELLING UNITHOLDERS

The following table shows the beneficial ownership of common units held by the selling unitholders as of June 12, 2002 and to be held following the offering. Each of the selling unitholders acquired its common units in connection with the IPC acquisition. Please read "Business--Recent Acquisitions."

Name of Selling Unitholder	Common Units Beneficially Owned Prior to this Offering		Units Offered in this Offering	Common Units Beneficially Owned Following this Offering	
	Number	Percentage Owned		Number	Percentage Owned
JP Morgan Partners (SBIC), LLC.... 1221 Avenue of the Americas 39th Floor New York, NY 10020	314,671	12.0%	314,671	--	0.0%
Heller Financial, Inc. .... 500 West Monroe Street 17th Floor Chicago, IL 60661	12,587	*	12,587	--	0.0%
Triad Ventures Limited II, L.P. .. 4600 Post Oak Place No. 100 Houston, TX 77027	12,587	*	6,031	6,556	*
Summit Capital, Inc. .... 600 Travis Suite 6110 Houston, TX 77002	10,069	*	4,825	5,244	*
Stephen Boane..................... 9333 Memorial Drive Suite 116 Houston, TX 77024	378	*	378	--	0.0%
Daniel C. Arnold .... 1001 Fannin Street Suite 720 Houston, TX 77002	352	*	352	--	0.0%
Summit Capital Group, LLC......... 600 Travis Suite 6110 Houston, TX 77002	315	*	151	164	*
John L. Long, Jr. .... 2600 Via Fortuna Suite 150 Austin, TX 78746	126	*	60	66	*
Total...........................	351,085	13.4%	339,055	12,030	*

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* less than 1%

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Related Party Transactions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

CONFLICTS OF INTEREST AND FIDUCIARY RESPONSIBILITIES

Conflicts of Interest

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

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

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

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

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

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

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

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

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

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

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

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

- amount and timing of asset purchases and sales,

- cash expenditures,

- borrowings,

- issuance of additional units, and

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

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

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

- hastening the expiration of the subordination period.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The general partners' affiliates may compete with us.

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

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

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

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

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

partners to recover damages from a general partner for violations of its fiduciary duties to the limited partners.

Partnership agreement modified standards.........

Our partnership agreement contains provisions that waive or consent to conduct by our general partners and their affiliates that might otherwise raise issues as to compliance with fiduciary duties or applicable law. For example, our partnership agreement permits our managing general partner to make a number of decisions in its "sole discretion." This entitles the managing general partner to consider only the interests and factors that it desires and it has no duty or obligation to give any consideration to any interest of, or factors affecting, us, our affiliates or any limited partner. Other provisions of the partnership agreement provide that the managing general partner's actions must be made in its reasonable discretion.

Our partnership agreement generally provides that affiliated transactions and resolutions of conflicts of interest not involving a required vote of unitholders must be "fair and reasonable" to us under the factors previously set forth. In determining whether a transaction or resolution is "fair and reasonable" our managing general partner may consider interests of all parties involved, including its own. Unless our managing general partner has acted in bad faith, the action taken by our managing general partner shall not constitute a breach of its fiduciary duty. These standards reduce the obligations to which our managing general partner would otherwise be held.

In addition to the other more specific provisions limiting the obligations of the general partners, our partnership agreement further provides that the general partners and their officers and directors will not be liable for monetary damages to us, the limited partners or assignees for errors of judgment or for any acts or omissions if the general partners and those other persons acted in good faith.

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

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

DESCRIPTION OF THE COMMON UNITS

The Units

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

Transfer Agent and Registrar Duties

Duties

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

- surety bond premiums to replace lost or stolen certificates, taxes and other governmental charges,

- special charges for services requested by a holder of a common unit, and

- other similar fees or charges.

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

Resignation or Removal

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

Transfer of Common Units

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

- becomes the record holder of the common units and is an assignee until admitted into our partnership as a substituted limited partner,

- automatically requests admission as a substituted limited partner in our partnership,

- agrees to be bound by the terms and conditions of, and executes, our partnership agreement,

- represents that the transferee has the capacity, power and authority to enter into the partnership agreement,

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

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

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

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

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

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

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

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

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

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

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

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

DESCRIPTION OF THE SUBORDINATED UNITS

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

Limited Voting Rights

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

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

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

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

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

Distributions Upon Liquidation

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

THE PARTNERSHIP AGREEMENT

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

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

- With regard to the transfer of common units, please read "Description of the Common Units--Transfer of Common Units."

- With regard to distributions of available cash, please read "Cash Distribution Policy."

- With regard to allocations of taxable income and taxable loss, please read "Tax Considerations."

Organization

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

Purpose

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

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

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

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

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

Power of Attorney

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

Capital Contributions

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

Limited Liability

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

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

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

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

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

Issuance of Additional Securities

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

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

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

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

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

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

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

Amendment of the Partnership Agreement

General

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

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

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

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

Prohibited Amendments

No amendment may be made that would:

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

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

(3) change the term of our partnership,

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

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

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

No Unitholder Approval

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Opinion of Counsel and Unitholder Approval

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

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

Action Relating to the Operating Company

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

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

Merger, Sale or Other Disposition of Assets

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

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

Termination and Dissolution

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

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

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

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

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

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

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

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

Liquidation and Distribution of Proceeds

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

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

Withdrawal or Removal of the General Partners

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

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

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

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

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

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

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

In the event of removal of the managing general partner under circumstances where cause exists or withdrawal of the managing general partner where that withdrawal violates the partnership agreement, a

successor general partner will have the option to purchase the general partner interest of the departing general partner for a cash payment equal to the fair market value of those interests. Under all other circumstances where a general partner withdraws or is removed by the limited partners, the departing general partner will have the option to require the successor general partner to purchase the general partner interests of the departing general partner and, in the case of the withdrawal or removal of the managing general partner, Inergy Holdings will have the option to require the successor managing general partner to purchase the incentive distribution rights and the general partner interest held by the nonmanaging general partners for fair market value. In each case, this fair market value will be determined by agreement between the departing general partner, and the successor general partner and, in the case of a purchase of incentive distribution rights and the non-managing partner's general partner interest, Inergy Holdings. If no agreement is reached, an independent investment banking firm or other independent expert selected by the departing general partner, Inergy Holdings and the successor general partner will determine the fair market value. Or, if the departing general partner, Inergy Holdings and the successor general partner cannot agree upon an expert, then an expert chosen by agreement of the experts selected by each of them will determine the fair market value.

If the option described above is not exercised by either the departing managing general partner or the successor managing general partner, the departing managing general partner's general partner interest and Inergy Holdings' incentive distribution rights and the non-managing partner's general partner interest will automatically convert into common units equal to the fair market value of those interests as determined by an investment banking firm or other independent expert selected in the manner described in the preceding paragraph.

In addition, we will be required to reimburse the departing general partner for all amounts due the departing general partner, including, without limitation, all employee-related liabilities, including severance liabilities, incurred for the termination of any employees employed by the departing general partner or its affiliates for our benefit.

Transfer of General Partner Interests

Except for a transfer by either general partner of all, but not less than all, of its general partner interest to:

(1) an affiliate of the general partner (other than an individual), or

(2) another entity as part of the merger or consolidation of the general partner with or into another entity or the transfer by the general partner of all or substantially all of its assets to another entity,

the managing general partner may not transfer all or any part of its general partner interest to another person prior to June 30, 2011 without the approval of the holders of at least a majority of the outstanding common units, excluding common units held by the general partners and their affiliates. As a condition of this transfer, the transferee must, among other things, assume the rights and duties of the managing general partner, agree to be bound by the provisions of the partnership agreement and furnish an opinion of counsel regarding limited liability and tax matters.

The general partners and their affiliates may at any time transfer units to one or more persons, without unitholder approval, except that they may not transfer subordinated units to us.

Transfer of Incentive Distribution Rights

Inergy Holdings or a later holder of the incentive distribution rights may transfer its incentive distribution rights to an affiliate of the holder (other than an individual) without the approval of the unitholders, provided, in each case, the transferee agrees to be bound by the provisions of the partnership agreement. Prior to June 30, 2011, other transfers of the incentive distribution rights will require the affirmative vote of holders of a majority of the outstanding common units, excluding common units held by the general partners and their affiliates. On or after June 30, 2011 the incentive distribution rights will be freely transferable.

Transfer of Ownership Interests in General Partners

At any time, the members of either general partner may sell or transfer all or part of their membership interests in the managing general partner or the non-managing general partner without the approval of the unitholders.

Change of Management Provisions

The partnership agreement contains specific provisions that are intended to discourage a person or group from attempting to remove Inergy GP, LLC as our managing general partner or otherwise change management.

If any person or group other than the general partners and their affiliates acquires beneficial ownership of 20% or more of any class of units, that person or group loses voting rights on all of its units. This loss of voting rights does not apply to any person or group that acquires the units concurrently with this offering from our general partners or their affiliates and any transferees of that person or group approved by our managing general partner.

The partnership agreement also provides that if the managing general partner is removed under circumstances where cause does not exist and units held by the general partners and their affiliates are not voted in favor of that removal:

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

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

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

Limited Call Right

If at any time not more than 20% of the then-issued and outstanding limited partner interests of any class are held by persons other than the general partners and their affiliates, the managing general partner will have the right, which it may assign in whole or in part to any of its affiliates or to us, to acquire all, but not less than all, of the remaining limited partner interests of the class held by unaffiliated persons as of a record date to be selected by the managing general partner, on at least ten but not more than 60 days' notice. The purchase price in the event of this purchase is the greater of:

(1) the highest cash price paid by either of the general partners or any of their affiliates for any limited partner interests of the class purchased within the 90 days preceding the date on which the managing general partner first mails notice of its election to purchase those limited partner interests, and

(2) the current market price as of the date three days before the date the notice is mailed.

As a result of the managing general partner's right to purchase outstanding limited partner interests, a holder of limited partner interests may have his limited partner interests purchased at an undesirable time or price. The tax consequences to a unitholder of the exercise of this call right are the same as a sale by that unitholder of his common units in the market. Please read "Tax Considerations--Disposition of Common Units."

Meetings; Voting

Except as described below regarding a person or group owning 20% or more of any class of units then outstanding, unitholders or assignees who are record holders of units on the record date will be entitled to

notice of, and to vote at, meetings of our limited partners and to act upon matters for which approvals may be solicited. Common units that are owned by an assignee who is a record holder, but who has not yet been admitted as a limited partner, will be voted by the managing general partner at the written direction of the record holder. Absent direction of this kind, the common units will not be voted, except that, in the case of common units held by the managing general partner on behalf of non-citizen assignees, the managing general partner will distribute the votes on those common units in the same ratios as the votes of limited partners on other units are cast.

The managing general partner does not anticipate that any meeting of unitholders will be called in the foreseeable future. Any action that is required or permitted to be taken by the unitholders may be taken either at a meeting of the unitholders or without a meeting if consents in writing describing the action so taken are signed by holders of the number of units as would be necessary to authorize or take that action at a meeting. Meetings of the unitholders may be called by the managing general partner or by unitholders owning at least 20% of the outstanding partnership securities of the class for which a meeting is proposed. Unitholders may vote either in person or by proxy at meetings. The holders of a majority of the outstanding partnership securities of the class or classes for which a meeting has been called, represented in person or by proxy, will constitute a quorum unless any action by the unitholders requires approval by holders of a greater percentage, in which case the quorum will be the greater percentage.

Each record holder of a unit has a vote according to his percentage interest in us, although additional limited partner interests having special voting rights could be issued. Please read "--Issuance of Additional Securities." However, if at any time any person or group, other than the managing general partner and its affiliates, or a direct or subsequently approved transferee of the managing general partner or its affiliates, acquires, in the aggregate, beneficial ownership of 20% or more of any class of units then outstanding, that person or group will lose voting rights on all of its units and the units may not be voted on any matter and will not be considered to be outstanding when sending notices of a meeting of unitholders, calculating required votes, determining the presence of a quorum or for other similar purposes. Common units held in nominee or street name account will be voted by the broker or other nominee in accordance with the instruction of the beneficial owner unless the arrangement between the beneficial owner and his nominee provides otherwise. Except as the partnership agreement otherwise provides, subordinated units will vote together with common units as a single class.

Any notice, demand, request, report or proxy material required or permitted to be given or made to record holders of common units under the partnership agreement will be delivered to the record holder by us or by the transfer agent.

Status as Limited Partner or Assignee

Except as described above under "--Limited Liability," the common units will be fully paid, and unitholders will not be required to make additional contributions.

An assignee of a common unit, after executing and delivering a transfer application, but pending its admission as a substituted limited partner, is entitled to an interest equivalent to that of a limited partner for the right to share in allocations and distributions from us, including liquidating distributions. The managing general partner will vote and exercise other powers attributable to common units owned by an assignee that has not become a substitute limited partner at the written direction of the assignee. See "--Meetings; Voting." Transferees that do not execute and deliver a transfer application will be treated neither as assignees nor as record holders of common units, and will not receive cash distributions, federal income tax allocations or reports furnished to holders of common units. Please read "Description of the Common Units--Transfer of Common Units."

Non-Citizen Assignees; Redemption

If we are or become subject to federal, state or local laws or regulations that, in the reasonable determination of the managing general partner, create a substantial risk of cancellation or forfeiture of any

property that we have an interest in because of the nationality, citizenship or other related status of any limited partner or assignee, we may redeem the units held by the limited partner or assignee at their current market price. In order to avoid any cancellation or forfeiture, the managing general partner may require each limited partner or assignee to furnish information about his nationality, citizenship or related status. If a limited partner or assignee fails to furnish information about this nationality, citizenship or other related status within 30 days after a request for the information or the managing general partner determines after receipt of the information that the limited partner or assignee is not an eligible citizen, the limited partner or assignee may be treated as a non-citizen assignee. In addition to other limitations on the rights of an assignee that is not a substituted limited partner, a non-citizen assignee does not have the right to direct the voting of his units and may not receive distributions in kind upon our liquidation.

Indemnification

Under the partnership agreement, in most circumstances, we will indemnify the following persons, to the fullest extent permitted by law, from and against all losses, claims, damages or similar events:

- the general partners,

- any departing general partner,

- any person who is or was an affiliate of a general partner or any departing general partner,

- any person who is or was a member, partner, officer, director, employee, agent or trustee of the managing general partner or any departing general partner or any affiliate of a managing general partner or any departing general partner, or

- any person who is or was serving at the request of a managing general partner or any departing general partner or any affiliate of a managing general partner or any departing general partner as an officer, director, employee, member, partner, agent or trustee of another person.

Any indemnification under these provisions will only be out of our assets. The general partners and their affiliates will not be personally liable for, or have any obligation to contribute or loan funds or assets to us to enable us to effectuate, indemnification. We may purchase insurance against liabilities asserted against and expenses incurred by persons for our activities, regardless of whether we would have the power to indemnify the person against liabilities under the partnership agreement.

Books and Reports

The managing general partner is required to keep appropriate books of our business at our principal offices. The books will be maintained for both tax and financial reporting purposes on an accrual basis. For fiscal reporting purposes, our fiscal year ends September 30 of each calendar year. For tax reporting purposes, our tax year ends December 31 each year.

We will furnish or make available to record holders of common units, within 120 days after the close of each fiscal year, an annual report containing audited financial statements and a report on those financial statements by our independent public accountants. Except for our fourth quarter, we will also furnish or make available summary financial information within 90 days after the close of each quarter.

We will furnish each record holder of a unit with information reasonably required for tax reporting purposes within 90 days after the close of each calendar year. This information is expected to be furnished in summary form so that some complex calculations normally required of partners can be avoided. Our ability to furnish this summary information to unitholders will depend on the cooperation of unitholders in supplying us with specific information. Every unitholder will receive information to assist him in determining his federal and state tax liability and filing his federal and state income tax returns, regardless of whether he supplies us with information.

Right to Inspect our Books and Records

The partnership agreement provides that a limited partner can, for a purpose reasonably related to his interest as a limited partner, upon reasonable demand and at his own expense, have furnished to him:

- a current list of the name and last known address of each partner,
- a copy of our tax returns,
- information as to the amount of cash, and a description and statement of the agreed value of any other property or services, contributed or to be contributed by each partner and the date on which each became a partner,
- copies of the partnership agreement, the certificate of limited partnership of the partnership, related amendments and powers of attorney under which they have been executed,
- information regarding the status of our business and financial condition, and
- any other information regarding our affairs as is just and reasonable.

The managing general partner may, and intends to, keep confidential from the limited partners trade secrets or other information the disclosure of which the managing general partner believes in good faith is not in our best interests or which we are required by law or by agreements with third parties to keep confidential.

Registration Rights

Under the partnership agreement, we have agreed to register for resale under the Securities Act of 1933 and applicable state securities laws any common units, senior or junior subordinated units or other partnership securities proposed to be sold by the general partners or any of their affiliates or their assignees if an exemption from the registration requirements is not otherwise available. These registration rights continue for two years following any withdrawal or removal of Inergy GP, LLC as our managing general partner. We are obligated to pay all expenses incidental to the registration, excluding underwriting discounts and commissions. Please read "Units Eligible for Future Sale." We have also granted registration rights to certain investors. For a summary description of these registration rights, please read "Certain Relationships and Related Transactions."

UNITS ELIGIBLE FOR FUTURE SALE

After the sale of the common units offered by this prospectus, affiliates of the managing general partner, former owners of propane businesses we have acquired and some of our original investors will hold 404,601 common units, 3,313,367 senior subordinated units and 572,542 junior subordinated units. All of the subordinated units will convert into common units at the end of the subordination period and some may convert earlier. The sale of any of these units could have an adverse impact on the price of the common units or on any trading market that may develop. These common units, and upon conversion, these subordinated units will be entitled to registration rights as described under "Certain Relationships and Related Transactions" or will be freely transferable without restriction or further registration under the Securities Act of 1933, subject to the affiliate restrictions described below.

The common units sold in the offering will generally be freely transferable without restriction or further registration under the Securities Act of 1933, except that any resale of common units purchased by an "affiliate" of Inergy, L.P. will be subject to the volume limitations contained in Rule 144 of the Securities Act.

While any senior subordinated units remain outstanding, we may not issue equity securities of the partnership ranking prior or senior to the common units or an aggregate of more than 800,000 additional common units or an equivalent amount of securities ranking on a parity with the common units, without the approval of the holders of a majority of the outstanding common units and subordinated units, voting as separate classes, subject to certain exceptions described under "The Partnership Agreement--Issuance of Additional Securities."

The partnership agreement provides that, once no senior subordinated units remain outstanding, we may issue an unlimited number of limited partner interests of any type without a vote of the unitholders. The partnership agreement does not restrict our ability to issue equity securities ranking junior to the common units at any time. Any issuance of additional common units or other equity securities would result in a corresponding decrease in the proportionate ownership interest in us represented by, and could adversely affect the cash distributions to and market price of, common units then outstanding. Please read "The Partnership Agreement--Issuance of Additional Securities."

Under the partnership agreement, the general partners and their affiliates have the right to cause us to register under the Securities Act of 1933 and state laws the offer and sale of any units that they hold.

Subject to the terms and conditions of the partnership agreement, these registration rights allow the general partners and their affiliates or their assignees holding any units to require registration of any of these units and to include any of these units in a registration by us of other units, including units offered by us or by any unitholder. Each general partner will continue to have these registration rights for two years following its withdrawal or removal as a general partner. In connection with any registration of this kind, we will indemnify each unitholder participating in the registration and its officers, directors and controlling persons from and against any liabilities under the Securities Act of 1933 or any state securities laws arising from the registration statement or prospectus. We will bear all costs and expenses incidental to any registration, excluding any underwriting discounts and commissions. Except as described below, the general partners and their affiliates may sell their units in private transactions at any time, subject to compliance with applicable laws.

In addition, we have granted registration rights to certain investors. For a description of these registration rights, please read "Certain Relationships and Related Transactions."

Inergy, L.P., New Inergy Propane, LLC, the general partners and certain of their affiliates have agreed not to sell any common units they beneficially own for a period of 90 days from the date of this prospectus. Please read "Underwriting" for a description of these lock-up provisions.

TAX CONSIDERATIONS

This section addresses all of the material tax considerations that may be relevant to prospective unitholders who are individual citizens or residents of the United States and, unless otherwise noted in the following discussion, is the opinion of Vinson & Elkins L.L.P., special counsel to the general partners and us, insofar as it relates to legal conclusions with respect to United States federal income tax law. This section is based upon current provisions of the Internal Revenue Code, existing and proposed regulations and current administrative rulings and court decisions, all of which are subject to change. Later changes in these authorities may cause the tax consequences to vary substantially from the consequences described below. Unless the context otherwise requires, references in this section to "us" or "we" are references to Inergy, L.P. and the operating company.

No attempt has been made in the following discussion to comment on all federal income tax matters affecting us or the unitholders. Moreover, the discussion focuses on unitholders who are individual citizens or residents of the United States and has only limited application to corporations, estates, trusts, nonresident aliens or other unitholders subject to specialized tax treatment, such as tax-exempt institutions, non-U.S. persons, individual retirement accounts (IRAs), real estate investment trusts (REITs) or mutual funds. Accordingly, each prospective unitholder is urged to consult with, and is urged to depend on, his own tax advisor in analyzing the federal, state, local and foreign tax consequences particular to him of the ownership or disposition of common units.

All statements as to matters of law and legal conclusions, but not as to factual matters, contained in this section, unless otherwise noted, are the opinion of Vinson & Elkins L.L.P., unless otherwise noted, and are based on the accuracy of the representations made by us.

No ruling has been or will be requested from the IRS regarding any matter affecting us or prospective unitholders. Instead, we will rely on opinions and advice of Vinson & Elkins L.L.P. Unlike a ruling, an opinion of counsel represents only that counsel's best legal judgment and does not bind the IRS or the courts. Accordingly, the opinions and statements made here may not be sustained by a court if contested by the IRS. Any contest of this sort with the IRS may materially and adversely impact the market value of the common units. In addition, the costs of any contest with the IRS will be borne indirectly by the unitholders and our general partners. Furthermore, the tax treatment of Inergy, L.P., or of an investment in Inergy, L.P., may be significantly modified by future legislative or administrative changes or court decisions. Any modifications may or may not be retroactively applied.

For the reasons described below, Vinson & Elkins L.L.P. has not rendered an opinion with respect to the following specific federal income tax issues:

(l) the treatment of a unitholder whose common units are loaned to a short seller to cover a short sale of common units (please read "--Tax Consequences of Unit Ownership--Treatment of Short Sales"),

(2) whether our monthly convention for allocating taxable income and losses is permitted by existing Treasury regulations (please read "--Disposition of Common Units--Allocations Between Transferors and Transferees"), and

(3) whether our method for depreciating Section 743 adjustments is sustainable (please read "--Tax Consequences of Unit Ownership--Section 754 Election").

Partnership Status

A partnership is not a taxable entity and incurs no federal income tax liability. Instead, each partner of a partnership is required to take into account his share of items of income, gain, loss and deduction of the partnership in computing his federal income tax liability, regardless of whether cash distributions are made to him by the partnership. Distributions by a partnership to a partner are generally not taxable unless the amount of cash distributed is in excess of his adjusted basis in his partnership interest.

Section 7704 of the Internal Revenue Code provides that publicly-traded partnerships will, as a general rule, be taxed as corporations. However, an exception, referred to as the "Qualifying Income Exception," exists with respect to publicly-traded partnerships whose gross income for every taxable year consists of at least 90% "qualifying income." Qualifying income includes income and gains derived from the wholesale and retail marketing and transportation of propane. Other types of qualifying income include interest other than from a financial business, dividends, gains from the sale of real property and gains from the sale or other disposition of assets held for the production of income that otherwise constitutes qualifying income. We estimate that less than 7% of our current income is not qualifying income; however, this estimate could change from time to time. Based upon and subject to this estimate, the factual representations made by us and the managing general partner and a review of the applicable legal authorities, counsel is of the opinion that at least 90% of our current gross income constitutes qualifying income.

No ruling has been or will be sought from the IRS and the IRS has made no determination as to our status as a partnership for federal income tax purposes, the status of the operating company for federal income tax purposes or whether our operations generate "qualifying income" under Section 7704 of the Code. Instead, we will rely on the opinion of Vinson & Elkins L.L.P. that, based upon the Internal Revenue Code, its regulations, published revenue rulings and court decisions and the representations described below, Inergy, L.P. has been and will be treated as a partnership for federal income tax purposes and the operating company has been and will be disregarded as an entity separate from us for federal income tax purposes.

In rendering its opinion, Vinson & Elkins L.L.P. has relied on factual representations made by us and the managing general partner. The representations made by us and our managing general partner upon which counsel has relied are:

(a) Neither Inergy, L.P. nor the operating company has elected or will elect to be treated as a corporation, and

(b) For each taxable year, more than 90% of our gross income has been and will be income from sources that Vinson & Elkins, L.L.P. has opined, or will opine, is "qualifying income" within the meaning of Section 7704(d) of the Internal Revenue Code.

If we fail to meet the Qualifying Income Exception, other than a failure which is determined by the IRS to be inadvertent and which is cured within a reasonable time after discovery, we will be treated as if we had transferred all of our assets, subject to liabilities, to a newly formed corporation, on the first day of the year in which we fail to meet the Qualifying Income Exception, in return for stock in that corporation, and then distributed that stock to the unitholders in liquidation of their interests in us. This contribution and liquidation should be tax-free to unitholders and Inergy, L.P. so long as we, at that time, do not have liabilities in excess of the tax basis of our assets. Thereafter, we would be treated as a corporation for federal income tax purposes.

If we were treated as a corporation in any taxable year, either as a result of a failure to meet the Qualifying Income Exception or otherwise, our items of income, gain, loss and deduction would be reflected only on our tax return rather than being passed through to the unitholders, and our net income would be taxed to us at corporate rates. In addition, any distribution made to a unitholder would be treated as either taxable dividend income, to the extent of our current or accumulated earnings and profits, or, in the absence of earnings and profits, a nontaxable return of capital, to the extent of a unitholder's tax basis in his common units, or taxable capital gain, after the unitholder's tax basis in his common units is reduced to zero. Accordingly, treatment as a corporation would materially reduce a unitholder's cash flow and after-tax return and thus would reduce the value of the units.

The remainder of this section is based on Vinson & Elkins L.L.P.'s opinion that we will be treated as a partnership for federal income tax purposes.

Limited Partner Status

Unitholders who have become limited partners of Inergy, L.P. will be treated as partners of Inergy, L.P. for federal income tax purposes. Also:

(a) assignees who have executed and delivered transfer applications, and are awaiting admission as limited partners, and

(b) unitholders whose common units are held in street name or by a nominee and who have the right to direct the nominee in the exercise of all substantive rights attendant to the ownership of their common units,

will be treated as partners of Inergy, L.P. for federal income tax purposes.

As there is no direct authority addressing assignees of common units who are entitled to execute and deliver transfer applications and thereby become entitled to direct the exercise of attendant rights, but who fail to execute and deliver transfer applications, the opinion of Vinson & Elkins L.L.P. does not extend to these persons. Furthermore, a purchaser or other transferee of common units who does not execute and deliver a transfer application may not receive some federal income tax information or reports furnished to record holders of common units unless the common units are held in a nominee or street name account and the nominee or broker has executed and delivered a transfer application for those common units.

A beneficial owner of common units whose units have been transferred to a short seller to complete a short sale would appear to lose his status as a partner with respect to those units for federal income tax purposes. Please read "--Tax Consequences of Unit Ownership--Treatment of Short Sales."

Income, gain, deductions or losses would not appear to be reportable by a unitholder who is not a partner for federal income tax purposes, and any cash distributions received by a unitholder who is not a partner for federal income tax purposes would therefore be fully taxable as ordinary income. These holders are urged to consult their own tax advisors with respect to their status as partners in Inergy, L.P. for federal income tax purposes.

Tax Consequences of Unit Ownership

Flow-through of Taxable Income. We will not pay any federal income tax. Instead, each unitholder will be required to report on his income tax return his share of our income, gains, losses and deductions without regard to whether we make cash distributions to him. Consequently, we may allocate income to a unitholder even if he has not received a cash distribution from us. Each unitholder will be required to include in income his allocable share of our income, gains, losses and deductions for our taxable year ending with or within his taxable year.

Treatment of Distributions. Except as described below with respect to certain non-pro rata distributions, our distributions to a unitholder will not be taxable to the unitholder for federal income tax purposes to the extent of his tax basis in his common units immediately before the distribution. Our cash distributions in excess of a unitholder's tax basis will be considered to be gain from the sale or exchange of the common units, taxable in accordance with the rules described under "--Disposition of Common Units" below. To the extent our distributions cause a unitholder's "at risk" amount to be less than zero at the end of any taxable year, he must recapture any losses deducted in previous years. Please read "--Limitations on Deductibility of Losses."

Any reduction in a unitholder's share of our liabilities for which no partner, including our general partners, bears the economic risk of loss, known as "nonrecourse liabilities," will be treated as a distribution of cash to that unitholder. We do not currently have any nonrecourse liabilities. A decrease in a unitholder's percentage interest in us because of our issuance of additional common units will decrease his share of our nonrecourse liabilities, and thus will result in a corresponding deemed distribution of cash. A non-pro rata distribution of cash may result in ordinary income to a unitholder, regardless of his tax basis in his common units, if the distribution reduces his share of our "unrealized receivables," including depreciation recapture, and/or substantially appreciated "inventory items," both as defined in the Internal Revenue Code, and collectively, "Section 751 Assets."

To that extent, he will be treated as having received his proportionate share of our Section 751 Assets and having exchanged those assets with us in return for the non-pro rata portion of the distribution made to him. This latter deemed exchange will generally result in the unitholder's realization of ordinary income. That income will equal the excess of (1) the non-pro rata portion of that distribution over (2) the unitholder's tax basis for the share of Section 751 Assets deemed relinquished in the exchange.

Ratio of Taxable Income to Distributions. We estimate that a purchaser of common units in this offering who owns those common units from the date of closing of this offering through December 31, 2004, will be allocated an amount of federal taxable income for that period that will be no more than 20% of the cash distributed with respect to that period. These estimates are based upon the assumption that gross income from operations will approximate the amount required to make the minimum quarterly distribution on all units and other assumptions with respect to capital expenditures, cash flow and anticipated cash distributions. These estimates and assumptions are subject to, among other things, numerous business, economic, regulatory, competitive and political uncertainties beyond our control. Further, the estimates are based on current tax law and tax reporting positions that we will adopt and with which the IRS could disagree. Accordingly, these estimates may prove to be incorrect. The actual percentage that will constitute taxable income could be higher or lower, and any differences could be material and could materially affect the value of the common units.

Basis of Common Units. A unitholder's initial tax basis for his common units will be the amount he paid for the common units plus his share of our nonrecourse liabilities. That basis will be increased by his share of our income and by any increases in his share of our nonrecourse liabilities. That basis will be decreased, but not below zero, by our distributions to him, by his share of our losses, by any decreases in his share of our nonrecourse liabilities and by his share of our expenditures that are not deductible in computing taxable income and are not required to be capitalized. A unitholder will have no share of our debt which is recourse to either general partner, but will have a share of our nonrecourse liabilities, generally based on his share of profits. Please read "--Disposition of Common Units--Recognition of Gain or Loss."

Limitations on Deductibility of Losses. The deduction by a unitholder of his share of our losses will be limited to the tax basis in his units and, in the case of an individual unitholder or a corporate unitholder, if more than 50% of the value of the corporate unitholder's stock is owned directly or indirectly by five or fewer individuals or some tax-exempt organizations, to the amount for which the unitholder is considered to be "at risk" with respect to our activities, if that is less than his tax basis. A unitholder must recapture losses deducted in previous years to the extent that distributions cause his at risk amount to be less than zero at the end of any taxable year. Losses disallowed to a unitholder or recaptured as a result of these limitations will carry forward and will be allowable to the extent that his tax basis or at risk amount, whichever is the limiting factor, is subsequently increased. Upon the taxable disposition of a unit, any gain recognized by a unitholder can be offset by losses that were previously suspended by the at risk limitation but may not be offset by losses suspended by the basis limitation. Any excess loss above that gain previously suspended by the at risk or basis limitations is no longer utilizable.

In general, a unitholder will be at risk to the extent of the tax basis of his units, excluding any portion of that basis attributable to his share of our nonrecourse liabilities, reduced by any amount of money he borrows to acquire or hold his units, if the lender of those borrowed funds owns an interest in us, is related to the unitholder or can look only to the units for repayment. A unitholder's at risk amount will increase or decrease as the tax basis of the unitholder's units increases or decreases, other than tax basis increases or decreases attributable to increases or decreases in his share of our nonrecourse liabilities.

The passive loss limitations generally provide that individuals, estates, trusts and some closely-held corporations and personal service corporations can deduct losses from passive activities, which are generally partnership or corporate activities in which the taxpayer does not materially participate, only to the extent of the taxpayer's income from those passive activities. The passive loss limitations are applied separately with

respect to each publicly-traded partnership. Consequently, any passive losses we generate will only be available to offset our passive income generated in the future and will not be available to offset income from other passive activities or investments, including any dividend income we derive or from our investments or investments in other publicly-traded partnerships, or salary or active business income. Passive losses that are not deductible because they exceed a unitholder's share of our income may be deducted in full when he disposes of his entire investment in us in a fully taxable transaction with an unrelated party. The passive activity loss rules are applied after other applicable limitations on deductions, including the at risk rules and the basis limitation.

A unitholder's share of our net income may be offset by any suspended passive losses, but it may not be offset by any other current or carryover losses from other passive activities, including those attributable to other publicly-traded partnerships.

Limitations on Interest Deductions. The deductibility of a non-corporate taxpayer's "investment interest expense" is generally limited to the amount of that taxpayer's "net investment income." Investment interest expense includes:

- interest on indebtedness properly allocable to property held for investment;
- our interest expense attributed to portfolio income; and
- the portion of interest expense incurred to purchase or carry an interest in a passive activity to the extent attributable to portfolio income.

The computation of a unitholder's investment interest expense will take into account interest on any margin account borrowing or other loan incurred to purchase or carry a unit.

Net investment income includes gross income from property held for investment and amounts treated as portfolio income under the passive loss rules, less deductible expenses, other than interest, directly connected with the production of investment income, but generally does not include gains attributable to the disposition of property held for investment.

The IRS has indicated that the net passive income earned by a publicly traded partnership will be treated as investment income to its unitholders. In addition, a unitholder's share of our portfolio income will be treated as investment income.

Entity-Level Collections. If we are required or elect under applicable law to pay any federal, state, foreign or local income tax on behalf of any unitholder or the non-managing general partner or any former unitholder, we are authorized to pay those taxes from our funds. That payment, if made, will be treated as a distribution of cash to the unitholder on whose behalf the payment was made. If the payment is made on behalf of a person whose identity cannot be determined, we are authorized to treat the payment as a distribution to all current unitholders. We are authorized to amend the partnership agreement in the manner necessary to maintain uniformity of intrinsic tax characteristics of units and to adjust later distributions, so that after giving effect to these distributions, the priority and characterization of distributions otherwise applicable under the partnership agreement is maintained as nearly as is practicable. Payments by us as described above could give rise to an overpayment of tax on behalf of an individual unitholder in which event the unitholder would be required to file a claim in order to obtain a credit or refund.

Allocation of Income, Gain, Loss and Deduction. In general, if we have a net profit, our items of income, gain, loss and deduction will be allocated among the non-managing general partner and the unitholders in accordance with their percentage interests in us. At any time that distributions are made to the common units in excess of distributions to the senior subordinated units or junior subordinated units, or incentive distributions are made to Inergy Holdings, gross income will be allocated to the recipients to the extent of these distributions. If we have a net loss for the entire year, that loss will be allocated first to the non-managing general partner and the unitholders in accordance with their percentage interests in us to the extent of their positive capital accounts and, second, to the non-managing general partner.

Specified items of our income, gain, loss and deduction will be allocated to account for the difference between the tax basis and fair market value of property contributed to us by the non-managing general partner and its affiliates, referred to in this discussion as "Contributed Property." The effect of these allocations to a unitholder purchasing common units will be essentially the same as if the tax basis of our assets were equal to their fair market value at the time of contribution. In addition, recapture income will be allocated to the extent possible to the unitholder who was allocated the deduction giving rise to the treatment of that gain as recapture income in order to minimize the recognition of ordinary income by other unitholders. Finally, although we do not expect that our operations will result in the creation of negative capital accounts, if negative capital accounts nevertheless result, our income and gain will be allocated in an amount and manner to eliminate the negative balance as quickly as possible.

An allocation of our income, gain, loss or deduction, other than an allocation required by the Internal Revenue Code to eliminate the difference between a partner's "book" capital account, credited with the fair market value of Contributed Property, and "tax" capital account, credited with the tax basis of Contributed Property, referred to in this discussion as the "Book-Tax Disparity," will generally be given effect for federal income tax purposes in determining a unitholder's share of an item of income, gain, loss or deduction only if the allocation has substantial economic effect. In any other case, a unitholder's share of an item will be determined on the basis of his interest in us, which will be determined by taking into account all the facts and circumstances, including his relative contributions to us, the interests of all the unitholders in profits and losses, the interest of all the unitholders in cash flow and other nonliquidating distributions and the rights of all the unitholders to distributions of capital upon liquidation.

Vinson & Elkins L.L.P. is of the opinion that, with the exception of the issues described in "--Tax Consequences of Unit Ownership--Section 754 Election" and "--Disposition of Common Units--Allocations Between Transferors and Transferees," allocations under our partnership agreement will be given effect for federal income tax purposes in determining a unitholder's share of our income, gain, loss or deduction.

Treatment of Short Sales. A unitholder whose units are loaned to a "short seller" to cover a short sale of units may be considered as having disposed of those units. If so, he would no longer be a partner for tax purposes with respect to those units during the period of the loan and may recognize gain or loss from the disposition. As a result, during this period:

- any of our income, gain, loss or deduction with respect to those units would not be reportable by the unitholder,

- any cash distributions received by the unitholder as to those units would be fully taxable, and

- all of these distributions would appear to be ordinary income.

Vinson & Elkins L.L.P. has not rendered an opinion regarding the treatment of a unitholder whose common units are loaned to a short seller. Therefore, unitholders desiring to assure their status as partners and avoid the risk of gain recognition should modify any applicable brokerage account agreements to prohibit their brokers from loaning their units. The IRS has announced that it is studying issues relating to the tax treatment of short sales of partnership interests. Please also read "--Disposition of Common Units--Recognition of Gain or Loss."

Alternative Minimum Tax. Each unitholder will be required to take into account his share of any items of our income, gain, loss or deduction for purposes of the alternative minimum tax. The current minimum tax rate for noncorporate taxpayers is 26% on the first $175,000 of alternative minimum taxable income in excess of the exemption amount and 28% on any additional alternative minimum taxable income. Prospective unitholders are urged to consult with their tax advisors as to the impact of an investment in units on their liability for the alternative minimum tax.

Tax Rates. In general the highest effective United States federal income tax rate for individuals for 2002 is 38.6% and the maximum United States federal income tax rate for net capital gains of an individual for 2002 is 20% if the asset disposed of was held for more than 12 months at the time of disposition.

Section 754 Election. We have made the election permitted by Section 754 of the Internal Revenue Code. That election is irrevocable without the consent of the IRS. The election will generally permit us to adjust a common unit purchaser's tax basis in our assets ("inside basis") under Section 743(b) of the Internal Revenue Code to reflect his purchase price. The Section 743(b) adjustment belongs to the purchaser and not to other unitholders. For purposes of this discussion, a unitholder's inside basis in our assets will be considered to have two components: (1) his share of our tax basis in our assets ("common basis") and (2) his Section 743(b) adjustment to that basis.

Treasury regulations under Section 743 of the Internal Revenue Code require, if the remedial allocation method is adopted (which we have adopted), a portion of the Section 743(b) adjustment attributable to recovery property to be depreciated over the remaining cost recovery period for the Section 704(c) built-in gain. Under Treasury Regulation Section l.167(c)-l(a)(6), a Section 743(b) adjustment attributable to property subject to depreciation under Section 167 of the Internal Revenue Code rather than cost recovery deductions under Section 168 is generally required to be depreciated using either the straight-line method or the 150% declining balance method. Under our partnership agreement, the managing general partner is authorized to take a position to preserve the uniformity of units even if that position is not consistent with these Treasury Regulations. Please read "--Tax Treatment of Operations--Uniformity of Units."

Although Vinson & Elkins L.L.P. is unable to opine as to the validity of this approach because there is no clear authority on this issue, we intend to depreciate the portion of a Section 743(b) adjustment attributable to unrealized appreciation in the value of Contributed Property, to the extent of any unamortized Book-Tax Disparity, using a rate of depreciation or amortization derived from the depreciation or amortization method and useful life applied to the common basis of the property, or treat that portion as non-amortizable to the extent attributable to property the common basis of which is not amortizable. This method is consistent with the regulations under Section 743 but is arguably inconsistent with Treasury Regulation Section l.167(c)-l(a)(6) which is not expected to directly apply to a material portion of our assets. To the extent a Section 743(b) adjustment is attributable to appreciation in value in excess of the unamortized Book-Tax Disparity, we will apply the rules described in the Treasury Regulations and legislative history. If we determine that this position cannot reasonably be taken, we may take a depreciation or amortization position under which all purchasers acquiring units in the same month would receive depreciation or amortization, whether attributable to common basis or a Section 743(b) adjustment, based upon the same applicable rate as if they had purchased a direct interest in our assets. This kind of aggregate approach may result in lower annual depreciation or amortization deductions than would otherwise be allowable to some unitholders. Please read "--Tax Treatment of Operations--Uniformity of Units."

A Section 754 election is advantageous if the transferee's tax basis in his units is higher than the units' share of the aggregate tax basis of our assets immediately prior to the transfer. In that case, as a result of the election, the transferee would have, among other items, a greater amount of depreciation and depletion deductions and his share of any gain or loss on a sale of our assets would be less. Conversely, a Section 754 election is disadvantageous if the transferee's tax basis in his units is lower than those units' share of the aggregate tax basis of our assets immediately prior to the transfer. Thus, the fair market value of the units may be affected either favorably or unfavorably by the election.

The calculations involved in the Section 754 election are complex and will be made on the basis of assumptions as to the value of our assets and other matters. For example, the allocation of the Section 743(b) adjustment among our assets must be made in accordance with the Internal Revenue Code. The IRS could seek to reallocate some or all of any Section 743(b) adjustment allocated by us to our tangible assets to goodwill instead. Goodwill, as an intangible asset, is generally amortizable over a longer period of time or under a less

accelerated method than tangible assets. We cannot assure you that the determinations we make will not be successfully challenged by the IRS and that the deductions resulting from them may not be reduced or disallowed altogether. Should the IRS require a different basis adjustment to be made, and should, in our opinion, the expense of compliance exceed the benefit of the election, we may seek permission from the IRS to revoke our Section 754 election. If permission is granted, a subsequent purchaser of units may be allocated more income than he would have been allocated had the election not been revoked.

Tax Treatment of Operations

Accounting Method and Taxable Year. We use the year ending December 31 as our taxable year and the accrual method of accounting for federal income tax purposes. Each unitholder will be required to include in income his share of our income, gain, loss and deduction for our taxable year ending within or with his taxable year. In addition, a unitholder who has a taxable year ending on a date other than December 31 and who disposes of all of his units following the close of our taxable year but before the close of his taxable year must include his share of our income, gain, loss and deduction in income for his taxable year, with the result that he will be required to include in income for his taxable year his share of more than one year of our income, gain, loss and deduction. Please read "--Disposition of Common Units--Allocations Between Transferors and Transferees."

Initial Tax Basis, Depreciation and Amortization. The tax basis of our assets is used for purposes of computing depreciation and cost recovery deductions and, ultimately, gain or loss on the disposition of these assets. The federal income tax burden associated with the difference between the fair market value of our assets and their tax basis immediately prior to this offering will be borne by the non-managing general partner, its affiliates and the owners of units immediately prior to this offering. Please read "--Allocation of Income, Gain, Loss and Deduction."

To the extent allowable, we may elect to use the depreciation and cost recovery methods that will result in the largest deductions being taken in the early years after assets are placed in service. We will not take any amortization deductions with respect to any goodwill conveyed to us on formation. Property we subsequently acquire or construct may be depreciated using accelerated methods permitted by the Internal Revenue Code.

If we dispose of depreciable property by sale, foreclosure, or otherwise, all or a portion of any gain, determined by reference to the amount of depreciation previously deducted and the nature of the property, may be subject to the recapture rules and taxed as ordinary income rather than capital gain. Similarly, a unitholder who has taken cost recovery or depreciation deductions with respect to property we own will likely be required to recapture some or all of those deductions as ordinary income upon a sale of his interest in us. Please read "--Tax Consequences of Unit Ownership--Allocation of Income, Gain, Loss and Deduction" and "--Disposition of Common Units--Recognition of Gain or Loss."

The costs incurred in selling our units (called "syndication expenses") must be capitalized and cannot be deducted currently, ratably or upon termination of Inergy, L.P. There are uncertainties regarding the classification of costs as organization expenses, which may be amortized by us, and as syndication expenses, which may not be amortized by us. The underwriting discounts and commissions we incur will be treated as syndication expenses.

Valuation and Tax Basis of Our Properties. The federal income tax consequences of the ownership and disposition of units will depend in part on our estimates of the relative fair market values, and determination of the initial tax basis, of our assets. Although we may from time to time consult with professional appraisers regarding valuation matters, we will make many of the relative fair market value estimates ourselves. These estimates, and determination of basis, are subject to challenge and will not be binding on the IRS or the courts. If the estimates of fair market value are later found to be incorrect, the character and amount of items of income, gain, loss or deductions previously reported by unitholders might change, and unitholders might be required to adjust their tax liability for prior years and incur interest and penalties with respect to those adjustments.

Disposition of Common Units

Recognition of Gain or Loss. Gain or loss will be recognized on a sale of units equal to the difference between the amount realized and the unitholder's tax basis for the units sold. A unitholder's amount realized will be measured by the sum of the cash or the fair market value of other property received plus his share of our nonrecourse liabilities. Because the amount realized includes a unitholder's share of our nonrecourse liabilities, the gain recognized on the sale of units could result in a tax liability in excess of any cash received from the sale. We do not currently have any nonrecourse liabilities.

Prior distributions from us in excess of cumulative net taxable income for a common unit that decreased a unitholder's tax basis in that common unit will, in effect, become taxable income if the common unit is sold at a price greater than the unitholder's tax basis in that common unit, even if the price is less than his original cost.

Except as noted below, gain or loss recognized by a unitholder, other than a "dealer" in units, on the sale or exchange of a unit held for more than one year will generally be taxable as capital gain or loss. Capital gain recognized by an individual on the sale of units held more than 12 months will generally be taxed at a maximum rate of 20%. A portion of this gain or loss, which will likely be substantial, however, will be separately computed and taxed as ordinary income or loss under Section 751 of the Internal Revenue Code to the extent attributable to Section 751 Assets. Ordinary income attributable to Section 751 Assets may exceed net taxable gain realized upon the sale of a unit and may be recognized even if there is a net taxable loss realized on the sale of a unit. Thus, a unitholder may recognize both ordinary income and a capital loss upon a sale of units. Net capital loss may offset capital gains and no more than $3,000 of ordinary income, in the case of individuals, and may only be used to offset capital gain in the case of corporations.

The IRS has ruled that a partner who acquires interests in a partnership in separate transactions must combine those interests and maintain a single adjusted tax basis for all those interests. Upon a sale or other disposition of less than all of those interests, a portion of that tax basis must be allocated to the interests sold using an "equitable apportionment" method. Treasury regulations under Section 1223 of the Internal Revenue Code allow a selling unitholder who can identify common units transferred with an ascertainable holding period to elect to use the actual holding period of the common units transferred. Thus, according to the ruling, a common unitholder will be unable to select high or low basis common units to sell as would be the case with corporate stock, but, under the Treasury regulations, can designate specific common units sold for purposes of determining the holding period of the units sold. A unitholder electing to use the actual holding period of common units transferred must consistently use that identification method for all subsequent sales or exchanges of common units. A unitholder considering the purchase of additional units or a sale of common units purchased in separate transactions is urged to consult his tax advisor as to the possible consequences of this ruling and application of the regulations.

Specific provisions of the Internal Revenue Code affect the taxation of some financial products and securities, including partnership interests such as our units, by treating a taxpayer as having sold an "appreciated" partnership interest, one in which gain would be recognized if it were sold, assigned or terminated at its fair market value, if the taxpayer or related persons enter(s) into:

- a short sale,
- an offsetting notional principal contract, or
- a futures or forward contract with respect to the partnership interest or substantially identical property.

Moreover, if a taxpayer has previously entered into a short sale, an offsetting notional principal contract or a futures or forward contract with respect to the partnership interest, the taxpayer will be treated as having sold that position if the taxpayer or a related person then acquires the partnership interest or substantially identical property. The Secretary of Treasury is also authorized to issue regulations that treat a taxpayer that enters into

transactions or positions that have substantially the same effect as the preceding transactions as having constructively sold the financial position.

Allocations Between Transferors and Transferees. In general, our taxable income and losses will be determined annually, will be prorated on a monthly basis and will be subsequently apportioned among the unitholders in proportion to the number of units owned by each of them as of the opening of the applicable exchange on the first business day of the month (the "Allocation Date"). However, gain or loss realized on a sale or other disposition of our assets other than in the ordinary course of business will be allocated among the unitholders on the Allocation Date in the month in which that gain or loss is recognized. As a result, a unitholder transferring units may be allocated income, gain, loss and deduction realized after the date of transfer.

The use of this method may not be permitted under existing Treasury Regulations. Accordingly, Vinson & Elkins L.L.P. is unable to opine on the validity of this method of allocating income and deductions between the transferors and transferees of units. If this method is not allowed under the Treasury Regulations or only applies to transfers of less than all of the unitholder's interest, our taxable income or losses might be reallocated among the unitholders. We are authorized to revise our method of allocation between transferors and transferees, as well as among, unitholders whose interest otherwise vary during a taxable period, to conform to a method which is permitted.

A unitholder who owns units at any time during a quarter and who disposes of them prior to the record date set for a cash distribution for that quarter will be allocated a share of our income, gain, loss and deductions attributable to that quarter but will not be entitled to receive that cash distribution.

Notification Requirements. A unitholder who sells or exchanges units is required to notify us in writing of that sale or exchange within 30 days after the sale or exchange. We are required to notify the IRS of that transaction and to furnish specified information to the transferor and transferee. However, these reporting requirements do not apply to a sale by an individual who is a citizen of the United States and who effects the sale or exchange through a broker. Failure to notify us of a purchase may lead to the imposition of substantial penalties.

Constructive Termination. We will be considered to have been terminated for tax purposes if there is a sale or exchange of 50% or more of the total interests in our capital and profits within a 12-month period. A constructive termination results in the closing of our taxable year for all unitholders. In the case of a unitholder reporting on a taxable year other than a fiscal year ending December 31, the closing of our taxable year may result in more than 12 months of our taxable income or loss being includable in his taxable income for the year of termination. We would be required to make new tax elections after a termination, including a new election under Section 754 of the Internal Revenue Code, and a termination would result in a deferral of any deductions for depreciation. A termination could also result in penalties if we were unable to determine that the termination had occurred. Moreover, a termination might either accelerate the application of, or subject us to, any tax legislation enacted before the termination.

Uniformity of Units

Because we cannot match transferors and transferees of units, we must maintain uniformity of the economic and tax characteristics of the units to a purchaser of these units. In the absence of uniformity, we may be unable to completely comply with a number of federal income tax requirements, both statutory and regulatory. A lack of uniformity can result from a literal application of Treasury Regulation Section l.167(c)-l(a)(6). Any non-uniformity could have a negative impact on the value of the units. Please read "--Tax Consequences of Unit Ownership--Section 754 Election."

We depreciate the portion of a Section 743(b) adjustment attributable to unrealized appreciation in the value of Contributed Property, to the extent of any unamortized Book-Tax Disparity, using a rate of

depreciation or amortization derived from the depreciation or amortization method and useful life applied to the common basis of that property, or treat that portion as nonamortizable, to the extent attributable to property the common basis of which is not amortizable. This method is consistent with the regulations under Section 743, but is arguably inconsistent with Treasury Regulation Section l.167(c)-l(a)(6) which is not expected to directly apply to a material portion of our assets. Please read "--Tax Consequences of Unit Ownership--Section 754 Election." To the extent that the Section 743(b) adjustment is attributable to appreciation in value in excess of the unamortized Book-Tax Disparity, we apply the rules described in the Treasury Regulations and legislative history. If we determine that this position cannot reasonably be taken, we may adopt a depreciation and amortization position under which all purchasers acquiring units in the same month would receive depreciation and amortization deductions, whether attributable to a common basis or Section 743(b) adjustment, based upon the same applicable rate as if they had purchased a direct interest in our property. If this position is adopted, it may result in lower annual depreciation and amortization deductions than would otherwise be allowable to some unitholders and risk the loss of depreciation and amortization deductions not taken in the year that these deductions are otherwise allowable. This position will not be adopted if we determine that the loss of depreciation and amortization deductions will have a material adverse effect on the unitholders. If we choose not to utilize this aggregate method, we may use any other reasonable depreciation and amortization method to preserve the uniformity of the intrinsic tax characteristics of any units that would not have a material adverse effect on the unitholders. The IRS may challenge any method of depreciating the Section 743(b) adjustment described in this paragraph. If this challenge were sustained, the uniformity of units might be affected, and the gain from the sale of units might be increased without the benefit of additional deductions. Please read "--Disposition of Common Units--Recognition of Gain or Loss."

Tax-Exempt Organizations and Other Investors

Ownership of units by employee benefit plans, other tax-exempt organizations, non-resident aliens, foreign corporations, other non-U.S. persons and regulated investment companies (mutual funds) raises issues unique to those investors and, as described below, may have substantially adverse tax consequences to them. Employee benefit plans and most other organizations exempt from federal income tax, including individual retirement accounts and other retirement plans, are subject to federal income tax on unrelated business taxable income. Virtually all of our income allocated to a unitholder which is a tax-exempt organization will be unrelated business taxable income and will be taxable to them.

A regulated investment company or "mutual fund" is required to derive 90% or more of its gross income from interest, dividends and gains from the sale of stocks or securities or foreign currency or specified related sources. It is not anticipated that any significant amount of our gross income will include that type of income.

Non-resident aliens and foreign corporations, trusts or estates that own units will be considered to be engaged in business in the United States because of the ownership of units. As a consequence they will be required to file federal tax returns to report their share of our income, gain, loss or deduction and pay federal income tax at regular rates on their share of our net income or gain. Under rules applicable to publicly traded partnerships, we will withhold at the highest marginal tax rate applicable to individuals on cash distributions made quarterly to foreign unitholders. Each foreign unitholder must obtain a taxpayer identification number from the IRS and submit that number to our transfer agent on a Form W-8 BEN or applicable substitute form in order to obtain credit for these withholding taxes. A change in applicable law may require us to change these procedures.

In addition, because a foreign corporation that owns units will be treated as engaged in a United States trade or business, that corporation may be subject to the United States branch profits tax at a rate of 30%, in addition to regular federal income tax, on its share of our income and gain, as adjusted for changes in the foreign corporation's "U.S. net equity," which are effectively connected with the conduct of a United States trade or business. That tax may be reduced or eliminated by an income tax treaty between the United States and the country in which the foreign corporate unitholder is a "qualified resident." In addition, this type of

unitholder is subject to special information reporting requirements under Section 6038C of the Internal Revenue Code.

Under a ruling of the IRS, a foreign unitholder who sells or otherwise disposes of a unit will be subject to federal income tax on gain realized on the sale or disposition of that unit to the extent that this gain is effectively connected with a United States trade or business of the foreign unitholder. Apart from the ruling, a foreign unitholder will not be taxed or subject to withholding upon the sale or disposition of a unit if he has owned less than 5% in value of the units during the five-year period ending on the date of the disposition and if the units are regularly traded on an established securities market at the time of the sale or disposition.

Administrative Matters

Information Returns and Audit Procedures. We intend to furnish to each unitholder, within 90 days after the close of each calendar year, specific tax information, including a Schedule K-l, which describes his share of our income, gain, loss and deduction for our preceding taxable year. In preparing this information, which will not be reviewed by counsel, we will take various accounting and reporting positions, some of which have been mentioned earlier, to determine the unitholders share of income, gain, loss and deduction. We cannot assure you that those positions will yield a result that conforms to the requirements of the Internal Revenue Code, Treasury Regulations or administrative interpretations of the IRS. Neither we nor Vinson & Elkins L.L.P. can assure prospective unitholders that the IRS will not successfully contend in court that those positions are impermissible. Any challenge by the IRS could negatively affect the value of the units.

The IRS may audit our federal income tax information returns. Adjustments resulting from an IRS audit may require each unitholder to adjust a prior year's tax liability, and possibly may result in an audit of that unitholder's own return. Any audit of a unitholder's return could result in adjustments not related to our returns as well as those related to our returns.

Partnerships generally are treated as separate entities for purposes of federal tax audits, judicial review of administrative adjustments by the IRS and tax settlement proceedings. The tax treatment of partnership items of income, gain, loss and deduction are determined in a partnership proceeding rather than in separate proceedings with the partners. The Internal Revenue Code requires that one partner be designated as the "Tax Matters Partner" for these purposes. The partnership agreement names Inergy GP, LLC as our Tax Matters Partner.

The Tax Matters Partner has made and will make some elections on our behalf and on behalf of unitholders. In addition, the Tax Matters Partner can extend the statute of limitations for assessment of tax deficiencies against unitholders for items in our returns. The Tax Matters Partner may bind a unitholder with less than a 1% profits interest in us to a settlement with the IRS unless that unitholder elects, by filing a statement with the IRS, not to give that authority to the Tax Matters Partner. The Tax Matters Partner may seek judicial review, by which all the unitholders are bound, of a final partnership administrative adjustment and, if the Tax Matters Partner fails to seek judicial review, judicial review may be sought by any unitholder having at least a 1% interest in profits or by any group of unitholders having in the aggregate at least a 5% interest in profits. However, only one action for judicial review will go forward, and each unitholder with an interest in the outcome may participate.

A unitholder must file a statement with the IRS identifying the treatment of any item on his federal income tax return that is not consistent with the treatment of the item on our return. Intentional or negligent disregard of this consistency requirement may subject a unitholder to substantial penalties.

Nominee Reporting. Persons who hold an interest in us as a nominee for another person are required to furnish to us:

(a) the name, address and taxpayer identification number of the beneficial owner and the nominee;

(b) whether the beneficial owner is:

(1) a person that is not a United States person,

(2) a foreign government, an international organization or any wholly owned agency or instrumentality of either of the foregoing, or

(3) a tax-exempt entity;

(c) the amount and description of units held, acquired or transferred for the beneficial owner; and

(d) specific information including the dates of acquisitions and transfers, means of acquisitions and transfers, and acquisition cost for purchases, as well as the amount of net proceeds from sales.

Brokers and financial institutions are required to furnish additional information, including whether they are United States persons and specific information on units they acquire, hold or transfer for their own account. A penalty of $50 per failure, up to a maximum of $100,000 per calendar year, is imposed by the Internal Revenue Code for failure to report that information to us. The nominee is required to supply the beneficial owner of the units with the information furnished to us.

Registration as a Tax Shelter. The Internal Revenue Code requires that "tax shelters" be registered with the Secretary of the Treasury. The temporary Treasury Regulations interpreting the tax shelter registration provisions of the Internal Revenue Code are extremely broad. It is arguable that we are not subject to the registration requirement on the basis that we will not constitute a tax shelter. However, we have registered as a tax shelter with the Secretary of Treasury in the absence of assurance that we will not be subject to tax shelter registration and in light of the substantial penalties which might be imposed if registration is required and not undertaken.

Our tax shelter registration number is 01204000001. A unitholder who sells or otherwise transfers a unit in a later transaction must furnish the registration number to the transferee. The penalty for failure of the transferor of a unit to furnish the registration number to the transferee is $100 for each failure. The unitholders must disclose our tax shelter registration number on Form 8271 to be attached to the tax return on which any deduction, loss or other benefit we generate is claimed or on which any of our income is included. A unitholder who fails to disclose the tax shelter registration number on his return, without reasonable cause for that failure, will be subject to a $250 penalty for that failure. Any penalties discussed are not deductible for federal income tax purposes.

Issuance of this registration number does not indicate that investment in us or the claimed tax benefits have been reviewed, examined or approved by the IRS.

Accuracy-related Penalties. An additional tax equal to 20% of the amount of any portion of an underpayment of tax that is attributable to one or more specified causes, including negligence or disregard of rules or regulations, substantial understatements of income tax and substantial valuation misstatements, is imposed by the Internal Revenue Code. No penalty will be imposed, however, for any portion of an underpayment if it is shown that there was a reasonable cause for that portion and that the taxpayer acted in good faith regarding that portion.

A substantial understatement of income tax in any taxable year exists if the amount of the understatement exceeds the greater of 10% of the tax required to be shown on the return for the taxable year or $5,000 ($10,000 for most corporations). The amount of any understatement subject to penalty generally is reduced if any portion is attributable to a position adopted on the return:

(1) for which there is, or was, "substantial authority"; or

(2) as to which there is a reasonable basis and the pertinent facts of that position are disclosed on the return.

More stringent rules apply to "tax shelters," a term that in this context does not appear to include us. If any item of income, gain, loss or deduction included in the distributive shares of unitholders might result in that kind of an "understatement" of income for which no "substantial authority" exists, we must disclose the pertinent facts on our return. In addition, we will make a reasonable effort to furnish sufficient information for unitholders to make adequate disclosure on their returns to avoid liability for this penalty.

A substantial valuation misstatement exists if the value of any property, or the adjusted basis of any property, claimed on a tax return is 200% or more of the amount determined to be the correct amount of the valuation or adjusted basis. No penalty is imposed unless the portion of the underpayment attributable to a substantial valuation misstatement exceeds $5,000 ($10,000 for most corporations). If the valuation claimed on a return is 400% or more than the correct valuation, the penalty imposed increases to 40%.

State, Local and Other Tax Considerations

In addition to federal income taxes, you will be subject to other taxes, including state and local income taxes, unincorporated business taxes, and estate, inheritance or intangible taxes that may be imposed by the various jurisdictions in which we do business or own property. Although an analysis of those various taxes is not presented here, each prospective unitholder is urged to consider their potential impact on his investment in us. We presently anticipate that substantially all of our income will be generated in the following states: Arkansas, Florida, Georgia, Illinois, Indiana, Michigan, North Carolina, Ohio, Oklahoma, South Carolina, Tennessee, Texas and Wisconsin. Each of these states, except Florida and Texas, currently imposes a personal income tax. A unitholder will likely be required to file state income tax returns and to pay state income taxes in these states and may be subject to penalties for failure to comply with these requirements. In some states, tax losses may not produce a tax benefit in the year incurred and also may not be available to offset income in subsequent taxable years. Some of the states may require us, or we may elect, to withhold a percentage of income from amounts to be distributed to a unitholder who is not a resident of the state. Withholding, the amount of which may be greater or less than a particular unitholder's income tax liability to the state, generally does not relieve a nonresident unitholder from the obligation to file an income tax return. Amounts withheld may be treated as if distributed to unitholders for purposes of determining the amounts distributed by us. Please read "--Tax Consequences of Unit Ownership--Entity-Level Collections." Based on current law and our estimate of our future operations, the managing general partner anticipates that any amounts required to be withheld will not be material. We may also own property or do business in other states in the future.

It is the responsibility of each unitholder to investigate the legal and tax consequences, under the laws of pertinent states and localities, of his investment in us. Accordingly, each prospective unitholder should consult, and must depend upon, his own tax counsel or other advisor with regard to those matters. Further, it is the responsibility of each unitholder to file all state and local, as well as federal tax returns, that may be required of him. Vinson & Elkins L.L.P. has not rendered an opinion on the state or local tax consequences of an investment in us.

INVESTMENT IN INERGY, L.P. BY EMPLOYEE BENEFIT PLANS

An investment in us by an employee benefit plan is subject to additional considerations because the investments of these plans are subject to the fiduciary responsibility and prohibited transaction provisions of ERISA, and restrictions imposed by Section 4975 of the Internal Revenue Code. For these purposes the term "employee benefit plan" includes, but is not limited to, qualified pension, profit-sharing and stock bonus plans, Keogh plans, simplified employee pension plans and tax deferred annuities or IRAs established or maintained by an employer or employee organization. Among other things, consideration should be given to:

(a) whether the investment is prudent under Section 404(a)(1)(B) of ERISA,

(b) whether in making the investment, that plan will satisfy the diversification requirements of Section 404(a)(1)(C) of ERISA, and

(c) whether the investment will result in recognition of unrelated business taxable income by the plan and, if so, the potential after-tax investment return.

The person with investment discretion with respect to the assets of an employee benefit plan, often called a fiduciary, should determine whether an investment in us is authorized by the appropriate governing instrument and is a proper investment for the plan.

Section 406 of ERISA and Section 4975 of the Internal Revenue Code prohibit employee benefit plans, and also IRAs that are not considered part of an employee benefit plan, from engaging in specified transactions involving "plan assets" with parties that are "parties in interest" under ERISA or "disqualified persons" under the Internal Revenue Code with respect to the plan.

In addition to considering whether the purchase of common units is a prohibited transaction, a fiduciary of an employee benefit plan should consider whether the plan will, by investing in us, be deemed to own an undivided interest in our assets, with the result that the managing general partner also would be a fiduciary of the plan and our operations would be subject to the regulatory restrictions of ERISA, including its prohibited transaction rules, as well as the prohibited transaction rules of the Internal Revenue Code.

The Department of Labor regulations provide guidance with respect to whether the assets of an entity in which employee benefit plans acquire equity interests would be deemed "plan assets" under some circumstances. Under these regulations, an entity's assets would not be considered to be "plan assets" if, among other things,

(a) the equity interests acquired by employee benefit plans are publicly offered securities; i.e., the equity interests are widely held by 100 or more investors independent of the issuer and each other, freely transferable and registered under some provisions of the federal securities laws,

(b) the entity is an "operating company," i.e., it is primarily engaged in the production or sale of a product or service other than the investment of capital either directly or through a majority owned subsidiary or subsidiaries, or

(c) there is no significant investment by benefit plan investors, which is defined to mean that less than 25% of the value of each class of equity interest, disregarding some interests held by the managing general partner, its affiliates, and some other persons, is held by the employee benefit plans referred to above, IRAs and other employee benefit plans not subject to ERISA, including governmental plans.

Our assets should not be considered "plan assets" under these regulations because it is expected that the investment will satisfy the requirements in (a) above.

Plan fiduciaries contemplating a purchase of common units should consult with their own counsel regarding the consequences under ERISA and the Internal Revenue Code in light of the serious penalties imposed on persons who engage in prohibited transactions or other violations.

UNDERWRITING

Subject to the terms and conditions of the underwriting agreement among us, the selling unitholders and the underwriters, the underwriters have agreed severally to purchase from us and the selling unitholders the following number of common units at the offering price less the underwriting discount set forth on the cover page of this prospectus.

Underwriter	Number of Common Units
A.G. Edwards & Sons, Inc.	
Raymond James & Associates, Inc.	
UBS Warburg LLC	
First Union Securities, Inc.	
Total	1,400,000

The underwriting agreement provides that the obligations of the underwriters are subject to certain conditions and that the underwriters will purchase all such common units if any of the units are purchased. The underwriters are obligated to take and pay for all of the common units offered hereby, other than those covered by the over-allotment option described below, if any are taken.

The underwriters have advised us that they propose to offer the common units to the public at the offering price set forth on the cover page of this prospectus and to certain dealers at such price less a concession not in excess of $ per unit. The underwriters may allow, and such dealers may re-allow, a concession not in excess of $ per unit to certain other dealers. After the offering, the offering price and other selling terms may be changed by the underwriters.

Pursuant to the underwriting agreement, we have granted to the underwriters an option, exercisable for 30 days after the date of this prospectus, to purchase up to 210,000 additional common units at the offering price, less the underwriting discount set forth on the cover page of this prospectus, solely to cover over-allotments.

To the extent the underwriters exercise such option, each underwriter will become obligated, subject to certain conditions, to purchase approximately the same percentage of such additional units as the number set forth next to such underwriter's name in the preceding table bears to the total number of units in the table, and we will be obligated, pursuant to the option, to sell such units to the underwriters.

Inergy, L.P., New Inergy Propane, LLC, the general partners and certain other affiliates have agreed that during the 90 days after the date of this prospectus, they will not, without the prior written consent of A.G. Edwards & Sons, Inc., directly or indirectly, offer for sale, contract to sell, sell, distribute, grant any option, right or warrant to purchase, pledge, hypothecate or otherwise dispose of any common units, any securities convertible into, or exercisable or exchangeable for, common units or any other rights to acquire such common units, other than pursuant to employee benefit plans as in existence as of the date of this prospectus.

A.G. Edwards may, in its sole discretion, allow any of these parties to offer for sale, contract to sell, sell, distribute, grant any option, right or warrant to purchase, pledge, hypothecate or otherwise dispose of any common units, any securities convertible into, or exercisable or exchangeable for, common units or any other rights to acquire such common units prior to the expiration of such 90-day period in whole or in part at anytime without notice. There are, however, no agreements between A.G. Edwards and these parties that would allow them to do so as of the date of this prospectus. A.G. Edwards has informed us that in the event that consent to a waiver of these restrictions is requested by us or any other person, A.G. Edwards, in deciding whether to grant its consent, will consider, among other factors, the unitholder's reasons for requesting the release, the number of units for which the release is being requested, and market conditions at the time of the request for such release. However, A.G. Edwards has informed us that as of the date of this prospectus there

are no agreements between A.G. Edwards and any party that would allow such party to transfer any common units, nor does it have any intention of releasing any of the common units subject to the lock-up agreements prior to the expiration of the lock-up period at this time.

The following table summarizes the discounts that Inergy, L.P. and the selling unitholders will pay to the underwriters in this offering. These amounts assume both no exercise and full exercise of the underwriters' option to purchase additional common units.

	No Exercise	Full Exercise
Per Unit	$	$
Total	$	$

We expect to incur expenses of approximately $1.2 million in connection with this offering.

Inergy, L.P., New Inergy Propane, LLC, the general partners and certain other affiliates and the selling unitholders have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act.

In connection with this offering, the underwriters may engage in stabilizing transactions, over-allotment transactions, syndicate covering transactions and penalty bids in accordance with Regulation M under the Securities Exchange Act of 1934.

- Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum.

- Over-allotment transactions involve sales by the underwriters of the common units in excess of the number of units the underwriters are obligated to purchase, which creates a syndicate short position. The short position may be either a covered short position or a naked short position. In a covered short position, the number of units over-allotted by the underwriters are not greater than the number of units it may purchase in the over-allotment option. In a naked short position, the number of units involved is greater than the number of units in the over-allotment option. The underwriters may close out any short position by either exercising their over-allotment option and/or purchasing common units in the open market.

- Syndicate covering transactions involve purchases of the common units in the open market after the distribution has been completed in order to cover syndicate short positions. In determining the source of the common units to close out the short position, the underwriters will consider, among other things, the price of common units available for purchase in the open market as compared to the price at which they may purchase common units through the over-allotment option. If the underwriters sell more common units than could be covered by the over-allotment option, a naked short position, the position can only be closed out by buying common units in the open market. A naked short position is more likely to be created if the underwriters are concerned that there could be downward pressure on the price of the common units in the open market after pricing that could adversely affect investors who purchase in the offering.

- Penalty bids permit the underwriters to reclaim a selling concession from a syndicate member when the common units originally sold by the syndicate member are purchased in a stabilizing or syndicate covering transaction to cover syndicate short positions.

Similar to other purchase transactions, the underwriters' purchases to cover the syndicate short sales may have the effect of raising or maintaining the market price of the common units or preventing or retarding a decline in the market price of the common units. As a result, the price of the common units may be higher than the price that might otherwise exist in the open market.

The underwriters will deliver a prospectus to all purchasers of common units in the short sales. The purchasers of common units in short sales are entitled to the same remedies under the federal securities laws as any other purchaser of common units covered by this prospectus.

The underwriters are not obligated to engage in any of the transactions described above. If they do engage in any of these transactions, they may discontinue them at any time.

Neither Inergy, L.P. nor the underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the common units. In addition, neither Inergy, L.P. nor the underwriters make any representation that the underwriters will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Because the National Association for Securities Dealers, Inc. views the common units offered hereby as interests in a direct participation program, the offering is being made in compliance with Rule 2810 of the NASD's Conduct Rules. Investor suitability with respect to the common units should be judged similarly to the suitability with respect to other securities that are listed for trading on a national securities exchange.

First Union National Bank, an affiliate of First Union Securities, Inc., which is one of the underwriters, is administrative agent and one of the lenders under our credit facility, for which it received customary compensation. The proceeds of this offering will be used to repay a portion of this indebtedness. In addition, First Union Securities, Inc. was the placement agent for the private offering of our senior secured notes. The proceeds of the notes offering were used to repay borrowings under the credit facility. A.G. Edwards has performed various financial advisory services for Inergy, L.P. and Inergy Partners, LLC for which it received customary compensation. AG. Edwards, First Union Securities, Inc. and Raymond James were underwriters in our initial public offering that closed on July 31, 2001. The underwriters may, from time to time, engage in transactions with and perform services for us in the ordinary course of their business.

Wachovia Corporation conducts its investment banking, institutional and capital markets business through its various bank, broker-dealer and non-bank subsidiaries (including one of the underwriters, First Union Securities, Inc.) under the trade name of Wachovia Securities. Any references to Wachovia Securities in this prospectus, however, do not include Wachovia Securities, Inc., member NASD/SIPC and a separate broker-dealer subsidiary of Wachovia Corporation and sister affiliate of the underwriter that may or may not be participating as a selling dealer in the distribution of the units.

VALIDITY OF THE COMMON UNITS

The validity of the common units will be passed upon for us by Vinson & Elkins L.L.P., Houston, Texas. Certain legal matters in connection with the common units offered hereby will be passed upon for the underwriters by Baker Botts L.L.P., Houston, Texas.

EXPERTS

Ernst & Young LLP, independent auditors, have audited the consolidated financial statements of Inergy, L.P. and Subsidiary (successor to Inergy Partners, LLC and subsidiaries) at September 30, 2000 and 2001, and for each of the three years in the period ended September 30, 2001, the combined financial statements of the Hoosier Propane Group at September 30, 1999 and 2000 and December 31, 2000, and for each of the three years in the period ended September 30, 2000 and the three months ended December 31, 2000 and the balance sheet of Inergy GP, LLC at September 30, 2001, as set forth in their reports. We have included these financial statements in the prospectus and elsewhere in the registration statement in reliance on Ernst & Young LLP's reports, given on their authority as experts in accounting and auditing.

Arthur Andersen LLP, independent auditors, have audited the consolidated financial statements of Independent Propane Company Holdings at September 30, 2000 and 2001, and for each of the three years in the period ended September 30, 2001, as set forth in their report. We have included these financial statements in the prospectus and elsewhere in the registration statement in reliance on Arthur Andersen LLP's report, given on their authority as experts in accounting and auditing.

OTHER MATTERS

Arthur Andersen LLP, the independent public accountants for IPC, provided us with an audit report with respect to IPC's financial statements contained in this prospectus. Prior to the date of this prospectus, the partners of Arthur Andersen LLP who reviewed the most recent audited financial statements relating to IPC have resigned from Arthur Andersen LLP. While we obtained the written consent of Arthur Andersen LLP with our initial filing of the registration statement (of which this prospectus forms a part), after reasonable efforts, we have been unable to obtain Arthur Andersen LLP's updated written consent to the inclusion in the registration statement of its audit report with respect to IPC's financial statements. Accordingly, we have dispensed with the requirement to file their consent in reliance upon Rule 437a of the Securities Act of 1933. Because Arthur Andersen LLP has not consented to the inclusion of their report in this prospectus, you will not be able to recover against Arthur Andersen LLP under Section 11 of the Securities Act for any untrue statements of a material fact contained in the financial statements audited by Arthur Andersen LLP or any omissions to state a material fact required to be stated therein.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the Securities and Exchange Commission a registration statement on Form S-1 regarding the common units. This prospectus does not contain all of the information found in the registration statement. For further information regarding Inergy and the common units offer by this prospectus, you may desire to review the full registration statement, including its exhibits and schedules, filed under the Securities Act of 1933. The registration statement of which this prospectus forms a part, including its exhibits and schedules, may be inspected and copied at the public reference room maintained by the SEC at Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of the materials may also be obtained from the SEC at prescribed rates by writing to the public reference room maintained by the SEC at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549. You may obtain information on the operation of the public reference room by calling the SEC at l-800-SEC-0330.

The SEC maintains a World Wide Web site on the Internet at http://www.sec.gov. Our registration statement, of which this prospectus constitutes a part, can be downloaded from the SEC's web site.

We furnish our unitholders with annual reports containing our audited financial statements and furnish or make available quarterly reports containing our unaudited interim financial information for the first three fiscal quarters of each fiscal year.

FORWARD-LOOKING STATEMENTS

Some of the information in this prospectus may contain forward-looking statements. All statements other than statements of historical fact are forward-looking statements. These statements can be identified by the use of forward-looking terminology including "may," "believe," "will," "expect," "anticipate," "estimate," "continue" or other similar words. These statements discuss future expectations, contain projections of results of operations or of financial condition or state other "forward-looking" information. These forward-looking statements involve risks and uncertainties. When considering these forward-looking statements, you should keep in mind the risk factors and other cautionary statements in this prospectus. Specific factors could cause our actual results to differ materially from those contained in any forward-looking statement. These factors include, but are not limited to:

- the effect of weather conditions on demand for propane;
- the price volatility and availability of propane;
- the availability of capacity to transport propane to market areas and our customers;
- competition from other energy sources and within the propane industry;
- improvements in energy efficiency and technology trends resulting in reduced demand for propane;
- our ability to achieve expected operating cost savings, synergies and productivity improvements from the integration of the propane distribution businesses we acquire, including Independent Propane Company Holdings;
- our inability to make business acquisitions on economically acceptable terms;
- our ability to obtain new customers and retain existing customers;
- operating hazards and risks incidental to transporting, storing and distributing propane and related products, including the risk of explosions and fires resulting in personal injury and property damage;
- liability for environmental claims;
- adverse labor relations;
- governmental legislation and regulation;
- the condition of the capital markets in the United States; and
- the political and economic stability of oil producing nations of the world.

When considering our forward-looking statements, you should keep in mind the risk factors described in the "Risk Factors" section of this prospectus. These risk factors could cause our actual results to differ materially from those contained in any forward-looking statement. We will not update our forward-looking statements unless applicable securities laws require us to do so.

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REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Members
Inergy, L.P. and Subsidiary
(Successor to Inergy Partners, LLC and Subsidiaries)

We have audited the accompanying consolidated balance sheets of Inergy, L.P. and Subsidiary (Successor to Inergy Partners, LLC and Subsidiaries) (the "Partnership") as of September 30, 2000 and 2001, and the related consolidated statements of operations, redeemable preferred members' interest and members' equity/partners' capital and cash flows for each of the three years in the period ended September 30, 2001. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Inergy, L.P. and Subsidiary (Successor to Inergy Partners, LLC and Subsidiaries) at September 30, 2000 and 2001, and the consolidated results of their operations and their cash flows for each of the three years in the period ended September 30, 2001 in conformity with accounting principles generally accepted in the United States.

/s/ Ernst & Young LLP

Kansas City, Missouri
December 10, 2001, except for
Notes 4 and 12, as to which
the date is December 20, 2001

INERGY, L.P. AND SUBSIDIARY
(Successor to Inergy Partners, LLC and Subsidiaries)

CONSOLIDATED BALANCE SHEETS
(In Thousands, Except Unit Data)

	September 30, 2000	September 30, 2001	March 31, 2002 (Unaudited)
ASSETS (Note 4)			
Current assets:			
Cash	$ 1,373	$ 2,171	$ 2,475
Accounts receivable, less allowance for doubtful accounts of $225 and $186 at September 30, 2000 and 2001, respectively and $1,537 at March 31, 2002	12,602	11,457	24,111
Inventories	3,630	12,694	16,591
Prepaid expenses and other current assets	1,014	1,411	1,975
Assets from price risk management activities	3,580	9,187	8,897
Total current assets	22,199	36,920	54,049
Property, plant and equipment, at cost:			
Land and buildings	740	4,511	11,205
Office furniture and equipment	808	1,172	5,857
Vehicles	4,138	11,435	17,644
Tanks and plant equipment	30,283	58,737	100,147
	35,969	75,855	134,853
Less accumulated depreciation	(2,533)	(5,812)	(9,378)
Net property, plant and equipment	33,436	70,043	125,475
Intangible assets (Note 2):			
Covenants not to compete	3,228	3,771	6,124
Deferred financing costs	333	2,985	4,977
Deferred acquisition costs	460	115	--
Customer accounts	3,500	14,000	41,411
Goodwill	6,880	32,121	47,053
	14,401	52,992	99,565
Less accumulated amortization	(1,246)	(4,431)	(6,489)
Net intangible assets	13,155	48,561	93,076
Other	134	129	473
Total assets	$68,924	$155,653	$273,073
LIABILITIES AND MEMBERS' EQUITY/PARTNERS' CAPITAL			
Current liabilities:			
Accounts payable	$11,502	$ 8,416	$ 9,041
Accrued expenses	3,715	5,679	6,743
Customer deposits	1,676	10,060	5,314
Liabilities from price risk management activities	2,294	4,612	4,618
Current portion of long-term debt (Note 4)	605	10,469	3,722
Total current liabilities	19,792	39,236	29,438
Deferred income taxes (Note 6)	942	--	--
Long-term debt, less current portion (Note 4)	34,322	43,663	138,442
Redeemable preferred members' interest (Notes 2 and 7)	10,896	--	--
Members' equity/partners' capital (Notes 2, 4, 7 and 8):			
Class A preferred interest	4,892	--	--
Common interest	(1,686)	--	--
Deferred compensation	(234)	--	--
Common unitholders (1,840,000 and 2,617,872 units issued and outstanding as of September 30, 2001 and March 31, 2002, respectively)	--	24,981	49,514
Senior subordinated unitholders (3,313,367 units issued and outstanding as of September 30, 2001 and March 31, 2002)	--	45,060	51,421
Junior subordinated unitholders (572,542 units issued and outstanding as of September 30, 2001 and March 31, 2002)	--	1,258	2,358
Non-managing general partner (2% interest with dilutive effect equivalent to 116,855 and 132,730 units issued and outstanding as of September 30, 2001 and March 31, 2002, respectively)	--	1,455	1,900
Total members' equity/partners' capital	2,972	72,754	105,193
Total liabilities and members' equity/partners' capital	$68,924	$155,653	$273,073

See accompanying notes.

INERGY, L.P. AND SUBSIDIARY
(Successor to Inergy Partners, LLC and Subsidiaries)

CONSOLIDATED STATEMENTS OF OPERATIONS
(In Thousands, Except Per Unit Data)

	Year Ended September 30,			Six Months Ended March 31,	
	1999	2000	2001	2001	2002
				(unaudited)	
Revenue:					
Propane	$16,227	$89,042	$212,441	$165,209	$156,442
Other	2,984	4,553	10,698	5,230	7,618
	19,211	93,595	223,139	170,439	164,060
Cost of product sold	13,754	81,636	182,582	141,425	113,787
Gross profit	5,457	11,959	40,557	29,014	50,273
Expenses:					
Operating and administrative	4,119	8,990	23,501	11,464	23,326
Depreciation and amortization	690	2,286	6,532	2,588	5,145
Operating income	648	683	10,524	14,962	21,802
Other income (expense):					
Interest expense (Note 4)	(962)	(2,740)	(6,670)	(3,020)	(3,236)
Gain (loss) on sale of property, plant and equipment	101	--	37	--	(119)
Finance charges	79	176	290	158	85
Other	5	59	168	87	36
Income (loss) before income taxes	(129)	(1,822)	4,349	12,187	18,568
Provision for income taxes	56	7	--	--	52
Net income (loss)	$ (185)	$(1,829)	$ 4,349	$ 12,187	$ 18,516
Predecessor net income for the period from October 1, 2000 to July 31, 2001			$ 6,664		
Inergy, L.P. net loss for the period from July 31, 2001 through September 30, 2001			$ (2,315)		
Partners' interest information for the period from July 31, 2001 through September 30, 2001 and six months ended March 31, 2002:					
Non-managing general partner's interest in net income (loss)			$ (46)		$ 370

INERGY, L.P. AND SUBSIDIARY
(Successor to Inergy Partners, LLC and Subsidiaries)

CONSOLIDATED STATEMENTS OF OPERATIONS (Continued)
(In Thousands, Except Per Unit Data)

	Year Ended September 30,			Six Months Ended March 31,	
	1999	2000	2001	2001	2002
				(Unaudited)	
Limited partners' interest in net loss:					
Common unit interest:					
Allocation of net income (loss)...			$ (729)		$ 6,702
Less beneficial conversion value allocated to senior subordinated units (Notes 1 and 7)............			(8,600)		--
Net common unit interest..........			(9,329)		6,702
Senior subordinated interest:					
Allocation of net income (loss)...			(1,313)		9,758
Plus beneficial conversion value allocated to senior subordinated units (Notes 1 and 7)............			8,600		--
Net senior subordinated unit interest.........................			7,287		9,758
Junior subordinated unit interest...			(227)		1,686
Total limited partners' interest in net income (loss)....................			$(2,269)		$18,146
Net income (loss) per limited partner unit:					
Basic...............................			$ (0.40)		$ 2.94
Diluted.............................			$ (0.40)		$ 2.90
Weighted average limited partners' units outstanding:					
Basic...............................			5,726		6,162
Diluted.............................			5,726		6,249

See accompanying notes.

INERGY, L.P. AND SUBSIDIARY
(Successor to Inergy Partners, LLC and Subsidiaries)

CONSOLIDATED STATEMENTS OF REDEEMABLE PREFERRED MEMBERS' INTEREST AND MEMBERS' EQUITY/PARTNERS' CAPITAL
(In Thousands)

		Members' Equity			Partners' Capital				
	Redeemable Preferred Members' Interest	Class A Preferred Interest	Common Interest	Deferred Compensation	Common Unit Capital	Senior Subordinated Unit Capital	Junior Subordinated Unit Capital	Non-Managing General Partner	Total Members' Equity/Partners' Capital
Balance at September 30, 1998	$ --	$ 2,345	$ 658	$ (392)	$ --	$ --	$ --	$ --	$ 2,611
Common and preferred interests issued in acquisitions (Note 2)	--	2,548	397	--	--	--	--	--	2,945
Amortization of deferred compensation	--	--	--	78	--	--	--	--	78
Members' distributions	--	--	(180)	--	--	--	--	--	(180)
Net loss	--	--	(185)	--	--	--	--	--	(185)
Balance at September 30, 1999	--	4,893	690	(314)	--	--	--	--	5,269
Redeemable preferred interests issued in acquisitions (Note 2)	9,000	--	--	--	--	--	--	--	--
Redeemable preferred interests issued for cash, net of offering costs of $104	1,896	--	--	--	--	--	--	--	--
Redemption of preferred interest	--	(1)	--	1	--	--	--	--	--
Amortization of deferred compensation	--	--	--	79	--	--	--	--	79
Members' distributions	--	--	(547)	--	--	--	--	--	(547)
Net loss	--	--	(1,829)	--	--	--	--	--	(1,829)
Balance at September 30, 2000	10,896	4,892	(1,686)	(234)	--	--	--	--	2,972

INERGY, L.P. AND SUBSIDIARY
(Successor to Inergy Partners, LLC and Subsidiaries)

CONSOLIDATED STATEMENTS OF REDEEMABLE PREFERRED MEMBERS' INTEREST AND MEMBERS' EQUITY/PARTNERS' CAPITAL (Continued)
(In Thousands)

		Members' Equity			Partners' Capital				
	Redeemable Preferred Members' Interest	Class A Preferred Interest	Common Interest	Deferred Compensation	Common Unit Capital	Senior Subordinated Unit Capital	Junior Subordinated Unit Capital	Non-Managing General Partner	Total Members' Equity/Partners' Capital
Balance at September 30, 2000	$ 10,896	$ 4,892	$(1,686)	$ (234)	$ --	$ --	$ --	$ --	$ 2,972
Net income October 1, 2000 to July 31, 2001	--	--	6,664	--	--	--	--	--	6,664
Redeemable preferred interests issued for cash, net of offering costs of $513	16,087	--	--	--	--	--	--	--	--
Redeemable preferred interests issued in acquisition (Note 2)	7,402	--	--	--	--	--	--	--	--
Inergy Partners, LLC members' distributions	--	--	(2,554)	--	--	--	--	--	(2,554)
Redemption of preferred interest	--	(41)	8	--	--	--	--	--	(33)
Amortization of deferred compensation	--	--	--	65	--	--	--	--	65
Assets (liabilities) retained by Inergy Partners LLC	--	--	(909)	--	--	--	--	--	(909)
Accelerated vesting of deferred compensation due to initial public offering	--	--	--	169	--	--	--	--	169
Net proceeds from initial public offering	--	--	--	--	34,310	--	--	--	34,310
Transfers of capital in accordance with initial public offering	(34,385)	(4,851)	(1,523)	--	--	37,773	1,485	1,501	34,385
Net loss July 31, 2001 through September 30, 2001	--	--	--	--	(729)	(1,313)	(227)	(46)	(2,315)
Beneficial conversion feature of the conversion of certain Redeemable Preferred Members' Interests to Senior Subordinated Units	--	--	--	--	(8,600)	8,600	--	--	--
Balance at September 30, 2001	--	--	--	--	24,981	45,060	1,258	1,455	72,754

INERGY, L.P. AND SUBSIDIARY
(Successor to Inergy Partners, LLC and Subsidiaries)

CONSOLIDATED STATEMENTS OF REDEEMABLE PREFERRED MEMBERS' INTEREST AND MEMBERS' EQUITY/PARTNERS' CAPITAL (Continued)
(In Thousands)

		Members' Equity			Partners' Capital				
	Redeemable Preferred Members' Interest	Class A Preferred Interest	Common Interest	Deferred Compensation	Common Unit Capital	Senior Subordinated Unit Capital	Junior Subordinated Unit Capital	Non-Managing General Partner	Total Members' Equity/Partners' Capital
Balance at September 30, 2001	$ --	$ --	$ --	$ --	$24,981	$45,060	$1,258	$1,455	$ 72,754
Proceeds from issuance of common units (unaudited)	--	--	--	--	480	--	--	--	480
Issuance of common units in connection with acquisition of retail propane company (unaudited)	--	--	--	--	19,723	--	--	--	19,723
Contribution from non-managing general partner (unaudited)	--	--	--	--	--	--	--	205	205
Partners' distributions (unaudited)	--	--	--	--	(2,372)	(3,396)	(587)	(130)	(6,485)
Net income (unaudited)	--	--	--	--	6,702	9,757	1,687	370	18,516
Balance at March 31, 2002 (unaudited)	$ --	$ --	$ --	$ --	$49,514	$51,421	$2,358	$1,900	$105,193

See accompanying notes.

INERGY, L.P. AND SUBSIDIARY
(Successor to Inergy Partners, LLC and Subsidiaries)

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)

	Year Ended September 30			Six Months Ended March 31	
	1999	2000	2001	2001	2002
				(Unaudited)	
Operating activities					
Net income (loss)	$ (185)	$ (1,829)	$ 4,349	$ 12,187	$ 18,516
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:					
Provision for doubtful accounts	77	139	912	812	680
Depreciation	440	1,427	3,438	1,368	3,634
Amortization	250	859	3,094	1,220	1,511
Amortization of deferred financing costs	73	87	424	160	547
Loss (gain) on disposal of property, plant and equipment	(101)	--	(37)	--	119
Net assets (liabilities) from price risk management activities	1,206	(2,492)	(3,289)	946	296
Deferred income taxes	8	--	--	39	--
Deferred compensation	78	79	234	--	--
Changes in operating assets and liabilities, net of effects from acquisition of retail propane companies:					
Accounts receivable	(3,451)	(5,842)	13,370	(10,869)	(6,532)
Inventories	(3,812)	1,660	(6,154)	2,922	(65)
Prepaid expenses and other current assets	(86)	(388)	(321)	22	(36)
Other assets	(13)	(121)	5	(3)	(93)
Accounts payable	2,642	3,836	(19,115)	(3,596)	(1,410)
Accrued expenses	913	2,049	1,871	807	(911)
Customer deposits	1,187	314	5,878	(3,421)	(5,623)
Net cash provided by (used in) operating activities	(774)	(222)	4,659	2,594	10,633
Investing activities					
Acquisition of retail propane companies, net of cash acquired	(11,430)	(9,600)	(56,263)	(56,263)	(84,553)
Purchases of property, plant and equipment	(1,354)	(2,275)	(4,758)	(1,861)	(2,525)
Deferred financing and acquisition costs incurred	(473)	(573)	(3,114)	(1,989)	(1,979)
Proceeds from sale of property, plant and equipment	127	--	118	--	91
Other	--	(16)	(8)	(66)	--
Net cash used in investing activities	(13,130)	(12,464)	(64,025)	(60,179)	(88,966)

INERGY, L.P. AND SUBSIDIARY
(Successor to Inergy Partners, LLC and Subsidiaries)

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
(In Thousands)

	Year Ended September 30			Six Months Ended March 31	
	1999	2000	2001	2001	2002
				(Unaudited)	
Financing activities					
Proceeds from issuance of long-term debt	$ 25,373	$ 35,787	$ 178,054	$106,675	$ 220,621
Principal payments on long-term debt and noncompete obligations	(11,137)	(23,229)	(163,849)	(62,205)	(136,184)
Contribution from non-managing general partner	--	--	--	--	205
Net proceeds from issuance of redeemable preferred members' interest	--	1,896	16,087	16,015	--
Net proceeds from issuance of common units in initial public offering	--	--	34,310	--	--
Proceeds from issuance of common units	--	--	--	--	480
Cash retained by Inergy Partners LLC	--	--	(1,851)	--	--
Redemption of preferred stock	--	--	(33)	--	--
Distributions to members	(180)	(547)	(2,554)	(745)	(6,485)
Net cash provided by financing activities	14,056	13,907	60,164	59,740	78,637
Net increase in cash	152	1,221	798	2,155	304
Cash at beginning of period	--	152	1,373	1,373	2,171
Cash at end of period	$ 152	$ 1,373	$ 2,171	$ 3,528	$ 2,475
Supplemental disclosure of cash flow information					
Cash paid during the year for interest	$ 823	$ 2,538	$ 6,171	$ 1,929	$ 3,025
Supplemental schedule of noncash investing and financing activities					
Additions to covenants not to compete through the issuance of noncompete obligations	$ 2,052	$ 32	$ --	$ --	$ --
Acquisitions of retail propane companies through the issuances of common units	$ 2,945	$ 9,000	$ 7,402	$ 7,402	$ 19,723
Acquisition of retail propane company through the issuance of subordinated debt, which was subsequently retired in 2001	$ --	$ --	$ 5,000	$ 5,000	$ --

See accompanying notes.

1. Accounting Policies

Organization

Inergy, L.P. (the Partnership) was formed on March 7, 2001 as a Delaware limited partnership. The Partnership and its subsidiary Inergy Propane, LLC (the Operating Company), were formed to acquire, own and operate the propane business and substantially all the assets and liabilities (other than a portion of the cash and deferred income tax liabilities) of Inergy Partners, LLC and subsidiaries (Inergy Partners and referred to subsequent to the initial public offering described below as the Non-managing General Partner). In addition, Inergy Sales and Service, Inc. (Services), a subsidiary of the Operating Company, was formed to acquire and operate the service, work and appliance parts and sales business of Inergy Partners. The Partnership, the Operating Company, and Services are collectively referred to hereinafter as the Partnership Entities. In order to simplify the Partnership's obligations under the laws of several jurisdictions in which the Partnership will conduct business, the Partnership's activities are conducted through the Operating Company.

The Partnership Entities consummated in July 2001, an initial public offering (the Offering) of 1,840,000 common units representing limited partner interests in the Partnership (the Common Units) for an offering price of $22.00 per Common Unit aggregating $40,480 before approximately $6,170 of underwriting discounts and commissions and other expenses related to the Offering. The Operating Company assumed the Non-managing General Partner's obligation under its funded debt in connection with the conveyance in July 2001 (the Partnership Conveyance) by Inergy GP, LLC (the Managing General Partner) and the Non-managing General Partner (together referred to as the General Partners), of substantially all of their assets and liabilities (excluding $1,851 of cash and the deferred tax liabilities associated with the subsidiaries of Wilson Oil Company of Johnston County, Inc. (Wilson) and Rolesville Gas & Oil Company, Inc. (Rolesville)). The net proceeds from the Offering were used to repay the subordinated debt issued in connection with the acquisition of the Hoosier Propane Group (Note 2) and a portion of the outstanding credit agreement borrowings.

Pursuant to the terms of certain of the redeemable Class A preferred interest agreements issued by Inergy Partners prior to the Offering, in the event of an initial public offering, these interests would automatically convert into senior subordinated units of a master limited partnership. As such, in conjunction with the Offering, an additional 2,006,456 Senior Subordinated Units were issued to holders of the remaining redeemable Class A preferred interests of Inergy Partners, representing a 34.3% limited partner interest in the Partnership Entities.

Certain of the redeemable Class A preferred interests of Inergy Partners contained conversion terms that were more advantageous than the terms of the other preferred interests issued by Inergy Partners as further described in Note 7. These beneficial conversion terms resulted in Inergy, L.P. recognizing a decrease in common unit capital of $8.6 million with a corresponding increase in senior subordinated unit capital in the fourth quarter of fiscal 2001 following the Offering. Net income available to common unitholders for the fourth quarter and year ended September 30, 2001 is decreased by $8.6 million while net income attributable to senior subordinated unitholders is increased by the same amount.

Inergy, L.P. has no employees and is managed by Inergy GP, LLC. Pursuant to the Partnership Agreement, Inergy GP, LLC or any of its affiliates is entitled to reimbursement for all direct and indirect expenses incurred or payments it makes on behalf of Inergy, L.P., and all other necessary or appropriate expenses allocable to Inergy, L.P. or otherwise reasonably incurred by the Inergy GP, LLC in connection with

operating Inergy, L.P. business. These costs, which totaled approximately $2,435 and $4,556 for the period from August 1, 2001 through September 30, 2001 and the six months ended March 31, 2002, respectively, include compensation and benefits paid to officers and employees of Inergy GP, LLC.

The Non-Managing General Partner owns a 2% general partner interest in the Partnership. In addition, the Non-managing General Partner owns Senior Subordinated Units and Junior Subordinated Units through its ownership of New Inergy Propane, LLC, approximating a 19% limited partner interest.

Basis of Presentation

The accompanying consolidated financial statements presented herein reflect the effects of the Partnership Conveyance, in which the Partnership Entities became the successor to the businesses of Inergy Partners. As such, the consolidated financial statements represent Inergy Partners prior to the Partnership Conveyance and the Partnership Entities subsequent to the Partnership Conveyance. Because the Partnership Conveyance was a transfer of assets and liabilities in exchange for partnership interests among a controlled group of companies, it has been accounted for in a manner similar to a pooling of interests, resulting in the presentation of the Partnership Entities as the successor to the continuing businesses of Inergy Partners. The entity representative of both the operations of (i) Inergy Partners prior to the Partnership Conveyance; and (ii) the Partnership Entities subsequent to the Partnership Conveyance, is referred to herein as "Inergy'. The Non-Managing General Partner retained those assets and liabilities not conveyed to the Partnership. All significant intercompany balances and transactions have been eliminated in consolidation.

Nature of Operations

Inergy is engaged primarily in the sale, distribution, marketing and trading of propane and other natural gas liquids. The retail market is seasonal because propane is used primarily for heating in residential and commercial buildings, as well as for agricultural purposes. Inergy's operations are concentrated in the Midwest and Southeast regions of the United States.

Accounting for Price Risk Management

Inergy, through its wholesale operations, offers price risk management services to its customers and, in addition, trades for its own account (see Note 3). Financial instruments utilized in connection with trading activities are accounted for using the mark-to-market method. Under the mark-to-market method of accounting, forwards, swaps, options and storage contracts are reflected at fair value, inclusive of reserves, and are shown in the consolidated balance sheet as assets and liabilities from price risk management activities. Unrealized gains and losses from newly originated contracts, contract restructuring and the impact of price movements are recognized in cost of products sold. Changes in the assets and liabilities from trading and price risk management activities result primarily from changes in the market prices, newly originated transactions and the timing of settlement relative to the receipt of cash for certain contracts. The market prices used to value these transactions reflect management's best estimate considering various factors including closing exchange and over-the-counter quotations, time value and volatility factors underlying the commitments. The values are adjusted to reflect the potential impact of liquidating Inergy's position in an orderly manner over a reasonable period of time under present market conditions.

The cash flow impact of financial instruments is reflected as cash flows from operating activities in the consolidated statements of cash flows. See Note 3 for further discussion of Inergy's price risk management activities.

Revenue Recognition

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

Credit Concentrations

Inergy is both a retail and wholesale supplier of propane gas. Inergy generally extends unsecured credit to its wholesale customers throughout the Midwestern and Eastern portions of the United States. Credit is generally extended to retail customers through delivery into company and customer owned propane gas storage tanks. Provisions for doubtful accounts receivable are reflected in Inergy's consolidated financial statements and have generally been within management's expectations.

Unaudited Financial Information

The financial information as of March 31, 2002 and for the six-month periods ended March 31, 2001 and 2002 contained herein is unaudited. The Partnership 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 Partnership also believes this information includes all adjustments (consisting only of normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows for the periods then ended. The results of operations for the six-month period ended March 31, 2002 are not necessarily indicative of the results of operations that may be expected for the entire year.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

Inventories

Inventories for retail operations, which mainly consist of liquid propane, are stated at the lower of cost, determined using the average cost method or market. Inventories for wholesale operations, which consist mainly of liquid propane commodities, are stated at market, as discussed in Note 3. The market adjustment was an unrealized gain (loss) of $39 and $(396) at September 30, 2000 and 2001, respectively, and $(68) and $1,824 at March 31, 2001 and 2002, respectively.

Shipping and Handling Costs

Shipping and handling costs are recorded as part of cost of products sold at the time product is shipped or delivered to the customer.

Property, Plant, and Equipment

Property, plant, and equipment are stated at cost. Depreciation is computed by the straight-line method over the assets' estimated useful lives, as follows:

	Years
Buildings and improvements	25
Office furniture and equipment	5-10
Vehicles	5-10
Tanks and plant equipment	10-30

Intangible Assets

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

	Years
Covenants not to compete	5-10
Deferred financing costs	1-3
Customer accounts	15
Goodwill (prior to adoption of SFAS No. 142 effective October 1, 2001)	15

Deferred financing costs represent financing costs incurred in obtaining financing and are being amortized over the term of the debt. Covenants not to compete, customer accounts and goodwill arose from the various acquisitions by Inergy and are discussed in Notes 2 and 12.

Deferred acquisition costs represent costs incurred to date on acquisitions that Inergy is actively pursuing, most of which relate to the acquisitions completed subsequent to year end, as discussed in Note 12.

Inergy reviews its long-lived assets in accordance with Statement of Financial Accounting Standards (SFAS) No. 121, "Accounting for the Impairment of Long-Lived Assets and Long-lived Assets to be Disposed of," for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If such events or changes in circumstances are present, a loss is recognized if the carrying value of the asset is in excess of the sum of the undiscounted cash flows expected to result from the use of the asset and its eventual disposition. An impairment loss is measured as the amount by which the carrying amount of the asset exceeds the fair value of the asset. See Recently Issued Accounting Pronouncements discussion below.

Income Taxes

The earnings of the Partnership and Operating Company are included in the Federal and state income tax returns of the individual partners. As a result, no income tax expense has been reflected in Inergy's consolidated financial statements relating to the earnings of the Partnership and Operating Company. Federal and state income taxes are, however, provided on the earnings of Services. The Partnership entities provide deferred income taxes to recognize the effect of temporary differences between Services' basis of assets and liabilities for income tax and financial statement purposes. No income tax provision was necessary at September 30, 2001. Net earnings for financial statement purposes may differ significantly from taxable income reportable to unitholders as a result of differences between the tax basis and the financial reporting basis of assets and liabilities and the taxable income allocation requirements under the partnership agreement. Federal and state income tax expense for periods prior to the Partnership Conveyance relate to Wilson and Rolesville,

wholly owned subsidiaries of Inergy Partners, which were C Corporations and accounted for income taxes in accordance with SFAS No. 109, Accounting for Income Taxes. In connection with the Partnership Conveyance, all income tax liabilities of Inergy Partners were retained by the Non-managing General Partner.

Customer Deposits

Customer deposits primarily represent cash received by Inergy from wholesale and retail customers for propane purchased that will be delivered at a future date.

Fair Value

The carrying amounts of cash, accounts receivable and accounts payable approximate their fair value. Based on the estimated borrowing rates currently available to Inergy for long-term debt with similar terms and maturities, the aggregate fair value of Inergy's floating rate long-term debt approximates the aggregate carrying amount as of September 30, 2000 and 2001 and March 31, 2002.

Income (Loss) per Limited Partner Unit

Basic net income (loss) per limited partner unit is computed by dividing net income (loss), after considering the General Partner's interest, by the weighted average number of Common and Subordinated Units outstanding. Diluted net income (loss) per limited partner unit is computed by dividing net income (loss), after considering the General Partner's interest, by the weighted average number of Common and Subordinated Units outstanding and the dilutive effect of unit options granted under the long-term incentive plan. Unit options were antidilutive in 2001 due to the loss incurred for the period from July 31, 2001 through September 30, 2001. As such, basic and diluted net income (loss) per limited partner unit are identical in 2001.

Segment Information

In fiscal 1999, the Company adopted SFAS No. 131, Disclosures about Segments of an Enterprise and Related Information. SFAS No. 131 establishes standards for reporting information about operating segments, as well as related disclosures about products and services, geographic areas, and major customers. Further, SFAS No. 131 defines operating segment as components of an enterprise for which separate financial information is available that is evaluated regularly by the chief operating decision-maker in deciding how to allocate resources and assessing performance. In determining the Company's reportable segments under the provisions of SFAS No. 131, the Company examined the way it organizes its business internally for making operating decisions and assessing business performance. See Note 11 for disclosures related to the Company's retail and wholesale segments. No single customer represents 10% or more of consolidated revenues. In addition, nearly all of the Company's revenues are derived from sources within the United States, and all of its long-lived assets are located in the United States.

Recently Issued Accounting Pronouncements

In June 2001, the FASB issued Statement No. 141, Business Combinations, and Statement No. 142, Goodwill and Other Intangible Assets. Statement No. 141 requires all business combinations initiated after June 30, 2001, to be accounted for using the purchase method of accounting. Under Statement No. 142, goodwill is no longer subject to amortization over its estimated useful life. Rather, goodwill will be subject to at least an annual assessment for impairment by applying a fair-value-based test. Additionally, an acquired intangible asset

should be separately recognized if the benefit of the intangible asset is obtained through contractual or other legal rights, or if the intangible asset can be sold, transferred, licensed, rented or exchanged, regardless of the acquirer's intent to do so. Those assets will be amortized over their useful lives, other than assets what have an indefinite life. Statement No. 142 is required to be applied starting with fiscal years beginning after December 15, 2001.

Inergy adopted Statement No. 142 on October 1, 2001 and accordingly has discontinued the amortization of goodwill existing at the time of adoption. Under the provisions of Statement No. 142, Inergy has six months from the time of adoption to have completed the valuation of each of Inergy's operating segments to determine whether any impairment exists on the date of adoption. However, management does not believe that any impairment existed at adoption. The adoption of Statement No. 142 will eliminate goodwill amortization that would have totaled approximately $2,079 in fiscal 2002, based on the balances of September 30, 2001, and totaled approximately $1,720 in fiscal 2001.

In August 2001, the FASB issued Statement No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. This Statement supersedes FASB Statement No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of, and the accounting and reporting provisions of APB Opinion No. 30, Reporting the Results of Operations--Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions. This statement retains the fundamental provisions of Statement No. 121 for recognition and measurement of the impairment of long-lived assets to be held and used, and measurement of long-lived assets to be disposed of by sale. This statement is effective for financial statements issued for fiscal years beginning after December 15, 2001 and interim periods within those fiscal years, with early application encouraged. Management has not determined the method, timing, or impact of adopting Statement No. 144.

Reclassifications

Certain reclassifications have been made to the 1999 and 2000 consolidated financial statements to conform to the 2001 presentation.

2. Acquisitions

During fiscal 1999, Inergy acquired substantially all of the assets of Ernie Lee Oil & LP Gas, LLC (December 1998), Longston Gas & Oil Company, Inc. (May 1999), Castleberry's, Inc. (July 1999), and Bradley Propane, Inc. (September 1999). In addition, Inergy acquired 100% of the oustanding stock of Wilson Oil Company of Johnston County, Inc. (December 1998) and Rolesville Gas & Oil Company, Inc. (August 1999) through a stock exchange and a purchase agreement. These acquired retail companies are involved in the sale and distribution of propane to local customer bases throughout the United States. The acquisitions have been accounted for using the purchase method of accounting. The acquired companies were purchased in separate transactions for an aggregate purchase price of $19,659 including acquisition costs and $3,232 in liabilities assumed. The consideration utilized in the fiscal 1999 acquisitions consisted of cash payments of $11,430 funded by the issuance of long-term debt, common and Class A preferred interests issued to certain former owners of these companies totaling $2,945, and the issuance of noncompete obligations in the amount of $2,052. Of the aggregate purchase price, $2,810 (including cash paid at closing) was allocated to covenants not to compete. The excess of aggregate purchase price over the fair market values of the net tangible and

identifiable intangible assets acquired amounted to $942 and has been recorded as an increase in goodwill. The operating results of all acquisitions are included in Inergy's consolidated results of operations from the dates of acquisition.

During fiscal year 2000, Inergy acquired substantially all of the assets of Butane-Propane Gas Company of Tenn., Inc. (November 1999) and substantially all of the assets of Country Gas Company, Inc. (June 2000). These acquired retail companies are involved in the sale of propane to local customer bases throughout the United States. The acquisitions have been accounted for using the purchase method of accounting. The acquired companies were purchased in separate transactions for an aggregate purchase price of $19,787, including acquisition costs, and $1,155 in liabilities assumed. The consideration utilized in the 2000 acquisitions consisted of cash payments of $9,600 funded by the issuance of long-term debt, redeemable Class A preferred interests issued to certain former owners of these companies totaling $9,000 (see Note 7) and the issuance of noncompete obligations in the amount of $32. Of the aggregate purchase price, $102 (including cash paid at closing) was allocated to covenants not to compete. The excess of aggregate purchase prices over the fair market values of the net tangible and identifiable intangible assets acquired, including $3,500 allocated to customer accounts, amounted to $5,594 and has been recorded as an increase in goodwill. The operating results of all acquisitions are included in Inergy's consolidated results of operations from the dates of acquisition.

On January 12, 2001, Inergy acquired substantially all of the assets and assumed certain liabilities of Investors 300, Inc., Domex, Inc. and L&L Leasing, Inc., three companies owned by a common group of shareholders (referred to as the Hoosier Propane Group). The acquisition has been accounted for using the purchase method of accounting. The Hoosier Propane Group is involved in the sale and transportation of propane to local customer bases throughout the United States. The purchase price of approximately $74.0 million consisted of cash payments of approximately $55.4 million funded by the issuance of long-term debt and redeemable Class A preferred interests, acquisition costs of $0.6 million, a redeemable Class A preferred interest issued to certain former owners of the Hoosier Propane Group totaling $7.4 million, subordinated debentures issued to the Hoosier Propane Group shareholders totaling $5.0 million, and $5.6 million of liabilities assumed. The excess of purchase price over the fair market value of the net tangible and identifiable intangible assets acquired, including $10,500 allocated to customer accounts, amounted to $25,241 and has been recorded as an increase in goodwill. The acquisition was effective January 1, 2001 and Inergy's consolidated results of operations for the year ended September 30, 2001 include the Hoosier Propane Group operating results from the effective date.

During November 2000, Inergy also acquired substantially all the assets of Bear-Man Propane for $520 in cash. Inergy's consolidated results of operations for the year ended September 30, 2001 include Bear-Man Propane from the date of acquisition.

The following unaudited pro forma data summarize the results of operations for the periods indicated as if these acquisitions had been completed October 1, 1999 and 2000, the beginning of the 2000 and 2001 fiscal years. The pro forma data give effect to actual operating results prior to the acquisitions and adjustments to interest expense, goodwill and customer accounts amortization, and income taxes. These pro forma amounts do not purport to be indicative of the results that would have actually been obtained if the acquisitions had occurred on October 1, 1999 and 2000 or that will be obtained in the future. The pro forma data does not give effect to acquisitions completed subsequent to September 30, 2001.

	Year Ended September 30,	
	2000	2001
Sales	$167,031	$254,680
Net income (loss)	(3,522)	6,012

3. Price Risk Management and Financial Instruments

Inergy has recorded its trading activities at fair value in accordance with Emerging Issues Task Force Issue (EITF) No. 98-10, "Accounting for Contracts Involved in Energy Trading and Risk Management Activities." EITF No. 98-10 requires energy trading contracts to be recorded at fair value on the consolidated balance sheet, with the changes in fair value included in earnings.

Trading Activities

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

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

Instruments used for trading purposes include forwards, swaps and options, as defined above, as well as futures contracts.

Notional Amounts and Terms

The notional amounts and terms of these financial instruments at September 30, 2000 and 2001 include fixed price payor for 1,526 and 2,505 barrels, respectively, and fixed price receiver for 1,479 and 2,862 barrels, respectively. The notional amounts and terms of these financial instruments at March 31, 2002 include fixed price payor 3,578 barrels and fixed price receiver for 4,160 barrels.

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

Fair Value

The fair value of the financial instruments related to price risk management activities as of September 30, 2000 and 2001 was assets of $3,580 and $9,187, respectively, and liabilities of $2,294 and $4,612, respectively, related to propane. The fair value of the financial instruments related to price risk management activities as of March 31, 2002 was assets of $8,897 and liabilities of $4,618 related to propane. The effects of all intercompany transactions have been appropriately eliminated.

The net change in unrealized gains and losses related to trading and price risk management activities for the years ended September 30, 1999, 2000, and 2001 of $(154), $1,479, and $2,214, respectively, and $(1,055) and $1,925 for the six months ended March 31, 2001 and 2002, respectively, are included in cost of product sold in the accompanying consolidated statements of operations.

Market and Credit Risk

Inherent in the resulting contractual portfolio are certain business risks, including market risk and credit risk. Market risk is the risk that the value of the portfolio will change, either favorably or unfavorably, in response to changing market conditions. Credit risk is the risk of loss from nonperformance by suppliers, customers, or financial counterparties to a contract. Inergy takes an active role in managing and controlling market and credit risk and has established control procedures, which are reviewed on an ongoing basis. Inergy monitors market risk through a variety of techniques, including daily reporting of the portfolio's value to senior management. Inergy provides for such risks at the time trading activities are adjusted to fair value and when specific risks become known. Inergy attempts to minimize credit risk exposure through credit policies and periodic monitoring procedures and obtaining customer deposits on sales contracts. The counterparties associated with assets from price risk management activities as of September 30, 2000 and 2001 and March 31, 2002 are energy marketers.

4. Long-Term Debt

Long-term debt consisted of the following:

	September 30, 2000	September 30, 2001	March 31, 2002
Credit agreement	$33,250	$53,000	$138,215
Obligations under noncompetition agreements and notes to former owners of businesses acquired	1,625	1,101	3,929
Other	52	31	20
	34,927	54,132	142,164
Less current portion	605	10,469	3,722
	$34,322	$43,663	$138,422

During fiscal 2000, Inergy had a credit agreement with a financial institution providing Inergy with the capacity to borrow up to $41,000 ($9,000 under working capital lines of credit and $32,000 under a long-term acquisition line of credit). At September 30, 2000, borrowings under the working capital lines of credit and the acquisition line of credit were $4,900 and $28,350, respectively. The prime rate and LIBOR plus the applicable spreads were 9.5% and 9.37% to 9.93%, respectively, at September 30, 2000.

Inergy's credit agreement was amended in January 2001 in connection with the Hoosier Propane Group acquisition and resulted in a $96 million facility consisting of a $25 million revolving working capital line of

credit and an acquisition term note of $71 million, with a maturity date of January 10, 2004. On July 25, 2001, in conjunction with the Offering (July 2001 amendment), the credit facility was again amended such that Inergy Propane, LLC was made the sole borrower and resulted in a $30 million revolving working capital line of credit and a $70 million revolving acquisition facility for acquisition and growth capital borrowings. The credit facility has a term of three years expiring July 2004 and is guaranteed by Inergy, L.P. and each subsidiary of Inergy Propane, LLC. Inergy is required to reduce the principal outstanding on the revolving working capital line of credit to $4,000 or less for a minimum of 30 consecutive days during the period commencing March 1 and ending September 30. As such $4,000 of the outstanding balance at September 30, 2001 has been classified as a long-term liability in the accompanying 2001 consolidated balance sheet. At September 30, 2001, the balance outstanding under this amended credit facility was $53,000, including $14,000 under the working capital facility. The prime rate and LIBOR plus the applicable spreads were between 5.10% and 6.00% for all outstanding debt.

Inergy's credit agreement was again amended in December 2001 in connection with the IPC Acquisition (December 2001 amendment), as discussed in Note 12. This December 2001 amendment resulted in a $195 million facility comprised of a $50 million revolving working capital facility, a $75 million revolving acquisition facility and a $70 million term note. The December 2001 amendment has a term of three years, expiring December 2004 except for the term note which is due in April 2003, and has similar interest terms to the July 2001 amendment.

During fiscal 2001, Inergy entered into interest rate hedging agreements in the form of interest rate swaps. Immediately prior to the closing of the Offering in July 2001, the interest rate hedging agreements were terminated in connection with the repayment of the long-term debt with offering proceeds. The termination of the interest rate swaps resulted in an interest expense charge of $507 in the fourth quarter of fiscal 2001.

The credit agreement, including the December 2001 amendment, contains several covenants which, among other things, require the maintenance of various financial performance ratios, restrict the payment of dividends to unitholders, and require financial reports to be submitted periodically to the financial institutions. Unused borrowings under the credit agreement amounted to $47 million at September 30, 2001.

Noninterest-bearing obligations due under noncompetition agreements consist of agreements between Inergy and the sellers of retail propane companies acquired from fiscal years 1999 through 2001 with payments due through 2009 with imputed interest at 8.5% to 9.0%. Noninterest-bearing obligations consist of $2,130 and $1,448 in total payments due under noncompetition agreements, less unamortized discount based on imputed interest of $505 and $347 at September 30, 2000 and 2001, respectively.

The aggregate amounts of principal to be paid on the outstanding long-term debt during the next five years ending September 30 and thereafter, considering the terms of the credit facilities amended in December 2001 as discussed above, are as follows:

Year Ending September 30,	
2002	$10,469
2003	75
2004	43,081
2005	86
2006	92
Thereafter	329
	$54,132

5. Leases

Inergy has several noncancelable operating leases mainly for office space, which expire at various times over the next nine years.

Future minimum lease payments under noncancelable operating leases for the next five years ending September 30 and thereafter consist of the following:

Year Ending September 30,	
2002	$ 513
2003	406
2004	359
2005	222
2006	50
Thereafter	68
Total minimum lease payments	$1,618

Rent expense for all operating leases during 1999, 2000, and 2001 amounted to $196, $424 and $581, respectively, and $265 and $760 for the six months ended March 31, 2001 and 2002, respectively.

6. Income Taxes

Deferred income taxes related to Wilson and Rolesville reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Components of the deferred taxes at September 30, 2000 are a noncurrent deferred tax liability of $942 related to book/tax basis differences. This liability was excluded from the Partnership Conveyance as discussed in Note 1.

The provision for income taxes for the years ended September 30, 1999 and 2000 and the six months ended March 31, 2002 consists of the following:

	September 30,		March 31,
	1999	2000	2002
Current:			
Federal	$ 41	$ --	$45
State	7	7	7
Total current	48	7	52
Deferred:			
Federal	7	--	--
State	1	--	--
Total deferred	8	--	--
	$56	$ 7	$52

For the years ended September 30, 1999 and 2000, the Wilson and Rolesville effective tax rate differed from the statutory rate primarily due to the effect of graduated rates and state taxes. There was no provision for income taxes in fiscal 2001 or for the six months ended March 31, 2001.

7. Redeemable Preferred Members' Interests and Members' Equity

During December 1999, Inergy issued redeemable Class A preferred interests to a new member for total proceeds of $2,000 less offering costs of $104. During June 2000, Inergy issued redeemable Class A preferred interests to certain former owners of Country Gas Company, Inc. totaling $9,000 in connection with the acquisition of Country Gas Company, Inc. These preferred interests were automatically converted into Senior Subordinated Units of Inergy, L.P. in connection with the Offering. The conversion rates were determined as of the issuance date based on negotiations between Inergy and the unrelated third parties and were derived by multiplying the recorded value of each party's preferred interest by a multiple of 2.25 for the December 1999 transaction and 1.0 for the June 2000 transaction and dividing the resulting total by the $22.00 unit price in the Offering. The beneficial conversion feature present in the December 1999 issuance, valued at $2 million, has been recognized upon completion of the Offering as discussed in Note 1.

During January 2001, Inergy issued redeemable Class A preferred interests to new and existing members for total proceeds of $15,000, less offering costs of $485. The preferred interests were issued to facilitate the refinancing of Inergy's credit facilities described in Note 4 on a long-term basis and complete the Hoosier Propane Group acquisition in January 2001. In March and May 2001, additional redeemable preferred interests were issued at the same valuation for total proceeds of $1,600 less offering costs of $28.

These preferred interests were automatically converted into Senior Subordinated Units of Inergy, L.P. in connection with the Offering. The conversion rates were determined as of the issuance date based on negotiations between Inergy and the third party investors and were derived by multiplying the recorded value of each party's preferred interest by a multiple of 1.4 and dividing the resulting total by the $22.00 unit price in the Offering. The beneficial conversion feature present in these preferred interest issuances valued at $6.6 million has been recognized upon completion of the Offering as described in Note 1.

The redeemable preferred interests issued in December 1999, June 2000, and January 2001 provided the holders the option to require Inergy to redeem the preferred interests, as provided in the agreements, but no earlier than the fifth anniversary of the issuance. The preferred interest issued to members for cash in December 1999 and January 2001 were redeemable in an amount between one and two times face value at issuance, depending on Inergy's operating performance, as defined in the agreement. The preferred interests issued to certain former owners of Country Gas Company, Inc. and the Hoosier Propane Group were redeemable in an amount equal to face value at issuance plus any unpaid dividends. No amounts were required to be redeemed during the next five years following issuance, except in certain circumstances, as provided for in the agreements. All preferred interests were converted into Senior Subordinated Units as described above.

The Class A preferred interest earned cumulative dividends of 8% to 10% per annum, depending on the date and amount of the preferred interest issued. Class A preferred members were not entitled to any voting rights. In the event of a public offering, Inergy was to use its best efforts to permit the holders of Class A preferred interest units to exchange their Class A preferred interest units for Common Units, notwithstanding the conversion terms discussed above. Upon liquidation, Class A preferred members were entitled to an aggregate preference distribution of the unpaid dividends prior to any liabilities. Additionally, Class A preferred members were also entitled to preference over common interests subsequent to the payment of the Company's liabilities. Distributions totaling $180, $547, and $2,554 were paid to Class A preferred members in 1999, 2000, and 2001, respectively. Unpaid distributions on preferred interests as of September 30, 2001 amounted to $0.4 million and were declared and paid in October 2001.

8. Partners' Capital

Partners' capital at September 30, 2001 consists of 1,840,000 Common Units representing a 31.5% limited partner interest, 3,313,367 Senior Subordinated Units representing a 56.7% limited partner interest, 572,542 Junior Subordinated Units representing a 9.8% limited partner interest and a 2% general partner interest.

The amended and restated Agreement of Limited Partnership of Inergy, L.P. (Partnership Agreement) contains specific provisions for the allocation of net earnings and losses to each of the partners for purposes of maintaining the partner capital accounts.

During the Subordination Period (as defined below), the Partnership may issue up to 800,000 additional Common Units (excluding Common Units issued in connection with conversion of Subordinated Units into Common Units) or an equivalent number of securities ranking on a parity with the Common Units and an unlimited number of partnership interests junior to the Common Units without a Unitholder vote. The Partnership may also issue additional Common Units during the Subordination Period in connection with certain acquisitions or the repayment of certain indebtedness. After the Subordination Period, the Partnership Agreement authorizes the General Partner to cause the Partnership to issue an unlimited number of limited partner interests of any type without the approval of any Unitholders.

Quarterly Distributions of Available Cash

The Partnership is expected to make quarterly cash distributions of all of its Available Cash, generally defined as income (loss) before income taxes plus depreciation and amortization, maintenance capital expenditures and net changes in reserves established by the General Partner for future requirements. These reserves are retained to provide for the proper conduct of the Partnership business, or to provide funds for distributions with respect to any one or more of the next four fiscal quarters.

Distributions by the Partnership in an amount equal to 100% of its Available Cash will generally be made 98% to the Common and Subordinated Unitholders and 2% to the General Partner, subject to the payment of incentive distributions to the holders of Incentive Distribution Rights to the extent that certain target levels of cash distributions are achieved. To the extent there is sufficient Available Cash, the holders of Common Units have the right to receive the Minimum Quarterly Distribution ($0.60 per Unit), plus any arrearages, prior to any distribution of Available Cash to the holders of Subordinated Units. Common Units will not accrue arrearages for any quarter after the Subordination Period (as defined below) and Subordinated Units will not accrue any arrearages with respect to distributions for any quarter.

In general, the Subordination Period will continue indefinitely until the first day of any quarter beginning after June 30, 2006 for the Senior Subordinated Units and June 30, 2008 for the Junior Subordinated Units in which distributions of Available Cash equal or exceed the Minimum Quarterly Distribution on the Common Units and the Subordinated Units for each of the three consecutive four-quarter periods immediately preceding such data. Prior to the end of the Subordination Period, 828,342 Senior Subordinated Units will convert to Common Units after June 30, 2004 and 143,136 Junior Subordinated Units will convert to Common Units after June 30, 2006 and another 828,342 Senior Subordinated Units will convert to Common Units after June 30, 2005 and 143,136 Junior Subordinated Units will convert to Common Units after June 30, 2007, if distributions of Available Cash on the Common Units and Subordinated Units equal or exceed the Minimum Quarterly Distribution for each of the three consecutive four-quarter periods preceding such date. Upon expiration of the Subordination Period, all remaining Subordinated Units will convert to Common Units.

The Partnership is expected to make distributions of its Available Cash within 45 days after the end of each fiscal quarter ending December, March, June, and September to holders of record on the applicable record date. The Partnership made distributions to unitholders amounting to $6,485 during the six months ended March 31, 2002.

Long-Term Incentive Plan

An affiliate of Inergy's managing general partners adopted the Inergy Long-Term Incentive Plan for employees, consultants, and directors of the managing general partner and employees of its affiliates that perform services for Inergy. The long-term incentive plan currently permits the grant of awards covering an aggregate of 589,000 common units, which can be granted in the form of unit options and/or restricted units; however, not more than 192,000 restricted units may be granted under the plan. With the exception of 28,038 unit options (exercise prices from $3.83 to $10.67) granted to non-executive employees in exchange for option grants made by the predecessor in fiscal 1999, all unit options and restricted units granted under the plan will vest no sooner than, and in the same proportion as, Senior Subordinated Units convert into Common Units as described above. The compensation committee of the managing general partner's board of directors administers the plan.

Restricted Units

A restricted unit is a "phantom" unit that entitles the grantee to receive a common unit upon the vesting of the phantom unit, or in the discretion of the compensation committee, cash equivalent to the value of a common unit. In general, restricted units granted to employees will vest three years from the date of grant and are subject to the vesting provisions described above in connection with the subordination period. In addition, the restricted units will become exercisable upon a change of control of the managing general partner or Inergy.

The restricted units are intended to serve as a means of incentive compensation for performance and not primarily as an opportunity to participate in the equity appreciation of the common units. Therefore, plan participants will not pay any consideration for the common units they receive, and Inergy will receive no remuneration for the units.

As of September 30, 2001 and March 31, 2002, there were no restricted units issued under the long-term incentive plan.

Unit Options

Unit options issued under the long-term incentive plan will generally have an exercise price equal to the fair market value of the units on the date of grant. In general, unit options will expire after 10 years and are subject to the vesting provisions described above in connection with the subordination period. In addition, the unit options will become exercisable upon a change of control of the managing general partner or Inergy. Subsequent to the Offering, 292,782 unit options were granted to various Inergy employees with exercise prices ranging from $16.37 to $22.00 per unit. Total unit options outstanding at September 30, 2001 were 321,820 with exercise prices ranging from $3.83 to $22.00. During the six months ended March 31, 2002, 77,500 unit options were granted with exercise prices ranging from $22.49 to $27.65. None of the outstanding unit options were exercisable at September 30, 2001 or March 31, 2002.

Inergy applies APB Opinion No. 25, Accounting for Stock Issued to Employees. Inergy follows the disclosure only provision of SFAS No. 123, Accounting for Stock-based Compensation. Pro forma net income (loss) and net income (loss) per limited partner unit under the fair value method of accounting for equity instruments under SFAS No. 123 would not be materially different from reported net income (loss) and net income (loss) per limited partner unit.

9. Employee Benefit Plans

Inergy's subsidiaries have a 401(k) profit-sharing plan for those employees who have completed one year of service and have attained the age of 21. The plan permits employees to make contributions up to 15% of their salary and provides for matching contributions by Inergy. Matching contributions made by Inergy were $21, $52, and $101 as of September 30, 1999, 2000, and 2001, respectively.

10. Commitments

Inergy periodically enters into agreements to purchase fixed quantities of liquid propane at fixed prices with suppliers. At September 30, 2001, the total of these firm purchase commitments was approximately $40,244.

At September 30, 2001, Inergy is contingently liable for letters of credit outstanding totaling $900, which guarantees various trade activities.

11. Segments

Inergy's financial statements reflect two reportable segments: retail sales operations and wholesale sales operations. Inergy's retail sales operations include propane sales to end users, the sale of propane-related appliances and service work for propane-related equipment. The wholesale sales operations, which originated in April 1999, provide marketing and distribution services to other resellers of propane, including Inergy's retail operations. Inergy's President and Chief Executive Officer has been identified as the Chief Operating Decision Maker (CODM). The CODM evaluates performance and allocates resources based on revenues and gross profit of each segment. The accounting policies of the segments are the same as those described in the summary of significant accounting policies. All intersegment revenues and profits associated with propane sales and other services between the wholesale and retail segments have been eliminated.

The identifiable assets associated with each reportable segment reviewed by the CODM include accounts receivable and inventories. The net asset/liability from price risk management, as reported in the accompanying consolidated balance sheet, is related to the wholesale trading activities and is specifically reviewed by the CODM. Capital expenditures, reported as purchases of property, plant and equipment in the accompanying consolidated statements of cash flows, substantially all relate to the retail sales segment. Inergy does not report property, plant and equipment, intangible assets, and depreciation and amortization by segment to the CODM.

Revenues, gross profit, and identifiable assets for each of Inergy's reportable segments are presented below.

	Six Months Ended March 31, 2002			
	Retail Sales Operations	Wholesale Sales Operations	Intersegment Eliminations	Total
Revenues	$77,229	$104,405	$(17,574)	$164,060
Gross profit	46,901	3,822	(450)	50,273
Identifiable assets	19,292	21,410	--	40,702

	Six Months Ended March 31, 2001			
	Retail Sales Operations	Wholesale Sales Operations	Intersegment Eliminations	Total
Revenues	$53,488	$143,623	$(26,672)	$170,439
Gross profit	24,251	6,802	(2,039)	29,014
Identifiable assets	12,919	14,835	(1,477)	26,277

	Year Ended September 30, 2001			
	Retail Sales Operations	Wholesale Sales Operations	Intersegment Eliminations	Total
Revenues	$71,340	$187,521	$(35,722)	$223,139
Gross profit	34,633	8,747	(2,823)	40,557
Identifiable assets	5,704	18,447	--	24,151

	Year Ended September 30, 2000			
	Retail Sales Operations	Wholesale Sales Operations	Intersegment Eliminations	Total
Revenues	$23,461	$ 78,517	$ (8,383)	$ 93,595
Gross profit	10,693	2,179	(913)	11,959
Identifiable assets	5,006	11,623	(397)	16,232

	Year Ended September 30, 1999			
	Retail Sales Operations	Wholesale Sales Operations	Intersegment Eliminations	Total
Revenues	$ 9,860	$ 10,276	$ (925)	$ 19,211
Gross profit	4,946	511	--	5,457
Identifiable assets	2,993	8,032	(925)	10,100

12. Subsequent Events

Effective November 1, 2001, Inergy acquired substantially all of the assets and assumed certain liabilities of Pro Gas Sales & Service, Spe-D Gas Company, Great Lakes Propane Company and Ottawa LP Gas Company, four companies under common control (collectively Pro Gas) $12.5 million in total consideration. Pro Gas is a retail propane distributor located in central Michigan. Inergy purchased Pro Gas with cash funded through its credit facility.

Effective December 20, 2001, IPC Acquisition Corporation, a newly formed and wholly-owned subsidiary of Inergy Holdings, LLC, purchased all of the outstanding stock and assumed the outstanding debt of Independent Propane Company, Inc. for total consideration of $84.8 million including working capital acquired. Immediately thereafter, Inergy purchased from Inergy Holdings, LLC substantially all of the assets and assumed certain liabilities of IPC Acquisition Corporation for $74.6 million in cash, funded through its credit facility, and the issuance of 759,620 common units with a fair value of $19.7 million, and $2.5 million of assumed liabilities, for total consideration of $96.8 million, including $7.5 million paid for working capital acquired (the IPC Acquisition). The $10.3 million greater consideration paid by Inergy over that paid by IPC Acquisition Corp. relates to the tax liability generated by the sale of the assets by IPC Acquisition Corp. to Inergy. Independent Propane Company, Inc. operates as a retail distributor of propane in seven states, with its primary operations in Texas.

The following unaudited pro forma data summarize the results of operations for the periods indicated as if the Pro Gas and IPC acquisitions had been completed October 1, 2000 and 2001, the beginning of the 2001 and 2002 fiscal years and as if the Hoosier Propane Group acquisition effective January 1, 2001 (see Note 2) had been completed October 1, 2000. The pro forma data give effect to actual operating results prior to the acquisitions and adjustments to interest expense, goodwill (amortization prior to the October 1, 2001 adoption of SFAS No. 142) and customer accounts amortization, among other things. These pro forma amounts do not purport to be indicative of the results that would have actually been obtained if the acquisitions had occurred on October 1, 2000 and 2001 or that will be obtained in the future.

	Year ended September 30,	Six-Month Period Ended March 31,	
	2001	2001	2002
Revenue	$350,420	$242,327	$178,823
Net income	$ 14,877	23,051	20,148

As discussed in Note 4, Inergy's credit facility was amended in December 2001 in conjunction with the IPC Acquisition.

On November 14, 2001, Inergy paid a distribution of $0.40 per Common and Subordinated Unit with a proportionate amount to the 2% nonmanaging general partner, or an aggregate of $2,337, including $47 to the nonmanaging general partner.

13. Quarterly Financial Data (Unaudited)

Summarized unaudited quarterly financial data is presented below. Inergy's business is seasonal due to weather conditions in its service areas. Propane sales to residential and commercial customers are affected by winter heating season requirements, which generally results in higher operating revenues and net income during the period from October through March of each year and lower operating revenues and either net losses or lower net income during the period from April through September of each year. Sales to industrial and agricultural customers are much less weather sensitive.

	Quarter Ended			
	December 31	March 31	June 30	September 30
Fiscal 2001				
Revenues	$72,411	$98,028	$21,803	$30,897
Operating income (loss)	4,076	10,726	(2,200)	(2,078)
Net income (loss)	3,209	8,978	(4,162)	(3,676)
Basic and diluted net income (loss) per limited partner unit for the period from July 31, 2001 through September 30, 2001				(0.40)
Fiscal 2000				
Revenues	$20,563	$29,894	$13,208	$29,930
Operating income (loss)	1,198	2,225	(1,298)	(1,442)
Net income (loss)	698	1,663	(1,953)	(2,237)

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors of
Independent Propane Company Holdings:

We have audited the accompanying consolidated balance sheets of Independent Propane Company Holdings (a Delaware corporation) and subsidiaries (the "Company") as of September 30, 2000 and 2001, and the related consolidated statements of operations, changes in shareholders' deficit, and cash flows for each of the three years in the period ended September 30, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Independent Propane Company Holdings and subsidiaries as of September 30, 2000 and 2001, and the results of their operations and their cash flows for each of the three years in the period ended September 30, 2001, in conformity with accounting principles generally accepted in the United States.

/s/ ARTHUR ANDERSEN LLP

Dallas, Texas,
November 16, 2001

INDEPENDENT PROPANE COMPANY HOLDINGS AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
September 30, 2000 and 2001

	2000	2001
ASSETS		
CURRENT ASSETS:		
Cash	$ 809,997	$ 1,003,667
Accounts receivable, net of allowance for doubtful accounts of approximately $707,000 and $867,000, respectively	5,831,190	5,772,793
Inventories, net	3,601,690	3,324,495
Other current assets	396,306	586,764
Total current assets	10,639,183	10,687,719
PROPERTY, PLANT, AND EQUIPMENT:		
Land	1,663,412	1,515,322
Buildings	2,666,662	2,747,273
Office furniture and equipment	3,276,085	3,169,399
Shop equipment	950,540	1,232,236
Tanks	37,083,629	38,166,897
Vehicles	9,122,812	10,028,647
	54,763,140	56,859,774
Less--Accumulated depreciation	(14,158,003)	(18,201,121)
Net property, plant, and equipment	40,605,137	38,658,653
GOODWILL, net of accumulated amortization of $5,175,632 and $6,840,356, respectively	20,702,730	19,216,266
NONCOMPETITION AGREEMENTS, net of accumulated amortization of $1,993,740 and $2,696,431, respectively	2,031,873	1,341,582
DEBT ISSUANCE COSTS, net of accumulated amortization of $1,373,892 and $1,730,298, respectively	1,039,870	683,464
OTHER NONCURRENT ASSETS, net	389,017	490,517
Total assets	$ 75,407,810	$ 71,078,201
LIABILITIES AND SHAREHOLDERS' DEFICIT		
CURRENT LIABILITIES:		
Accounts payable	$ 5,322,396	$ 4,879,937
Accrued liabilities	1,399,882	1,466,905
Short-term notes payable	466,000	--
Current maturities of long-term debt	4,721,242	6,408,576
Total current liabilities	11,909,520	12,755,418
CUSTOMER DEPOSITS	241,495	174,823
DEFERRED TAXES, net	100,000	100,000
DIVIDENDS PAYABLE ON SERIES E SENIOR REDEEMABLE PREFERRED STOCK	9,466,691	15,143,381
LONG-TERM DEBT, net of current maturities	56,687,136	48,557,593
SERIES E SENIOR REDEEMABLE PREFERRED STOCK, 35,000 shares authorized, 29,000 issued and outstanding, $1,000 redemption and carrying value	29,000,000	29,000,000
COMMITMENTS AND CONTINGENCIES (Notes 9 and 12)		
SHAREHOLDERS' DEFICIT:		
Common stock--par value $.01 per share, 170,613 and 168,113 shares issued, respectively	1,706	1,681
Additional paid-in capital	1,221,127	1,221,152
Retained deficit	(24,361,528)	(27,017,510)
	(23,138,695)	(25,794,677)
Treasury stock--86,033 shares, at cost	(8,858,337)	(8,858,337)
Total shareholders' deficit	(31,997,032)	(34,653,014)
Total liabilities and shareholders' deficit	$ 75,407,810	$ 71,078,201

The accompanying notes are an integral part of these consolidated balance sheets.

INDEPENDENT PROPANE COMPANY HOLDINGS AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
For the Years Ended September 30, 1999, 2000, and 2001

	1999	2000	2001
SALES:			
Propane	$37,685,218	$ 49,372,705	$67,358,523
Other	7,304,299	9,600,372	9,061,668
Total sales	44,989,517	58,973,077	76,420,191
COST OF SALES:			
Propane	12,405,337	24,078,875	34,130,449
Other	3,631,276	4,249,833	3,630,779
Total cost of sales	16,036,613	28,328,708	37,761,228
GROSS PROFIT	28,952,904	30,644,369	38,658,963
OPERATING EXPENSES:			
Selling, general, and administrative	21,305,182	21,922,915	22,321,832
Depreciation and amortization	5,544,293	6,883,411	7,018,730
Total operating expenses	26,849,475	28,806,326	29,340,562
OPERATING PROFIT	2,103,429	1,838,043	9,318,401
INTEREST EXPENSE, net	5,094,672	7,393,941	6,297,693
NET INCOME (LOSS) BEFORE INCOME TAXES	(2,991,243)	(5,555,898)	3,020,708
INCOME TAXES	--	--	--
NET INCOME (LOSS)	(2,991,243)	(5,555,898)	3,020,708
LESS: DIVIDENDS ON PREFERRED STOCK	(4,309,777)	(4,945,571)	(5,676,690)
NET LOSS AVAILABLE TO COMMON SHAREHOLDERS	$(7,301,020)	$(10,501,469)	$(2,655,982)
NET LOSS PER COMMON SHARE:			
Basic and diluted	$ (42.13)	$ (61.07)	$ (15.68)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES AND COMMON SHARE EQUIVALENTS OUTSTANDING:			
Basic and diluted	173,304	171,959	169,363

The accompanying notes are an integral part of these consolidated financial statements.

INDEPENDENT PROPANE COMPANY HOLDINGS AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIT
For the Years Ended September 30, 1999, 2000, and 2001

	Common Stock	Additional Paid-in Capital	Retained Deficit	Treasury Stock	Total Shareholders' Equity
BALANCE, September 30, 1998	$1,733	$1,221,100	$ (6,559,039)	$(8,858,337)	$(14,194,543)
Preferred stock dividends	--	--	(4,309,777)	--	(4,309,777)
Net loss	--	--	(2,991,243)	--	(2,991,243)
BALANCE, September 30, 1999	1,733	1,221,100	(13,860,059)	(8,858,337)	(21,495,563)
Cancellation of subscription receivable	(27)	27	--	--	--
Preferred stock dividends	--	--	(4,945,571)	--	(4,945,571)
Net loss	--	--	(5,555,898)	--	(5,555,898)
BALANCE, September 30, 2000	1,706	1,221,127	(24,361,528)	(8,858,337)	(31,997,032)
Cancellation of subscription receivable	(25)	25	--	--	--
Preferred stock dividends	--	--	(5,676,690)	--	(5,676,690)
Net income	--	--	3,020,708	--	3,020,708
BALANCE, September 30, 2001	$1,681	$1,221,152	$(27,017,510)	$(8,858,337)	$(34,653,014)

The accompanying notes are an integral part of these consolidated balance sheets.

INDEPENDENT PROPANE COMPANY HOLDINGS AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended September 30, 1999 , 2000, and 2001

	1999	2000	2001
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	$ (2,991,243)	$(5,555,898)	$ 3,020,708
Adjustments to reconcile net income (loss) to net cash provided by operating activities--			
Depreciation and amortization	5,544,293	6,883,411	7,018,730
Amortization of debt issuance costs	707,265	389,508	356,406
Changes in, (net of effects from acquisitions)--			
Accounts receivable, net	(1,019,744)	(2,090,924)	58,397
Inventories, net	(398,640)	(308,756)	277,195
Other current assets	(103,580)	(5,883)	(190,458)
Accounts payable and accrued liabilities	1,174,654	1,517,475	(375,436)
Customer deposits	14,150	(45,224)	(66,672)
Net cash provided by operating activities	2,927,155	783,709	10,098,870
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures, net	(3,739,147)	(2,799,446)	(2,736,547)
Net cash paid in acquisitions	(18,675,845)	(5,273,317)	--
(Increase) decrease in other noncurrent assets	580,909	18,588	(260,444)
Net cash used in investing activities	(21,834,083)	(8,054,175)	(2,996,991)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Payments on short-term notes payable	(160,000)	(1,212,000)	(466,000)
Net (payments) proceeds from credit agreement	19,490,330	10,200,878	(4,382,528)
Proceeds from long-term debt	959,873	--	--
Payments on long-term debt	(1,393,486)	(1,601,984)	(2,059,681)
Debt issuance costs	(134,148)	(8,445)	--
Net cash (used in) provided by financing activities	18,762,569	7,378,449	(6,908,209)
NET INCREASE (DECREASE) IN CASH	(144,359)	107,983	193,670
CASH, beginning of period	846,373	702,014	809,997
CASH, end of period	$ 702,014	$ 809,997	$ 1,003,667
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Cash paid during the year for interest	$ 4,340,771	$ 6,904,101	$ 5,864,832
Noncash activities--			
Debt issued in acquisitions	$ 1,919,000	$ 696,500	$ --
Preferred stock dividends	$ 4,309,777	$ 4,945,571	$ 5,676,690

The accompanying notes are an integral part of these consolidated balance sheets.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2000 and 2001

1. The Company:

Independent Propane Company Holdings, a Delaware corporation, and subsidiaries (the "Company"), is a distributor of propane gas and related merchandise with operations primarily in the Southern and Southeastern United States. At September 30, 2001, the Company had 44 branch locations and 24 satellite locations. The Company's business expansion to date has occurred mainly through the acquisitions of other propane outlets. Acquisitions which occurred during the periods presented in the accompanying consolidated financial statements are discussed in Note 6.

2. Summary of Significant Accounting Policies:

Consolidation

All significant intercompany accounts and transactions have been eliminated in the accompanying consolidated financial statements.

Inventories

Inventories are stated at the lower of cost (weighted average for propane and first-in, first-out for merchandise) or market.

Property, Plant, and Equipment

Property, plant, and equipment are stated at cost. Depreciation on property, plant, and equipment is calculated using the straight-line method over the estimated useful lives of the assets. Original cost and related accumulated depreciation are removed from the accounts in the year assets are retired. Maintenance and repairs are charged to expense as incurred.

Intangibles

Intangible assets include the cost of noncompetition agreements and purchase price in excess of the estimated fair value of net assets acquired ("goodwill"). The cost of noncompetition agreements is being amortized over periods of 2 to 7 years, while goodwill is being amortized over 15 years, using the straight-line method.

Accounting for the Impairment of Long-Lived Assets

In accordance with Statement of Financial Accounting Standards ("SFAS") No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of," the Company records impairment for losses on its long-lived assets and goodwill when events or circumstances indicate that the assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amount of the assets. No such impairment losses have been recognized to date.

Debt Issuance Costs

Debt issuance costs incurred in connection with obtaining and amending the debt are being amortized over the life of the related loan and are included in interest expense in the accompanying consolidated statements of operations.

Income Taxes

Deferred income taxes are recorded, where appropriate, to reflect the estimated future tax effects of differences between financial statement bases and tax bases of assets and liabilities.

Revenue Recognition

Propane sales are recognized when the product is delivered to the customer. Other revenue, which primarily includes other fuel sales, merchandise sales, and tank rental income, is recognized when products are delivered and as services are rendered.

Use of Estimates

The preparation of these consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Credit Concentration

The Company generally extends credit to its retail customers through delivery into company and customer owned propane tanks. No individual customer comprises more than 5% of the Company's business thus reducing the risk as a result of the large volume of customers. Provisions for doubtful accounts receivable are reflected in the consolidated financial statements and have generally been within management's expectations.

Fair Value of Financial Instruments

The Company enters into various financial instruments in the normal course of business. The carrying values of the Company's short-term financial instruments, including cash, receivables, and short-term notes payable approximate their fair value because of the short maturity of the instruments. The carrying value of the long-term debt approximates fair value because of its variable interest rate.

New Accounting Standard

In July 2001, SFAS No. 142 "Goodwill and Other Intangible Assets" was issued. The Company is required to adopt this new standard at the beginning of fiscal 2003, although early adoption is permitted at the beginning of fiscal 2002. Subsequent to the adoption of SFAS No. 142, recorded goodwill is not amortized. Adoption of the standard also includes transitional impairment testing of previously recorded goodwill. The Company has not early adopted this new standard and has not determined if impairment of goodwill will be required at the date of adoption.

3. Inventories:

As of September 30, 2000 and 2001, inventories consisted of:

	2000	2001
Propane	$2,080,454	$1,845,677
Merchandise	1,616,826	1,585,827
Other fuels	164,410	152,991
Reserves	(260,000)	(260,000)
	$3,601,690	$3,324,495

4. Property, Plant, and Equipment:

A summary of the estimated useful lives utilized for depreciation purposes is as follows:

	Estimated Lives (Years)
Buildings	40
Office furniture and equipment	5 to 10
Shop equipment	10
Tanks	20
Vehicles	5

Depreciation expense related to property, plant, and equipment in 1999, 2000, and 2001 was approximately $3,759,000, $4,658,000, and $4,363,000, respectively. Certain of the Company's property, plant, and equipment has been pledged as security under certain long-term debt agreements and the Amended and Restated Credit Agreement (see Note 8).

5. Intangibles:

As of September 30, 2000 and 2001, intangibles consisted primarily of goodwill and noncompetition agreements (see Note 2). Amortization expense related to intangible assets for 1999, 2000, and 2001 totaled approximately $1,785,000, $2,225,000, and $2,656,000, respectively.

6. Acquisitions:

In fiscal 2000, the Company acquired assets of nine Texas propane companies. The total purchase price for those acquisitions included approximately $6,044,000 in cash and $697,000 in promissory notes with terms ranging from 1 to 7 years. In fiscal 2001, the Company did not complete any acquisitions.

In connection with one acquisition, the Company also entered into a certain noncompetition agreement with the previous owner for approximately $235,000 for 7 years. Purchase price in excess of the fair value of assets acquired of approximately $3,067,000 was allocated to intangible assets.

7. Short-Term Notes Payable:

As of September 30, 2000 and 2001, short-term notes payable consisted of notes payable, at varying interest rates, to previous owners of acquired companies totaling $466,000 and $0, respectively, payable within one year of the related acquisition date.

8. Long-Term Debt:

As of September 30, 2000 and 2001 long-term debt consisted of the following:

	2000	2001
Revolving line of credit up to a maximum of $21,000,000 at September 30, 2000 and 2001, matures on September 30, 2003, requires monthly payments of interest at either the Bank Prime Loan Rate or LIBOR, plus an incremental interest rate of up to 4% (10.6% and 7.1% at September 30, 2000 and 2001, respectively).........	$17,724,262	$16,541,734
Term A Loan, matures on September 30, 2003, requires quarterly payments of principal and interest at either the Bank Prime Loan Rate or LIBOR, plus an incremental interest rate of up to 4% (10.6% and 7.1% at September 30, 2000 and 2001, respectively), quarterly installments range from $50,000 beginning after June 30, 2000, to $2,500,000 beginning after December 31, 2002..	19,000,000	16,000,000
Term B Loan, matures on September 30, 2003, requires quarterly payments of principal and interest at either the Bank Prime Loan Rate or LIBOR, plus an incremental interest rate of up to 4% (10.6% and 7.1% at September 30, 2000 and 2001, respectively), payable quarterly in installments of 0.25% of Term B loan outstanding......	19,650,000	19,450,000
Notes payable to sellers for acquisitions, mature on various dates from February 2001 through June 2010, principal and interest varying from 8% to 12% payable in monthly installments..............................	4,143,209	2,611,987
Other..	890,907	362,448
	61,408,378	54,966,169
Less--Current maturities..............................	4,721,242	6,408,576
Total long-term debt, net of current maturities........	$56,687,136	$48,557,593

The Company has a credit agreement which consists of a revolving line of credit, Term A loan, and Term B loan (collectively, the "Credit Agreement"). The Credit Agreement matures on September 30, 2003, and is collateralized by the assets of the Company.

The Credit Agreement contains various financial covenants under which the Company is obligated. These financial covenants, among others, include requirements for debt to cash flow, interest coverage, and fixed charge coverage. As of September 30, 2001, the Company is in compliance with these covenants.

At September 30, 2000 and 2001, the weighted average interest rate for outstanding balances under this agreement equaled 10.6% and 7.2%, respectively.

As part of the Credit Agreement, the lender received a warrant to purchase 100 shares of Series D Convertible Preferred Stock (see Note 12). The lender also invested $1,000,000 in exchange for Series E Preferred Stock and a related warrant.

Principal maturities of long-term debt outstanding at September 30, 2001, over the next five fiscal years and thereafter are as follows:

2002	$ 6,408,576
2003	47,836,207
2004	263,561
2005	189,356
2006	116,607
Thereafter	151,862
	$54,966,169

9. Leases:

The Company rents most of its office and branch location space under leases which range from 1 to 15 years. The Company also leases vehicles, equipment, and land under leases ranging from 6 months to 15 years. At September 30, 2001, the Company was committed to make future rental payments under several long-term operating lease agreements. The future minimum payments required over the next five fiscal years and thereafter are summarized below:

2002	$ 909,784
2003	833,316
2004	688,668
2005	571,441
2006	229,369
Thereafter	290,675
Total minimum lease payments	$3,523,253

Total rent expense for the years ended September 30, 1999, 2000, and 2001, was approximately $820,000, $848,000, and $797,000, respectively, and is included in selling, general, and administrative expenses.

10. Income Taxes:

The Company recorded no income tax benefit for the years ended September 30, 1999 and 2000, due to an offsetting amount increasing the valuation allowance. The Company made no provision for income taxes for the year ended September 30, 2001, due to the utilization of the net operating loss carryforward and a corresponding reduction in the valuation allowance.

As of September 30, 2000 and 2001, the tax effects of temporary differences which gave rise to the net deferred income tax liability were as follows:

	2000	2001
Allowance for doubtful accounts	$ 240,380	$ 294,780
Property, plant, and equipment	(2,007,482)	(2,331,079)
Net operating loss carryforwards	4,458,587	3,464,470
Other	(58,380)	35,567
Valuation allowance	(2,733,105)	(1,563,738)
Net noncurrent deferred tax liability	$ (100,000)	$ (100,000)

As of September 30, 2001, the Company had net operating loss carryforwards of approximately $10,190,000 for federal income tax purposes. The Company's income tax provision differed from the federal statutory rate of 34% due to the establishment of a valuation allowance for the net operating loss carryforwards, the realization of which cannot be assured at this time. Substantially all of the net operating loss carryforwards at September 30, 2001, are subject to certain limitations under Internal Revenue Code Section 382.

11. Other Related-Party Transactions:

For the years ended September 30, 1999, 2000, and 2001, the Company had purchased legal services totaling approximately $102,000, $86,000, and $32,000, respectively, from certain shareholders. These legal costs were primarily associated with the various acquisitions, and the amendments to the Credit Agreement.

As of September 30, 1999, 2000, and 2001, in connection with the sale of stock, the Company had a note receivable from officers of the Company totaling $653,650, $250,000, and $0, respectively, which are included as a reduction in additional paid-in capital. The notes bore interest at 8%.

12. Put Warrants:

In connection with the Credit Agreement, the lender received a warrant to purchase 100 shares of the Series D Convertible Preferred Stock, $.01 par value, at an exercise price of $1.00 per share. The warrant is exercisable from September 11, 1998, through September 11, 2008. The holder of the warrant has the right to put its warrant to the Company at a price as defined in the Credit Agreement. The put exercise period is anytime after September 11, 2003. The warrant is adjusted annually to its fair market value through earnings.

Series E Senior Redeemable Preferred Stock (Note 13) includes warrants to purchase 82,492 shares of common stock at an exercise price of $.01 per share. The warrants may be exercised at any time up to the expiration date of September 11, 2008. These warrants have a put feature that allows the holder to put the warrants to the Company after September 11, 2003, at current market price as defined in the stock purchase agreement. The warrants are adjusted annually to their fair market value through earnings.

The fair market value assigned to the warrants upon issuance was $0 and there has been no change in market value since their issuance.

13. Series E Redeemable Preferred Stock:

Series E Senior Redeemable Preferred Stock ("Series E") consist of 35,000 designated shares of which 29,000 were issued and outstanding as of September 30, 2000 and 2001. Each share of Series E stock has a liquidation value of $1,000 plus accrued and unpaid dividends. Dividends accrue at a rate of 14% per year and are compounded on a quarterly basis and totaled approximately $15,144,000 at September 30, 2001. Series E stock has an optional redemption feature that allows the Company to redeem shares at a percentage of liquidation value. These percentages range from 112% in 1998, to 100% in 2004 and thereafter, and the percentage reduces 2% per year for all years between 1998 and 2004. The Series E stock is mandatorily redeemed beginning August 31, 2003, in 6.25% increments of original shares outstanding at the issuance date, payable quarterly. Any remaining shares outstanding as of August 31, 2005, must be redeemed in full as of that date.

14. Shareholders' Deficit:

As of September 30, 2000 and 2001, the Company's authorized capital structure consisted of 500,000 shares of common stock and 50,000 shares of preferred stock, all of which have a par value of $.01 per share. Following is a summary of each class of stock:

- Common stock--500,000 authorized shares of which 170,613 and 168,113 shares were issued as of September 30, 2000 and 2001, respectively, including 86,033 treasury shares.

- Series D Convertible Preferred Stock ("Series D")--100 shares designated of which no shares are issued. Each share of Series D stock has no dividends, unless declared by the Board of Directors of the Company. The Series D stock can also be converted into a total of 7,228 shares of common stock.

Certain current and former employees of the Company and other individuals have stock options exercisable beginning at a date subject to the grant date and vesting period. The remaining 1,250 unvested stock options vest in March 2002. These options are to purchase shares of common stock of the Company at values from $5 to $165 per share. At September 30, 2001, the Company had allocated 28,044 shares of common stock for issuance under the plan. During 2001, 5,000 options were granted that qualify for variable accounting treatment, which requires the recognition of compensation expense based on changes in the fair value of the common stock. During 2001, no compensation expense was recognized. A summary of stock option activity for the years ended September 30, 1999, 2000, and 2001, is presented in the table below:

	September 30, 1999		September 30, 2000		September 30, 2001	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding, beginning of year	8,299	$121.58	8,299	$121.58	6,210	$106.97
Granted	--	--	--	--	5,000	5.00
Exercised	--	--	--	--	--	--
Expired	--	--	--	--	3,044	100.00
Cancelled	--	--	2,089	165.00	2,500	100.00
Outstanding, end of year	8,299	$121.58	6,210	$106.97	5,666	$ 23.81
Exercisable at end of year	4,335	$109.99	4,960	$108.73	4,416	$ 29.13

The Company has elected to account for stock-based compensation programs using the intrinsic value method under Accounting Principles Board Opinion No. 25. The following pro forma disclosures are presented to reflect amounts as if the fair value method defined in SFAS No. 123 were applied:

	September 30, 1999	2000	2001
Net loss available to common shareholders	$(7,792,528)	$(10,764,686)	$(2,718,513)
Net loss per common share--basic and diluted	$ (44.96)	$ (62.60)	$ (16.05)

The Company used the minimum value method to estimate the fair values of options for the above pro forma information. For purposes of the minimum value method, the Company used risk-free interest rates of 6.7%, 5.1% and 6.3%, respectively, assumed no volatility or future dividends, and assumed the expected life of the options to be through the applicable expiration dates.

The following table summarized information about stock options outstanding at September 30, 2001:

Exercise Price	Number Outstanding	Number Exercisable	Remaining Contractual Life
$5.00	5,000	3,750	9.1
$165.00	666	666	1.9

15. Subsequent Events (Unaudited):

On December 19, 2001, IPCH Acquisition Corp., a newly formed and wholly owned subsidiary of Inergy Holdings, LLC purchased all of the outstanding stock and assumed the outstanding debt of the Company.

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Domex, Inc., Investors 300, Inc., L & L Leasing, Inc.

We have audited the accompanying combined balance sheets as of September 30, 1999 and 2000 and December 31, 2000, of Domex, Inc., Investors 300, Inc. and L & L Leasing, Inc. (the "Hoosier Propane Group"), and the related combined statements of income, stockholders' equity and cash flows for each of the three years in the period ended September 30, 2000 and the three months ended December 31, 2000. These financial statements are the responsibility of the Hoosier Propane Group's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined financial position at September 30, 1999 and 2000 and December 31, 2000, of the Hoosier Propane Group, and the combined results of their operations and their cash flows for each of the three years in the period ended September 30, 2000 and the three months ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

/s/ ERNST & YOUNG LLP

Kansas City, Missouri
May 2, 2001

HOOSIER PROPANE GROUP

COMBINED BALANCE SHEETS
(In thousands, except share data)

	September 30, 1999	September 30, 2000	December 31, 2000
ASSETS (Note 3)			
Current assets:			
Cash and cash equivalents	$ 777	$ 702	$ 1,711
Marketable securities	424	460	453
Accounts receivable	2,482	4,423	13,134
Inventories	7,537	2,301	3,172
Prepaid expenses and other current assets	211	491	207
Total current assets	11,431	8,377	18,677
Property, plant and equipment:			
Land and buildings	2,283	2,310	2,310
Office furniture and equipment	698	704	704
Vehicles	11,894	12,296	12,363
Tanks and plant equipment	17,523	18,215	18,401
	32,398	33,525	33,778
Less accumulated depreciation	(10,291)	(11,299)	(11,643)
	22,107	22,226	22,135
Intangible assets (Note 2)	1,566	1,566	1,566
Less accumulated amortization	(119)	(223)	(249)
	1,447	1,343	1,317
Notes receivable from stockholders (Note 6)	352	292	285
Other assets	742	879	884
Total assets	$ 36,079	$ 33,117	$ 43,298
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Notes payable to bank (Note 3)	$ 3,000	$ 1,575	$ 5,575
Accounts payable	2,204	1,552	7,576
Customer deposits	3,678	3,927	2,626
Accrued expenses	689	933	1,460
Notes payable to stockholders (Note 6)	--	--	995
Current portion of long-term debt (Note 3)	803	4,950	4,668
Total current liabilities	10,374	12,937	22,900
Long-term debt, less current portion (Note 3)	8,740	2,609	1,600
Notes payable to stockholders (Note 6)	1,265	1,065	--
Stockholders' equity:			
Common stock, no par value (Note 4)	1,218	1,218	1,218
Retained earnings	15,735	16,506	18,805
Accumulated other comprehensive income	359	394	387
Less 520 shares of treasury stock, at cost	(1,612)	(1,612)	(1,612)
Total stockholders' equity	15,700	16,506	18,798
Total liabilities and stockholders' equity	$ 36,079	$ 33,117	$ 43,298

See accompanying notes.

HOOSIER PROPANE GROUP

COMBINED STATEMENTS OF INCOME
(In thousands)

	Year Ended September 30,			Three Months Ended December 31,	
	1998	1999	2000	1999	2000
				(Unaudited)	
Revenue:					
Propane	$50,646	$38,792	$58,712	$19,050	$29,174
Freight	4,806	4,530	5,669	1,367	2,037
Other	288	356	1,214	363	330
	55,740	43,678	65,595	20,780	31,541
Cost of product sold	42,823	28,889	49,049	15,604	25,172
Gross profit	12,917	14,789	16,546	5,176	6,369
Operating and administrative expenses	7,617	8,274	9,375	2,493	2,538
Depreciation and amortization	1,529	1,690	1,623	389	373
Operating income	3,771	4,825	5,548	2,294	3,458
Other income (expense):					
Interest expense	(594)	(941)	(1,029)	(287)	(246)
Interest and dividend income	239	205	230	32	57
Gain (loss) on sale of property, plant and equipment	(43)	(63)	51	17	10
Other income, net	158	130	184	81	90
	(240)	(669)	(564)	(157)	(89)
Net income	$ 3,531	$ 4,156	$ 4,984	$ 2,137	$ 3,369

See accompanying notes.

HOOSIER PROPANE GROUP

COMBINED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands)

	Common Stock	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Total Stockholders' Equity
Balance at September 30, 1997	$1,218	$13,477	$510	$(1,612)	$13,593
Net income	--	3,531	--	--	3,531
Net unrealized loss on available-for-sale securities	--	--	(77)	--	(77)
Comprehensive income					3,454
Distributions to stockholders	--	(3,137)	--	--	(3,137)
Balance at September 30, 1998	1,218	13,871	433	(1,612)	13,910
Net income	--	4,156	--	--	4,156
Net unrealized loss on available-for-sale securities	--	--	(74)	--	(74)
Comprehensive income					4,082
Distributions to stockholders	--	(2,292)	--	--	(2,292)
Balance at September 30, 1999	1,218	15,735	359	(1,612)	15,700
Net income	--	4,984	--	--	4,984
Net unrealized gain on available-for-sale securities	--	--	35	--	35
Comprehensive income					5,019
Distributions to stockholders	--	(4,213)	--	--	(4,213)
Balance at September 30, 2000	1,218	16,506	394	(1,612)	16,506
Net income	--	3,369	--	--	3,369
Net unrealized loss on available-for-sale securities	--	--	(7)	--	(7)
Comprehensive income					3,362
Distributions to stockholders	--	(1,070)	--	--	(1,070)
Balance at December 31, 2000	$1,218	$18,805	$387	$(1,612)	$18,798

See accompanying notes.

HOOSIER PROPANE GROUP

COMBINED STATEMENTS OF CASH FLOWS
(In thousands)

	Year Ended September 30,			Three Months Ended December 31,	
	1998	1999	2000	1999	2000
				(Unaudited)	
Operating activities					
Net income	$ 3,531	$ 4,156	$ 4,984	$ 2,137	$ 3,369
Adjustments to reconcile net income to net cash provided by (used in) operating activities:					
Depreciation	1,515	1,586	1,519	363	347
Amortization	14	104	104	26	26
(Gain) loss on sale of property, plant and equipment	43	63	(51)	(17)	(10)
Changes in operating assets and liabilities:					
Accounts receivable	(244)	397	(1,941)	(3,698)	(8,711)
Inventories	3,909	(2,557)	5,236	4,214	(871)
Prepaid expenses and other current assets	(277)	232	(280)	197	284
Other assets	545	(50)	(137)	(12)	(5)
Accounts payable	1,240	(1,157)	(652)	1,069	6,024
Customer deposits	(1,617)	(1,605)	249	(986)	(1,301)
Accrued expenses	186	(17)	243	441	527
Net cash provided by (used in) operating activities	8,845	1,152	9,274	3,734	(321)
Investing activities					
Acquisitions	(1,266)	(3,850)	--	--	--
Purchases of property, plant and equipment	(2,697)	(2,361)	(1,935)	(709)	(278)
Proceeds from sale of property, plant and equipment	172	385	348	89	32
Purchases of short-term investments	(901)	--	--	--	--
Proceeds from sale of short-term investments	--	901	--	--	--
Collections on note receivable from stockholder	44	32	60	5	7
Net cash used in investing activities	(4,648)	(4,893)	(1,527)	(615)	(239)
Financing activities					
Proceeds from issuance of notes payable	--	3,000	2,575	1,000	4,000
Principal payments on notes payable	--	--	(4,000)	(2,000)	--
Proceeds from issuance of long-term debt	2,000	5,000	500	500	--
Principal payments on long-term debt	(1,503)	(3,168)	(2,484)	(176)	(1,291)
Principal payments on notes payable to stockholders	--	--	(200)	--	(70)
Distributions to stockholders	(3,137)	(2,292)	(4,213)	(331)	(1,070)
Net cash provided by (used in) financing activities	(2,640)	2,540	(7,822)	(1,007)	1,569
Net increase (decrease) in cash and cash equivalents	1,557	(1,201)	(75)	2,112	1,009
Cash and cash equivalent at beginning of period	421	1,978	777	777	702
Cash and cash equivalents at end of period	$ 1,978	$ 777	$ 702	$ 2,889	$ 1,711
Supplemental disclosure of cash flow information					
Cash paid for interest during the period	$ 596	$ 937	$ 1,042	$ 224	$ 245
Supplemental schedule of noncash financing activity					
Acquisition of covenants not to compete through the issuance of noncompete obligations	$ 949	$ --	$ --	$ --	$ --
Note payable issued to seller of acquired company	$ 200	$ --	$ --	$ --	$ --

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See accompanying notes.

NOTES TO COMBINED FINANCIAL STATEMENTS
(Information pertaining to the three months ended
December 31, 1999 is unaudited)
(In thousands except share data)

1. Significant Accounting Policies

Principles of Combination

The combined financial statements of the Hoosier Propane Group include the accounts of three companies under common ownership: Domex, Inc., Investors 300, Inc. and L & L Leasing, Inc. (collectively referred to as the Hoosier Propane Group). All significant intercompany accounts and transactions have been eliminated in the combination. Although Domex, Inc.'s year end has historically been October 31, Investors 300, Inc.'s year end has historically been September 30, and L & L Leasing, Inc.'s year end has historically been December 31, all accounts have been presented in these combined financial statements as of September 30, 1999 and 2000 and December 31, 2000 and for each of the three years in the period ended September 30, 2000 and the three months ended December 31, 1999 and 2000.

Business Activities and Credit Concentrations

The Hoosier Propane Group is involved in the transportation and wholesale and retail distribution of propane gas. The Hoosier Propane Group also builds and services trucks used to transport propane gas. The Hoosier Propane Group generally extends unsecured credit to their wholesale customers in the midwestern United States. Credit is generally extended to retail customers through delivery into company and customer owned propane gas storage tanks.

Unaudited Financial Information

The financial information for the three-month period ended December 31, 1999 contained herein is unaudited. The Hoosier Propane Group believes this information has been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and Article 10 of Regulation S-X. The Hoosier Propane Group also believes this information includes all adjustments (consisting only of normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows for the periods then ended.

Use of Estimates

The preparation of combined financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the combined financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and Cash Equivalents

All highly liquid debt instruments purchased with a maturity of three months or less are deemed to be cash and cash equivalents. Cash and cash equivalents are carried at cost, which approximates fair value.

Inventories

Propane inventories are stated at the lower of cost or market. Cost is determined using a weighted average method for propane and an actual cost basis for parts and materials. The major components of inventory consist of the following:

	September 30, 1999	September 30, 2000	December 31, 2000
Propane	$6,769	$1,647	$2,606
Parts and materials	653	623	561
Other	115	31	5
	$7,537	$2,301	$3,172

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation of the cost of the related asset, less estimated salvage value on certain vehicles, is determined using straight-line and accelerated depreciation methods over the estimated useful lives of the assets, as follows:

	Years
Buildings	30 to 40
Office furniture and equipment	5 to 7
Vehicles	5 to 7
Tanks and plant equipment	7 to 50

Marketable Securities

Investments in marketable equity securities are classified as available for sale and are carried at their fair market value. Unrealized gains and losses are recorded as a separate component of stockholders' equity. The aggregate cost of the marketable equity securities was $65 at September 30, 1999 and 2000 and at December 31, 2000.

Intangible Assets

Intangible assets consist of goodwill and covenants not to compete which were acquired primarily in the 1998 and 1999 acquisitions described in Note 2 and are amortized on a straight-line basis over their estimated useful lives, not to exceed 15 years.

The Hoosier Propane Group reviews its long-lived assets in accordance with Statement of Financial Accounting Standards (SFAS) No. 121, "Accounting for the Impairment of Long-lived Assets and Long-lived Assets to be Disposed of," for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If such events or changes in circumstances are present, a loss is recognized if the carrying value of the asset is in excess of the sum of the undiscounted cash flows expected to result from the use of the asset and its eventual disposition. An impairment loss is measured as the amount by which the carrying amount of the asset exceeds the fair value of the asset.

Customer Deposits

Customer deposits primarily represent cash received by the Hoosier Propane Group from wholesale and retail customers for propane purchased that will be delivered at a future date.

Income Taxes

The stockholders of each of Domex, Inc., Investors 300, Inc. and L & L Leasing, Inc. have elected under Subchapter S of the Internal Revenue Code to include the income of each of Domex, Inc., Investors 300, Inc. and L & L Leasing, Inc. in the stockholders' income for income tax reporting purposes. Accordingly, Domex, Inc., Investors 300, Inc. and L & L Leasing, Inc. are not subject to income taxes.

Revenue Recognition

The sales and related cost of products and services sold are recognized upon delivery.

Fair Value

The carrying amounts of cash and cash equivalents, short-term investments, accounts receivable, investments and accounts payable approximate their fair value. Based on the estimated borrowing rates currently available to the Hoosier Propane Group for notes payable and long-term debt with similar terms and maturities, the aggregate fair value of the Hoosier Propane Group's long-term debt approximates the aggregate carrying amount as of September 30, 1999 and 2000 and December 31, 2000.

Segment Information

The Hoosier Propane Group adopted SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," in fiscal 1999. SFAS No. 131 established standards for reporting information about operating segments as well as related disclosures about products and services, geographic areas and major customers. In determining the Hoosier Propane Group's reportable segments under the provisions of SFAS No. 131, the Hoosier Propane Group examined the way they organize their business internally for making operating decisions and assessing business performance. Based on this examination, the Hoosier Propane Group has determined that it has a single reportable segment which engages in the distribution of propane and related equipment and supplies. No single customer represents 10% or more of combined revenues. In addition, all of the Hoosier Propane Group's revenues are derived from sources within the United States, and all of its long-lived assets are located in the United States.

Pending Accounting Pronouncement

In June 1988, the Financial Accounting Standards Board (FASB) issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 requires that an entity recognize all derivative instruments as either assets or liabilities and measure them at fair value. The accounting for changes in fair value depends on the purpose of the derivative instrument and whether it is designated and qualifies for hedge accounting. In June 1999, the FASB issued SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities--Deferral of the Effective Date of FASB Statement No. 133 (an amendment of FASB Statement No. 133)," which deferred the effective date of SFAS No. 133. The Hoosier Propane Group will be required to adopt SFAS No. 133 in fiscal 2001. As of September 30, 2000, the Hoosier Propane Group's only derivatives consist of contracts to purchase and sell fixed quantities of propane at fixed prices over specified periods, aggregating approximately $5,200 and $5,700, respectively. As of December 31, 2000, the Hoosier Propane Group had contracts to purchase and sell fixed quantities of propane aggregating approximately $2,000 and $2,400, respectively. As these commitments are generally settled by the physical delivery of propane in the normal course of the Hoosier Propane Group's business, they are excluded from scope of SFAS No. 133. As such, the fair value of the contracts will not be required to be reflected in the Hoosier Propane Group's financial position or results of operations, and the method of accounting for these contracts will be unaffected by SFAS No. 133.

2. Acquisitions

In October 1998, the Hoosier Propane Group acquired certain assets of Dekalb Agra, Inc. (Dekalb) for a cash purchase price of $3,850 which was financed through the issuance of long-term debt.

During August 1998, the Hoosier Propane Group acquired certain assets of Tri-State Propane, Inc. and Wolverine Propane, Inc. for an aggregate purchase price of $2,416. The acquisitions were financed through cash in the amount of $1,266, a note payable to the sellers of one of the companies in the amount of $200 and the issuance of noncompete obligations in the amount of $950.

Each of the acquired companies is involved in the retail sale of propane to local customer bases in northern Indiana. The acquisitions have been accounted for using the purchase method of accounting. Accordingly, the purchase price of each acquisition has been allocated to assets acquired based on the fair market values at the date of acquisition. The excess of the purchase price over the fair market values of the tangible and identifiable intangible assets acquired has been recorded as goodwill. The Hoosier Propane Group recorded goodwill of $400 in connection with the Dekalb acquisition and $209 in connection with the 1998 acquisitions. In addition, $950 of the aggregate purchase price in the 1998 acquisitions was allocated to covenants not to compete.

The operating results of all acquisitions are included in the Hoosier Propane Group's combined results of operations from the dates of acquisitions. The following unaudited pro forma data summarize the results of operations for the year indicated as if this acquisition had been completed October 1, 1997, the beginning of fiscal 1998. The pro forma data give effect to actual operating results prior to the acquisitions and adjustments to interest expense, depreciation expense and amortization of intangible assets. These pro forma amounts do not purport to be indicative of the results that would have actually been obtained if the acquisitions had occurred on October 1, 1997 or that the Hoosier Propane Group will obtain in the future. Reported operating results for 1999 and 2000 include the results of the acquired companies due to the dates of acquisition.

	Pro Forma Fiscal 1998 (Unaudited)
Revenue	$60,235
Net income	3,475

3. Notes Payable and Long-Term Debt

In May 2000, L & L Leasing, Inc. entered into a revolving credit agreement with a bank which provides available borrowings up to $2,000 collateralized by L & L Leasing, Inc.'s accounts receivable, inventory and machinery and equipment balances, under which $1,575 was outstanding at September 30, 2000. Interest is payable monthly at the bank's prime rate less 0.5% or at the London Interbank Offered Rate (LIBOR) plus 2%, with principal payable on June 1, 2001. The effective interest rate was 9% at September 30, 2000 and December 31, 2000. At December 31, 2000, the outstanding balance under this revolving credit agreement was $1,575.

During 1999, Domex, Inc. entered into a revolving credit agreement with a bank which provided available borrowings up to $6,000, subject to specified percentages of Domex, Inc.'s accounts receivable, inventory and machinery and equipment balances, under which $2,500 and $0 was outstanding at September 30, 1999 and 2000, respectively. Interest was payable monthly at the bank's prime rate less 0.25% or a formula based on eurocurrency funding plus 2%, with principal payable on May 1, 2000. The effective interest rate was 7.44% at September 30, 1999. Effective May 1, 2000, Domex, Inc. entered into a new revolving credit agreement with the bank which provides available borrowings up to $5,000, collateralized by Domex, Inc.'s accounts receivable and inventory

balances, under which no borrowings were outstanding at September 30, 2000. Interest is payable monthly at the bank's prime rate less 0.5% or at LIBOR plus 2%, with principal payable on May 1, 2001. At December 31, 2000, the outstanding balance under this revolving credit agreement was $4,000. The effective interest rate was 7.51% at December 31, 2000.

Investors 300, Inc. entered into a revolving credit agreement with a bank which provides available borrowings up to $500, subject to a specified percentage of Investors 300, Inc.'s accounts receivable balance, under which $500 and $-0- was outstanding at September 30, 1999 and 2000, respectively. Interest on this credit agreement was payable monthly at 8.25%, with principal payable on May 1, 2000.

Long-term debt consists of the following:

	September 30,		December 31,
	1999	2000	2000
Revolving credit agreement with a bank with interest payable monthly at the bank's prime rate or a formula based on eurocurrency funding plus 2.25% (effective interest rate of 7.63% and 8.88% at September 30, 1999 and 2000, respectively and 9.5% at December 31, 2000) and principal payable on May 1, 2002	$2,281	$ 1,000	$ 1,000
Term loan with a bank with monthly payments of $50 plus interest at the bank's prime rate or a formula based on eurocurrency funding plus 2.25% (effective interest rate of 7.75% and 9% at September 30, 1999 and 2000, respectively and 9% at December 31, 2000) with the remaining principal balance payable on June 1, 2003, as discussed further below	6,000	5,400	5,250
Term loan with a bank with monthly payments of $4, including interest at the bank's prime rate (effective interest rate of 8.25% and 9.5% at September 30, 1999 and 2000, respectively), with the remaining principal balance payable on December 15, 2000	109	76	--
Term loan with a bank with monthly payments of $2 plus interest at the bank's prime rate (effective interest rate of 8.25% and 9.5% at September 30, 1999 and 2000, respectively and 8.25% at December 31, 2000) with the remaining principal balance payable on March 30, 2001	47	24	18
Noncompete obligations with monthly payments of $9, including interest at 7.5%, repaid in December 2000	913	875	--
Note payable to sellers of retail propane companies acquired in 1998 with monthly payments of $2, including interest at 7.5%, repaid in December 2000	193	184	--
	9,543	7,559	6,268
Less current portion	(803)	(4,950)	(4,668)
	$8,740	$ 2,609	$ 1,600

In July 1999, Investors 300, Inc. entered into an amended and restated credit agreement with its bank to increase the level of financing and to refinance most of Investors 300, Inc.'s outstanding long-term debt. This credit agreement consisted of a $6,000 term loan and a revolving loan of up to $6,000, subject to specified percentages of the company's accounts receivable, inventory, and machinery and equipment balances. Investors 300, Inc. must pay sufficient principal to reduce the outstanding revolving loan balance to an amount not greater than $5,400 on May 1, 2000 and $600 on May 1, 2001, with the remaining principal due on June 1, 2003. All of the credit agreements with the Hoosier Propane Group's bank are collateralized by substantially all of the assets of

the Hoosier Propane Group and contain covenants which, among other things, require the maintenance of various financial performance ratios. Repayment of borrowings pursuant to the credit agreements of each of Domex, Inc., Investors 300, Inc. and L & L Leasing, Inc. is guaranteed by the other companies and, to a lesser extent, by the stockholders of each of Domex, Inc., Investors 300, Inc. and L & L Leasing, Inc.

Due to the sale of the Hoosier Propane Group, as discussed in Note 7, management elected not to renew or negotiate extensions of its revolving credit and term loan agreements. As such, much of the Hoosier Propane Group's outstanding long-term debt is classified as a current liability in the accompanying fiscal year 2000 combined balance sheet.

The noncompete obligations and notes payable to sellers of retail propane companies acquired in 1998 are collateralized by the assets purchased in the acquisition. These obligations and notes payable are subordinate to the obligations owed by the Hoosier Propane Group to its bank.

Principal payments of long-term debt for each of the next five years ended September 30 and thereafter are as follows:

Year Ending September 30,	
2001	$4,950
2002	1,054
2003	658
2004	63
2005	67
Thereafter	767
	$7,559

4. Common Stock

Shares of common stock of each of Domex, Inc., Investors 300, Inc. and L & L Leasing, Inc. are as follows:

	Domex, Inc.	Investors 300, Inc.	L & L Leasing, Inc.
Authorized shares	1,000	1,000	1,000
Issued shares	666	315	515
Outstanding shares	346	315	315

5. Employee Benefit Plan

The Hoosier Propane Group sponsors a multiemployer 401(k) profit-sharing plan for employees who have completed one year of service and have attained the age of 21. The Hoosier Propane Group's discretionary contributions charged to expense were $56, $54 and $55 in 1998, 1999 and 2000, respectively, and $14 for the three months ended December 31, 2000.

6. Related-Party Transactions

The Hoosier Propane Group has notes receivable from and notes payable to various stockholders of each of Domex, Inc., Investors 300, Inc. and L & L Leasing, Inc. The notes receivable bear interest of 7% and are due October 31, 2004. The Hoosier Propane Group received interest income from these notes of $31, $28 and

$25 in 1998, 1999 and 2000, respectively, and $5 for the three months ended December 31, 2000. The unsecured notes payable bear interest of 7% and mature on October 1, 2001. The Hoosier Propane Group recorded interest expense related to these notes of $89, $89 and $88 in 1998, 1999 and 2000, respectively, and $18 for the three months ended December 31, 2000.

7. Subsequent Event

On January 12, 2001, the Hoosier Propane Group sold substantially all of their assets to Inergy Partners, LLC for an aggregate purchase price of approximately $74,000 including assumed liabilities. A portion of these proceeds was used to repay in full the Hoosier Propane Group's notes payable to bank, notes payable to stockholders and long-term debt.

REPORT OF INDEPENDENT AUDITORS

The Board of Directors
Inergy Partners, LLC

We have audited the accompanying balance sheet of Inergy GP, LLC as of September 30, 2001. This balance sheet is the responsibility of Inergy Partners, LLC's management. Our responsibility is to express an opinion on this balance sheet based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the balance sheet is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the balance sheet. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall balance sheet presentation. We believe that our audit of the balance sheet provides a reasonable basis for our opinion.

In our opinion, the balance sheet referred to above presents fairly, in all material respects, the financial position of Inergy GP, LLC at September 30, 2001, in conformity with accounting principles generally accepted in the United States.

/s/ ERNST & YOUNG LLP

Kansas City, Missouri
May 22, 2002

INERGY GP, LLC

BALANCE SHEET

ASSETS	September 30, 2001
Current assets:	
Cash	$ 1,000
Total assets	$ 1,000

OWNER'S EQUITY	
Owner's equity	$ 1,000
Total owner's equity	$ 1,000

See accompanying note.

INERGY GP, LLC

NOTE TO BALANCE SHEET

1. Nature of Operations

Inergy GP, LLC is a Delaware limited liability company formed on March 2, 2001 to become the managing general partner of Inergy Partners, L.P. Inergy GP, LLC is a wholly-owned subsidiary of Inergy Holdings, LLC. Inergy GP, LLC owns a non-economic managing general partner interest in Inergy, L.P.

On March 2, 2001, Inergy Holdings, LLC contributed $1,000 to Inergy GP, LLC in exchange for a 100% ownership interest.

On March 7, 2001, Inergy GP, LLC received a managing general partner interest in Inergy, L.P. There have been no other transactions involving Inergy GP, LLC as of September 30, 2001.

GLOSSARY OF TERMS

adjusted operating surplus: For any period, operating surplus generated during that period is adjusted to:

(a) decrease operating surplus by:

(1) any net increase in working capital borrowings during that period; and

(2) any net reduction in cash reserves for operating expenditures during that period not relating to an operating expenditure made during that period; and

(b) increase operating surplus by:

(1) any net decrease in working capital borrowings during that period; and

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

Adjusted operating surplus does not include that portion of operating surplus included in clause (a)(1) of the definition of operating surplus.

available cash: For any quarter ending prior to liquidation:

(a) the sum of:

(1) all cash and cash equivalents of Inergy, L.P. and its subsidiaries on hand at the end of that quarter; and

(2) all additional cash and cash equivalents of Inergy, L.P. and its subsidiaries on hand on the date of determination of available cash for that quarter resulting from working capital borrowings made after the end of that quarter;

(b) less the amount of any cash reserves that is necessary or appropriate in the reasonable discretion of the managing general partner to:

(1) provide for the proper conduct of the business of Inergy, L.P. and its subsidiaries (including reserves for future capital expenditures and for future credit needs of Inergy, L.P. and its subsidiaries) after that quarter;

(2) comply with applicable law or any debt instrument or other agreement or obligation to which Inergy, L.P. or any of its subsidiaries is a party or its assets are subject; and

(3) provide funds for minimum quarterly distributions and cumulative common unit arrearages for any one or more of the next four quarters;

provided, however, that the managing general partner may not establish cash reserves for distributions to the subordinated units unless the managing general partner has determined that in its judgment the establishment of reserves will not prevent Inergy, L.P. from distributing the minimum quarterly distribution on all common units and any cumulative common unit arrearages thereon for the next four quarters; and

provided, further, that disbursements made by Inergy, L.P. or any of its subsidiaries or cash reserves established, increased or reduced after the end of that quarter but on or before the date of determination of available cash for that quarter shall be deemed to have been made, established, increased or reduced, for purposes of determining available cash, within that quarter if the managing partner so determines.

capital account: The capital account maintained for a partner under the partnership agreement. The capital account of a partner for a common unit, a senior subordinated unit, a junior subordinated unit, an

incentive distribution right or any other partnership interest will be the amount which that capital account would be if that common unit, senior subordinated unit, junior subordinated unit, incentive distribution right or other partnership interest were the only interest in Inergy, L.P. held by a partner.

capital surplus: All available cash distributed by us from any source will be treated as distributed from operating surplus until the sum of all available cash distributed since the closing of the initial public offering equals the operating surplus as of the end of the quarter before that distribution. Any excess available cash will be deemed to be capital surplus.

closing price: The last sale price on a day, regular way, or in case no sale takes place on that day, the average of the closing bid and asked prices on that day, regular way, in either case, as reported in the principal consolidated transaction reporting system for securities listed or admitted to trading on the principal national securities exchange on which the units of that class are listed or admitted to trading. If the units of that class are not listed or admitted to trading on any national securities exchange, the last quoted price on that day. If no quoted price exists, the average of the high bid and low asked prices on that day in the over-the-counter market, as reported by the Nasdaq Stock Market or any other system then in use. If on any day the units of that class are not quoted by any organization of that type, the average of the closing bid and asked prices on that day as furnished by a professional market maker making a market in the units of the class selected by the managing general partner. If on that day no market maker is making a market in the units of that class, the fair value of the units on that day as determined reasonably and in good faith by the managing general partner.

common unit arrearage: The amount by which the minimum quarterly distribution for a quarter during the subordination period exceeds the distribution of available cash from operating surplus actually made for that quarter on a common unit, cumulative for that quarter and all prior quarters during the subordination period.

current market price: For any class of units listed or admitted to trading on any national securities exchange as of any date, the average of the daily closing prices for the 20 consecutive trading days immediately prior to that date.

incentive distribution right: A non-voting limited partner partnership interest issued to Inergy Holdings, LLC in connection with the transfer of substantially all of its member interest in Inergy Propane, LLC to Inergy, L.P. under the partnership agreement. The partnership interest will confer upon its holder only the rights and obligations specifically provided in the partnership agreement for incentive distribution rights.

incentive distributions: The distributions of available cash from operating surplus initially made to Inergy Holdings, LLC that are in excess of the non-managing general partner's 2% general partner interest.

interim capital transactions: The following transactions if they occur prior to liquidation:

- borrowings, refinancings or refundings of indebtedness and sales of debt securities (other than for working capital borrowings and other than for items purchased on open account in the ordinary course of business) by Inergy, L.P. or any of its subsidiaries;

- sales of equity interests by Inergy, L.P. or any of its subsidiaries;

- sales or other voluntary or involuntary dispositions of any assets of Inergy, L.P. or any of its subsidiaries (other than sales or other dispositions of inventory, accounts receivable and other assets in the ordinary course of business, and sales or other dispositions of assets as a part of normal retirements or replacements).

operating expenditures: All expenditures of Inergy, L.P. and its subsidiaries, including, but not limited to, taxes, reimbursements of the general partners, repayment of working capital borrowings, debt service payments and capital expenditures, subject to the following:

(a) Payments (including prepayments) of principal of and premium on indebtedness other than working capital borrowings will not constitute operating expenditures.

(b) Operating expenditures will not include:

(1) capital expenditures made for acquisitions or for capital improvements;

(2) payment of transaction expenses relating to interim capital transactions; or

(3) distributions to partners.

operating surplus: For any period prior to liquidation, on a cumulative basis and without duplication:

(a) the sum of

(1) $8.5 million plus all the cash of Inergy, L.P. and its subsidiaries on hand as of the closing date of our initial public offering;

(2) all cash receipts of Inergy, L.P. and its subsidiaries for the period beginning on the closing date of our initial public offering and ending with the last day of that period, other than cash receipts from interim capital transactions; and

(3) all cash receipts of Inergy, L.P. and its subsidiaries after the end of that period but on or before the date of determination of operating surplus for the period resulting from working capital borrowings; less

(b) the sum of:

(1) operating expenditures for the period beginning on the closing date of our initial public offering and ending with the last day of that period; and

(2) the amount of cash reserves that is necessary or advisable in the reasonable discretion of the managing general partner to provide funds for future operating expenditures; provided however, that disbursements made (including contributions to Inergy, L.P. or its subsidiaries or disbursements on behalf of Inergy, L.P. or its subsidiaries) or cash reserves established, increased or reduced after the end of that period but on or before the date of determination of available cash for that period shall be deemed to have been made, established, increased or reduced for purposes of determining operating surplus, within that period if the managing general partner so determines.

subordination period: The subordination period will generally extend from the closing of the initial public offering until the first to occur of:

(a) the first day of any quarter beginning after June 30, 2006, in the case of the senior subordinated units, or June 30, 2008, in the case of the junior subordinated units, for which:

(1) distributions of available cash from operating surplus on each of the outstanding common units, senior subordinated units and junior subordinated units equaled or exceeded the sum of the minimum quarterly distribution on all of the outstanding common units, senior subordinated units and junior subordinated units for each of the three consecutive non-overlapping four-quarter periods immediately preceding that date;

(2) the adjusted operating surplus generated during each of the three immediately preceding, non-overlapping four-quarter periods equaled or exceeded the sum of the minimum quarterly distribution on all of the common units, senior subordinated units and junior subordinated units that were outstanding during those periods on a fully-diluted basis, and the related distribution on the general partner interest in Inergy, L.P.; and

(3) there are no outstanding cumulative common units arrearages.

(b) the date on which the managing general partner is removed as general partner of Inergy, L.P. upon the requisite vote by the limited partners under circumstances where cause does not exist and units held by the general partners and their affiliates are not voted in favor of the removal.

working capital borrowings: Borrowings exclusively for working capital purposes made pursuant to a credit facility or other arrangement requiring all borrowings thereunder to be reduced to a relatively small amount each year for an economically meaningful period of time.

You may rely on the information contained in this prospectus. We have not authorized anyone to provide information different from that contained in this prospectus. Neither the delivery of this prospectus nor the sale of common units means that information contained in this prospectus is correct after the date of this prospectus. This prospectus is not an offer to sell or solicitation of an offer to buy these common units in any circumstances under which the offer or solicitation is unlawful.

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1,400,000 Common Units

[INERGY LOGO]

Representing
Limited Partner Interests

PROSPECTUS

A.G. Edwards & Sons, Inc.

Raymond James

UBS Warburg

Wachovia Securities

June   , 2002

PART II

INFORMATION REQUIRED IN THE REGISTRATION STATEMENT

Item 13. Other Expenses of Issuance and Distribution.

Set forth below are the expenses (other than underwriting discounts and commissions) expected to be incurred in connection with the issuance and distribution of the securities registered hereby. With the exception of the Securities and Exchange Commission registration fee and the NASD filing fee, the amounts set forth below are estimates.

Item	Amount
Registration fee	$ 4,925
NASD filing fee	5,854
Nasdaq Stock Market listing fee	16,100
Printing and engraving expenses	300,000
Fees and expenses of legal counsel	400,000
Accounting fees and expenses	250,000
Transfer agent and registrar fees	5,000
Miscellaneous	218,121
Total	$1,200,000

Item 14. Indemnification of Directors and Officers.

The section of the Prospectus entitled "The Partnership Agreement--Indemnification" is incorporated herein by this reference. Reference is made to the Underwriting Agreement filed as Exhibit 1.1 to the Registration Statement. Subject to any terms, conditions or restrictions set forth in the Partnership Agreement, Section 17-108 of the Delaware Revised Uniform Limited Partnership Act empowers a Delaware limited partnership to indemnify and hold harmless any partner or other person from and against all claims and demands whatsoever.

Item 15. Recent Sales of Unregistered Securities

No securities of Inergy, L.P. which were not registered under the Securities Act have been sold by Inergy, L.P. within the past three years, except as follows:

1. In connection with the closing of our initial public offering on July 31, 2001, we issued (i) 3,143,143 senior subordinated units and 497,839 junior subordinated units to our non-managing general partner and (ii) 170,224 senior subordinated units and 74,703 junior subordinated units to a subsidiary of our non-managing general partner.

2. On December 19, 2001, Inergy, L.P. sold 365,019 common units to IPCH Acquisition Corp. in exchange for approximately $9.6 million in cash.

3. On December 19, 2001, Inergy, L.P. issued 394,601 common units to IPCH Acquisition Corp. as partial consideration for the transfer of its interest in IPC.

4. On December 19, 2001, Inergy, L.P. sold 9,126 common units to David L. Scott in exchange for approximately $240,000 in cash.

5. On December 19, 2001, Inergy, L.P. sold 9,126 common units to Robert R. Galvin in exchange for approximately $240,000 in cash.

6. On June 7, 2002, Inergy Propane, LLC issued $85.0 million of senior secured notes. The senior secured notes are guaranteed by Inergy, L.P.

Each common unit issued in connection with the IPC transaction was valued at $26.30, the 30-day average trading price of the common units on Nasdaq immediately prior to December 19, 2001. The issuances of the securities described above were made in reliance upon the exemption from the registration requirements provided by Section 4(2) of the Securities Act for transactions by an issuer not involving a public offering.

Item 16. Exhibits

(a) The following documents are filed as exhibits to this registration statement:

Exhibit Number	Description
*1.1	Form of Underwriting Agreement
3.1	Certificate of Limited Partnership of Inergy, L.P. (incorporated by reference to Exhibit 3.1 to Inergy, L.P.'s Registration Statement on Form S-1 (Registration No. 333-56976) filed on March 14, 2001)
*3.2	Amended and Restated Agreement of Limited Partnership of Inergy, L.P.
+3.2A	Amendment No. 1 to Amended and Restated Agreement of Limited Partnership of Inergy, L.P.
3.3	Certificate of Formation as relating to Inergy Propane, LLC, as amended (incorporated by reference to Exhibit 3.3 to Inergy, L.P.'s Registration Statement on Form S-1/A (Registration No. 333-56976) filed on May 7, 2001)
*3.4	Third Amended and Restated Limited Liability Company Agreement of Inergy Propane, LLC, dated as of July 31, 2001
3.5	Certificate of Formation of Inergy GP, LLC (incorporated by reference to Exhibit 3.5 to Inergy, L.P.'s Registration Statement on Form S-1/A (Registration No. 333-56976) filed on May 7, 2001)
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4.2	Specimen Unit Certificate for Junior Subordinated Units (incorporated by reference to Exhibit 4.2 to Inergy, L.P.'s Registration Statement on Form S-1/A (Registration No. 333-56976) filed on May 7, 2001)
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+4.4	Note Purchase Agreement entered into as of June 7, 2002, by Inergy Propane, LLC and the purchasers named therein
+4.5	Parent Guaranty dated as of June 7, 2002, by Inergy, L.P. in favor of the noteholders named therein
+4.6	Limited Guaranty dated as of June 7, 2002, by IPCH Acquisition Corp. in favor of the noteholders named therein
+4.7	Subsidiary Guaranty dated as of June 7, 2002, by the guarantors named therein in favor of the noteholders named therein
+5.1	Opinion of Vinson & Elkins L.L.P. as to the legality of the securities being registered
*8.1	Opinion of Vinson & Elkins L.L.P. relating to tax matters
10.1	Fourth Amended and Restated Credit Agreement by and among Inergy Propane, LLC and the lenders named therein, dated as of December 20, 2001 (incorporated by reference to Exhibit 10.1 to Inergy, L.P.'s Annual Report on Form 10-K filed on December 28, 2001)

*10.1A Amendment No. 1 to Fourth Amended and Restated Credit Agreement

+10.1B Amendment No. 2 to Fourth Amended and Restated Credit Agreement

10.2 Asset Purchase Agreement by and between Inergy Partners, LLC and Country Gas Company, Inc., dated as of May 20, 2000 (incorporated by reference to Exhibit 10.2 to Inergy, L.P.'s Registration Statement on Form S-1/A (Registration No. 333-56976) filed on May 7, 2001)

10.3 Securities Purchase Agreement by and among Inergy Partners, LLC and various investors, dated as of January 12, 2001 (incorporated by reference to Exhibit 10.3 to Inergy, L.P.'s Registration Statement on Form S-1/A (Registration No. 333-56976) filed on May 7, 2001)

10.4 Investor Rights Agreement by and among Inergy Partners, LLC and various investors, dated as of January 12, 2001 (incorporated by reference to Exhibit 10.4 to Inergy, L.P.'s Registration Statement on Form S-1/A (Registration No. 333-56976) filed on May 7, 2001)

10.5 Asset Purchase Agreement by and among Inergy Partners, LLC and the Hoosier Group, dated as of September 8, 2000 (incorporated by reference to Exhibit 10.5 to Inergy, L.P.'s Registration Statement on Form S-1/A (Registration No. 333-56976) filed on May 7, 2001)

10.6 Inergy Employee Long-Term Incentive Plan (incorporated by reference to Exhibit 10.6 to Inergy, L.P.'s Registration Statement on Form S-1/A (Registration No. 333-56976) filed on July 2, 2001)

10.7 Inergy Unit Purchase Plan (incorporated by reference to Exhibit 10.1 to Inergy, L.P.'s Registration Statement on Form S-8 filed on March 6, 2002)

10.8 Employment Agreement--John J. Sherman (incorporated by reference to Exhibit 10.8 to Inergy, L.P.'s Registration Statement on Form S-1/A (Registration No. 333-56976) filed on July 2, 2001)

10.9 Employment Agreement--Phillip L. Elbert (incorporated by reference to Exhibit 10.9 to Inergy, L.P.'s Registration Statement on Form S-1/A (Registration No. 333-56976) filed on May 7, 2001)

10.9A First Amendment to Employment Agreement--Phillip L. Elbert (incorporated by reference to Exhibit 10.9A to Inergy, L.P.'s Registration Statement on Form S-1/A (Registration No. 333-56976) filed on July 20, 2001)

10.10 Employment Agreement--R Brooks Sherman, Jr. (incorporated by reference to Exhibit 10.10 to Inergy, L.P.'s Registration Statement on Form S-1/A (Registration No. 333-56976) filed on May 7, 2001)

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10.13 Employment Agreement--William C. Gautreaux (incorporated by reference to Exhibit 10.13 to Inergy, L.P.'s Registration Statement on Form S-1/A (Registration No. 333-56976) filed on July 2, 2001

*10.14 Contribution, Conveyance, Assignment and Assumption Agreement by and among Inergy, L.P., Inergy Partners, LLC and the other parties named therein, dated as of July 31, 2001

10.15 Agreement and Plan of Merger, dated as of December 19, 2001 by and among Inergy Holders, LLC, IPCH Acquisition Corp., IPCH Merger Corp., Inergy, L.P., Independent Propane Company Holdings, certain holders of Series E Preferred Stock of Independent Propane Company Holdings and joined in by David L. Scott, Robert R. Galvin and Inergy Propane, LLC. (incorporated by reference to Exhibit 2.1 of Inergy, L.P.'s Current Report on Form 8-K filed on January 4, 2002)

10.16 Transaction Agreement dated as of December 19, 2001 by and among Inergy, L.P., Inergy GP, LLC, Inergy Propane, LLC, Inergy Sales and Service, Inc., Inergy Holdings, LLC, IPCH Acquisition Corp., and IPCH Merger Corp. (incorporated by reference to Exhibit 2.2 of Inergy, L.P.'s Current Report on Form 8-K filed on January 4, 2002)

10.17 Registration Rights Agreement entered into as of December 19, 2001 by and among Inergy, L.P. and certain investors (incorporated by reference to Exhibit 4.1 of Inergy, L.P.'s Current Report on Form 8-K filed on January 4, 2002)

10.18 Registration Rights Agreement entered into as of December 19, 2001 by and between Inergy, L.P. and IPCH Acquisition Corp. (incorporated by reference to Exhibit 4.2 of Inergy, L.P.'s Current Report on Form 8-K filed on January 4, 2002)

+10.19 Intercreditor and Collateral Agency Agreement entered into as of June 7, 2002, by and among Wachovia Bank, National Association, the lenders named therein and the noteholders named therein

*21.1 List of subsidiaries of Inergy, L.P.

+23.1 Consent of Ernst & Young LLP

*23.2 Consent of Arthur Andersen LLP

+23.3 Consent of Vinson & Elkins L.L.P. (contained in Exhibit 5.1)

23.4 Consent of Vinson & Elkins L.L.P. (contained in Exhibit 8.1)

*24.1 Powers of Attorney

- --------

* Previously Filed

+ Filed herewith

Item 17. Undertakings.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned Registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this Registration Statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this Registration Statement as of the time it was declared effective.

(2) For the purposes of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant has duly caused this Amendment No. 1 to Registration Statement (333-89010) to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Kansas City, State of Missouri, on June 13, 2002.

Inergy, L.P.
By: Inergy GP, LLC
its Managing General Partner

By: /s/ R. Brooks Sherman, Jr.
Name: R. Brooks Sherman Jr.
Title: Vice President and Chief Financial Officer

Pursuant to the requirements of the Securities Act of 1933, as amended, this Amendment No. 1 to Registration Statement (333-89010) on Form S-1 has been signed below by the officers and directors of Inergy GP, LLC, as managing general partner of Inergy, L.P., the registrant, in the capacities and on the dates indicated.

Signature	Title	Date
/s/ John J. Sherman John J. Sherman	President and Chief Executive Officer and Chairman of the Board (principal executive officer)	June 13, 2002
* Philip L. Elbert	Senior Vice President--Operations and Director	June 13, 2002
/s/ R. Brooks Sherman, Jr. R. Brooks Sherman Jr.	Chief Financial Officer (principal accounting and financial officer)	June 13, 2002
Richard C. Green, Jr.	Director	
* Warren H. Gfeller	Director	June 13, 2002
* David J. Schulte	Director	June 13, 2002

*By: /s/ R. Brooks Sherman, Jr.
R. Brooks Sherman, Jr.
Attorney-in-Fact

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10.16 Transaction Agreement dated as of December 19, 2001 by and among Inergy, L.P., Inergy GP, LLC, Inergy Propane, LLC, Inergy Sales and Service, Inc., Inergy Holdings, LLC, IPCH Acquisition Corp., and IPCH Merger Corp. (incorporated by reference to Exhibit 2.2 of Inergy, L.P.'s Current Report on Form 8-K filed on January 4, 2002)

10.17 Registration Rights Agreement entered into as of December 19, 2001 by and among Inergy, L.P. and certain investors (incorporated by reference to Exhibit 4.1 of Inergy, L.P.'s Current Report on Form 8-K filed on January 4, 2002)

10.18 Registration Rights Agreement entered into as of December 19, 2001 by and between Inergy, L.P. and IPCH Acquisition Corp. (incorporated by reference to Exhibit 4.2 of Inergy, L.P.'s Current Report on Form 8-K filed on January 4, 2002)

+10.19 Intercreditor and Collateral Agency Agreement entered into as of June 7, 2002, by and among Wachovia Bank, National Association, the lenders named therein and the noteholders named therein

*21.1 List of subsidiaries of Inergy, L.P.

+23.1 Consent of Ernst & Young LLP

*23.2 Consent of Arthur Andersen LLP

+23.3 Consent of Vinson & Elkins L.L.P. (contained in Exhibit 5.1)

23.4 Consent of Vinson & Elkins L.L.P. (contained in Exhibit 8.1)

*24.1 Powers of Attorney

- --------

* Previously filed

+ Filed herewith

EXHIBIT 3.2A

AMENDMENT NO. 1 TO

AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP

OF

INERGY, L.P.

This Amendment No. 1 (this "Amendment No. 1") to the Amended and Restated Agreement of Limited Partnership of Inergy, L.P. (the "Partnership") is entered into effective as of June 12, 2002, by Inergy GP LLC, a Delaware limited liability company (the "Managing General Partner"), as managing general partner of the Partnership. Capitalized terms used but not defined herein are used as defined in the Partnership Agreement.

WHEREAS, the Managing General Partner, the Non-Managing General Partner and the Limited Partners of the Partnership entered into that certain Amended and Restated Agreement of Limited Partnership of the Partnership dated as of July 31, 2001 (the "Partnership Agreement");

WHEREAS, Section 13.1(d)(i) of the Partnership Agreement provides that the Managing General Partner may amend any provision of the Partnership Agreement without the approval of any Partner or Assignee to reflect a change that, in the discretion of the Managing General Partner, does not adversely affect the Limited Partners (including any particular class of Partnership Interests) in any material respect;

WHEREAS, acting pursuant to the power and authority granted to it under Section 13.1(d)(i) of the Partnership Agreement, the Managing General Partner has determined that the following amendment to the Partnership Agreement does not adversely affect the Limited Partners (including any particular class of Partnership Interests) in any material respect.

NOW THEREFORE, the Managing General Partner does hereby amend the Partnership Agreement as follows:

Section 1. Amendment.

Section 5.7(b) is hereby amended to add the following sentence to the end of the first paragraph:

For purposes of this Section 5.7(b), the term "debt" shall be deemed to include indebtedness used to extend, refinance, renew, replace or defease debt originally incurred in connection with an Acquisition or Capital Improvement; provided, that the amount of such extended, refinanced, renewed, replaced or defeased debt does not exceed the principal amount of, plus accrued interest on, the original debt.

Section 2. Ratification of Partnership Agreement. Except as expressly modified and amended herein, all of the terms and conditions of the Partnership Agreement shall remain in full force and effect.

Section 3. Governing Law. This Amendment No. 1 will be governed by and construed in accordance with the laws of the State of Delaware.

IN WITNESS WHEREOF, the Managing General Partner has executed this Amendment No. 1 as of the date first set forth above.

MANAGING GENERAL PARTNER:

INERGY GP LLC

By: /s/ John J. Sherman

Name: John J. Sherman
Title: President and Chief Executive Officer

EXHIBIT 4.4

==

Inergy Propane, LLC

$85,000,000

$35,000,000 8.85% Senior Secured Notes, Series A, due June 7, 2007
$25,000,000 9.10% Senior Secured Notes, Series B, due June 6, 2008
$25,000,000 9.34% Senior Secured Notes, Series C, due June 5, 2009

Note Purchase Agreement

Dated as of June 7, 2002

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Inergy Propane, LLC

1101 Walnut Street, Suite 1500

Kansas City, Missouri 64106

$35,000,000 8.85% Senior Secured Notes, Series A, due June 7, 2007
$25,000,000 9.10% Senior Secured Notes, Series B, due June 6, 2008
$25,000,000 9.34% Senior Secured Notes, Series C, due June 5, 2009

Dated as of June 7, 2002

To the Purchasers listed in the attached Schedule A:

Ladies and Gentlemen:

Inergy Propane, LLC, a Delaware limited liability company (the "Company") agrees with you as follows:

SECTION 1. Authorization of Notes.

The Company will authorize the issue and sale of (a) $35,000,000 aggregate principal amount of its 8.85% Senior Secured Notes, Series A, due June 7, 2007 (the "Series A Notes", such term to include any notes of such series issued in substitution therefor pursuant to Section 13 of this Agreement), (b) $25,000,000 aggregate principal amount of its 9.10% Senior Secured Notes, Series B, due June 6, 2008 (the "Series B Notes", such term to include any notes of such series issued in substitution therefor pursuant to Section 13 of this Agreement), and (c) $25,000,000 aggregate principal amount of its 9.34% Senior Secured Notes, Series C, due June 5, 2009 (the "Series C Notes", such term to include any notes of such series issued in substitution therefor pursuant to Section 13 of this Agreement; the Series A Notes, the Series B Notes and the Series C Notes being hereinafter collectively referred to as the "Notes"). The Notes shall be substantially in the forms set out in Exhibits A-1, Exhibit A-2 and Exhibit A-3, respectively, with such changes therefrom, if any, as may be approved by you and the Company. Certain capitalized terms used in this Agreement are defined in Schedule B; references to a "Schedule" or an "Exhibit" are, unless otherwise specified, to a Schedule or an Exhibit attached to this Agreement.

SECTION 2. Sale and Purchase of Notes.

Subject to the terms and conditions of this Agreement, the Company will issue and sell to you and you will purchase from the Company, at the Closing provided for in Section 3, Notes in the principal amount and of the series specified opposite your name in Schedule A at the purchase price of 100% of the principal amount thereof. Your obligations are several and not joint obligations, and you shall have no obligation or liability to any Person for the performance or non-performance by any other Purchaser of Notes hereunder.

SECTION 3. Closing.

The sale and purchase of the Notes to be purchased by you shall occur at the offices of Baker Botts L.L.P., 2001 Ross Avenue, Dallas, Texas, at 10:00 A.M. Dallas, Texas local time, at a closing (the "Closing") on June 7, 2002 or on such other Business Day thereafter on or prior to June 30, 2002 as may be agreed upon by the Company, you and the other Purchasers of the Notes. At the Closing the Company will deliver to you the Notes of the series to be purchased by you in the form of a single Note (or such greater number of Notes in denominations of at least $250,000 as you may request) dated the date of the Closing and registered in your name (or in the name of your nominee), against delivery by you to the Company or its order of immediately available funds in the amount of the purchase price therefor by wire transfer of immediately available funds for the account of the Company to account number 2000010968431 at First Union National Bank, Charlotte, North Carolina, ABA number 053000219. If at the Closing the Company shall fail to tender such Notes to you as provided above in this Section 3, or any of the conditions specified in Section 4 shall not have been fulfilled to your satisfaction, you shall, at your election, be relieved of all further obligations under this Agreement, without thereby waiving any rights you may have by reason of such failure or such nonfulfillment.

SECTION 4. Conditions to Closing.

Your obligation to purchase and pay for the Notes to be sold to you at the Closing is subject to the fulfillment to your satisfaction, prior to or at the Closing, of the following conditions:

Section 4.1. Representations and Warranties.

(a) The representations and warranties of the Company in this Agreement and the Note Documents to which it is a party shall be correct when made and at the time of the Closing.

(b) The representations and warranties of each Subsidiary Guarantor in the Subsidiary Guaranty Agreement and the Note Documents to which it is a party shall be correct when made and at the time of Closing.

(c) The representations and warranties of the MLP in the Parent Guaranty Agreement and the Note Documents to which it is a party shall be correct when made and at the time of a Closing.

(d) The representations and warranties of IPCH Acquisition Corp in the Limited Guaranty Agreement and the Note Documents to which it is a party shall be correct when made at the time of Closing.

Section 4.2. Performance; No Default.

(a) The Company shall have performed and complied in all material respects with all agreements and conditions contained in this Agreement and the other Note Documents to which it is a party required to be performed or complied with by it prior to or at the Closing, and after giving effect to the issue and sale of the Notes (and the application of the proceeds thereof as contemplated by Schedule 5.14), no Default or Event of Default shall have occurred and be continuing.

(b) Each Subsidiary Guarantor shall have performed and complied in all material respects with all agreements and conditions contained in the Subsidiary Guaranty Agreement and the other Note Documents to which it is a party required to be performed and complied with by it prior to or at the Closing, and after giving effect to the issue and sale of Notes (and the application of the proceeds thereof as contemplated by Schedule 5.14), no Default or Event of Default shall have occurred and be continuing.

(c) The MLP shall have performed and complied in all material respects with all agreements and conditions contained in this Agreement, the Parent Guaranty Agreement and the other Note Documents to which it is a party required to be performed and complied with by it prior to or at the Closing, and after giving effect to the issue and sale of the Notes (and the application of the proceeds thereof as contemplated by Section 5.14), no Default or Event of Default shall have occurred and be continuing.

(d) IPCH Acquisition Corp shall have performed and complied in all material respects with all agreements and conditions contained in the Limited Guaranty Agreement and the other Note Documents to which it is a party required to be performed and complied with by it prior to or at the Closing, and after giving effect to the issue and sale of the Notes (and the application of the proceeds as contemplated by Section 5.14) no Default or Event of Default shall have occurred and be continuing.

(e) Neither the Company nor any Subsidiary nor the MLP shall have entered into any transaction since the date of the Memorandum that would have been prohibited by Section 10 hereof had such Section applied since such date.

Section 4.3. Compliance Certificates.

(a) Officer's Certificate of the Company. The Company shall have delivered to you an Officer's Certificate of the Company, dated the date of the Closing, certifying that (i) the conditions specified in Sections 4.1(a), 4.2(a) and 4.10 have been fulfilled, and (ii) all of the representations and warranties in Section 5 are true and correct both as of the date made and as of the date of Closing.

(b) Officers' Certificates of the Subsidiary Guarantors. Each Subsidiary Guarantor shall have delivered to you a certificate of an authorized officer of such Person, dated the date of

the Closing, certifying that (i) the conditions set forth in Sections 4.1(b), 4.2(b) and 4.10 have been fulfilled, and (ii) all of the representations and warranties in Section 5 that pertain to such Person are true and correct both as of the date made and as of the date of Closing.

(c) Officers' Certificate of the MLP. The MLP shall have delivered to you a certificate of an authorized officer of such Person, dated the date of the Closing, certifying that (i) the conditions set forth in Sections 4.1(c), 4.2(c) and 4.10 have been fulfilled, and (ii) all of the representations and warranties in Section 5 that pertain to the MLP are true and correct both as of the date made and as of the date of Closing.

(d) Officers' Certificate of IPCH Acquisition Corp. IPCH Acquisition Corp shall have delivered to you a certificate of an authorized officer of such Person, dated the date of Closing, certifying that (i) the conditions set forth in Sections 4.1(d), 4.2(d) and 4.10 have been fulfilled, and (ii) all of the representations and warranties in Section 5 that pertain to IPCH Acquisition Corp are true and correct both as of the date made and as of the date of Closing.

(e) Secretary's Certificate of the Company. The Company shall have delivered to you a certificate certifying as to the resolutions attached thereto and other limited liability company proceedings relating to the authorization, execution and delivery of the Notes, the Agreements and the other Note Documents to which it is a party.

(f) Secretary's Certificates of the Subsidiary Guarantors. Each Subsidiary Guarantor shall have delivered to you a certificate certifying as to the resolutions attached thereto and other limited liability company or corporate proceedings, as applicable, relating to the authorization, execution and delivery of the Subsidiary Guaranty Agreement and the other Note Documents to which it is a party.

(g) Secretary's Certificate of the MLP. The MLP shall have delivered to you a certificate certifying as to the resolutions attached thereto and other partnership proceedings relating to the authorization, execution and delivery of the Parent Guaranty Agreement and the other Note Documents to which the MLP is a party.

(h) Secretary's Certificate of IPCH Acquisition Corp. IPCH Acquisition Corp shall have delivered to you a certificate certifying as to the resolutions attached thereto and other corporate proceedings relating to the authorization, execution and delivery of the Limited Guaranty Agreement and the other Note Documents to which IPCH Acquisition Corp is a party.

Section 4.4. Opinions of Counsel. You shall have received opinions in form and substance satisfactory to you, dated the date of the Closing (i) from Stinson Morrison Hecker LLP, counsel for the Company, the Subsidiary Guarantors, the MLP and IPCH Acquisition Corp, covering the matters set forth in Exhibit B and covering such other matters incident to the transactions contemplated hereby as you or your counsel may reasonably request (and the Company hereby instructs its counsel to deliver such opinion to you), (ii) from Baker Botts L.L.P., your special counsel in connection with such transactions, and (iii) from such local counsel to the Company, the Subsidiary Guarantors and the MLP as you and your special counsel may reasonably deem necessary or appropriate with respect to the Note Documents and such other matters incident to such transactions contemplated hereby as you may reasonably request.

Section 4.5. Guaranties. You shall have received counterpart originals of (i) a Parent Guaranty Agreement, duly executed and delivered by the MLP, substantially in the form of Exhibit C-1 attached hereto and made a part hereof (as the same may be amended, restated, supplemented or otherwise modified from time to time, the "Parent Guaranty"), (ii) a Subsidiary Guaranty Agreement, duly executed and delivered by each of Inergy Sales, Inergy Transportation and L&L Transportation (together with any additional Subsidiary who delivers a guaranty pursuant to Section 9.8, the "Subsidiary Guarantors"), substantially in the form of Exhibit C-2 attached hereto and made a part hereof (as the same may be amended, restated, supplemented or otherwise modified from time to time, collectively, the "Subsidiary Guaranty Agreements"), and (iii) a Limited Guaranty Agreement, duly executed and delivered of IPCH Acquisition Corp, substantially in the form of Exhibit C-3 attached hereto and made a part hereof (as the same may be amended, restated, supplemented or otherwise modified from time to time, the "Limited Guaranty Agreement") in each case together with such other documents as to IPCH Acquisition Corp, the MLP and the Subsidiary Guarantors as are sufficient to comply with Section 9.8, and each of the Limited Guaranty Agreement, the Parent Guaranty Agreement and the Subsidiary Guaranty Agreements shall be in full force and effect.

Section 4.6. Purchase Permitted By Applicable Law, Etc. On the date of the Closing your purchase of Notes shall (i) be permitted by the laws and regulations of each jurisdiction to which you are subject, without recourse to provisions (such as Section 1405(a)(8) of the New York Insurance Law) permitting limited investments by insurance companies without restriction as to the character of the particular investment, (ii) not violate any applicable law or regulation (including, without limitation, Regulation T, U or X of the Board of Governors of the Federal Reserve System) and (iii) not subject you to any tax, penalty or liability under or pursuant to any applicable law or regulation, which law or regulation was not in effect on the date hereof. If requested by you, you shall have received an Officer's Certificate certifying as to such matters of fact as you may reasonably specify to enable you to determine whether such purchase is so permitted.

Section 4.7. Sale of Other Notes. Contemporaneously with the Closing, the Company shall sell to the other Purchasers of Notes listed in Schedule A, and the other Purchasers of Notes shall purchase, the Notes to be purchased by them at the Closing as specified in Schedule A.

Section 4.8. Payment of Special Counsel Fees Without limiting the provisions of Section 15.1, the Company shall have paid on or before the Closing the fees, charges and disbursements of your special counsel referred to in Section 4.4 to the extent reflected in a statement of such counsel rendered to the Company at least one Business Day prior to the Closing.

Section 4.9. Private Placement Numbers. A Private Placement number issued by Standard & Poor's CUSIP Service Bureau (in cooperation with the Securities Valuation Office of the National Association of Insurance Commissioners) shall have been obtained for each series of the Notes.

Section 4.10. Changes in Legal Structure. Except as specified in Schedule 4.10, none of the Company, the Subsidiary Guarantors, the MLP or IPCH Acquisition Corp shall have changed its jurisdiction of organization or incorporation, as applicable, or been a party to any merger or

consolidation or shall have succeeded to all or any substantial part of the liabilities of any other entity, at any time following the date of the most recent financial statements referred to in Schedule 5.5.

Section 4.11. Execution of Intercreditor Agreement and Security Documents. The Security Documents and the Intercreditor Agreement shall be in form and substance satisfactory to you and your special counsel, shall have been duly executed and delivered by the parties thereto and shall be in full force and effect and you shall have received true, correct and complete copies of each thereof.

Section 4.12. Filing and Recording. Other than the Mortgages to be delivered pursuant to Section 9.16, the Security Documents (and/or financing statements or similar notices thereof if and to the extent permitted by applicable law) shall have been recorded or filed for record in such public offices as may be deemed necessary or appropriate by you or your special counsel in order to perfect the Liens and security interests granted or conveyed thereby.

Section 4.13. Evidence of Insurance. You shall have received a certificate executed by the independent insurance broker of the Company certifying to the existence of the insurance required by the Note Documents and the payment of all premiums thereon. The original of the policies or certificates thereof evidencing such insurance issued by the insurers shall be delivered to the Collateral Agent for safekeeping on your behalf immediately upon receipt thereof by the Company.

Section 4.14. Collateral Due Diligence. You shall have received all due diligence documentation and other information you may reasonably request with respect to the Collateral, including, without limitation, all appraisals, surveys, environmental reports, title insurance policies, UCC filing reports, etc. Original copies of all third party reports and other due diligence documentation shall be delivered to the Collateral Agent for safekeeping on your behalf.

Section 4.15. Payment of Recording Fees, Charges and Taxes. Except with respect to the Mortgages to be recorded pursuant to Section 9.16, all fees, charges and taxes in connection with the recordation or filing and re-recordation or re-filing of the Security Documents and any other agreement or instrument, financing statement or publication of notice required to be filed or recorded to protect the validity of the Liens securing the obligations under Note Documents shall have been paid in full.

Section 4.16. Consent of Other Lenders. Any consents or approvals required to be obtained from any lender or holder of any outstanding debt of IPCH Acquisition Corp, the MLP, the Company or any Subsidiary, and any amendments of agreements pursuant to which any debt may have been incurred by the MLP, the Company or any Subsidiary, that are necessary in order to permit the consummation of the transactions contemplated hereby shall have been obtained, and all such consents, approvals or amendments shall be satisfactory in form and substance to you and your special counsel.

Section 4.17. Proceedings and Documents. All limited liability company, partnership, corporate and other proceedings in connection with the transactions contemplated by this Agreement and all documents and instruments incident to such transactions shall be satisfactory to you and your special counsel, and you and your special counsel shall have received all such

counterpart originals or certified or other copies of such documents as you or they may reasonably request.

Section 4.18. Instruction Letter. You shall have received written instructions from a Responsible Officer of the Company, substantially in the form of Exhibit D attached hereto and made a part hereof, set forth on the Company's letterhead, authorizing and directing you to pay the purchase price of the Notes to be purchased by you by transfer of immediately available funds for credit to the Company's bank account identified in Section 3.

Section 4.19. Placement Letter. You shall have received a copy of a letter addressed to the Company, Baker Botts L.L.P. and Stinson Morrison Hecker LLP from First Union Securities, Inc., placement agent for the Notes, as to the private nature of the offering of the Notes, in form and substance satisfactory to you and your special counsel.

Section 4.20. Bank Credit Agreement. The Bank Credit Agreement and related documents shall be satisfactory in substance and form to you and shall be in full force and effect, and you shall have received true, correct and complete copies of each thereof as you may reasonably request. In addition, you shall have received evidence satisfactory to you that, effective on the date of the Closing, the Bank Credit Agreement (i) shall have been amended to permit, or a consent shall have been executed that permits, the issuance of the Notes and the execution, delivery and performance by the Company of its obligations hereunder, which amendment or consent is in form and substance reasonably satisfactory to you, and (ii) satisfies the requirements of Section 9.12 of this Agreement.

Section 4.21. Other Matters. You shall have received such other documents, opinions, and certificates as you or any other Purchaser may reasonably request.

SECTION 5. Representations and Warranties of the Company.

The Company represents and warrants to you that:

Section 5.1. Organization; Power and Authority. The Company is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Delaware, and is duly qualified as a foreign limited liability company and is in good standing in each jurisdiction in which such qualification is required by law, other than those jurisdictions as to which the failure to be so qualified or in good standing could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. The Company has the limited liability company power and authority to own or hold under lease the properties it purports to own or hold under lease, to transact the business it transacts and proposes to transact, to execute and deliver this Agreement, the Notes and the other Note Documents to which it is a party to perform the provisions hereof and thereof.

Section 5.2. Authorization, Etc. This Agreement, the Notes and the Note Documents to which the Company is a party have been duly authorized by all necessary limited liability company action on the part of the Company, and this Agreement constitutes, and upon execution and delivery thereof each Note and each other Note Document to which the Company is a party will constitute, a legal, valid and binding obligation of the Company enforceable against the Company in accordance with its terms, except as such enforceability may be limited by

(i) applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

Section 5.3. Disclosure. The Company, through its agent, First Union Securities, Inc., has delivered to you and each other Purchaser a copy of a Private Placement Memorandum, dated March 2002 (the "Memorandum"), relating to the transactions contemplated hereby. The Memorandum (including all documents incorporated therein by reference listed on Schedule 5.3) fairly describes, in all material respects, the general nature of the business and principal properties of the MLP, the Company and its Subsidiaries. This Agreement, the Memorandum, the documents, certificates or other writings delivered to you by or on behalf of IPCH Acquisition Corp, the MLP, the Company or any Subsidiary in connection with the transactions contemplated hereby and the financial statements listed in Schedule 5.5, taken as a whole, do not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein not misleading in light of the circumstances under which they were made. Since September 30, 2001, there has been no change in the financial condition, operations, business, properties or prospects of IPCH Acquisition Corp, the MLP, the Company or any Subsidiary except changes that individually or in the aggregate could not reasonably be expected to have a Material Adverse Effect. There is no fact known to the Company that could reasonably be expected to have a Material Adverse Effect that has not been set forth herein or in the Memorandum (including all documents incorporated therein by reference listed on Schedule 5.3) or in the other documents, certificates and other writings delivered to you by or on behalf of the Company specifically for use in connection with the transactions contemplated hereby.

Section 5.4. Organization and Ownership of Shares; Affiliates.

(a) Schedule 5.4 contains (except as noted therein) complete and correct lists, with respect to each of IPCH Acquisition Corp, the MLP, the Company and each of the Company's Subsidiaries, of (i) the correct name of such Person, the jurisdiction of its organization, the jurisdictions in which such Person is qualified to do business, the percentage of shares of each class of its Capital Stock owned by any of IPCH Acquisition Corp, the MLP, the Company or any of the Company's Subsidiaries, (ii) such Person's Affiliates, other than IPCH Acquisition Corp, the MLP, the Company or a Subsidiary of the Company, and (iii) such Person's directors and senior officers.

(b) All of the outstanding Capital Stock of each of IPCH Acquisition Corp, the MLP, the Company and each of the Company's Subsidiaries shown in Schedule 5.4 as being owned by IPCH Acquisition Corp, the MLP, the Company or a Subsidiary of the Company have been validly issued, are fully paid and nonassessable and are owned by such Person free and clear of any Lien (except as otherwise disclosed in Schedule 5.4) and, unless shown in Schedule 5.4, (i) there are no outstanding warrants, subscriptions, options, securities, or other rights of any type or nature whatsoever which are convertible into, exchangeable for or otherwise provide for or permit the issuance of Capital Stock of such Person or are otherwise exercisable by any Person, and (ii) in the case of any such Capital Stock consisting of membership or partnership interests, all contributions required to be made in respect of such interests by the owner thereof under any applicable partnership or limited liability agreement (or similar governing document) have been made.

(c) Each of IPCH Acquisition Corp, the MLP and each of the Company's Subsidiaries identified in Schedule 5.4 is a corporation, limited liability company, partnership or other legal entity (as reflected on such Schedule) duly organized, validly existing and in good standing under the laws of its jurisdiction of organization, and is duly qualified as a foreign corporation, limited liability company, partnership or other legal entity and is in good standing in each jurisdiction in which such qualification is required by law, other than those jurisdictions as to which the failure to be so qualified or in good standing could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. Each such Person has the corporate, limited liability company, partnership or other power and authority to own or hold under lease the properties it purports to own or hold under lease and to transact the business it transacts and proposes to transact.

(d) No Subsidiary is a party to, or otherwise subject to, any legal restriction or any agreement (other than this Agreement, the agreements listed on Schedule 5.4 and customary limitations imposed by corporate, limited liability company or partnership law statutes) restricting the ability of such Subsidiary to pay dividends out of profits or make any other similar distributions of profits to the Company or any of its Subsidiaries that owns outstanding shares of capital stock or similar equity interests of such Subsidiary.

Section 5.5. Financial Statements. The Company has delivered to you and each other Purchaser copies of the financial statements of the MLP and its Subsidiaries and the Company and its Subsidiaries listed on Schedule 5.5. All of said financial statements (including in each case the related schedules and notes) fairly present in all material respects the consolidated financial position of the MLP and its Subsidiaries and the Company and its Subsidiaries, respectively, as of the respective dates specified in such financial statements and the consolidated results of their respective operations and cash flows for the respective periods so specified and have been prepared in accordance with GAAP consistently applied throughout the periods involved except as set forth in the notes thereto (subject, in the case of any interim financial statements, to normal year-end adjustments).

Section 5.6. Compliance with Laws, Other Instruments, Etc. The execution, delivery and performance by the Company of this Agreement, the Notes and the other Note Documents to which the Company is a party will not (i) contravene, result in any breach of, or constitute a default under, or result in the creation of any Lien in respect of any property of the Company or any Subsidiary under, any indenture, mortgage, deed of trust, loan, purchase or credit agreement, lease, limited liability company agreement, corporate charter or by-laws, partnership agreement or any other agreement or instrument to which the Company or any Subsidiary is bound or by which the Company or any Subsidiary or any of their respective properties may be bound or affected, (ii) conflict with or result in a breach of any of the terms, conditions or provisions of any order, judgment, decree, or ruling of any court, arbitrator or Governmental Authority applicable to the Company or any Subsidiary or (iii) violate any provision of any statute or other rule or regulation of any Governmental Authority applicable to the Company or any Subsidiary.

Section 5.7. Governmental Authorizations, Etc. No consent, approval or authorization of, or registration, filing or declaration with, any Governmental Authority is required in connection with the execution, delivery or performance by the Company of this Agreement, the Notes or the other Note Documents to which it is a party.

Section 5.8. Litigation; Observance of Agreements, Statutes and Orders.

(a) There are no actions, suits, investigations or proceedings pending or, to the knowledge of the Company, threatened against or affecting the Company or any Subsidiary or any property of the Company or any Subsidiary in any court or before any arbitrator of any kind or before or by any Governmental Authority that, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

(b) Neither the Company nor any Subsidiary is in default under any term of any agreement or instrument to which it is a party or by which it is bound, or any order, judgment, decree or ruling of any court, arbitrator or Governmental Authority or is in violation of any applicable law, ordinance, rule or regulation (including without limitation Environmental Laws) of any Governmental Authority, which default or violation, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

Section 5.9. Taxes. The Company and its Subsidiaries have filed all tax returns that are required to have been filed in any jurisdiction, and have paid all taxes shown to be due and payable on such returns and all other taxes and assessments levied upon them or their properties, assets, income or franchises, to the extent such taxes and assessments have become due and payable and before they have become delinquent, except for any taxes and assessments (i) the amount of which is not individually or in the aggregate Material or (ii) the amount, applicability or validity of which is currently being contested in good faith by appropriate proceedings and with respect to which the Company or a Subsidiary, as the case may be, has established adequate reserves in accordance with GAAP. The Company knows of no basis for any other tax or assessment that could reasonably be expected to have a Material Adverse Effect. The charges, accruals and reserves on the books of the Company and its Subsidiaries in respect of Federal, state or other taxes for all fiscal periods are adequate. The Federal income tax liabilities of the Company and its Subsidiaries have been paid or adequate reserves therefor have been established for all fiscal years up to and including the fiscal years ended prior to December 31, 2002.

Section 5.10. Title to Property; Leases. The Company and its Subsidiaries have good and sufficient title to their respective properties that individually or in the aggregate are Material, including all such properties reflected in the most recent audited balance sheet referred to in Section 5.5 or purported to have been acquired by the Company or any Subsidiary after said date (except as sold or otherwise disposed of in the ordinary course of business), in each case free and clear of Liens prohibited by this Agreement. All leases that individually or in the aggregate are Material are valid and subsisting and are in full force and effect in all material respects. Set forth on Part 1 of Schedule 5.10 hereto is a complete list of each parcel of real property, by street address and owner or lessee, as applicable, of all real property owned or leased by the Company or any Subsidiary, and set forth on Part 2 of Schedule 5.10 hereto is a complete list as of December 19, 2001, by owner, vehicle identification number, make and model, of all motor vehicles owned by the Company or any Subsidiary. Since December 19, 2001, no "transfers" (as such term is defined in the definition of Asset Disposition) have been made of any vehicles listed on Schedule 5.10 except for transfers of vehicles with an aggregate fair market value not exceeding $300,000.

Section 5.11. Licenses, Permits, Etc. Except as disclosed in Schedule 5.11,

(a) the Company and its Subsidiaries own or possess all licenses, permits, franchises, authorizations, patents, copyrights, service marks, trademarks and trade names, or rights thereto, that individually or in the aggregate are Material, without known conflict with the rights of others;

(b) to the best knowledge of the Company, no product of the Company or any Subsidiary infringes in any Material respect any license, permit, franchise, authorization, patent, copyright, service mark, trademark, trade name or other right owned by any other Person; and

(c) to the best knowledge of the Company, there is no Material violation by any Person of any right of the Company or any of its Subsidiaries with respect to any patent, copyright, service mark, trademark, trade name or other right owned or used by the Company or any of its Subsidiaries.

Section 5.12. Compliance with ERISA.

(a) The Company and each ERISA Affiliate have operated and administered each Plan in compliance with all applicable laws except for such instances of noncompliance as have not resulted in and could not reasonably be expected to result in a Material Adverse Effect. Neither the Company nor any ERISA Affiliate has incurred any liability pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans (as defined in Section 3 of ERISA), and no event, transaction or condition has occurred or exists that could reasonably be expected to result in the incurrence of any such liability by the Company or any ERISA Affiliate, or in the imposition of any Lien on any of the rights, properties or assets of the Company or any ERISA Affiliate, in either case pursuant to Title I or IV of ERISA or to such penalty or excise tax provisions or to Section 401(a)(29) or 412 of the Code, other than such liabilities or Liens as would not be individually or in the aggregate Material.

(b) The present value of the aggregate benefit liabilities under each of the Plans, determined as of the end of such Plan's most recently ended plan year on the basis of the actuarial assumptions specified for funding purposes in such Plan's most recent actuarial valuation report, did not exceed the aggregate current value of the assets of such Plan allocable to such benefit liabilities. The term "benefit liabilities" has the meaning specified in Section 4001 of ERISA and the terms "current value" and "present value" have the meaning specified in section 3 of ERISA.

(c) The Company and its ERISA Affiliates have not incurred withdrawal liabilities (and are not subject to contingent withdrawal liabilities) under Section 4201 or 4204 of ERISA in respect of Multiemployer Plans that individually or in the aggregate are Material.

(d) The expected post-retirement benefit obligation (determined as of the last day of the Company's most recently ended fiscal year in accordance with Financial Accounting Standards Board Statement No. 106, without regard to liabilities attributable to continuation coverage mandated by Section 4980B of the Code) of the Company and its Subsidiaries is not Material.

(e) The execution and delivery of this Agreement and the issuance and sale of the Notes hereunder will not involve any transaction that is subject to the prohibitions of Section 406

of ERISA and will not involve any transaction in connection with which a penalty could be imposed pursuant to Section 502(i) of ERISA or a tax could be imposed pursuant to Section 4975(c)(1)(A)-(D) of the Code. The representation by the Company in the first sentence of this Section 5.12(e) is made in reliance upon and subject to (i) the accuracy of your representation in Section 6.2 as to the sources of the funds used to pay the purchase price of the Notes to be purchased by you and (ii) the assumption, made solely for the purpose of making such representation, that Department of Labor Interpretive Bulletin 75-2 with respect to prohibited transactions remains valid in the circumstances of the transactions contemplated herein.

Section 5.13. Private Offering by the Company. Neither the Company nor anyone acting on its behalf has offered the Notes or any similar securities for sale to, or solicited any offer to buy any of the same from, or otherwise approached or negotiated in respect thereof with, any Person other than you, the other Purchasers of the Notes and not more than 50 other Institutional Investors, each of which has been offered the Notes at a private sale for investment. Neither the Company nor anyone acting on its behalf has taken, or will take, any action that would subject the issuance or sale of the Notes to the registration requirements of Section 5 of the Securities Act or to the provisions of any securities or Blue Sky law of any applicable jurisdiction.

Section 5.14. Use of Proceeds; Margin Regulations. The Company will apply the proceeds of the sale of the Notes as set forth in Schedule 5.14. No part of the proceeds from the sale of the Notes hereunder will be used, directly or indirectly, for the purpose of buying or carrying any margin stock within the meaning of Regulation U of the Board of Governors of the Federal Reserve System (12 CFR 221), or for the purpose of buying or carrying or trading in any securities under such circumstances as to involve the Company in a violation of Regulation X of said Board (12 CFR 224) or to involve any broker or dealer in a violation of Regulation T of said Board (12 CFR 220). Margin stock does not constitute more than 1% of the value of the consolidated assets of the Company and its Subsidiaries and the Company does not have any present intention that margin stock will constitute more than 1% of the value of such assets. As used in this Section, the terms "margin stock" and "purpose of buying or carrying" shall have the meanings assigned to them in said Regulation U.

Section 5.15. Existing Indebtedness; Future Liens.

(a) Schedule 5.15 sets forth a complete and correct list of all outstanding Indebtedness of the MLP, the Company and its Subsidiaries as of June 6, 2002 and, as of the Closing, no additional Indebtedness has been incurred that is not reflected on such Schedule other than the accrual of per diem interest and per diem fees. Neither the Company nor any Subsidiary is in default and no waiver of default is currently in effect, in the payment of any principal or interest on any Indebtedness of the Company or such Subsidiary and no event or condition exists with respect to any Indebtedness of the Company or any Subsidiary that would permit (or that with notice or the lapse of time, or both, would permit) one or more Persons to cause such Indebtedness to become due and payable before its stated maturity or before its regularly scheduled dates of payment.

(b) Except as disclosed in Schedule 5.15, neither the Company nor any Subsidiary has agreed or consented to cause or permit in the future (upon the happening of a contingency or

otherwise) any of its property, whether now owned or hereafter acquired, to be subject to a Lien not permitted by Section 10.3(a).

Section 5.16. Foreign Assets Control Regulations, Etc. Neither the sale of the Notes by the Company hereunder nor its use of the proceeds thereof will violate the Trading with the Enemy Act, as amended, or any of the foreign assets control regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V, as amended) or any enabling legislation or executive order relating thereto. Without limiting the foregoing, neither the Company nor any of its Subsidiaries (a) is or will become a blocked person described in Section 1 of Executive Order 13224 of September 23, 2001 Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism (66 Fed. Reg. 49049 (2001)) or (b) engages or will engage in any dealings or transactions, or be otherwise associated, with any such blocked person.

Section 5.17. Status under Certain Statutes. Neither the MLP nor the Company nor any Subsidiary is an "investment company" registered or required to be registered or subject to regulation under the Investment Company Act of 1940, as amended, or is subject to regulation under the Public Utility Holding Company Act of 1935, as amended, the ICC Termination Act of 1995, as amended, or the Federal Power Act, as amended.

Section 5.18. Environmental Matters.

(a) Neither the Company nor any Subsidiary has knowledge of any claim or has received any notice of any claim, and no proceeding has been instituted raising any claim against the Company or any of its Subsidiaries or any of their respective real properties now or formerly owned, leased or operated by any of them or other assets, alleging any damage to the environment or violation of any Environmental Laws, except, in each case, such as could not reasonably be expected to result in a Material Adverse Effect.

(b) Neither the Company nor any Subsidiary has knowledge of any facts which would give rise to any claim, public or private, of violation of Environmental Laws or damage to the environment emanating from, occurring on or in any way related to real properties now or formerly owned, leased or operated by any of them or to other assets or their use, except, in each case, such as could not reasonably be expected to result in a Material Adverse Effect.

(c) Neither the Company nor any of its Subsidiaries has stored any Hazardous Materials on real properties now or formerly owned, leased or operated by any of them or has disposed of any Hazardous Materials in a manner contrary to any Environmental Laws in each case in any manner that could reasonably be expected to result in a Material Adverse Effect.

(d) All buildings on all real properties now owned, leased or operated by the Company or any of its Subsidiaries are in compliance with applicable Environmental Laws, except where failure to comply could not reasonably be expected to result in a Material Adverse Effect.

Section 5.19. Collateral Matters.

(a) The provisions of each of the Security Documents are effective to create in favor of the Collateral Agent for the benefit of you, the other Purchasers and the other creditors described therein, a legal, valid and enforceable security interest (with the priorities provided for therein and limited to the extent the Collateral described therein is within the scope of the UCC) in all right, title and interest of the Company and its Subsidiaries in the Collateral described therein; and executed financing statements have been, or on or before the Closing will be, filed in all public offices wherein such filing is necessary to perfect such security interests in the Collateral therein described as against creditors of and purchasers from the Company.

(b) All representations and warranties of the Company and any of its Subsidiaries party thereto contained in the Security Documents are true and correct.

(c) All fees, charges and taxes in connection with the recordation or filing and re-recordation or re-filing of the Security Documents and any other agreement or instrument, financing statement or any publication of notice required to be filed or recorded, to protect the validity of the Liens securing the obligations of the Notes have been paid in full.

Section 5.20. Notes to Rank Pari Passu. The Notes and all other obligations under this Agreement of the Company rank at least pari passu in right of payment with all other present and future Senior Indebtedness (actual or contingent) of the Company which is not expressed to be subordinate or junior in rank to any other Senior Indebtedness of the Company.

SECTION 6. Representations of the Purchaser.

Section 6.1. Purchase for Investment. You represent that you are purchasing the Notes for your own account or for one or more separate accounts maintained by you or for the account of one or more pension or trust funds and not with a view to the distribution thereof; provided that the disposition of your or their property shall at all times be within your or their control. You understand that the Notes have not been registered under the Securities Act and may be resold only if registered pursuant to the provisions of the Securities Act or if an exemption from registration is available, except under circumstances where neither such registration nor such an exemption is required by law, and that the Company is not required to register the Notes.

Section 6.2. Source of Funds. You represent that at least one of the following statements is an accurate representation as to each source of funds (a "Source") to be used by you to pay the purchase price of the Notes to be purchased by you hereunder:

(a) if you are an insurance company, the Source (i) is your "insurance company general account" (as such term is defined under Section V of the United States Department of Labor's Prohibited Transaction Class Exemption ("PTE") 95-60), and as of the date of the purchase of the Notes you satisfy all of the applicable requirements for relief under Sections I and IV of PTE 95-60, or (ii) does not include assets allocated to any separate account maintained by you in which any employee benefit plan (or its related trust) has any interest, other than a separate account that is maintained solely in connection with your fixed contractual obligations under which the amounts payable, or credited, to such plan and to any participant or beneficiary of such plan (including any annuitant) are not affected in any manner by the investment performance of the separate account; or

(b) the Source is either (i) an insurance company pooled separate account, within the meaning of PTE 90-1 (issued January 29, 1990), or (ii) a bank collective investment fund, within the meaning of the PTE 91-38 (issued July 12, 1991) and, except as you have disclosed to the Company in writing pursuant to this paragraph (b), no employee benefit plan or group of plans maintained by the same employer or employee organization beneficially owns more than 10% of all assets allocated to such pooled separate account or collective investment fund; or

(c) the Source constitutes assets of an "investment fund" (within the meaning of Part V of the QPAM Exemption) managed by a "qualified professional asset manager" or "QPAM" (within the meaning of Part V of the QPAM Exemption), no employee benefit plan's assets that are included in such investment fund, when combined with the assets of all other employee benefit plans established or maintained by the same employer or by an affiliate (within the meaning of Section V(c)(1) of the QPAM Exemption) of such employer or by the same employee organization and managed by such QPAM, exceed 20% of the total client assets managed by such QPAM, the conditions of Part I(c) and (g) of the QPAM Exemption are satisfied, neither the QPAM nor a person controlling or controlled by the QPAM (applying the definition of "control" in Section V(e) of the QPAM Exemption) owns a 5% or more interest in the Company and (i) the identity of such QPAM and (ii) the names of all employee benefit plans whose assets are included in such investment fund have been disclosed to the Company in writing pursuant to this paragraph (c); or

(d) the Source is a governmental plan; or

(e) the Source is one or more employee benefit plans, or a separate account or trust fund comprised of one or more employee benefit plans, each of which has been identified to the Company in writing pursuant to this paragraph (e); or

(f) the Source does not include assets of any employee benefit plan, other than a plan exempt from the coverage of ERISA.

As used in this Section 6.2, the terms "employee benefit plan", "governmental plan", "party in interest" and "separate account" shall have the respective meanings assigned to such terms in Section 3 of ERISA.

SECTION 7. Information as to the Company.

Section 7.1. Financial and Business Information. The Company shall deliver or cause to be delivered to each holder of Notes that is an Institutional Investor:

(a) Quarterly Statements -- within 45 days after the end of each quarterly fiscal period in each fiscal year of the Company (other than the last quarterly fiscal period of each such fiscal year) or, if earlier, such date as MLP is required to file a Quarterly Report with the Securities and Exchange Commission, duplicate copies of:

(i) consolidating and consolidated balance sheets of each of the MLP and its Subsidiaries and the Company and its Subsidiaries as at the end of such quarter, and

(ii) consolidating and consolidated statements of income and cash flows of each of the MLP and its Subsidiaries and the Company and its Subsidiaries, together with consolidated statements of changes in shareholders' equity for such Persons, for such quarter and (in the case of the second and third quarters) for the portion of the fiscal year ending with such quarter,

setting forth in each case in comparative form the figures for the corresponding periods in the previous fiscal year, all in reasonable detail, prepared in accordance with GAAP applicable to quarterly financial statements generally, and certified by a Senior Financial Officer as fairly presenting, in all material respects, the financial position of the companies being reported on and their results of operations and cash flows, subject to changes resulting from year-end adjustments; provided that delivery within the time period specified above of copies of the MLP's Quarterly Report on Form 10-Q prepared in compliance with the requirements therefor and filed with the Securities and Exchange Commission shall be deemed to satisfy the requirements of this Section 7.1(a) with respect to consolidated statements of the MLP and its Subsidiaries;

(b) Annual Statements -- within 90 days after the end of each fiscal year of the Company or, if earlier, such date as MLP is required to file an Annual Report with the Securities and Exchange Commission, duplicate copies of,

(i) consolidating and consolidated balance sheets of each of the MLP and its Subsidiaries and the Company and its Subsidiaries, as at the end of such year, and

(ii) consolidating and consolidated statements of income and cash flows of each of the MLP and its Subsidiaries and the Company and its Subsidiaries, together with consolidated statements of changes in shareholders' equity for such Persons, for such year,

setting forth in each case in comparative form the figures for the previous fiscal year, all in reasonable detail, prepared in accordance with GAAP, and such consolidated statements shall be accompanied by:

(A) an opinion thereon of independent certified public accountants of recognized national standing, which opinion shall state that such consolidated financial statements present fairly, in all material respects, the financial position of the companies being reported upon and their results of operations and cash flows and have been prepared in conformity with GAAP, and that the examination of such accountants in connection with such consolidated financial statements has been made in accordance with generally accepted auditing standards, and that such audit provides a reasonable basis for such opinion in the circumstances, and

(B) a certificate of such accountants stating that they have reviewed this Agreement and stating further whether, in making their audit, they have become aware of any condition or event that then constitutes a Default or an Event of Default, and, if they are aware that any

such condition or event then exists, specifying the nature and period of the existence thereof (it being understood that such accountants shall not be liable, directly or indirectly, for any failure to obtain knowledge of any Default or Event of Default unless such accountants should have obtained knowledge thereof in making an audit in accordance with generally accepted auditing standards or did not make such an audit),

provided that the delivery within the time period specified above of the MLP's Annual Report on Form 10-K for such fiscal year (together with the MLP's annual report to shareholders, if any, prepared pursuant to Rule 14a-3 under the Exchange Act) prepared in accordance with the requirements therefor and filed with the Securities and Exchange Commission, together with the accountant's certificate described in clause (B) above, shall be deemed to satisfy the requirements of this Section 7.1(b) with respect to consolidated statements of the MLP and its Subsidiaries;

(c) Audit Reports -- promptly upon receipt thereof, one copy of each interim or special audit made by the independent accountants of the books of the MLP, the Company or its Subsidiaries and any management letter received from such accountants;

(d) SEC and Other Reports -- promptly upon their becoming available, one copy of (i) each financial statement, report, notice or proxy statement sent by the MLP, the Company or any Subsidiary of the Company to public securities holders generally, and (ii) each regular or periodic report, each registration statement (without exhibits except as expressly requested by such holder), and each prospectus and all amendments thereto filed by the MLP, the Company or any Subsidiary with the Securities and Exchange Commission and of all press releases and other statements made available generally by the MLP, the Company or any Subsidiary to the public concerning developments that are Material;

(e) Notice of Default or Event of Default -- promptly, and in any event within five Business Days after a Responsible Officer becoming aware of the existence of any Default or Event of Default or that any Person has given any notice or taken any action with respect to a claimed default hereunder or that any Person has given any notice or taken any action with respect to a claimed default of the type referred to in Section 11(f), a written notice specifying the nature and period of existence thereof and what action the Company is taking or proposes to take with respect thereto;

(f) ERISA Matters -- promptly, and in any event within five Business Days after a Responsible Officer becoming aware of any of the following, a written notice setting forth the nature thereof and the action, if any, that the Company or an ERISA Affiliate proposes to take with respect thereto:

(i) with respect to any Plan, any reportable event, as defined in Section 4043(b) of ERISA and the regulations thereunder, for which notice thereof has not been waived pursuant to such regulations as in effect on the date hereof; or

(ii) the taking by the PBGC of steps to institute, or the threatening by the PBGC of the institution of, proceedings under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan, or the receipt by the Company or any ERISA Affiliate of a notice from a Multiemployer Plan that such action has been taken by the PBGC with respect to such Multiemployer Plan; or

(iii) any event, transaction or condition that could result in the incurrence of any liability by the Company or any ERISA Affiliate pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans, or in the imposition of any Lien on any of the rights, properties or assets of the Company or any ERISA Affiliate pursuant to Title I or IV of ERISA or such penalty or excise tax provisions, if such liability or Lien, taken together with any other such liabilities or Liens then existing, could reasonably be expected to have a Material Adverse Effect;

(g) Notices from Governmental Authority -- promptly, and in any event within 30 days of receipt thereof, copies of any notice to the Company or any Subsidiary from any Federal or state Governmental Authority relating to any order, ruling, statute or other law or regulation that could reasonably be expected to have a Material Adverse Effect;

(h) Information Required by Rule 144A -- promptly upon the request of the holder of any Note, such financial and other information as such holder may reasonably determine to be necessary in order to permit compliance with the information requirements of Rule 144A under the Securities Act in connection with a resale of Notes, except at such times as the Company is subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act; and

(i) Requested Information -- with reasonable promptness, such other data and information relating to the business, operations, affairs, financial condition, assets or properties of IPCH Acquisition Corp, the MLP, the Company or any of its Subsidiaries or relating to the ability of any of such Persons to perform under the Note Documents as from time to time may be reasonably requested by any such holder of Notes.

Section 7.2. Officer's Certificate. Each set of financial statements delivered to a holder of Notes pursuant to Section 7.1(a) or Section 7.1(b) hereof shall be accompanied by a certificate of a Senior Financial Officer setting forth:

(a) Covenant Compliance -- the information (including detailed calculations) required in order to establish whether the Company was in compliance with the requirements of Sections 10.1, 10.2, 10.3(a), 10.3(e) and 10.12 hereof, during the quarterly or annual period covered by the statements then being furnished (including with respect to such Section, where applicable, the calculations of the maximum or minimum amount, ratio or percentage, as the case may be, permissible under the terms of such Section, and the calculation of the amount, ratio or percentage then in existence); and

(b) Event of Default -- a statement that such officer has reviewed the relevant terms hereof and has made, or caused to be made, under his or her supervision, a review of the transactions and conditions of IPCH Acquisition Corp, the MLP, the Company and its Subsidiaries from the beginning of the quarterly or annual period covered by the statements then being furnished to the date of the certificate and that such review shall not have disclosed the existence during such period of any condition or event that constitutes a Default or an Event of Default or, if any such condition or event existed or exists (including, without limitation, any such event or condition resulting from the failure of the Company or any Subsidiary to comply with any Environmental Law), specifying the nature and period of existence thereof and what action the Company shall have taken or proposes to take with respect thereto.

Section 7.3. Inspection. The Company shall permit the representatives of each holder of Notes that is an Institutional Investor:

(a) No Default -- if no Default or Event of Default then exists, at the expense of such holder and upon reasonable prior notice to the Company, to visit the principal executive office of the Company, to discuss the affairs, finances and accounts of the Company and its Subsidiaries with the Company's officers, and (with the consent of the Company, which consent will not be unreasonably withheld) its independent public accountants, and (with the consent of the Company, which consent will not be unreasonably withheld) to visit the other offices and properties of the Company and each Subsidiary, all at such reasonable times and as often as may be reasonably requested in writing; and

(b) Default -- if a Default or Event of Default then exists, at the expense of the Company, to visit and inspect any of the offices or properties of the Company or any Subsidiary, to examine all their respective books of account, records, reports and other papers, to make copies and extracts therefrom, and to discuss their respective affairs, finances and accounts with their respective officers and independent public accountants (and by this provision the Company authorizes said accountants to discuss the affairs, finances and accounts of the Company and its Subsidiaries), all at such times and as often as may be requested.

SECTION 8. Prepayment of the Notes.

Section 8.1. Required Prepayments. No regularly scheduled prepayment of the principal of any series of the Notes is required prior to the final maturity date thereof.

Section 8.2. Optional Prepayments with Make-Whole Amount. The Company may, at its option, upon notice as provided below, prepay at any time all, or from time to time any part of, the Notes (in an amount not less than $1,000,000 and increments of $100,000 in excess thereof in the case of any partial prepayment), at 100% of the principal amount so prepaid, together with interest accrued thereon to the date of such prepayment, plus the Make-Whole Amount determined for the prepayment date with respect to such principal amount. The Company will give each holder of Notes written notice of each optional prepayment under this Section 8.2 not less than 30 days and not more than 60 days prior to the date fixed for such prepayment. Each such notice shall specify such date, the aggregate principal amount of each

series of the Notes to be prepaid on such date, the principal amount of each Note held by such holder to be prepaid (determined in accordance with Section 8.4), and the interest to be paid on the prepayment date with respect to such principal amount being prepaid, and shall be accompanied by a certificate of a Senior Financial Officer as to the estimated Make-Whole Amount due in connection with such prepayment (calculated as if the date of such notice were the date of the prepayment), setting forth the details of such computation. Two Business Days prior to such prepayment, the Company shall deliver to each holder of Notes a certificate of a Senior Financial Officer specifying the calculation of such Make-Whole Amount as of the specified prepayment date.

Section 8.3. Offer to Prepay Notes as the Result of Certain Asset Dispositions.

(a) Notice of Debt Prepayment Application. In the event that the Company elects to make a Debt Prepayment Application at any time pursuant to the provisions of Section 10.3(e) in respect of any Asset Disposition, the Company shall give written notice of such Debt Prepayment Application to each holder of Notes, which notice shall contain and constitute an offer to prepay the Notes as described in Section 8.3(b) and shall be accompanied by the certificate described in Section 8.3(e). Notwithstanding the foregoing, if the Company fails to provide such notice, or any holder of Notes is made aware that a Debt Prepayment Application is required in respect of any Asset Disposition prior to receiving such notice from the Company, such holder of Notes may notify the Company in writing thereof, whereupon the Company shall make forthwith the offer described in the preceding sentence.

(b) Offer to Prepay Notes. The offer to prepay Notes contemplated by the foregoing clause (a) shall be an offer by the Company to each holder of Notes to prepay, in accordance with and subject to this Section 8.3, on the date specified in such offer (the "Proposed Asset Disposition Prepayment Date"), the portion of the outstanding principal amount of Notes held by such holder (as used in this Section 8.3(b) only, "holder" in respect of any Note registered in the name of a nominee for a disclosed beneficial owner shall mean such beneficial owner) which, when added to the Make-Whole Amount with respect thereto, equals the Ratable Portion with respect to the Notes held by such holder. Such Proposed Asset Disposition Prepayment Date shall be not less than 15 days and not more than 30 days after the date of such offer (if the Proposed Asset Disposition Prepayment Date shall not be specified in such offer, the Proposed Asset Disposition Prepayment Date shall be the 20th day after the date of such offer).

(c) Acceptance; Rejection. A holder of Notes may accept or reject the offer to prepay made pursuant to this Section 8.3 by causing a notice of such acceptance or rejection, as the case may be, to be delivered to the Company at least 5 days prior to the Proposed Asset Disposition Prepayment Date. A failure by a holder of Notes to respond, by the date specified in the preceding sentence, to an offer to prepay made pursuant to this Section 8.3 shall be deemed to constitute an acceptance of such offer by such holder. If all holders of Notes reject an offer of prepayment made pursuant to this Section 8.3 with respect to an Asset Disposition, no Debt Prepayment Application shall be required hereunder with respect to such Asset Disposition; provided, that, such rejection shall not waive any requirements hereunder to apply the Net Proceeds of subsequent Asset Dispositions to Debt Prepayment Applications.

(d) Prepayment. Prepayment of the Notes to be prepaid pursuant to this Section 8.3 shall be at 100% of the principal amount (determined as provided in Section 8.3(b) above) so prepaid plus interest thereon to the prepayment date and the Make-Whole Amount, if any, with respect to each such Note. On the Business Day preceding the date of prepayment under this Section 8.3, the Company shall deliver to each holder of Notes to be prepaid a statement showing (i) the aggregate principal amount of the Notes to be prepaid in connection with such prepayment and the Make-Whole Amount due in connection with such prepayment and (ii) setting forth the details of the computation of such amounts (which amounts, together, shall equal the Ratable Portion as to the Notes being prepaid). Such prepayment shall be made on the Proposed Asset Disposition Prepayment Date.

(e) Officer's Certificate. Each offer to prepay the Notes pursuant to this Section 8.3 shall be accompanied by a certificate, executed by a Responsible Officer of the Company and dated the date of such offer, specifying: (i) the Proposed Asset Disposition Prepayment Date; (ii) that such offer is made pursuant to this Section 8.3; (iii) the respective Ratable Portions and principal amounts of all Notes to be prepaid; (iv) the estimated Make-Whole Amount due in connection with such prepayment (calculated as if the date of such certificate were the date of the prepayment) with respect to each Note to be prepaid and the details of such calculation; (v) the interest that would be due on each Note offered to be prepaid, accrued to the Proposed Asset Disposition Prepayment Date; (vi) that the conditions of this Section 8.3 have been fulfilled; and (vii) in reasonable detail, the nature, date and Net Proceeds of the Asset Disposition giving rise to such offer.

Section 8.4. Allocation of Partial Prepayments. In the case of any partial prepayment of the Notes pursuant to Section 8.2, the principal amount of the Notes to be prepaid shall be (i) allocated among all series of Notes then outstanding on a pro rata basis, to each series in the proportion that the aggregate unpaid principal amount of such series of Notes bears to the aggregate unpaid principal amount of all series of Notes then outstanding, and (ii) allocated pro rata among each series of the Notes receiving such prepayment in proportion, as nearly as practicable, to the respective unpaid principal amounts thereof not theretofore called for prepayment. All partial prepayments made pursuant to Section 8.3 shall be applied only to the Notes of the holders who have accepted (or have been deemed pursuant to Section 8.3(c) to have accepted) such prepayment, in proportion to the respective outstanding principal amounts thereof.

Section 8.5. Maturity; Surrender, Etc. In the case of each prepayment of Notes pursuant to this Section 8, the principal amount of each Note to be prepaid shall mature and become due and payable on the date fixed for such prepayment, together with interest on such principal amount accrued to such date and the applicable Make-Whole Amount, if any. From and after such date, unless the Company shall fail to pay such principal amount when so due and payable, together with the interest and Make-Whole Amount, if any, as aforesaid, interest on such principal amount shall cease to accrue. Any Note paid or prepaid in full shall be surrendered to the Company and cancelled and shall not be reissued, and no Note shall be issued in lieu of any prepaid principal amount of any Note.

Section 8.6. Purchase of Notes. The Company will not and will not permit any Affiliate to purchase, redeem, prepay or otherwise acquire, directly or indirectly, any of the

outstanding Notes except upon the payment or prepayment of the Notes in accordance with the terms of this Agreement and the Notes. The Company will promptly cancel all Notes acquired by it or any Affiliate pursuant to any payment, prepayment or purchase of Notes pursuant to any provision of this Agreement and no Notes may be issued in substitution or exchange for any such Notes.

Section 8.7. Make-Whole Amount. The term "Make-Whole Amount" means, with respect to any Note, an amount equal to the excess, if any, of the Discounted Value of the Remaining Scheduled Payments with respect to the Called Principal of such Note over the amount of such Called Principal, provided that the Make-Whole Amount may in no event be less than zero. For the purposes of determining the Make-Whole Amount, the following terms have the following meanings:

"Called Principal" means, with respect to any Note, the principal of such Note that is to be prepaid pursuant to Section 8.2 or Section 8.3 or has become or is declared to be immediately due and payable pursuant to Section 12.1, as the context requires.

"Discounted Value" means, with respect to the Called Principal of any Note, the amount obtained by discounting all Remaining Scheduled Payments with respect to such Called Principal from their respective scheduled due dates to the Settlement Date with respect to such Called Principal, in accordance with accepted financial practice and at a discount factor (applied on the same periodic basis as that on which interest on the Notes is payable) equal to the Reinvestment Yield with respect to such Called Principal.

"Reinvestment Yield" means, with respect to the Called Principal of any Note, 1.00% over the yield to maturity implied by (i) the yields reported, as of 10:00 A.M. (New York City local time) on the second Business Day preceding the Settlement Date with respect to such Called Principal for actively traded U.S. Treasury securities having a maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date on the Treasury Yield Monitor Page of Standard & Poor's MMS- Treasury Market Insight (or, if Standard & Poor's shall cease to report such yields in MMS - Treasury Market Insight or shall cease to be the customary source of information for calculating yield-maintenance amounts on privately placed notes, then such source as is then the customary source of such information), or (ii) if such yields are not reported as of such time or the yields reported as of such time are not ascertainable, the Treasury Constant Maturity Series Yields reported, for the latest day for which such yields have been so reported as of the second Business Day preceding the Settlement Date with respect to such Called Principal, in Federal Reserve Statistical Release H.15(519) (or any comparable successor publication) for actively traded U.S. Treasury securities having a constant maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date. Such implied yield will be determined, if necessary, by (a) converting U.S. Treasury bill quotations to bond equivalent yields in accordance with accepted financial practice and (b) interpolating linearly between (1) the actively traded U.S. Treasury security with the duration closest to and greater than the Remaining Average Life and (2) the actively traded U.S. Treasury security with the duration closest to and less than the Remaining Average Life. The Reinvestment Yield shall be rounded to that number of decimal places as appears in the coupon of the applicable Note.

"Remaining Average Life" means, with respect to any Called Principal, the number of years (calculated to the nearest one-twelfth year) obtained by dividing (i) such Called Principal into (ii) the sum of the products obtained by multiplying (a) the principal component of each Remaining Scheduled Payment with respect to such Called Principal by (b) the number of years (calculated to the nearest one-twelfth year) that will elapse between the Settlement Date with respect to such Called Principal and the scheduled due date of such Remaining Scheduled Payment.

"Remaining Scheduled Payments" means, with respect to the Called Principal of any Note, all payments of such Called Principal and interest thereon that would be due after the Settlement Date with respect to such Called Principal if no payment of such Called Principal were made prior to its scheduled due date, provided that if such Settlement Date is not a date on which interest payments are due to be made under the terms of the Notes, then the amount of the next succeeding scheduled interest payment will be reduced by the amount of interest accrued to such Settlement Date and required to be paid on such Settlement Date pursuant to Section 8.2, Section 8.3 or Section 12.1.

"Settlement Date" means, with respect to the Called Principal of any Note, the date on which such Called Principal is to be prepaid pursuant to Section 8.2 or Section 8.3 or has become or is declared to be immediately due and payable pursuant to Section 12.1, as the context requires.

SECTION 9. Affirmative Covenants.

The Company covenants that so long as any of the Notes are outstanding or any amounts are owed by the Company to any holder hereunder or under any of the other Note Documents:

Section 9.1. Compliance with Law. The Company will, and will cause each of its Subsidiaries to, comply with all laws, ordinances or governmental rules or regulations to which each of them is subject, including, without limitation, Environmental Laws, and will obtain and maintain in effect all licenses, certificates, permits, franchises and other governmental authorizations necessary to the ownership of their respective properties or to the conduct of their respective businesses, in each case to the extent necessary to ensure that non-compliance with such laws, ordinances or governmental rules or regulations or failures to obtain or maintain in effect such licenses, certificates, permits, franchises and other governmental authorizations could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

Section 9.2. Insurance.

(a) The Company will, and will cause each of its Subsidiaries to, maintain, with financially sound and reputable insurers reasonably satisfactory to the Collateral Agent and the Required Holders, insurance with respect to their respective properties and businesses against such casualties and contingencies, of such types, on such terms and in such amounts (including deductibles, co-insurance and self-insurance, if adequate reserves are maintained with respect thereto) as is customary in the case of entities of established reputations engaged in the same or a similar business and similarly situated.

(b) Without limitation of the foregoing, such insurance shall insure (i) all of the property of an insurable nature of the Company and its Subsidiaries (other than residential tanks and racks and cylinders on a cylinder exchange program), including, without limitation, all real estate, equipment, fixtures and inventories, against fire and other casualties in such a manner and to the extent that like properties are usually insured by others owning properties of a similar character in a similar locality or as otherwise required by the Collateral Agent or requested by Required Holders, with the proceeds of such casualty insurance payable to the Collateral Agent for the benefit of the holders of the Notes (and for the benefit of other Secured Creditors under the Intercreditor Agreement), and (ii) the Company and its Subsidiaries against liability on account of damage to persons or property (including product liability insurance and all insurance required under all applicable worker's compensation laws) caused by it or its officers, members, employees, agents or contractors in such a manner and to the extent that like risks are usually insured by others conducting similar businesses in the places where it conducts its business or as otherwise required by the Collateral Agent or requested by Required Holders, including, without limitation, pollution liability coverage on its automobile/motor carrier/truckers liability insurance substantially similar to the coverage in effect on the date hereof and covering the Company and its Subsidiaries against liability on account of damage to persons or property arising from the transportation of Hazardous Materials with limits not less than those limits in effect on the date hereof and deductibles not more than $500,000.

(c) The Company shall cause the insurers under all of its and its Subsidiaries' insurance policies to (i) provide the Collateral Agent at least 30 days prior written notice of the termination or cancellation of or any material change by endorsement to any such policy before such termination, cancellation or change shall be effective and (ii) agree to such other matters in respect of any such casualty insurance as provided in the Collateral Agent's loss payee endorsement. The Collateral Agent and all holders of the Notes shall be named as additional insured on all liability insurance policies, and the Collateral Agent shall be named as loss payee on all property policies obtained or maintained by the Company and its Subsidiaries with respect to their properties and businesses. In addition, the Company will, upon request of the Collateral Agent or any holder of any Note at any time, furnish a written summary of the amount and type of insurance carried by the Company and its Subsidiaries, the names of the insurers and the policy numbers, and deliver to the Collateral Agent certificates with respect thereto.

Section 9.3. Maintenance of Properties. The Company will, and will cause each of its Subsidiaries to, maintain and keep, or cause to be maintained and kept, their respective properties in good repair, working order and condition (other than ordinary wear and tear) and their respective real and personal property leases in effect and free from any defaults by such Person, in each case so that the business carried on in connection therewith may be properly conducted at all times; provided that this Section shall not prevent the Company or any Subsidiary from discontinuing the operation and the maintenance of any of its properties or from terminating or not renewing any real or personal property leases if such discontinuance, termination or non-renewal is desirable in the conduct of its business and the Company has concluded that such discontinuance, termination or non-renewal could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

Section 9.4. Payment of Taxes and Claims. The Company will, and will cause each of its Subsidiaries to, file all tax returns required to be filed in any jurisdiction and to pay and

discharge all taxes shown to be due and payable on such returns and all other taxes, assessments, governmental charges, or levies imposed on them or any of their properties, assets, income or franchises, to the extent such taxes and assessments have become due and payable and before they have become delinquent and all claims for which sums have become due and payable that have or might become a Lien on properties or assets of the Company or any Subsidiary, provided that neither the Company nor any Subsidiary need pay any such tax or assessment or claims if (i) the amount, applicability or validity thereof is contested by the Company or such Subsidiary on a timely basis in good faith and in appropriate proceedings, and the Company or a Subsidiary has established adequate reserves therefor in accordance with GAAP on the books of the Company or such Subsidiary or (ii) the nonpayment of all such taxes and assessments in the aggregate could not reasonably be expected to have a Material Adverse Effect.

Section 9.5. Limited Liability Existence, Etc. The Company will at all times preserve and keep in full force and effect its existence as a limited liability company. Subject to Section 10.3(d) and Section 10.3(e), the Company will at all times preserve and keep in full force and effect the existence of each of its Subsidiaries (unless merged into the Company or a Subsidiary) and all rights and franchises of the Company and its Subsidiaries unless, in the good faith judgment of the Company, the termination of or failure to preserve and keep in full force and effect such existence, right or franchise could not, individually or in the aggregate, have a Material Adverse Effect.

Section 9.6. Notes to Rank Pari Passu. The Notes and all other obligations under this Agreement of the Company are and at all times shall rank at least pari passu in right of payment with all other present and future Senior Indebtedness (actual or contingent) of the Company which is not expressed to be subordinate or junior in rank to any other Senior Indebtedness of the Company.

Section 9.7. Covenant to Secure Notes Equally. The Company will, if it or any Subsidiary shall create or assume any Lien upon any of its property or assets, whether now owned or hereafter acquired, other than Liens permitted by the provisions of Section 10.3(a) (unless prior written consent to the creation or assumption thereof shall have been obtained pursuant to Section 17.1), make or cause to be made effective provision whereby the Notes will be secured by such Lien equally and ratably with any and all other Indebtedness thereby secured so long as any such other Indebtedness shall be so secured; provided that the creation and maintenance of such equal and ratable Lien shall not in any way limit or modify the right of the holders of the Notes to enforce the provisions of Section 10.3(a).

Section 9.8. Collateral; Subsequently Acquired Subsidiaries.

(a) It is the intent of the parties that the obligations under the Note Documents shall at all times be secured on an equal and ratable basis with the obligations under the Bank Documents. If IPCH Acquisition Corp, the MLP, the Company, any Subsidiary or any other Person at any time grants additional security of any kind or provides an additional Guaranty or other credit support of any kind pursuant to the requirements of, or in order to secure the obligations with respect to any Bank Document, then the Company shall, or shall cause such other Person to grant to the holders of the Notes such additional security, Guaranty or credit support so that the holders of the Notes are secured on an equal and ratable basis. With respect to

any Subsidiary of the Company that executes a Guaranty with respect to any obligations under any Bank Document, the Company shall cause such Subsidiary concurrently to enter into a Guarantor Supplement (in the form attached as Exhibit A to the Subsidiary Guaranty Agreement), and within 3 Business Days thereafter will deliver to each of the holders of the Notes the following items at the Company's cost and expense:

(i) an executed counterpart of such Guarantor Supplement;

(ii) such documents and evidence with respect to such Subsidiary as any holder of the Notes may reasonably request in order to establish the existence and good standing of such Subsidiary and the authorization of the transactions contemplated by such Guarantor Supplement;

(iii) an opinion of counsel satisfactory to the Required Holders to the effect that such Subsidiary Guaranty Agreement has been duly authorized, executed and delivered and constitutes the legal, valid and binding contract and agreement of such Subsidiary enforceable in accordance with its terms, except as an enforcement of such terms may be limited by bankruptcy, insolvency, reorganization, moratorium and similar laws affecting the enforcement of creditors' rights generally and by general equitable principles, and such other matters as reasonably requested by the Required Holders; and

(iv) any joinder agreement required to be executed pursuant to the provisions of the Intercreditor Agreement.

(b) At the cost and expense of the Company, the Company shall execute, and shall cause its Subsidiaries to execute, any and all documents, financing statements, agreements and instruments, and take all action (including, without limitation, filing Uniform Commercial Code and other financing statements, mortgages and deeds of trust and any notices or other documents customarily filed with the United States Patent and Trademark Office or the United States Copyright Office), that may be required under applicable law, or which the Required Holders or the Collateral Agent may reasonably request, in order to effectuate the transactions contemplated by the Note Documents and in order to grant, preserve, protect and perfect the validity and first priority of the security interests and Liens created or purported to be created by the Security Documents or in order to effectuate the intent of the parties set forth in Section 9.8(a).

(c) Any security interests and Liens granted by the Company and its Subsidiaries pursuant to this Section 9.8 will be created under the Security Documents in form, scope and substance satisfactory to the Required Holders and the Collateral Agent, and at its expense the Company will deliver or cause to be delivered to the Collateral Agent, all such instruments and documents (including, without limitation, legal opinions, title searches, environmental site assessments, surveys, lien searches and searches for liens on encumbrances upon intellectual property) as the Required Holders or the Collateral Agent shall reasonably request to evidence compliance with this Section 9.8. The Company agrees to provide from time to time such evidence as the Required Holders or the Collateral Agent shall reasonably request as to the perfection and priority status of each such security interest and Lien.

(d) The holders of the Notes acknowledge and agree that such holders will discharge and release any Subsidiary Guarantor from the Subsidiary Guaranty Agreement to which it is a

party pursuant to the written request of the Company, provided that (i) such Subsidiary Guarantor has been released and discharged as an obligor and guarantor under and in respect of all Indebtedness of the Company and its Affiliates under the Bank Documents, (ii) any such release and discharge shall be expressly conditioned upon receipt by the holders of the Notes of a written agreement executed by the Subsidiary Guarantor to be released pursuant to which such Subsidiary Guarantor agrees that if, for any reason whatsoever, it thereafter becomes an obligor or guarantor under and in respect of any Indebtedness of the Company outstanding under or pursuant to any Bank Document, then such Subsidiary Guarantor shall contemporaneously provide written notice thereof to the holders of the Notes accompanied by an executed Subsidiary Guaranty Agreement of such Subsidiary Guarantor and such other documentation as is required by Section 9.8(a) and (iii) at the time of such release and discharge, no Default or Event of Default has occurred and is continuing or would result from such release and the Company has delivered a certificate of a Responsible Officer to the holders of the Notes certifying to such effect.

(e) The holders of the Notes acknowledge and agree that the Liens of the Collateral Documents in respect of all or any part of the Collateral therein described may be released in the manner and upon the terms and conditions provided in the Intercreditor Agreement, provided, that in the event the Liens of the Security Documents for any reason whatsoever re-attach pursuant to the terms and provisions of the Security Documents or any other Bank Document, then the Lien and security interest of the Security Documents shall ipso facto again secure the holders of the Notes on an equal and pro rata basis.

(f) The Company agrees that it will not, nor will it permit any Subsidiary or Affiliate to, directly or indirectly, pay or cause to be paid any consideration or remuneration, whether by way of supplemental or additional interest, fee or otherwise, to any creditor of the Company, of any Subsidiary Guarantor or any Affiliate as consideration for or as an inducement to the entering into by any such creditor of any release or discharge of any Subsidiary Guarantor with respect to any liability of such Subsidiary Guarantor as an obligor or guarantor under or in respect of Indebtedness of the Company, unless such consideration or remuneration is concurrently paid, on the same terms, ratably to the holders of all of the Notes then outstanding.

Section 9.9. Environmental Reports. If a Default or Event of Default caused by reason of a breach of Section 9.1 (as such Section relates to Environmental Laws) shall have occurred and be continuing, at the request of the Required Holders through the Collateral Agent, the Company, at its sole cost and expense, shall provide to each of the holders of the Notes within 45 days after such request an environmental site assessment report for the properties which are the subject of such Default or Event of Default prepared by an environmental consulting firm acceptable to the Collateral Agent and consented to by the Company (which consent shall not be unreasonably withheld or delayed), indicating the presence or absence of any Hazardous Materials and the estimated cost of any compliance or remedial action in connection with such properties.

Section 9.10. Environmental Indemnities. The Company hereby agrees to indemnify, defend and hold harmless each holder of Notes, the Collateral Agent and each of their respective officers, directors, employees, agents, consultants, attorneys, contractors, affiliates, successors, assigns or transferees (each an "Indemnified Party") from and against, and reimburse said

Persons in full with respect to, any and all loss, liability, damage, fines, penalties, costs and expenses, of every kind and character, including reasonable attorneys' fees and court costs, known or unknown, fixed or contingent, occasioned by or associated with any claims, demands, causes of action, suits and/or enforcement actions, including any administrative or judicial proceedings, and any remedial, removal or response actions ever asserted, threatened or instituted against any Indemnified Party by any Persons, including any Governmental Authority, arising out of or related to: (i) the breach of any representation or warranty of the Company contained in Section 5.18 set forth herein; (ii) the failure of the Company to perform, or to cause its Subsidiaries to perform, any of the covenants contained in Section 9.1 or 9.2; or (iii) the ownership, construction, occupancy, operation, or use of any property of the Company or any Subsidiary or any property on which the Company or any Subsidiary may conduct any operations. THE FOREGOING INDEMNITY OBLIGATIONS OF THE COMPANY FOR THE BENEFIT OF ANY INDEMNIFIED PARTY SHALL EXTEND TO ALL INDEMNIFIED LIABILITIES, INCLUDING, WITHOUT LIMITATION, ANY INDEMNIFIED LIABILITIES ARISING FROM OR ATTRIBUTED TO THE NEGLIGENCE OF ANY INDEMNIFIED PARTY BUT SHALL NOT EXTEND TO ANY INDEMNIFIED LIABILITIES CAUSED BY THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF SUCH INDEMNIFIED PARTY.

Section 9.11. Appointment of Corporate Trustee and Modification of Security Documents. In the event that First Union National Bank resigns as Collateral Agent and subject to the rights of the other Secured Creditors pursuant to the Intercreditor Agreement, the Company will, at any time upon the request of the Required Holders, join in modifications to the Security Documents in order to provide for a substitute or successor Collateral Agent thereunder or for any trustee, assignee, mortgagee or secured party thereunder to be a corporate fiduciary selected by the Required Holders and to incorporate such provisions relating thereto as the corporate fiduciary or the Required Holders may reasonably request.

Section 9.12. Maintenance of Committed Revolving Facility. The Company will at all times maintain a Committed Revolving Facility.

Section 9.13. Employee Benefits. The Company will, and will cause each of its Subsidiaries to,

(a) (i) notify the holders of the Notes promptly of the establishment or joinder of any Plan, and, (ii) prior to (x) the establishment of any "welfare plan" (as defined in Section 3(1) of ERISA) covering any employee of such Person for any period after such employee's termination of employment other than such period required by the Consolidated Omnibus Budget Reconciliation Act of 1986 or "defined benefit plan" (as defined in Section 3(35) of ERISA) or (y) joinder of, or contribution to, any multiemployer plan as defined under Section 3(37) of ERISA, to obtain the Required Holders' prior written approval of such establishment, joinder or contribution;

(b) at all times make prompt payments or contributions to meet the minimum funding standards of Section 412 of the Internal Revenue Code of 1986, as amended, with respect to each Plan;

(c) promptly after the filing thereof, furnish to the holders of the Notes a copy of any report required to be filed pursuant to Section 103 of ERISA in connection with each Plan for each Plan year, including but not limited to the Schedule B attached thereto, if applicable; and

(d) promptly furnish such additional information concerning any Plan as the holder of any Note may from time to time request.

Section 9.14. Location of Collateral. The Company will, and will cause each of its Subsidiaries to, keep all Collateral, other than inventory in transit, motor vehicles, residential tanks and bulk storage tanks, at one or more of the locations set forth on Schedule 9.14 hereto and not remove any such Collateral therefrom except for, for so long as there exists no Event of Default, (i) inventory sold in the ordinary course of business; (ii) dispositions of obsolete equipment to the extent permitted under this Agreement and the other Note Documents; and (iii) the storage of inventory or equipment at locations within the continental United States other than those described on Schedule 9.14 hereto provided that (x) the Company shall take all necessary actions necessary for the Collateral Agent's Lien on such inventory and equipment to continue to be a perfected first priority Lien subject to no other Lien other than Liens permitted by Section 10.3(a) and (y) the Collateral Agent shall have received, prior to the relocation of any such equipment or inventory, a landlord's waiver, acceptable in form and content to the Collateral Agent, if the premises are leased, and mortgagee's waivers, in each case acceptable in form and content to the Collateral Agent, from all those who hold a mortgage or like Lien on such premises.

Section 9.15. Risk Management Plan. The Company will comply, and require its Subsidiaries to comply, with (i) the retail and wholesale inventory distribution and trading procedures, (ii) the dollar and volume limits, and (iii) all other material provisions of the Risk Management Plan.

Section 9.16. Delivery of Recorded Mortgages, etc. As soon as reasonably practicable and in any event on or before August 6, 2002, the Company will cause to be delivered to the Collateral Agent (i) such evidence as may be reasonably requested by the Required Holders that (x) the Mortgages shall have been recorded or filed for record in such public offices as may be necessary in order to perfect or provide third parties with constructive notice of the Liens granted or conveyed thereby, and (y) all fees, charges and taxes in connection with the recordation or filing and re-recordation or re-filing of such Mortgages shall have been paid in full, and (ii) title policy endorsements in form and substance reasonably satisfactory to your special counsel concerning all such Mortgages encumbering real property with a fair market value in excess of $200,000 (other than the Mortgage encumbering the real property located in Center, Texas for which no title policy or title policy endorsement shall be required), which endorsements shall amend the existing title policies on the existing mortgages, security deeds and deeds of trust in favor of First Union National Bank, as Administrative Agent, to secure the Mortgages as first priority Liens on the property encumbered thereby, subject to no Liens except for Liens permitted under this Agreement.

SECTION 10. Negative Covenants.

The Company covenants that so long as any of the Notes are outstanding or any amounts are owed by the Company to any holder hereunder or under any of the other Note Documents:

Section 10.1. Financial Covenants. The Company will not permit:

(a) Total Indebtedness to EBITDA Ratio. At any time, the ratio of (i) Total Indebtedness to (ii) EBITDA for the four fiscal quarters most recently ended to be greater than 4.50 to 1.00; provided, that if (x) the Bank Credit Agreement is hereafter amended to allow the Company to have a Consolidated Leverage Ratio (as defined therein as of the date of Closing) as of the last day of any fiscal quarter to be more than 4.50 to 1.00, (y) no Default or Event of Default has occurred and is continuing on the date that such amendment to the Bank Credit Agreement is effective, and (z) any remuneration (whether by way of supplemental or additional interest, fee or otherwise) paid to any holder of Indebtedness under the Bank Credit Agreement as consideration for or as an inducement to the entering into any such amendment to the Bank Credit Agreement, is concurrently paid on the same terms, ratably to each holder of Notes then outstanding, then the holders agree to amend the foregoing ratio (but not the definitions used in calculating such ratio) to permit a correspondingly greater ratio of Total Indebtedness to EBITDA (but in any event not to exceed 5.00 to 1.00) for the same period as such increased Consolidated Leverage Ratio is permitted by the Bank Credit Agreement pursuant to an amendment in form and substance reasonably satisfactory to the Required Holders. Such amendment shall be executed and delivered by each holder of the Notes to the Company within 30 days of the request by the Company for same and shall, subject to the satisfaction of clauses (x), (y) and (z) of the proviso to the immediately preceding sentence, be effective as of the effective date of the corresponding amendment to the Bank Credit Agreement. If such amendment is not executed and delivered by Required Holders within 30 days of the Company's request hereunder, the ratio of Total Indebtedness to EBITDA permitted by the first sentence of this Section 10.1(a) (but not the definitions used in calculating such ratio) shall be deemed automatically amended, subject to the satisfaction of clauses (x), (y) and (z) of the proviso to such sentence, effective as of the effective date of the corresponding amendment to the Bank Credit Agreement to permit a correspondingly greater ratio of Total Indebtedness to EBITDA (but in any event not to exceed 5.00 to 1.00) for the same period as such increased Consolidated Leverage Ratio is permitted by the Bank Credit Agreement. In the event any such amendment is deemed automatically effective as aforesaid, the Company will promptly execute and deliver at its expense (including, without limitation, the fees and expenses of counsel for the holders of the Notes) an amendment to this Agreement in form and substance satisfactory to the Required Holders evidencing the amendment of this Agreement to include such revised ratio, provided that the execution and delivery of an amendment by the Company and Required Holders shall not be a precondition to the effectiveness of any such deemed amendment, but shall merely be for the convenience of the parties hereto.

(b) Total Interest Coverage Ratio. At any time, the ratio of (i) EBITDA to (ii) Consolidated Total Interest Expense for the four fiscal quarters most recently ended, to be less than 2.50 to 1.00.

Section 10.2. Limitation on Restricted Payments. The Company will not and will not permit any Subsidiary to directly or indirectly declare, order, pay, make or set apart any sum for any Restricted Payment; provided that, if no Default or Event of Default shall have occurred and be continuing, both before and after giving effect to such Restricted Payment, the Company may from time to time pay cash distributions, free and clear of any Liens, to the MLP in an amount not to exceed the Available Cash at such time.

Section 10.3. Liens, Indebtedness, and Other Restrictions. The Company will not and will not permit any Subsidiary to:

(a) Liens. Create, assume or suffer to exist any Lien upon any of its properties or assets, whether now owned or hereafter acquired (whether or not provision is made for the equal and ratable securing of the Notes in accordance with the provisions of Section 9.7), except:

(i) Liens for taxes, assessments or governmental charges not delinquent or being contested in good faith and by appropriate proceedings and for which adequate reserves in accordance with GAAP are maintained on the Company's books;

(ii) Liens arising out of deposits in connection with workers' compensation, unemployment insurance, old age pensions or other social security or retirement benefits legislation (other than ERISA);

(iii) deposits or pledges to secure bids, tenders, contracts (other than contracts for the payment of money), leases, statutory obligations, surety aid, appeal bonds, and other obligations of like nature arising in the ordinary course of the Company's business;

(iv) Liens imposed by law, such as mechanics', workers', materialmen's, carriers or other like liens (excluding, however, any statutory or other Lien in favor of a landlord under a written or oral lease) arising in the ordinary course of the Company's business which secure the payment of obligations which are not past due or which are being diligently contested in good faith by appropriate proceedings and for which adequate reserves in accordance with GAAP are maintained on the Company's books;

(v) rights of way, zoning restrictions, easements and similar encumbrances affecting the Company's real property which do not materially interfere with the use of such property;

(vi) Liens securing the Notes and the payment, performance and observance of the other obligations under this Agreement and the other Note Documents;

(vii) Liens in favor of the Collateral Agent securing the payment, performance and observance of obligations under the Bank Documents and Hedging Agreements with Bank Lenders or Affiliates thereof, (x) which are pari passu with the Liens in favor of the Collateral Agent securing the Notes and the

payment, performance and observance of the other obligations under this Agreement and the other Note Documents, and (y) which are subject to the Intercreditor Agreement;

(viii) Liens in favor of the Collateral Agent securing the payment, performance and observance of obligations with respect to Permitted Additional Private Placement Debt, (x) which are pari passu with the Liens in favor of the Collateral Agent securing the Notes and Indebtedness under the Bank Documents and Hedging Agreements and the payment, performance and observance of the other obligations under this Agreement, the other Note Documents and the Bank Documents, and (y) which are subject to the provisions of the Intercreditor Agreement, as amended to provide for the Permitted Additional Private Placement Debt pursuant to an amendment in form and substance satisfactory to the Required Holders;

(ix) purchase money security interests for the purchase of equipment to be used in the Company's business, encumbering only the equipment so purchased, and which secures only the purchase-money Indebtedness incurred to acquire the equipment so purchased and the aggregate outstanding principal amount of which Indebtedness (with respect to the Company and all Subsidiaries) does not exceed $5,000,000 at any time; and

(x) Liens securing the Mortgage Note Payable and Automobile Note Payable referred to in Schedule 5.15.

(b) Subsidiary Indebtedness. Permit any Subsidiary to directly or indirectly create, incur, assume, suffer to exist or otherwise become or remain directly or indirectly liable with respect to any Indebtedness, except:

(i) Indebtedness represented by a Subsidiary Guaranty Agreement;

(ii) Indebtedness represented by any other Guaranty of Indebtedness of the Company under the Bank Documents, so long as each beneficiary of such Guaranty is a party to the Intercreditor Agreement and the Subsidiary providing such Guaranty is also a party to a Subsidiary Guaranty Agreement;

(iii) Indebtedness represented by any other Guaranty of Indebtedness of Permitted Additional Private Placement Debt, so long as each beneficiary of such Guaranty is a party to the Intercreditor Agreement, as amended to provide for the Permitted Additional Private Placement Debt pursuant to an amendment in form and substance satisfactory to the Required Holders, and the Subsidiary providing such Guaranty is also a party to a Subsidiary Guaranty Agreement;

(iv) Indebtedness owed to the Company or to a Wholly-Owned Subsidiary of the Company; and

(iv) Indebtedness secured by Liens permitted by clause (x) of Section 10.3(a) above.

(c) Loans, Advances, Investments and Contingent Liabilities. Make or permit to remain outstanding any loan or advance to, or extend credit (other than trade credit extended in the normal course of business to any Person that is not a Subsidiary of the Company) to, or make or permit to remain outstanding any Guaranty in connection with the obligations, stock or dividends of, or own, purchase or acquire any stock, obligations or securities of, or any other interest in, or make any capital contribution to, any Person (any of the foregoing, an "Investment"), except that the Company or any Subsidiary may:

(i) endorse negotiable instruments for collection in the ordinary course of business;

(ii) provide Guaranties with respect to the Indebtedness and other obligations of the Company and its Subsidiaries under the Note Documents and, so long as all beneficiaries of such Guaranties are parties to the Intercreditor Agreement and the Subsidiaries providing such Guaranties are also parties to Subsidiary Guaranty Agreements, Guaranties with respect to Indebtedness and other obligations of the Company under the Bank Documents;

(iii) own, purchase or acquire stock or other equity interests of, or make capital contributions to, a Subsidiary or of a Person which immediately after such purchase, acquisition or contribution will be a Subsidiary of the Company;

(iv) own, purchase or acquire (x) certificates of deposit of commercial banks organized under the laws of the United States or any state thereof (having capital resources in excess of $25,000,000) and commercial paper rated A-1 by Standard & Poor's Ratings Group or P-1 by Moody's Investors Service, Inc., in each case due within one year from the date of purchase and payable in the United States in United States dollars, (y) obligations of the United States Government or any agency thereof, and obligations guaranteed by the United States Government, in any case maturing within one year after the acquisition thereof, and (z) money market mutual funds that are classified as current assets in accordance with GAAP, that are rated "AAA" by Standard & Poor's Ratings Group and that invest solely in investments described in clauses (x) and (y) maturing not more than one year after the acquisition thereof, which funds are managed by Persons having capital and surplus in excess of $100,000,000;

(v) Investments (including debt obligations and Capital Stock) received in connection with the bankruptcy or reorganization of suppliers and customers and in settlement of delinquent obligations of, and other disputes with, customers and suppliers arising in the ordinary course of business;

(vi) deposits made in the ordinary course of business in connection with the purchase price of goods and services; and

(vii) other Investments not to exceed $1,000,000 in aggregate amount at any one time outstanding.

(d) Consolidation, Merger, Transfer of Assets, Acquisition, etc. (i) Merge or consolidate with or into any Person, (ii) convey, transfer, lease or otherwise dispose of all or substantially all of its assets in any transaction or series of transactions to any Person(s), (iii) except for Permitted Acquisitions, acquire all or substantially all of the assets or Capital Stock of any other Person, (iv) adopt or effect any plan of reorganization, recapitalization, liquidation or dissolution or (v) except for Permitted Acquisitions, acquire any properties or assets other than in the ordinary course of business; provided that (x) any Subsidiary may merge with the Company (provided that the Company shall be the sole continuing or surviving Person) or with any one or more other Subsidiaries (provided that each surviving Person shall be a Wholly-Owned Subsidiary) and (y) any Subsidiary may convey, transfer, lease or otherwise dispose of all or substantially all of its assets to the Company or to another Subsidiary (and may liquidate or dissolve thereafter).

(e) Limitation on Asset Dispositions. Except as permitted by Section 10.3(d), make or permit to be made any Asset Disposition unless: (i) in the good faith opinion of the Company, the Asset Disposition is in exchange for consideration having a Fair Market Value at least equal to that of the property exchanged and is in the best interest of such Company or such Subsidiary; (ii) immediately after giving effect to the Asset Disposition, no Default or Event of Default would exist; and (iii) immediately after giving effect to the Asset Disposition, the aggregate value (valued, for purposes of determining compliance with the percentage limitations set forth below, at the greater of net book value or the Net Proceeds received by the Company and its Subsidiaries in connection with such Asset Disposition) of all property that was the subject of any Asset Disposition occurring (x) during the period of four consecutive fiscal quarters of the Company ending with and including the fiscal quarter in which such Asset Disposition is made does not exceed 10% of Consolidated Tangible Assets, and (y) on or after the date of Closing does not exceed 25% of Consolidated Tangible Assets, in each case with Consolidated Tangible Assets being determined as of the end of the most recently ended fiscal year of the Company; provided, that if all or any portion of the Net Proceeds of any such Asset Disposition, to the extent that such amount exceeds the amount permitted under clause (x) or clause (y) above, as the case may be, is delivered, within two Business Days after such Asset Disposition, to the Collateral Agent to be held by it as security under the Security Documents and invested in Investments selected by the Company and described in clause (iv) of Section 10.3(c), and are subsequently applied to a Property Reinvestment Application or to a Debt Prepayment Application within 180 days after such Asset Disposition, then such Asset Disposition, solely for purposes of determining compliance with this clause (iii) as of a date on or after the date of such Asset Disposition, shall be deemed not to constitute an Asset Disposition to the extent of the Net Proceeds so delivered. If the Company or any of its Subsidiaries shall deliver all or any portion of the Net Proceeds of an Asset Disposition to the Collateral Agent as provided in the preceding sentence and either such Net Proceeds have not been applied in their entirety to a Property Reinvestment Application, or the Company has not given notice of a Debt Prepayment Application with respect thereto pursuant to Section 8.3(a), within 150 days after such Asset Disposition, the Company shall notify the Collateral Agent and the holder of each Note of whether the Company or one of its Subsidiaries intends to make a Property Reinvestment Application or whether the Company intends to make a Debt Prepayment Application (or any combination thereof) with such Net Proceeds and the approximate date (which shall occur within 180 days after such Asset Disposition) on which the same is to be consummated. To the extent that the Net Proceeds from any Asset Disposition are required to be applied to a Property

Reinvestment Application or a Debt Prepayment Application in order to avoid an Event of Default under the first sentence of this Section 10.3(e) but have not been so applied within 180 days after such Asset Disposition, the Company hereby irrevocably authorizes and instructs the Collateral Agent to apply such Net Proceeds on behalf of the Company to a Debt Prepayment Application on the 180/th/ day after such Asset Disposition.

In the event that the Company or any of its Subsidiaries shall desire a release of the Liens in favor of the Collateral Agent insofar as they encumber the property that is the subject of an Asset Disposition permitted by this Section 10.3(e), the Company shall deliver to the Collateral Agent (and shall simultaneously send copies to the holders of the Notes) an Officer's Certificate containing a request for release of such Liens and stating that such Asset Disposition and Lien release are permitted by the terms of this Agreement.

(f) Sale or Discount of Receivables. Sell, discount (other than to the extent of finance and interest charges included therein) or otherwise sell for less than face value thereof, any of its notes or accounts receivable, except notes or accounts receivable the collection of which is doubtful in accordance with GAAP.

(g) Transactions With Affiliates. Enter into or be a party to any transaction or arrangement, including without limitation, the purchase, sale or exchange of property of any kind or the rendering of any service, with any Affiliate, except in the ordinary course of business (other than Permitted Acquisitions that are structured in substantially the same manner as the IPC Acquisition) and pursuant to the reasonable requirements of such Person's business and upon fair and reasonable terms substantially as favorable to such Person as those which would be obtained in a comparable arms-length transaction with a non-Affiliate.

(h) Prohibition Against Sale-Leaseback Transactions. Enter into any arrangement with any lender or investor or to which such lender or investor is a party providing for the leasing by the Company or any Subsidiary of real or personal property which has been or is to be sold or transferred by the Company or any Subsidiary to such lender or investor or to any Person to whom funds have been or are to be advanced by such lender or investor on the security of such property or rental obligations of the Company or any Subsidiary except for such transactions which, together with all other such transactions entered into by the Company and its Subsidiaries after the date hereof, involve real and personal property having a fair market value not exceeding $5,000,000 in the aggregate.

Section 10.4. Changes in Accounting Principles; Fiscal Year. The Company will not and will not permit any Subsidiary to make any change in its principles or methods of accounting as currently in effect, except such changes as are permitted by GAAP, or change its fiscal year from its present fiscal year (fiscal year end of September 30).

Section 10.5. Subsidiaries; Change of Business. The Company will not, and will not permit any Subsidiary to, create any Subsidiary, or manufacture any goods, render any services or otherwise enter into any business which is not substantially similar to that existing on the date of Closing.

Section 10.6. Modification of Organizational Documents. The Company will not and will not permit any Subsidiary to amend, supplement, alter, restate, terminate or otherwise

modify its certificate or articles of incorporation, bylaws, certificate of formation, limited liability company agreement or other organizational documents, as applicable, in any way which would in any manner adversely affect the rights of the holders of Notes or the Collateral Agent or the obligations or covenants of the Company and its Subsidiaries hereunder or under any of the other Note Documents. Without limitation of the foregoing, the Company will not and will not permit any Subsidiary to change its legal name or jurisdiction of incorporation or organization, as applicable, unless (a) such Person shall have given to the Collateral Agent not less than 60 days' prior written notice of its commencing to do so (or such prior notice as is otherwise acceptable to the Collateral Agent), clearly describing such new name or jurisdiction, as applicable, and such other information in connection therewith as the Collateral Agent may reasonably request and (b) with respect to such new name or jurisdiction, such Person shall have taken all reasonable action, reasonably satisfactory to the Collateral Agent, to maintain the security interest of the Collateral Agent in the Collateral at all times fully perfected and in full force and effect.

Section 10.7. Conflicting Agreements. The Company will not and will not permit any of its Subsidiaries to enter into or permit to exist any agreement to which any such entity is a party or by which any such entity is bound (i) which would cause a Default or Event of Default hereunder or (ii) which contains any provision which would be violated or breached by the performance of the obligations of the Company and its Subsidiaries hereunder or under any of the other Note Documents.

Section 10.8. Limitation on Certain Restrictive Agreements. The Company will not and will not permit any of its Subsidiaries to enter into or suffer to exist any contractual obligation, other than the Note Documents and the Bank Documents, which in any way restricts the ability of the Company or any of its Subsidiaries to (i) create, incur, assume or suffer to exist any Lien upon any of its property, assets or revenues (provided that any Capital Lease or instrument or agreement relating to purchase money indebtedness otherwise permitted hereunder may contain provisions prohibiting the creation or existence of Liens on the specific property or assets subject to such Capital Lease or in respect of which such purchase money indebtedness was incurred), (ii) make any prepayments or purchases of the Notes required under this Agreement, (iii) make any dividends or distributions, or any payments required under this Agreement or any other Note Document or (iv) transfer any of its property or assets to the Company or a Subsidiary.

Section 10.9. Limitation on Issuance of Capital Stock by Subsidiaries. The Company will not permit any Subsidiary to issue any Capital Stock of such Subsidiary except to the Company or another Subsidiary.

Section 10.10. Limitation on Sale of Capital Stock or Indebtedness of Subsidiaries. The Company will not and will not permit any Subsidiary to sell or otherwise dispose of, or part with control of, any Capital Stock or any Indebtedness of any Subsidiary except to the Company or another Subsidiary.

Section 10.11. Financial Covenants and Collateral Provisions of Credit Agreement and other Restricted Agreements. The Company will not, and will not permit any of its Subsidiaries to enter into any indenture, agreement or other instrument under which the Company or its Subsidiaries could issue or permit to remain outstanding Indebtedness in an aggregate principal amount greater than $500,000 (a "Restricted Agreement"), or agree to any amendment, waiver,

consent, modification, refunding, refinancing or replacement of the Bank Credit Agreement or any other Restricted Agreement, in either case with terms the effect of which is to (x) include a Financial Covenant which is not contained in this Agreement, (y) revise or alter any Financial Covenant contained therein the effect of which is to increase or expand the restriction on the Company or any Subsidiary, or (z) except for Liens permitted under the terms of this Agreement, grant collateral for the obligations of the Company or any Subsidiary thereunder, in each case unless the Company concurrently incorporates herein such additional, altered or revised Financial Covenant or grant of collateral (as the case may be). The incorporation of each such additional Financial Covenant, restriction or grant of collateral (as the case may be) is hereby deemed to occur automatically and concurrently by reason of the execution of this Agreement without any further action or the execution of any additional document by any of the parties to this Agreement, and each such covenant or restriction so incorporated shall include the same terms, conditions and limitations (temporal or otherwise) as the covenant or restriction contained in the Bank Credit Agreement or other applicable Restricted Agreement (in each case as such agreement is in effect on the date such incorporation occurs). Upon the request of the Required Holders, the Company will promptly execute and deliver at its expense (including, without limitation, the fees and expenses of counsel for the holders of the Notes) an amendment to this Agreement in form and substance satisfactory to the Required Holders evidencing the amendment of this Agreement to include such additional, altered or revised Financial Covenants, provided that the execution and delivery of such amendment shall not be a precondition to the effectiveness of such amendment as provided for in this Section 10.2, but shall merely be for the convenience of the parties hereto. Without limiting the foregoing, neither the Company nor any Subsidiary nor any Affiliate, directly or indirectly, will offer any economic inducement (including without limitation any collateral) to any Bank Lender or to any other Person who is a party to any other Restricted Agreement for the purpose of inducing such Bank Lender or such other Person to enter into any waiver of any event of default under the Bank Credit Agreement or such other Restricted Agreement or event which with the lapse of time or the giving of notice, or both, would constitute such an event of default, unless the same such economic inducement has been concurrently offered on a pro-rata basis to all of the holders of the Notes and, if a waiver of the corresponding Default of Event of Default is made by Required Holders hereunder, such economic inducement has been paid on a pro-rata basis to all of the holders of the Notes (it being understood and agreed that the offering of such economic inducement to the holders of the Notes shall not be deemed or construed to obligate any such holder to enter into any waiver of any Default or Event of Default hereunder).

Section 10.12. Limitations on Swaps. The Company will not and will not permit any Subsidiary to enter into any Swap other than Swaps entered into in the ordinary course of business with a term of less than 24 months if, after entering into such Swap, the difference between the aggregate amount of (i) Swaps of the Company and its Subsidiaries for the purchase of volumes of propane and (ii) Swaps of the Company and its Subsidiaries for the delivery of propane would exceed 5% of the gallons of propane delivered in the prior 12-month period; provided that for the purposes of determining compliance with the foregoing restrictions for any period after a Permitted Acquisition is consummated, the total gallons of propane delivered in the prior 12-month period shall be calculated after giving effect on a pro forma basis to any such Permitted Acquisition occurring during the period commencing on the first day of such 12-month period to and including the date of such transaction (as used in this Section 10.12, the

"Reference Period"), as if such Permitted Acquisition occurred on the first day of the Reference Period.

Section 10.13. Limitation on Put Agreements. The Company will not and will not permit any Subsidiary to enter into any put agreement or similar agreement with any Person granting such Person put rights or similar arrangements with respect to the Capital Stock of the Company or any of its Subsidiaries.

SECTION 11. Events of Default.

An "Event of Default" shall exist if any of the following conditions or events shall occur and be continuing:

(a) the Company defaults in the payment of any principal or Make-Whole Amount, if any, on any Note when the same becomes due and payable, whether at maturity or at a date fixed for prepayment or by declaration or otherwise; or

(b) the Company defaults in the payment of any interest on any Note for more than three days after the same becomes due and payable; or

(c) the Company defaults in the performance of or compliance with any term contained in paragraph (e) of Section 7.1, any term contained in Sections 9.1, 9.5 or 9.6 through 9.10, or any term contained in Sections 10.1 through 10.13; or

(d) IPCH Acquisition Corp, the MLP, the Company or any Subsidiary defaults in the performance of or compliance with any term contained herein (other than those referred to in paragraphs (a), (b) and (c) of this Section 11) or in any of the other Note Documents and such default is not remedied within 30 days after the earlier of (i) a Responsible Officer obtaining actual knowledge of such default and (ii) the Company receiving written notice of such default from the Collateral Agent or any holder of a Note (any such written notice to be identified as a "notice of default" and to refer specifically to this clause (d) of this Section 11); or

(e) any representation or warranty made in writing by or on behalf of IPCH Acquisition Corp, the MLP, the Company or any Subsidiary, or by any officer of IPCH Acquisition Corp, the MLP, the Company or any Subsidiary in this Agreement or any other Note Document or writing furnished in connection with the transactions contemplated hereby or thereby proves to have been false or incorrect in any material respect on the date as of which made; or

(f) (i) IPCH Acquisition Corp, the MLP, the Company or any Subsidiary is in default (as principal or as guarantor or other surety) in the payment of any principal of or premium or make-whole amount or interest on any Indebtedness that is outstanding in an aggregate principal amount of at least $1,000,000 beyond any period of grace provided with respect thereto, or (ii) IPCH Acquisition Corp, the MLP, the Company or any Subsidiary is in default in the performance of or compliance with any term of any evidence of any Indebtedness in an aggregate outstanding principal amount of at least $1,000,000 or of any mortgage, indenture or other agreement relating thereto or any other

condition exists, and as a consequence of such default or condition such Indebtedness has become, or has been declared (or one or more Persons are entitled to declare such Indebtedness to be), due and payable before its stated maturity or before its regularly scheduled dates of payment, or (iii) as a consequence of the occurrence or continuation of any event or condition (other than the passage of time or the right of the holder of Indebtedness to convert such Indebtedness into equity interests), (x) the Company or any Subsidiary has become obligated to purchase or repay Indebtedness before its regular maturity or before its regularly scheduled dates of payment in an aggregate outstanding principal amount of at least $1,000,000, or (y) one or more Persons have the right to require the Company or any Subsidiary so to purchase or repay such Indebtedness; or

(g) IPCH Acquisition Corp, the MLP, the Company or any Subsidiary (i) is generally not paying, or admits in writing its inability to pay, its debts as they become due, (ii) files, or consents by answer or otherwise to the filing against it of, a petition for relief or reorganization or arrangement or any other petition in bankruptcy, for liquidation or to take advantage of any bankruptcy, insolvency, reorganization, moratorium or other similar law of any jurisdiction, (iii) makes an assignment for the benefit of its creditors, (iv) consents to the appointment of a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, (v) is adjudicated as insolvent or to be liquidated, or (vi) takes limited liability company, corporate or partnership or other like action for the purpose of any of the foregoing; or

(h) a court or governmental authority of competent jurisdiction enters an order appointing, without consent by IPCH Acquisition Corp, the MLP, the Company or any of its Subsidiaries, a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, or constituting an order for relief or approving a petition for relief or reorganization or any other petition in bankruptcy or for liquidation or to take advantage of any bankruptcy or insolvency law of any jurisdiction, or ordering the dissolution, winding-up or liquidation of IPCH Acquisition Corp, the MLP, the Company or any Subsidiary, or any such petition shall be filed against IPCH Acquisition Corp, the MLP, the Company or any of its Subsidiaries and such petition shall not be dismissed within 60 days; or

(i) a final judgment or judgments for the payment of money aggregating in excess of $1,000,000 are rendered against one or more of IPCH Acquisition Corp, the MLP, the Company or any Subsidiary and which judgments are not, within 30 days after entry thereof, bonded, discharged or stayed pending appeal, or are not discharged within 30 days after the expiration of such stay; or

(j) if (i) any Plan shall fail to satisfy the minimum funding standards of ERISA or the Code for any plan year or part thereof or a waiver of such standards or extension of any amortization period is sought or granted under section 412 of the Code, (ii) a notice of intent to terminate any Plan shall have been or is reasonably expected to be filed with the PBGC or the PBGC shall have instituted proceedings under ERISA Section 4042 to terminate or appoint a trustee to administer any Plan or the PBGC shall have notified the Company or any ERISA Affiliate that a Plan may become a subject of any such proceedings, (iii) the aggregate "amount of unfunded benefit liabilities" (within

the meaning of Section 4001(a)(18) of ERISA) under all Plans, determined in accordance with Title IV of ERISA, shall exceed $1,000,000, (iv) the Company or any ERISA Affiliate shall have incurred or is reasonably expected to incur any liability pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans, (v) the Company or any ERISA Affiliate withdraws from any Multiemployer Plan, or (vi) the Company or any Subsidiary establishes or amends any employee welfare benefit plan that provides post-employment welfare benefits in a manner that would increase the liability of the Company or any Subsidiary thereunder; and any such event or events described in clauses (i) through (vi) above, either individually or together with any other such event or events, could reasonably be expected to have a Material Adverse Effect; or

(k) any material provision of the Limited Guaranty Agreement, the Parent Guaranty Agreement, any Subsidiary Guaranty Agreement or any guaranty agreement executed and delivered pursuant to Section 9.8 of this Agreement shall for any reason cease to be valid and binding on the applicable guarantor or any guarantor shall so assert in writing; or

(l) any material provision of any Security Document shall for any reason cease to be valid and binding on IPCH Acquisition Corp, the MLP, the Company or any Subsidiary that is a party thereto, or the MLP, the Company or any Subsidiary shall so assert in writing, or any Security Document shall for any reason cease to create a valid, first perfected Lien in all or any portion of the Collateral purported to be covered thereby; or

(m) any "Event of Default" shall have occurred and be continuing under any Note Document (including, without limitation the Parent Guaranty Agreement and each Security Document).

As used in Section 11(j), the terms "employee benefit plan" and "employee welfare benefit plan" shall have the respective meanings assigned to such terms in Section 3 of ERISA.

SECTION 12. Remedies on Default, Etc.

Section 12.1. Acceleration.

(a) If an Event of Default with respect to the Company described in paragraph (g) or (h) of Section 11 (other than an Event of Default described in clause (i) of paragraph (g) or described in clause (vi) of paragraph (g) by virtue of the fact that such clause encompasses clause (i) of paragraph (g)) has occurred, all the Notes then outstanding shall automatically become immediately due and payable.

(b) If any other Event of Default has occurred and is continuing, any holder or holders of more than 33-1/3% in principal amount of the Notes at the time outstanding may at any time at its or their option, by notice or notices to the Company, declare all the Notes then outstanding to be immediately due and payable.

(c) If any Event of Default described in paragraph (a) or (b) of Section 11 has occurred and is continuing, any holder or holders of Notes at the time outstanding affected by such Event of Default may at any time, at its or their option, by notice or notices to the Company, declare all the Notes held by it or them to be immediately due and payable.

Upon any Notes becoming due and payable under this Section 12.1, whether automatically or by declaration, such Notes will forthwith mature and the entire unpaid principal amount of such Notes, plus (x) all accrued and unpaid interest thereon and (y) the Make-Whole Amount determined in respect of such principal amount (to the full extent permitted by applicable law), shall all be immediately due and payable, in each and every case without presentment, demand, protest or further notice, all of which are hereby waived. The Company acknowledges, and the parties hereto agree, that each holder of a Note has the right to maintain its investment in the Notes free from repayment by the Company (except as herein specifically provided for), and that the provision for payment of a Make-Whole Amount by the Company in the event that the Notes are prepaid or are accelerated as a result of an Event of Default, is intended to provide compensation for the deprivation of such right under such circumstances.

Section 12.2. Other Remedies. If any Default or Event of Default has occurred and is continuing, and irrespective of whether any Notes have become or have been declared immediately due and payable under Section 12.1, (a) the holder of any Note at the time outstanding may proceed to protect and enforce the rights of such holder by an action at law, suit in equity or other appropriate proceeding, whether for the specific performance of any agreement contained herein or in any Note, or for an injunction against a violation of any of the terms hereof or thereof, or in aid of the exercise of any power granted hereby or thereby or by law or otherwise and (b) both the Collateral Agent and the holders of the Notes may exercise any rights or remedies in their respective capacities under the Security Documents in accordance with the provisions thereof.

Section 12.3. Rescission. At any time after any Notes have been declared due and payable pursuant to clause (b) or (c) of Section 12.1, the holders of not less than 66-2/3% in principal amount of the Notes then outstanding, by written notice to the Company, may rescind and annul any such declaration and its consequences if (a) the Company has paid all overdue interest on the Notes, all principal of and Make-Whole Amount, if any, on any Notes that are due and payable and are unpaid other than by reason of such declaration, and all interest on such overdue principal and Make-Whole Amount, if any, and (to the extent permitted by applicable law) any overdue interest in respect of the Notes, at the Default Rate, (b) neither the Company nor any guarantor or other Person shall have paid any amounts which have become due solely by reason of such declaration, (c) all Events of Default and Defaults, other than non-payment of amounts that have become due solely by reason of such declaration, have been cured or have been waived pursuant to Section 17, and (d) no judgment or decree has been entered for the payment of any monies due pursuant hereto or to the Notes. No rescission and annulment under this Section 12.3 will extend to or affect any subsequent Event of Default or Default or impair any right consequent thereon.

Section 12.4. No Waivers or Election of Remedies, Expenses, Etc. No course of dealing and no delay on the part of any holder of any Note in exercising any right, power or remedy shall operate as a waiver thereof or otherwise prejudice such holder's rights, powers or remedies. No

right, power or remedy conferred by this Agreement, any Note, any Security Document or the Intercreditor Agreement upon any holder thereof shall be exclusive of any other right, power or remedy referred to herein or therein or now or hereafter available at law, in equity, by statute or otherwise. Without limiting the obligations of the Company under Section 15, the Company will pay to the holder of each Note on demand such further amount as shall be sufficient to cover all costs and expenses of such holder incurred in any enforcement or collection under this Section 12, including, without limitation, reasonable attorneys' fees, expenses and disbursements.

Section 12.5. Notice of Acceleration or Rescission. Whenever any Note shall be declared immediately due and payable pursuant to Section 12.1 or any such declaration shall be rescinded and annulled pursuant to Section 12.3, the Company shall forthwith give written notice thereof to the holder of each Note at the time outstanding.

SECTION 13. Registration; Exchange; Substitution of Notes.

Section 13.1. Registration of Notes. The Company shall keep at its principal executive office a register for the registration and registration of transfers of Notes. The name and address of each holder of one or more Notes, each transfer thereof and the name and address of each transferee of one or more Notes shall be registered in such register. Prior to due presentment for registration of transfer, the Person in whose name any Note shall be registered shall be deemed and treated as the owner and holder thereof for all purposes hereof, and the Company shall not be affected by any notice or knowledge to the contrary. The Company shall give to any holder of a Note that is an Institutional Investor promptly upon request therefor, a complete and correct copy of the names and addresses of all registered holders of Notes.

Section 13.2. Transfer and Exchange of Notes. Upon surrender of any Note at the principal executive office of the Company for registration of transfer or exchange (and in the case of a surrender for registration of transfer, duly endorsed or accompanied by a written instrument of transfer duly executed by the registered holder of such Note or its attorney duly authorized in writing and accompanied by the address for notices of each transferee of such Note or part thereof), the Company shall execute and deliver, at the Company's expense (except as provided below), one or more new Notes (as requested by the holder thereof) in exchange therefor, of the same series and in an aggregate principal amount equal to the unpaid principal amount of the surrendered Note. Each such new Note shall be payable to such Person as such holder may request and shall be substantially in the form of Exhibit A-1, Exhibit A-2 or Exhibit A-3, as the case may be. Each such new Note shall be dated and bear interest from the date to which interest shall have been paid on the surrendered Note or dated the date of the surrendered Note if no interest shall have been paid thereon. The Company may require payment of a sum sufficient to cover any stamp tax or governmental charge imposed in respect of any such transfer of Notes. Notes shall not be transferred in denominations of less than $100,000; provided that if necessary to enable the registration of transfer by a holder of its entire holding of Notes, one Note may be in a denomination of less than $100,000. Any transferee, by its acceptance of a Note registered in its name (or the name of its nominee), shall be deemed to have made the representation set forth in Section 6.2.

Section 13.3. Replacement of Notes. Upon receipt by the Company of evidence reasonably satisfactory to it of the ownership of and the loss, theft, destruction or mutilation of any Note (which evidence shall be, in the case of an Institutional Investor, notice from such Institutional Investor of such ownership and such loss, theft, destruction or mutilation), and

(a) in the case of loss, theft or destruction, of indemnity reasonably satisfactory to it (provided that if the holder of such Note is, or is a nominee for, an original purchaser or another holder of a Note with a minimum net worth of at least $25,000,000, such Person's own unsecured agreement of indemnity shall be deemed to be satisfactory), or

(b) in the case of mutilation, upon surrender and cancellation thereof,

the Company at its own expense shall execute and deliver, in lieu thereof, a new Note of the same series, dated and bearing interest from the date to which interest shall have been paid on such lost, stolen, destroyed or mutilated Note or dated the date of such lost, stolen, destroyed or mutilated Note if no interest shall have been paid thereon.

SECTION 14. Payments on Notes.

Section 14.1. Place of Payment. Subject to Section 14.2, payments of principal, Make-Whole Amount, if any, and interest becoming due and payable on the Notes shall be made in New York, New York at the principal office of The Bank of New York in such jurisdiction. The Company may at any time, by notice to each holder of a Note, change the place of payment of the Notes so long as such place of payment shall be either the principal office of the Company in such jurisdiction or the principal office of a bank or trust company in such jurisdiction.

Section 14.2. Home Office Payment. So long as you or your nominee shall be the holder of any Note, and notwithstanding anything contained in Section 14.1 or in such Note to the contrary, the Company will pay all sums becoming due on such Note for principal, Make-Whole Amount, if any, and interest by the method and at the address specified for such purpose below your name in Schedule A, or by such other method or at such other address as you shall have from time to time specified to the Company in writing for such purpose, without the presentation or surrender of such Note or the making of any notation thereon, except that upon written request of the Company made concurrently with or reasonably promptly after payment or prepayment in full of any Note, you shall surrender such Note for cancellation, reasonably promptly after any such request, to the Company at its principal executive office or at the place of payment most recently designated by the Company pursuant to Section 14.1. Prior to any sale or other disposition of any Note held by you or your nominee you will, at your election, either endorse thereon the amount of principal paid thereon and the last date to which interest has been paid thereon or surrender such Note to the Company in exchange for a new Note or Notes of the same series pursuant to Section 13.2. The Company will afford the benefits of this Section 14.2 to any Institutional Investor that is the direct or indirect transferee of any Note purchased by you under this Agreement and that has made the same agreement relating to such Note as you have made in this Section 14.2.

SECTION 15. Expenses, Etc.

Section 15.1. Transaction Expenses. Whether or not the transactions contemplated hereby are consummated, the Company will pay all costs and expenses (including reasonable attorneys' fees of a special counsel and, if reasonably required, local or other counsel) incurred by you and each other Purchaser or holder of a Note in connection with such transactions and in connection with any amendments, waivers or consents under or in respect of this Agreement, the Notes, the Security Documents, the Intercreditor Agreement or any other Note Documents (whether or not such amendment, waiver or consent becomes effective), including, without limitation: (a) the costs and expenses incurred in enforcing or defending (or determining whether or how to enforce or defend) any rights under this Agreement, the Notes, the Security Documents, the Intercreditor Agreement or any other Note Documents or in responding to any subpoena or other legal process or informal investigative demand issued in connection with this Agreement, the Notes, the Security Documents, the Intercreditor Agreement or any other Note Documents, or by reason of being a holder of any Note, (b) the costs and expenses, including financial advisors' fees, incurred in connection with the insolvency or bankruptcy of IPCH Acquisition Corp, the MLP, the Company or any Subsidiary or in connection with any work-out or restructuring of the transactions contemplated hereby, by the Notes, any Security Document, the Intercreditor Agreement or any other Note Document, and (c) the fees and expenses of the Collateral Agent under and in respect of the Security Documents and the Intercreditor Agreement. The Company will pay, and will save you and each other holder of a Note harmless from, all claims in respect of any fees, costs or expenses, if any, of brokers and finders (other than those retained by you).

Section 15.2. Survival. The obligations of the Company under this Section 15 will survive the payment or transfer of any Note, the enforcement, amendment or waiver of any provision of this Agreement, the Notes, any Security Document, the Intercreditor Agreement or any other Note Document, and the termination of this Agreement, the Security Documents, the Intercreditor Agreement and the other Note Documents.

SECTION 16. Survival of Representations and Warranties; Entire Agreement.

All representations and warranties contained herein or in any of the Security Documents shall survive the execution and delivery of this Agreement, the Notes, the Security Documents, the Intercreditor Agreement and the other Note Documents, the purchase or transfer by you of any Note or portion thereof or interest therein and the payment of any Note, and may be relied upon by any subsequent holder of a Note, regardless of any investigation made at any time by or on behalf of you or any other holder of a Note. All statements contained in any certificate or other instrument delivered by or on behalf of IPCH Acquisition Corp, the MLP, the Company or any Subsidiary Guarantor pursuant to this Agreement, any Security Document or any other Note Document shall be deemed representations and warranties of IPCH Acquisition Corp, the MLP, the Company and such Subsidiary Guarantor under this Agreement. Subject to the preceding sentence, this Agreement, the Notes, the Security Documents, the Intercreditor Agreement and the other Note Documents embody the entire agreement and understanding between you and

IPCH Acquisition Corp, the MLP, the Company, the Subsidiary Guarantors, and supersede all prior agreements and understandings relating to the subject matter hereof.

SECTION 17. Amendment and Waiver.

Section 17.1. Requirements. This Agreement, the Notes and the other Note Documents may be amended, and the observance of any term hereof or of the Notes may be waived (either retroactively or prospectively), with (and only with) the written consent of the Company and the Required Holders, except that (a) no amendment or waiver of any of the provisions of Section 1, 2, 3, 4, 5, 6 or 21 hereof, or any defined term (as it is used therein), will be effective as to you unless consented to by you in writing, (b) no such amendment or waiver may, without the written consent of the holder of each Note at the time outstanding affected thereby, (i) subject to the provisions of Section 12 relating to acceleration or rescission, change the amount or time of any prepayment or payment of principal of, or reduce the rate or change the time of payment or method of computation of interest or of the Make-Whole Amount on, the Notes, (ii) change the percentage of the principal amount of the Notes the holders of which are required to consent to any such amendment or waiver, or (iii) amend any of Sections 8, 11(a), 11(b), 12, 17 or 20, and (c) the Security Documents and the Intercreditor Agreement may be amended in accordance with the terms thereof.

Section 17.2. Solicitation of Holders of Notes.

(a) Solicitation. The Company will provide each holder of the Notes (irrespective of the amount of Notes then owned by it) with sufficient information, sufficiently far in advance of the date a decision is required, to enable such holder to make an informed and considered decision with respect to any proposed amendment, waiver or consent in respect of any of the provisions hereof or of the Notes. The Company will deliver executed or true and correct copies of each amendment, waiver or consent effected pursuant to the provisions of this Section 17 to each holder of outstanding Notes promptly following the date on which it is executed and delivered by, or receives the consent or approval of, the requisite holders of Notes.

(b) Payment. The Company will not directly or indirectly pay or cause to be paid any remuneration, whether by way of supplemental or additional interest, fee or otherwise, or grant any security, to any holder of Notes as consideration for or as an inducement to the entering into by any holder of Notes or any waiver or amendment of any of the terms and provisions hereof or of any Security Document, the Intercreditor Agreement or any Note Document unless such remuneration is concurrently paid, or security is concurrently granted, on the same terms, ratably to each holder of Notes then outstanding even if such holder did not consent to such waiver or amendment.

Section 17.3. Binding Effect, Etc. Any amendment or waiver consented to as provided in this Section 17 applies equally to all holders of Notes and is binding upon them and upon each future holder of any Note and upon the Company without regard to whether such Note has been marked to indicate such amendment or waiver. No such amendment or waiver will extend to or affect any obligation, covenant, agreement, Default or Event of Default not expressly amended or waived or impair any right consequent thereon. No course of dealing between the Company and the holder of any Note nor any delay in exercising any rights hereunder or under any Note shall operate as a waiver of any rights of any holder of such Note. As used herein, the term "this

Agreement" and references thereto shall mean this Agreement as it may from time to time be amended, restated, supplemented or otherwise modified.

Section 17.4. Notes Held by Company, Etc. Solely for the purpose of determining whether the holders of the requisite percentage of the aggregate principal amount of Notes then outstanding approved or consented to any amendment, waiver or consent to be given under this Agreement, the Notes, any Security Document, the Intercreditor Agreement or any other Note Document, or have directed the taking of any action provided herein or in the Notes to be taken upon the direction of the holders of a specified percentage of the aggregate principal amount of Notes then outstanding, Notes directly or indirectly owned by the Company or any of its Affiliates shall be deemed not to be outstanding.

SECTION 18. Notices.

All notices and communications provided for hereunder shall be in writing and sent (a) by telecopy if the sender on the same day sends a confirming copy of such notice by a recognized overnight delivery service (charges prepaid), or (b) by registered or certified mail with return receipt requested (postage prepaid), or (c) by a recognized overnight delivery service (with charges prepaid). Any such notice must be sent:

(i) if to you or your nominee, to you or it at the address specified for such communications in Schedule A, or at such other address as you or it shall have specified to the Company in writing,

(ii) if to any other holder of any Note, to such holder at such address as such other holder shall have specified to the Company in writing, or

(iii) if to the Company, to the Company at its address set forth at the beginning hereof to the attention of the President, or at such other address as the Company shall have specified to the holder of each Note in writing.

Notices under this Section 18 will be deemed given only when actually received.

SECTION 19. Reproduction of Documents.

This Agreement, the Security Documents, the Intercreditor Agreement, the other Note Documents and all documents relating thereto, including, without limitation, (a) consents, waivers and modifications that may hereafter be executed, (b) documents received by you at the Closing (except the Notes themselves), and (c) financial statements, certificates and other information previously or hereafter furnished to you, may be reproduced by you by any photographic, photostatic, microfilm, microcard, miniature photographic or other similar process and you may destroy any original document so reproduced. The Company agrees and stipulates that, to the extent permitted by applicable law, any such reproduction shall be admissible in evidence as the original itself in any judicial or administrative proceeding (whether or not the original is in existence and whether or not such reproduction was made by you in the regular course of business) and any enlargement, facsimile or further reproduction of such reproduction shall likewise be admissible in evidence. This Section 19 shall not prohibit the Company or any other holder of Notes from contesting any such reproduction to the same extent that it could

contest the original, or from introducing evidence to demonstrate the inaccuracy of any such reproduction.

SECTION 20. Confidential Information.

For the purposes of this Section 20, "Confidential Information" means information delivered to you by or on behalf of the Company or any Subsidiary in connection with the transactions contemplated by or otherwise pursuant to this Agreement that is proprietary in nature and that was clearly marked or labeled or otherwise adequately identified when received by you as being confidential information of the Company or such Subsidiary, provided that such term does not include information that (a) was publicly known or otherwise known to you prior to the time of such disclosure, (b) subsequently becomes publicly known through no act or omission by you or any person acting on your behalf, (c) otherwise becomes known to you other than through disclosure by the Company or any Subsidiary or (d) constitutes financial statements delivered to you under Section 7.1 that are otherwise publicly available. You will maintain the confidentiality of such Confidential Information in accordance with procedures adopted by you in good faith to protect confidential information of third parties delivered to you; provided that you may deliver or disclose Confidential Information to (i) your directors, officers, employees, agents, attorneys and affiliates (to the extent such disclosure reasonably relates to the administration of the investment represented by your Notes), (ii) your financial advisors and other professional advisors who agree to hold confidential the Confidential Information substantially in accordance with the terms of this Section 20, (iii) any other holder of any Note, (iv) any Institutional Investor to which you sell or offer to sell such Note or any part thereof or any participation therein (if such Person has agreed in writing prior to its receipt of such Confidential Information to be bound by the provisions of this Section 20), (v) any Person from which you offer to purchase any security of the Company (if such Person has agreed in writing prior to its receipt of such Confidential Information to be bound by the provisions of this Section 20), (vi) any federal or state regulatory authority having jurisdiction over you, (vii) the National Association of Insurance Commissioners or any similar organization, or any nationally recognized rating agency that requires access to information about your investment portfolio or (viii) any other Person to which such delivery or disclosure may be necessary or appropriate (w) to effect compliance with any law, rule, regulation or order applicable to you, (x) in response to any subpoena or other legal process, (y) in connection with any litigation to which you are a party or (z) if an Event of Default has occurred and is continuing, to the extent you may reasonably determine such delivery and disclosure to be necessary or appropriate in the enforcement or for the protection of the rights and remedies under your Notes and this Agreement. Each holder of a Note, by its acceptance of a Note, will be deemed to have agreed to be bound by and to be entitled to the benefits of this Section 20 as though it were a party to this Agreement. On reasonable request by the Company in connection with the delivery to any holder of a Note of information required to be delivered to such holder under this Agreement or requested by such holder (other than a holder that is a party to this Agreement or its nominee), such holder will enter into an agreement with the Company embodying the provisions of this Section 20.

SECTION 21. Substitution of Purchaser.

You shall have the right to substitute any one of your Affiliates as the purchaser of the Notes that you have agreed to purchase hereunder, by written notice to the Company, which notice shall be signed by both you and such Affiliate, shall contain such Affiliate's agreement to be bound by this Agreement and shall contain a confirmation by such Affiliate of the accuracy with respect to it of the representations set forth in Section 6. Upon receipt of such notice, wherever the word "you" is used in this Agreement (other than in this Section 21), such word shall be deemed to refer to such Affiliate in lieu of you. In the event that such Affiliate is so substituted as a purchaser hereunder and such Affiliate thereafter transfers to you all of the Notes then held by such Affiliate, upon receipt by the Company of notice of such transfer, wherever the word "you" is used in this Agreement (other than in this Section 21), such word shall no longer be deemed to refer to such Affiliate, but shall refer to you, and you shall have all the rights of an original holder of the Notes under this Agreement.

SECTION 22. Miscellaneous.

Section 22.1. Successors and Assigns. All covenants and other agreements contained in this Agreement by or on behalf of any of the parties hereto bind and inure to the benefit of their respective successors and assigns (including, without limitation, any subsequent holder of a Note) whether so expressed or not.

Section 22.2. Payments Due on Non-Business Days. Anything in this Agreement or the Notes to the contrary notwithstanding, any payment of principal of or Make-Whole Amount or interest on any Note that is due on a date other than a Business Day shall be made on the next succeeding Business Day without including the additional days elapsed in the computation of the interest payable on such next succeeding Business Day.

Section 22.3. Severability. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall (to the full extent permitted by law) not invalidate or render unenforceable such provision in any other jurisdiction.

Section 22.4. Construction; GAAP. Each covenant contained herein shall be construed (absent express provision to the contrary) as being independent of each other covenant contained herein, so that compliance with any one covenant shall not (absent such an express contrary provision) be deemed to excuse compliance with any other covenant. Where any provision herein refers to action to be taken by any Person, or which such Person is prohibited from taking, such provision shall be applicable whether such action is taken directly or indirectly by such Person.

Where the character or amount of any asset or liability or item of income or expense is required to be determined or any consolidation or other accounting computation is required to be made by the Company for the purposes of this Agreement, the same shall be done by the

Company in accordance with GAAP, to the extent applicable, except where such principles are inconsistent with the requirements of this Agreement.

Section 22.5. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original but all of which together shall constitute one instrument. Each counterpart may consist of a number of copies hereof, each signed by less than all, but together signed by all, of the parties hereto.

Section 22.6. Governing Law. THIS AGREEMENT SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, AND THE RIGHTS OF THE PARTIES SHALL BE GOVERNED BY, THE LAW OF THE STATE OF NEW YORK, EXCLUDING CHOICE-OF-LAW PRINCIPLES OF THE LAW OF SUCH STATE THAT WOULD REQUIRE THE APPLICATION OF THE LAWS OF A JURISDICTION OTHER THAN SUCH STATE.

Section 22.7. Submission to Jurisdiction; Waiver of Jury Trial.

(a) The Company hereby irrevocably submits and consents to the jurisdiction of the federal court located within the County of New York, State of New York (or if such court lacks jurisdiction, the State courts located therein), and irrevocably agrees that all actions or proceedings relating to this Agreement and the Notes may be litigated in such courts, and the Company waives any objection which it may have based on improper venue or forum non conveniens to the conduct of any proceeding in any such court and waives personal service of any and all process upon it, and consents that all such service of process be made by delivery to it at the address of such Person set forth in Section 18 above or to its agent referred to below at such agent's address set forth below (with a courtesy copy to the Company at the address set forth in Section 18) and that service so made shall be deemed to be completed upon actual receipt. The Company hereby irrevocably appoints on Corporation Service Company, located at 80 State Street, Albany, NY 12207, as its agent for the purpose of accepting service of any process within the State of New York. Nothing contained in this section shall affect the right of any holder of Notes to serve legal process in any other manner permitted by law or to bring any action or proceeding in the courts of any jurisdiction against the Company or to enforce a judgment obtained in the courts of any other jurisdiction.

(b) THE PARTIES HERETO WAIVE ANY RIGHT TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT, OR OTHERWISE, BETWEEN THEM ARISING OUT OF, CONNECTED WITH, RELATED TO OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED BETWEEN THEM IN CONNECTION WITH THIS AGREEMENT AND THE NOTES, ANY FINANCING AGREEMENT, ANY LOAN PARTY DOCUMENT OR ANY OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HEREWITH OR THE TRANSACTIONS RELATED HERETO. THE PARTIES HERETO HEREBY AGREE AND CONSENT THAT ANY SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY AND THAT ANY OF THEM MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS

AGREEMENT WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE PARTIES HERETO TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

* * * * *

If you are in agreement with the foregoing, please sign the form of agreement on the accompanying counterpart of this Agreement and return it to the Company, whereupon the foregoing shall become a binding agreement between you and the Company.

Very truly yours,

Inergy Propane, LLC

By ____

John J. Sherman
President and Chief Executive Officer

Accepted as of June ___, 2002.

THE CANADA LIFE ASSURANCE COMPANY

By

Name:
Title:

Accepted as of June ___, 2002

JOHN HANCOCK LIFE INSURANCE COMPANY

By

Name:
Title:

INVESTORS PARTNER LIFE INSURANCE COMPANY

By

Name:
Title:

JOHN HANCOCK VARIABLE LIFE INSURANCE COMPANY

By

Name:
Title:

JOHN HANCOCK INSURANCE COMPANY OF VERMONT

By

Name:
Title:

Accepted as of June ___, 2002.

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA

By

Name:
Title:

Information Relating to Purchasers

	Aggregate Principal Amount of Notes	Note Denomination(s)
THE PRUDENTIAL INSURANCE COMPANY OF AMERICA	$50,000,000.00	$20,550,000.00 (Series A Notes)
		$14,725,000.00 (Series B Notes)
		$14,725,000.00 (Series C Notes)

(1) All payments on account of Notes held by such purchaser shall be made by wire transfer of immediately available funds for credit to:

Account No. 890-0304-391

The Bank of New York
New York, New York
(ABA No.: 021-000-018)

Each such wire transfer shall set forth the name of the Company, a reference to:

(a) "8.85% Senior Secured Notes, Series A, due June 7, 2007, Security No. !INV 7933!, PPN 45661#AA9" in the case of payments on account of the Series A Notes;

(b) "9.10% Senior Secured Notes, Series B, due June 6, 2008, Security No. !INV 7934!, PPN 45661#AB7" in the case of payments on account of the Series B Notes; and

(c) "9.34% Senior Secured Notes, Series C, due June 5, 2009, Security No. !INV 7936!, PPN 45661#AC5" in the case of payments on account of the Series C Notes,

and the due date and application (as among principal, interest and Make-Whole Amount) of the payment being made.

(2) Address for all notices relating to payments:

The Prudential Insurance Company of America
c/o Investment Operations Group
Gateway Center Two, 10/th/ Floor
100 Mulberry Street
Newark, New Jersey 07102-4077

Attention: Manager

(3) Address for all other communications and notices:

The Prudential Insurance Company of America
c/o Prudential Capital Group
2200 Ross Avenue, Suite 4200E
Dallas, TX 75201

Attention: Managing Director

	Aggregate Principal Amount of Notes	Note Denomination(s)

(4) Recipient of telephonic prepayment notices:

Manager, Trade Management Group
Telephone: (973) 367-3141
Facsimile: (973) 802-4925

(5) Tax Identification No.: 22-1211670

	Aggregate Principal Amount of Notes	Note Denomination(s)
THE CANADA LIFE ASSURANCE COMPANY	$10,000,000.00	$4,150,000.00 (Series A Notes)
		$2,925,000.00 (Series B Notes)
		$2,925,000.00 (Series C Notes)

(1) Domestic Physical Delivery:

(a) By Messenger (sent within the State of New York):

Chase Manhattan Bank
4 New York Plaza
Ground Floor Window
New York, NY 10004-2477
Reference: The Canada Life Assurance Company
Trust Account Number G52708

(b) By Courier (sent from outside the State of New York):

Chase Manhattan Bank
4 New York Plaza - 1/st/ Floor
New York, NY 10004-2477
Attention: Mike Jones - Outsourcing Dept.
(212) 623-1023
Reference: The Canada Life Assurance Company
Trust Account Number: G52708

(2) All payments on account of Notes held by such purchaser shall be made by wire transfer of immediately available funds for credit to:

Chase Manhattan Bank
ABA 021-000-021
A/c #900-9-000200
Trust Account No. G52708

Reference: CUSIP, Name of Issuer & description, and Principal and Interest payment

For Call or Maturity Payment:

Chase Manhattan Bank
ABA 021-000-021
A/C #900-9-000192
Trust Account G52708
Reference: CUSIP, Name of Issuer & description, and call or maturity date

(3) Tax ID# 38-0397420

(4) Please send notices of payment and written confirmations of wire transfers to:

Chase Manhattan Bank
North American Insurance
3 Chase MetroTech Centre-6/th/ Floor
Brooklyn, N.Y. 11245
Attn: Doll Balbadar

Copy to:

The Canada Life Assurance Company
330 University Avenue, SP-12
Securities Accounting
Toronto, ON M5G 1R8

(5) Please send financial statements & correspondence to:

Canada Life Assurance Company
330 University Ave. (SP-11)
Toronto, ON M5G 1R8
Attn: Paul English, US Investments Division

	Aggregate Principal Amount of Notes	Note Denomination(s)
JOHN HANCOCK LIFE INSURANCE COMPANY	$21,750,000.00	$7,300,000.00 (Series A Notes) $5,600,000.00 $1,750,000.00 (Series B Notes) $6,350,000.00 $750,000.00 (Series C Notes)

(1) All payments on account of Notes held by such purchaser shall be made by wire transfer of immediately available funds for credit to:

Fleet Boston
ABA No. 011000390
Boston, Massachusetts 02110
Account of: John Hancock Life Insurance Co. Private Placement Collection Account
Account No. 541-55417
On Order of: Name of Issuer and CUSIP/PPN, Full name, interest rate and maturity date of Notes or other obligations

(2) Registered Name of Securities:

John Hancock Life Insurance Company

(3) Tax Identification Number: 04-1414660

(4) Notices: All notices shall be sent via fax and mail according to the instructions below:

(a) Scheduled Payments, Unscheduled Prepayments and Notice of Maturity:

John Hancock Life Insurance Company
200 Clarendon Street
Boston, MA 02117
Attn: Investment Accounting Division, B-3
Fax: (617) 572-0628

Include:
1. full name, interest rate and maturity date of the Notes or other obligations;
2. allocation of payment between principal and interest and any special payment;
3. name and address of Bank (or Trustee) from which the wire transfer was sent

	Aggregate Principal Amount of Notes	Note Denomination(s)

(b) Financial Statements and Certificates of Compliance
with financial covenants :

John Hancock Life Insurance Company
200 Clarendon Street
Boston, MA 02117
Attn: Bond and Corporate Finance Group, T-57
Fax: (617) 572-1605

(c) Change in Issuer's Name, address or principal place of business;
Change in location of collateral; Copy of legal opinions:

John Hancock Life Insurance Company
200 Clarendon Street
Boston, MA 02117
Attn: Investment Law Division, T-30
Fax: (617) 572-9269

(d) Delivery of Securities; All securities are to be
sent for receipt the day after the closing to:

John Hancock Life Insurance Company
200 Clarendon St., T-30
Boston, MA 02117
Attn: Christine M. Miller

	Aggregate Principal Amount of Notes	Note Denomination(s)
INVESTORS PARTNER LIFE INSURANCE COMPANY (F/K/A JOHN HANCOCK LIFE INSURANCE COMPANY OF AMERICA)	$250,000.00	$250,000.00 (Series A Note)

(1) All payments on account of Notes held by such purchaser shall be made by wire transfer of immediately available funds for credit to:

Fleet Boston
ABA No. 011000390
Boston, Massachusetts 02110
Account of John Hancock Life Insurance Co. Private Placement Collection Acct.
Account Number: 541-55417
On Order of: Name of Issuer and CUSIP/PPN, Full name, interest rate and maturity date of Notes or other obligations

(2) Registered Name of Securities:
Investors Partner Life Insurance Company

(3) Tax Identification Number: 13-3072894

(4) Notices: All notices shall be sent via fax and mail according to the instructions below:

(a) Scheduled Payments; Unscheduled Prepayments; Notice of Maturity:

Investors Partner Life Insurance Company
200 Clarendon St.
Boston, MA 02117
Attn: Investment Accounting Division, B-3
Fax: (617) 572-0628

Include:

1. full name, interest rate and maturity date of the Notes or other obligations;
2. allocation of payment between principal and interest and any special payment;
3. name and address of Bank (or Trustee) from which the wire transfer was sent

(b) Financial Statements; Certificates of Compliance with financial covenants:

John Hancock Life Insurance Company
200 Clarendon Street
Boston, MA 02117
Attn: Bond and Corporate Finance Group, T-57
Fax (617) 572-1605

(c) Change in Issuer's name, address or principal place of business; Change in location of collateral; Copy of legal opinions

John Hancock Life Insurance Company
200 Clarendon Street
Boston, MA 02117
Attn: Investment Law Division, T-30
Fax (617) 572-9269

(d) Delivery of Securities: All securities are to be sent for receipt the day after the closing to:

John Hancock Life Insurance Company
200 Clarendon Street, T-30
Boston, MA 02117
Attn: Christine M. Miller

	Aggregate Principal Amount of Notes	Note Denomination(s)
JOHN HANCOCK VARIABLE LIFE INSURANCE COMPANY	$2,500,000.00	$2,250,000.00 (Series A Notes) $250,000.00 (Series C Notes)

(1) All payments on account of Notes held by such purchaser shall be made by wire transfer of immediately available funds for credit to:

Fleet Boston
ABA No. 011000390
Boston, Massachusetts 02110
Account of: John Hancock Life Insurance Co. Private Placement Collection Acct.
Account Number: 541-55417
On Order of: Name of Issuer and CUSIP/PPN, Full name, interest rate and maturity date of Notes or other obligations

(2) Registered Name of Securities:
John Hancock Variable Life Insurance Company

(3) Tax Identification No.: 04-2664016

(4) Notices: All notices shall be sent via fax and mail according to the instructions below:

(a) Scheduled Payments; Unscheduled Prepayments; Notice of Maturity:

John Hancock Variable Life Insurance Company
200 Clarendon St.
Boston, MA 02117
Attn: Investment Accounting Division, B-3
Fax: (617) 572-0628

Include:

1. full name, interest rate and maturity date of the Notes or other obligations;
2. allocation of payment between principal and interest and any special payment;
3. name and address of Bank (or Trustee) from which the wire transfer was sent

(b) Financial Statements; Certificates of Compliance with financial covenants:

John Hancock Life Insurance Company
200 Clarendon Street
Boston, MA 02117
Attn: Bond and Corporate Finance Group, T-57
Fax (617) 572-1605

(c) Change in Issuer's name, address or principal place of business; Change in location of collateral; Copy of legal opinions

John Hancock Life Insurance Company
200 Clarendon Street
Boston, MA 02117
Attn: Investment Law Division, T-30
Fax (617) 572-9269

d) Delivery of Securities: All securities are to be sent for receipt the day after the closing to:

John Hancock Life Insurance Company
200 Clarendon Street, T-30
Boston, MA 02117
Attn: Christine M. Miller

	Aggregate Principal Amount of Notes	Note Denomination(s)
JOHN HANCOCK INSURANCE COMPANY OF VERMONT	$500,000	$500,000 (Series A Notes)

(1) All payments on account of Notes held by such purchaser shall be made by wire transfer of immediately available funds for credit to:

Deutsche Bank Trust Company Americas
New York, NY
ABA No. 021001033
Account No. 50270500
Account of: John Hancock Insurance Company of Vermont
On Order of: Name of Issuer and CUSIP/PPN, Full name, interest rate and maturity date of Notes or other obligations

(2) Registered Name of Securities:
John Hancock Insurance Company of Vermont

(3) Tax Identification No.: 03-0367897

(4) Notices: All notices shall be sent via fax and mail according to the instructions below:

(a) Scheduled Payments; Unscheduled Prepayments; Notice of Maturity:

John Hancock Insurance Company of Vermont
c/o John Hancock Life Insurance Company
200 Clarendon St.
Boston, MA 02117
Attn: Investment Accounting Division, B-3
Fax: (617) 572-0628

Include:

1. full name, interest rate and maturity date of the Notes or other obligations;
2. allocation of payment between principal and interest and any special payment;
3. name and address of Bank (or Trustee) from which the wire transfer was sent

(b) Financial Statements; Certificates of Compliance with financial covenants:

John Hancock Insurance Company of Vermont
c/o John Hancock Life Insurance Company
200 Clarendon Street
Boston, MA 02117
Attn: Bond and Corporate Finance Group, T-57
Fax (617) 572-1605

(c) Change in Issuer's name, address or principal place of business; Change in location of collateral; Copy of legal opinions

John Hancock Insurance Company of Vermont
c/o John Hancock Life Insurance Company
200 Clarendon Street
Boston, MA 02117
Attn: Investment Law Division, T-30
Fax (617) 572-9269

d) Delivery of Securities: All securities are to be sent for receipt the day after the closing to:

John Hancock Insurance Company of Vermont
c/o John Hancock Life Insurance Company
200 Clarendon Street, T-30
Boston, MA 02117
Attn: Christine M. Miller

Defined Terms

As used herein, the following terms have the respective meanings set forth below or set forth in the Section hereof following such term:

"Affiliate" means, at any time, and with respect to any Person, (a) any other Person that at such time directly or indirectly through one or more intermediaries Controls, or is Controlled by, or is under common Control with, such first Person, and (b) any Person beneficially owning or holding, directly or indirectly, 10% or more of any class of voting or equity interests of the Company or any Subsidiary or any Person of which the Company and its Subsidiaries beneficially own or hold, in the aggregate, directly or indirectly, 10% or more of any class of voting or equity interests. As used in this definition, "Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise. Unless the context otherwise clearly requires, any reference to an "Affiliate" is a reference to an Affiliate of the Company.

"Asset Disposition" means, with respect to the Company or any Subsidiary, any one or more transactions in which such Person sells, conveys, transfers or leases (as lessor) or parts with control of (any of the foregoing, for purposes of this definition, a "transfer"), directly or indirectly, any of its property or assets, including, without limitation, any Indebtedness of any Subsidiary or capital stock of or other equity interests in any Subsidiary (including the issuance of such stock or other equity interests by such Subsidiary), other than transfers of cash or cash equivalents, sales of inventory in the ordinary course of business, sales of obsolete equipment, the sale or discount of accounts receivable or notes permitted by Section 10.3(f) and transfers resulting from any casualty or condemnation of property or assets, intercompany sales or transfers of assets among Subsidiaries and/or the Company made in the ordinary course of business.

"Available Cash" means for any period and without duplication: (a) the sum of: (i) all cash and cash equivalents of the Company and its Subsidiaries on hand at the end of such period; and (ii) all additional cash and cash equivalents of the Company and its Subsidiaries on hand on the date of determination of Available Cash for such period resulting from Working Capital Loans (as defined in the Bank Credit Agreement) made after the end of such period; less (b) the amount of any cash reserves that is necessary or appropriate in the reasonable discretion of the Company to: (i) provide for the proper conduct of the business of the Company and its Subsidiaries (including reserves for future capital expenditures and for future capital expenditures and for future credit needs of the Company and its Subsidiaries) after such period; and (ii) comply with applicable law or any debt instrument or other agreement obligation to which the Company or any of its Subsidiaries is a party or its assets are subject; provided that disbursements made by the Company or any of its Subsidiaries of cash reserves established, increased or reduced after the end of such period but on or before the date of determination of Available Cash for such period shall be deemed to have been made, established, increased or reduced, for purposes of determining Available Cash, within such period if the board of directors of the Company so determines.

"Bank Credit Agreement" means that certain Fourth Amended and Restated Credit Agreement dated as of December 20, 2001 by and among the Company, the Lenders referred to therein, Wachovia Bank, National Association (f/k/a First Union National Bank), as administrative agent, Bank of Oklahoma, N.A., as documentation agent, and Fleet National Bank, as syndication agent, as the same may be amended, modified, supplemented, extended, renewed, refinanced or replaced from time to time (including, without limitation, any increases in the principal amount outstanding, commitments or availability thereunder).

"Bank Documents" means the Bank Credit Agreement, the Security Documents, the guaranty agreement or guaranty agreements executed by IPCH Acquisition Corp, the MLP, the Company and its Subsidiaries in respect of the obligations of the Company under the Bank Credit Agreement, and all other "Credit Documents" as defined in the Bank Credit Agreement.

"Bank Lenders" means any lender from time to time party to the Bank Credit Agreement.

"Business Day" means (a) for the purposes of Section 8.7 only, any day other than a Saturday, a Sunday or a day on which commercial banks in New York City are required or authorized to be closed, and (b) for the purposes of any other provision of this Agreement, any day other than a Saturday, a Sunday or a day on which commercial banks in Kansas City, Missouri or New York, New York, are required or authorized to be closed.

"Capital Lease" means, at any time and without duplication, a lease with respect to which the lessee is required concurrently to recognize the acquisition of an asset and the incurrence of a liability in accordance with GAAP.

"Capital Stock" means, with respect to any Person, any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) equity of such Person, including any preferred interest, any limited or general partnership interest and any limited liability company membership interest.

"Closing" is defined in Section 3.

"Code" means the Internal Revenue Code of 1986, as amended from time to time, and the rules and regulations promulgated thereunder from time to time.

"Collateral" means all personal and real property with respect to which a Lien is granted pursuant to the Security Documents or any other Note Document or which secures the payment, performance or observance of the obligations of IPCH Acquisition Corp, the MLP, the Company or any Subsidiary under this Agreement and the other Note Documents.

"Collateral Agent" means First Union National Bank, in its capacity as collateral agent for the Secured Parties pursuant to the Intercreditor Agreement, together with its successors and assigns in such capacity.

"Committed Revolving Facility" means a committed revolving credit facility (a) with aggregate commitments thereunder of not less than $35,000,000, (b) under which the Company has the ability to satisfy all conditions precedent to its ability to obtain advances thereunder (but

subject to (i) customary conditions to borrowings, (ii) customary clean-down provisions, and (iii) customary borrowing base requirements, if any), and (c) the remaining commitment period with respect thereto is at least 12 months.

"Company" means Inergy Propane, LLC, a Delaware limited liability company.

"Confidential Information" is defined in Section 20.

"Consolidated Net Income" for any period means, without duplication, the net income (or loss) of the Company and its Subsidiaries for such period, as determined in accordance with GAAP, after eliminating all offsetting debits and credits between the Company and its Subsidiaries and all other items required to be eliminated between the course of the preparation of consolidated financial statements of the Company and its Subsidiaries in accordance with GAAP.

"Consolidated Tangible Assets" means the consolidated or combined total assets of the Company and its Subsidiaries less, without duplication, (a) intangible assets including, without limitation, goodwill, research and development costs, trademarks, trade names, patents, franchises, copyrights, licenses, experimental or organizational expense, unamortized debt discount and expense carried as an asset, all reserves and any write-up in the book value of assets made after the closing date, net of accumulated amortization and (b) all reserves for depreciation and other asset valuation reserves (but excluding reserves for federal, state and other income taxes).

"Consolidated Total Interest Expense" means, with respect to any period, the sum (without duplication) of the following (in each case, eliminating all offsetting debits and credits between the Company and its Subsidiaries and all other items required to be eliminated in the course of the preparation of consolidated financial statements of the Company and its Subsidiaries in accordance with GAAP): (a) all interest in respect of Indebtedness of the Company and its Subsidiaries excluding amortization of up-front fees paid in connection with the Notes accrued during such period (whether or not actually paid during such period), plus (b) the net amount payable by the Company and its Subsidiaries (or minus the net amount receivable) under Hedging Agreements accrued during such period (whether or not actually paid or received during such period); provided that for the purposes of determining Consolidated Total Interest Expense for any period during which any Permitted Acquisition is consummated, Consolidated Total Interest Expense shall be calculated after giving effect on a pro forma basis, to any such Permitted Acquisition occurring during the period commencing on the first day of such period to and including the date of such transaction, as if such Permitted Acquisition occurred on the first day of such period (including any interest expense of any Target giving effect to any refinancing, repayment or incurrence of Indebtedness in connection with such acquisition).

"Debt Prepayment Application" means, with respect to any Asset Disposition, the application by the Company or its Subsidiaries of cash to prepay Senior Secured Indebtedness; provided that, in the course of making such application the Company shall offer to prepay each outstanding Note in accordance with Section 8.3 in a principal amount which, when added to the Make-Whole Amount applicable thereto, equals the Ratable Portion for such Note. If any holder of a Note rejects such offer of prepayment, the Ratable Portion for such Note shall be reallocated

ratably among those Notes the holders of which have accepted the Company's offer of prepayment.

"Default" means an event or condition the occurrence or existence of which would, with the lapse of time or the giving of notice or both, become an Event of Default.

"Default Rate" means, for any series of the Notes, the lesser of (a) the maximum rate permitted by applicable law and (b) the greater of (i) 2.00% over the rate on such series of Notes prior to the Event of Default and (ii) 2.00% over the rate of interest publicly announced from time to time by The Bank of New York in New York, New York as its "base" or "prime" rate.

"Environmental Laws" means any and all Federal, state, local, and foreign statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses, agreements or governmental restrictions relating to pollution and the protection of the environment or the release of any materials into the environment, including but not limited to those related to hazardous substances or wastes, air emissions and discharges to waste or public systems.

"EBITDA" means, for the Company and its Subsidiaries for any period, an amount equal to: (a) Consolidated Net Income, plus (b) to the extent deducted in the determination of Consolidated Net Income, (i) Consolidated Total Interest Expense, (ii) all provisions for federal, state and other income taxes (iii) depreciation and amortization, plus or minus, as the case may be (c) gains or losses from the sale of assets in the ordinary course of business and (d) extraordinary non-cash gains or losses for such period; provided that for the purposes of determining EBITDA for any period during which any Permitted Acquisition is consummated, EBITDA shall be calculated after giving effect on a pro forma basis and to any such Permitted Acquisition occurring during the period commencing on the first day of such period to and including the date of such transaction (the "Reference Period"), as if such Permitted Acquisition occurred on the first day of the Reference Period; provided, however, that EBITDA generated by an acquired business or asset shall be determined by the actual gross profit (revenues minus cost of goods sold) of such acquired business or asset during the immediately preceding four full fiscal quarters in the Reference Period minus the pro forma expenses that would have been incurred by the Company and its Subsidiaries in the operation of such acquired business or asset during such period computed on the basis of personnel expenses for employees retained or to be retained by the Company and its Subsidiaries in the operation of such acquired business or asset and non-personnel costs and expenses incurred by the Company and its Subsidiaries in the operation of the Company's business at similarly situated facilities of the Company or any of its Subsidiaries (as determined in good faith by the Board of Directors of the Company based on reasonable assumptions).

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the rules and regulations promulgated thereunder from time to time in effect.

"ERISA Affiliate" means any trade or business (whether or not incorporated) that is treated as a single employer together with the Company under Section 414 of the Code.

"Event of Default" is defined in Section 11.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Fair Market Value" means, at any time and with respect to any property, the sale value of such property that would be realized in an arm's-length sale at such time between an informed and willing buyer and an informed and willing seller (neither being under a compulsion to buy or sell).

"Financial Covenant" means, with respect to any agreement or instrument representing or governing Indebtedness, any covenant (whether expressed as a covenant or an event of default) contained therein expressed in terms of (a) a minimum or maximum amount in or derived from any Company's or any Subsidiary's financial statements, (b) a minimum or maximum ratio between any such amounts described in clause (a) above or (c) any other financial or finance related test as the same may relate to the assets, liabilities, revenues or expenses of the Company or any Subsidiary of the Company; provided that the above shall not include a negative pledge covenant.

"GAAP" means generally accepted accounting principles as in effect from time to time in the United States of America.

"Governmental Authority" means

(a) the government of

(i) the United States of America or any State or other political subdivision thereof, or

(ii) any jurisdiction in which the Company or any Subsidiary conducts all or any part of its business, or which asserts jurisdiction over any properties of the Company or any Subsidiary, or

(b) any entity exercising executive, legislative, judicial, regulatory or administrative functions of, or pertaining to, any such government.

"Guaranty" means, with respect to any Person, any obligation (except the endorsement in the ordinary course of business of negotiable instruments for deposit or collection) of such Person guaranteeing or in effect guaranteeing any indebtedness, dividend or other obligation of any other Person in any manner, whether directly or indirectly, including (without limitation) obligations incurred through an agreement, contingent or otherwise, by such Person:

(a) to purchase such indebtedness or obligation or any property constituting security therefor;

(b) to advance or supply funds (i) for the purchase or payment of such indebtedness or obligation, or (ii) to maintain any working capital or other balance sheet condition or any income statement condition of any other Person or otherwise to advance or make available funds for the purchase or payment of such indebtedness or obligation;

(c) to lease properties or to purchase properties or services primarily for the purpose of assuring the owner of such indebtedness or obligation of the ability of any other Person to make payment of the indebtedness or obligation; or

(d) otherwise to assure the owner of such indebtedness or obligation against loss in respect thereof.

In any computation of the indebtedness or other liabilities of the obligor under any Guaranty, the indebtedness or other obligations that are the subject of such Guaranty shall be assumed to be direct obligations of such obligor.

"Hazardous Materials" means any and all pollutants, toxic or hazardous wastes or any other substances that might pose a hazard to health or safety, the removal of which may be required or the generation, manufacture, refining, production, processing, treatment, storage, handling, transportation, transfer, use, disposal, release, discharge, spillage, seepage, or filtration of which is or shall be restricted, prohibited or penalized by any applicable law (including, without limitation, asbestos, urea formaldehyde foam insulation and polychlorinated biphenyls).

"Hedging Agreement" means any agreement with respect to an interest rate swap, collar, cap, floor or a forward rate agreement or other agreement regarding the hedging of interest rate risk exposure executed in connection with hedging the interest rate exposure of the Company, and any confirming letter executed pursuant to such hedging agreement, all as amended, restated or otherwise modified.

"holder" means, with respect to any Note, the Person in whose name such Note is registered in the register maintained by the Company pursuant to Section 13.1.

"Indebtedness" means, with respect to any Person (a) all obligations of such Person for borrowed money or with respect to deposits or advances of any kind (including repurchase obligations, but not including customer deposits), (b) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments or letters of credit in support of bonds, notes, debentures or similar instruments, (c) all obligations of such Person upon which interest charges are customarily paid, (d) all obligations of such Person under any conditional sale or other title retention agreement relating to property purchased by such Person, (e) all obligations of such Person issued or assumed as the deferred purchase price of property or services (including, without duplication, obligations under a non-compete or similar agreement) to the extent such obligations are reportable under GAAP, (f) all obligations of such Person as lessee under Capital Leases of such Person or leases of such Person for which such Person retains tax ownership of the property subject to a lease, (g) all obligations of others secured by (or for which the holder of such Debt has an existing right, contingent or otherwise, to be secured by) any Lien on property or assets owned or acquired by such Person, whether or not the obligations secured thereby have been assumed, (h) all Guaranties of such Person, (i) all obligations of such Person with respect to Hedging Agreements or foreign currency exchange agreements (valued at the termination value thereof computed in accordance with a method approved by the International Swap Dealers Association and agreed to by such Person in the applicable swap agreement, if any), (j) all obligations of such Person as an account party in respect of letters of credit (1) securing Debt

(other than letters of credit obtained in the ordinary course of business and consistent with past practices) or (2) obtained for any purpose not in the ordinary course of business or not consistent with past practices, (k) all obligations of such Person in respect of bankers' acceptances and (1) all current liability in respect of unfunded vested benefits under a Plan; provided that accrued expenses and accounts payable incurred in the ordinary course of business shall not constitute Indebtedness.

"Inergy GP" means Inergy GP, LLC, a Delaware limited liability company.

"Inergy Holdings" means Inergy Holdings, LLC, a Delaware limited liability company.

"Inergy Sales" means Inergy Sales & Service, Inc., a Delaware corporation.

"Inergy Transportation" means Inergy Transportation, LLC, a Delaware limited liability company.

"Institutional Investor" means (a) any original purchaser of a Note, (b) any holder of a Note holding more than 5% of the aggregate principal amount of any series of Notes then outstanding, and (c) any bank, trust company, savings and loan association or other financial institution, any pension plan, any investment company, any insurance company, any broker or dealer, or any other similar financial institution or entity, regardless of legal form.

"Intercreditor Agreement" means the Intercreditor and Collateral Agency Agreement, dated as of the date hereof, by and among you and the other Secured Creditors listed therein and the Collateral Agent, as the same may be amended, restated, supplemented or otherwise modified from time to time.

"IPC Acquisition" means the acquisition by the Company of all of the outstanding Capital Stock of Independent Propane Company pursuant to the series of transactions described in Schedule 1.01C of the Bank Credit Agreement, as in effect on the date hereof.

"IPCH Acquisition Corp" means IPCH Acquisition Corp., a Delaware corporation.

"L&L Transportation" means L&L Transportation, LLC, a Delaware limited liability company.

"Lien" means, with respect to any Person, any mortgage, lien, pledge, charge, security interest or other encumbrance, or any interest or title of any vendor, lessor, lender or other secured party to or of such Person under any conditional sale or other title retention agreement or Capital Lease, upon or with respect to any property or asset of such Person (including in the case of any Capital Stock, stockholder agreement, voting trust agreements and all similar arrangements).

"Limited Guaranty Agreement" is defined in Section 4.5.

"Make-Whole Amount" is defined in Section 8.7.

"Material" means material in relation to the business, operations, affairs, financial condition, assets, properties, or prospects of the Company and its Subsidiaries taken as a whole.

"Material Adverse Effect" means a material adverse effect on (a) the business, operations, prospects, affairs, financial condition, assets or properties of the Company and its Subsidiaries taken as a whole, or (b) the ability of IPCH Acquisition Corp., the MLP, the Company or any Subsidiary to perform its obligations under any Note Document, or (c) the validity or enforceability of this Agreement, the Notes, the Limited Guaranty, the Parent Guaranty Agreement, any Subsidiary Guaranty Agreement, any of the Security Documents or any other Note Document.

"Memorandum" is defined in Section 5.3.

"MLP" means Inergy, L.P., a Delaware limited partnership.

"Mortgages"" means the Mortgages referred to in the Bank Credit Agreement, as amended on the date hereof, and all Mortgages hereafter executed and delivered pursuant to Section 9.8 hereof, as each may be amended, supplemented or otherwise modified from time to time.

"Multiemployer Plan" means any Plan that is a "multiemployer plan" (as such term is defined in Section 4001(a)(3) of ERISA).

"Net Proceeds" means, with respect to any Asset Disposition, the excess, if any, of (a) the aggregate amount received by the Company or any Subsidiary in cash (including any cash received by way of deferred payment pursuant to a note receivable, other non-cash consideration or otherwise, but only as and when such cash is so received) in connection with such Asset Disposition over (b) the sum of (i) the principal amount of and premium, if any, on any Indebtedness that is secured by the asset or assets that are the subject of the Asset Disposition (other than Indebtedness assumed by the purchaser of such asset or assets) and that is required to be, and is, repaid in connection with such Asset Disposition, other than the Notes and other Senior Secured Indebtedness, (ii) the out-of-pocket expenses incurred by the Company or any Subsidiary in connection with such Asset Disposition, and (iii) all taxes payable by the Company and its Subsidiaries in connection with such Asset Disposition, including without limitation the additional income taxes incurred by the Company and its Subsidiaries as a result of such Asset Disposition, in each case as reasonably determined by the Company and set forth in the Officer's Certificate delivered in connection with each set of financial statements delivered pursuant to clause (a) or (b) of Section 7.1.

"New Inergy Propane" means New Inergy Propane, LLC, a Delaware limited liability company.

"Notes" is defined in Section 1.

"Note Documents" means this Agreement, the Notes, the Limited Guaranty Agreement, the Parent Guaranty Agreement, each Subsidiary Guaranty Agreement, the Intercreditor Agreement, the Security Documents, and all other instruments, certificates, documents and other writings now or hereafter executed and delivered by IPCH Acquisition Corp, the MLP, the

Company, any Subsidiary or any other Person pursuant to or in connection with any of the foregoing or any of the transactions contemplated thereby, and any and all amendments, supplements and other modifications to any of the foregoing.

"Officer" or of any other officer of the Company whose responsibilities extend to the subject matter of such certificate.

"Parent Guaranty Agreement" is defined in Section 4.5.

"PBGC" means the Pension Benefit Guaranty Corporation referred to and defined in ERISA or any successor thereto.

"Permitted Acquisition" means an acquisition (or series of related acquisitions) by the Company or any Subsidiary Guarantor of all or any part of the assets of another Person (such assets being referred to herein as the "Target Assets") or of at least 51% of the Voting Stock of another Person (such Person, together with any and all Subsidiaries of such Person, being referred to herein as the "Target") in each case made in compliance with all of the following terms and conditions:

(a) the Target is an entity Person organized and existing under the laws of, or the Target Assets are located in, the United States of America, any State thereof or the District of Columbia;

(b) the Target is in, or the Target Assets are employed in, the same line of business as the Company ;

(c) in the case of an acquisition by merger, the Target is merged with and into the Company or a Subsidiary of the Company, with the Company or a Subsidiary of the Company, as the case may be, being the surviving entity;

(d) no Default or Event of Default exists at the time of the acquisition or would result therefrom; and

(e) the Company shall have paid all reasonable costs and expenses incurred by the Collateral Agent, the holders of the Notes and their respective counsel in connection with such acquisition, including, without limitation, all such costs and expenses incurred to satisfy the conditions set forth in Section 9.8.

"Permitted Additional Private Placement Debt" means privately-placed Indebtedness of the Company issued subsequent to the date hereof having the following terms and conditions: (i) no Default or Event of Default shall have occurred and be continuing on the date of the incurrence of such Indebtedness or exist immediately after the incurrence thereof; (ii) such Indebtedness may not be secured by any assets (real or personal) of any Person not securing the Indebtedness and other obligations under the Note Documents and Bank Documents on a pari passu basis; (iii) all purchasers and other holders from time to time of such Indebtedness shall be parties to the Intercreditor Agreement, as amended to provide for such additional Indebtedness pursuant to an amendment in form and substance satisfactory to the Required Holders; (iv) such Indebtedness may not be guaranteed by any Person other than Persons that are parties to either

the Limited Guaranty Agreement, the Parent Guaranty Agreement, a Subsidiary Guaranty Agreement (or a Guarantor Supplement with respect thereto) or a guaranty agreement in form and substance satisfactory to the Required Holders; (v) such Indebtedness shall have a maturity date after the maturity date of the Series A Notes; and (vi) the documents, instruments and other agreements pursuant to which such Indebtedness is issued may not contain (x) any provisions limiting amendments to, or consents, waivers or other modifications with respect to this Agreement or any other Note Documents, (y) any covenants, defaults or events of default more restrictive than those contained in this Agreement or the other Note Documents, or (z) any provisions that conflict with or violate the covenants, Defaults or Events of Default contained in this Agreement or the other Note Documents.

"Person" means an individual, partnership, corporation, limited liability company, association, trust, unincorporated organization, or a government or agency or political subdivision thereof.

"Plan" means an "employee benefit plan" (as defined in Section 3(3) of ERISA) that is or, within the preceding five years, has been established or maintained, or to which contributions are or, within the preceding five years, have been made or required to be made, by the Company or any ERISA Affiliate or with respect to which the Company or any ERISA Affiliate may have any liability.

"Pledge Agreements" means the Pledge Agreements referred to in the Bank Credit Agreement, as amended on the date hereof, and all Pledge Agreements hereafter executed and delivered pursuant to Section 9.8 hereof, as each may be amended, supplemented or otherwise modified from time to time.

"property" or "properties" means, unless otherwise specifically limited, real or personal property of any kind, tangible or intangible, choate or inchoate.

"Property Reinvestment Application" means, with respect to any Asset Disposition, the application of all or a portion of the Net Proceeds thereof to the acquisition by the Company or any Subsidiary of assets useful and intended to be used in the operation of the business of the Company and its Subsidiaries and having a Fair Market Value no less than the amount of such Net Proceeds so applied.

"QPAM Exemption" means Prohibited Transaction Class Exemption 84-14 issued by the United States Department of Labor.

"Ratable Portion" means, with respect to any Note, the amount equal to the product of (a) the Net Proceeds of any applicable Asset Disposition being offered by the Company as a prepayment of the Notes and any other Senior Secured Indebtedness multiplied by (b) a fraction, the numerator of which is the outstanding principal amount of such Note and the denominator of which is the aggregate outstanding principal amount of all Notes and all other Senior Secured Indebtedness.

"Required Holders" means, at any time, the holders of at least 66-2/3% in principal amount of the Notes at the time outstanding (exclusive of Notes then owned by the Company or any of its Affiliates).

"Responsible Officer" means, with respect to any Person, any Senior Financial Officer and any other officer of such Person with responsibility for the administration of the relevant portion of this Agreement or the applicable Note Document.

"Restricted Payment" means (a) the declaration of any dividend on, or the incurrence of any liability to make any other payment or distribution in respect of any Capital Stock (except, in the case of a Subsidiary, dividends or other payments or distributions in respect of its Capital Stock to the Company), (b) the distribution on account of the purchase, redemption or other retirement of any such Capital Stock (except, in the case of a Subsidiary, purchases, redemptions or other retirements of its Capital Stock from the Company), or.

"Risk Management Policy" means that certain trading and risk management policy of the Company and its Subsidiaries dated as of April 1, 2001, as the same may be amended from time to time and adopted by the Board of Directors of the Company; provided that copies of each such amended policy shall be delivered to the holders of the Notes prior to the effective date thereof.

"Secured Creditors" means the "Creditors" as defined in the Intercreditor Agreement.

"Securities Act" means the Securities Act of 1933, as amended from time to time.

"Security" shall have the same meaning as in Section 2(1) of the Securities Act.

"Security Agreements" means the Security Agreements referred to in the Bank Credit Agreement, as amended on the date hereof, and all Security Agreements hereafter executed and delivered pursuant to Section 9.8 hereof, as each may be amended, supplemented or otherwise modified from time to time.

"Security Documents" means the Security Agreements, the Pledge Agreements, the Mortgages, and all mortgages, deeds of trust, assignments, pledges, financing statements, lien entry forms, notices, documents and other writings executed and delivered from time to time in favor of the Collateral Agent for the benefit of the holders of the Notes in order to secure the obligations of the MLP, the Company and their Subsidiaries under and in respect of the Note Documents, as the same may be amended, restated, supplemented or otherwise modified from time to time.

"Senior Financial Officer" means, with respect to any Person, the chief financial officer, principal accounting officer, treasurer or comptroller of such Person.

"Senior Indebtedness" means, with regard to any Person, all Indebtedness of such Person which is not expressed to be subordinate or junior in rank to any other Indebtedness of such Person.

"Senior Secured Indebtedness" means the Indebtedness of the Company (a) evidenced by the Notes and (b) evidenced by the notes under the Bank Credit Agreement.

"Subsidiary" means, as to any Person, any corporation, limited liability company partnership, association or other business entity in which such Person or one or more of its

Subsidiaries or such Person and one or more of its Subsidiaries owns sufficient equity or voting interests to enable it or them (as a group) ordinarily, in the absence of contingencies, to elect a majority of the directors (or Persons performing similar functions) of such entity, and any partnership or joint venture if more than a 50% interest in the profits or capital thereof is owned by such Person or one or more of its Subsidiaries or such Person and one or more of its Subsidiaries (unless such partnership can and does ordinarily take major business actions without the prior approval of such Person or one or more of its Subsidiaries). Unless the context otherwise clearly requires, any reference to a "Subsidiary" is a reference to a Subsidiary of the Company.

"Subsidiary Guarantor" is defined in Section 4.5 and shall include any Subsidiary Guarantor which is required to comply with the requirements of Section 9.8.

"Subsidiary Guaranty Agreement" is defined in Section 4.5 and shall include any Subsidiary Guaranty Agreement delivered pursuant to Section 9.8.

"Swap" means any commodity swap, commodity option or forward commodity contract.

"Target" is defined in the definition of Permitted Acquisition.

"Target Assets" is defined in the definition of Permitted Acquisition.

"Total Indebtedness" means, at the time of determination, the then outstanding aggregate principal amount of all Indebtedness of the Company and its Subsidiaries on a consolidated basis. For the purpose of calculating the ratio of Total Indebtedness to EBITDA in Section 10.1(a), Total Indebtedness shall not include any outstanding Working Capital Loans or Swingline Loans (each as currently defined in the Bank Credit Agreement) to the extent such Working Capital Loans and Swingline Loans are excluded in calculating the "Consolidated Leverage Ratio" under the Bank Credit Agreement.

"Voting Stock" means, with respect to any Person, any Capital Stock of such Person whose holders are entitled under ordinary circumstances to vote for the election or appointment of directors or similar Persons elected or appointed to manage and direct the affairs of such Person (irrespective of whether at the time Capital Stock of any other class or classes shall have or might have voting power by reason of the happening of any contingency).

"Wholly-Owned Subsidiary" means, at any time, any Subsidiary one hundred percent (100%) of all of the equity interests (except directors' qualifying shares) and voting interests of which are owned by any one or more of the Company and the Company's other Wholly-Owned Subsidiaries at such time.

[Form of Series A Note]

Inergy Propane, LLC

8.85% Senior Secured Note, Series A, due June 7, 2007

No. [_________] [Date]
$[____________] PPN 45661# AA 9

For Value Received, the undersigned, Inergy Propane, LLC (herein called the "Company"), a limited liability company organized and existing under the laws of the State of Delaware, hereby promises to pay to [________________], or registered assigns, the principal sum of [________________] Dollars on June 7, 2007, with interest (computed on the basis of a 360-day year of twelve 30-day months) (a) on the unpaid balance thereof at the rate of 8.85% per annum from the date hereof, payable quarterly on the 7th day of March, June, September and December in each year, commencing with the September, December, March and June next succeeding the date hereof, until the principal hereof shall have become due and payable, and (b) on the occurrence and during the continuance of an Event of Default, at the Default Rate (as defined in the Note Purchase Agreement referred to below) with respect to any outstanding principal hereof, any overdue payment of interest and any overdue payment of any Make-Whole Amount (as defined in the Note Purchase Agreement referred to below), payable quarterly as aforesaid (or, at the option of the registered holder hereof, on demand).

Payments of principal of, interest on and any Make-Whole Amount with respect to this Note are to be made in lawful money of the United States of America at the principal office of The Bank of New York in New York, New York or at such other place as the Company shall have designated by written notice to the holder of this Note as provided in the Note Purchase Agreement referred to below shall designate to the Company in writing, in lawful money of the United States of America.

This Note is one of a series of Senior Secured Notes (herein called the "Notes") issued pursuant to a Note Purchase Agreement, dated as of June 7, 2002 (as from time to time amended, the "Note Purchase Agreement"), among the Company and the Purchasers named therein and is entitled to the benefits thereof. Each holder of this Note will be deemed, by its acceptance hereof, (i) to have agreed to the confidentiality provisions set forth in Section 20 of the Note Purchase Agreement and (ii) to have made the representation set forth in Section 6.2 of the Note Purchase Agreement.

This Note is a registered Note and, as provided in the Note Purchase Agreement, upon surrender of this Note for registration of transfer, duly endorsed, or accompanied by a written instrument of transfer duly executed, by the registered holder hereof or such holder's attorney duly authorized in writing, a new Note for a like principal amount and of like tenor will be issued to, and registered in the name of, the transferee. Prior to due presentment for registration of transfer, the Company may treat the person in whose name this Note is registered as the owner hereof for the purpose of receiving payment and for all other purposes, and the Company will not be affected by any notice to the contrary.

This Note and the holder hereof are entitled equally and ratably with the holders of all other Notes to the rights and benefits provided pursuant to the terms and provisions of the Security Documents and the Intercreditor Agreement (as each such term is defined in the Note Purchase Agreement). Reference is hereby made to each of the foregoing for statement of the nature and extent of the benefits and security for the Notes afforded thereby and the rights of the holders of the Notes and the Company in respect thereof.

This Note is subject to optional and mandatory prepayment, in whole or from time to time in part, at the times and on the terms specified in the Note Purchase Agreement, but not otherwise.

If an Event of Default, as defined in the Note Purchase Agreement, occurs and is continuing, the principal of this Note may be declared or otherwise become due and payable in the manner, at the price (including any applicable Make-Whole Amount) and with the effect provided in the Note Purchase Agreement.

Should any indebtedness represented by this Note be collected at law or in equity, or in bankruptcy or other proceedings, or should this Note be placed in the hands of attorneys for collection, the Company agrees to pay, in addition to the principal, premium, if any, and interest due and payable hereon, all costs of collecting or attempting to collect this Note, including reasonable attorneys' fees and expenses (including those incurred in connection with any appeal).

THIS NOTE IS INTENDED TO BE PERFORMED IN THE STATE OF NEW YORK AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE INTERNAL LAW OF SUCH STATE, EXCLUDING CHOICE-OF-LAW PRINCIPLES OF THE LAW OF SUCH STATE WHICH WOULD REQUIRE APPLICATION OF THE LAWS OF THE JURISDICTION OTHER THAN SUCH STATE.

Inergy Propane, LLC

By ___________________________

Name:

Title:

[Form of Series B Note]

Inergy Propane, LLC

9.10% Senior Secured Note, Series B, due June 6, 2008

No. [_________] [Date]
$[____________] PPN 45661# AB 7

For Value Received, the undersigned, Inergy Propane, LLC (herein called the "Company"), a limited liability company organized and existing under the laws of the State of Delaware, hereby promises to pay to [________________], or registered assigns, the principal sum of [________________] Dollars on June 6, 2008, with interest (computed on the basis of a 360-day year of twelve 30-day months) (a) on the unpaid balance thereof at the rate of 9.10% per annum from the date hereof, payable quarterly on the 7th day of March, June, September and December in each year, commencing with the September, December, March and June next succeeding the date hereof, until the principal hereof shall have become due and payable, and (b) on the occurrence and during the continuance of an Event of Default, at the Default Rate (as defined in the Note Purchase Agreement referred to below) with respect to any outstanding principal hereof, any overdue payment of interest and any overdue payment of any Make-Whole Amount (as defined in the Note Purchase Agreement referred to below), payable quarterly as aforesaid (or, at the option of the registered holder hereof, on demand).

Payments of principal of, interest on and any Make-Whole Amount with respect to this Note are to be made in lawful money of the United States at the principal office of The Bank of New York in New York, New York or at such other place as the Company shall have designated by written notice to the holder of this Note as provided in the Note Purchase Agreement referred to below.

This Note is one of a series of Senior Secured Notes (herein called the "Notes") issued pursuant to a Note Purchase Agreement, dated as of June 7, 2002 (as from time to time amended, the "Note Purchase Agreement"), among the Company and Purchasers named therein and is entitled to the benefits thereof. Each holder of this Note will be deemed, by its acceptance hereof, (i) to have agreed to the confidentiality provisions set forth in Section 20 of the Note Purchase Agreement and (ii) to have made the representation set forth in Section 6.2 of the Note Purchase Agreement.

This Note is a registered Note and, as provided in the Note Purchase Agreement, upon surrender of this Note for registration of transfer, duly endorsed, or accompanied by a written instrument of transfer duly executed, by the registered holder hereof or such holder's attorney duly authorized in writing, a new Note for a like principal amount and of like tenor will be issued to, and registered in the name of, the transferee. Prior to due presentment for registration of transfer, the Company may treat the person in whose name this Note is registered as the owner hereof for the purpose of receiving payment and for all other purposes, and the Company will not be affected by any notice to the contrary.

This Note and a holder hereof are entitled equally and ratably with the holders of all other Notes to the rights and benefits provided pursuant to the terms and provisions of the Security Documents and the Intercreditor Agreement (as each such term is defined in the Note Purchase Agreement). Reference is hereby made to each of the foregoing for statement of the nature and extent of the benefits and security for the Notes afforded thereby and the rights of the holders of the Notes and the Company in respect thereof.

This Note is subject to optional and mandatory prepayment, in whole or from time to time in part, at the times and on the terms specified in the Note Purchase Agreement, but not otherwise.

If an Event of Default, as defined in the Note Purchase Agreement, occurs and is continuing, the principal of this Note may be declared or otherwise become due and payable in the manner, at the price (including any applicable Make-Whole Amount) and with the effect provided in the Note Purchase Agreement.

Should any indebtedness represented by this Note be collected at law or in equity, or in bankruptcy or other proceedings, or should this Note be placed in the hands of attorneys for collection, the Company agrees to pay, in addition to the principal, premium, if any, and interest due and payable hereon, all costs of collecting or attempting to collect this Note, including reasonable attorneys' fees and expenses (including those incurred in connection with any appeal).

THIS NOTE IS INTENDED TO BE PERFORMED IN THE STATE OF NEW YORK AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE INTERNAL LAW OF SUCH STATE, EXCLUDING CHOICE-OF-LAW PRINCIPLES OF THE LAW OF SUCH STATE WHICH WOULD REQUIRE APPLICATION OF THE LAWS OF THE JURISDICTION OTHER THAN SUCH STATE.

Inergy Propane, LLC

By ___________________________
Name:
Title:

[Form of Series C Note]

Inergy Propane, LLC

9.34% Senior Secured Note, Series C, due June 5, 2009

No. [_________] [Date]
$[____________] PPN 45661# AC 5

For Value Received, the undersigned, Inergy Propane, LLC (herein called the "Company"), a limited liability company organized and existing under the laws of the State of Delaware, hereby promises to pay to [________________], or registered assigns, the principal sum of [________________] Dollars on June 5, 2009, with interest (computed on the basis of a 360-day year of twelve 30-day months) (a) on the unpaid balance thereof at the rate of 9.34% per annum from the date hereof, payable quarterly on the 7th day of March, June, September and December in each year, commencing with the September, December, March and June next succeeding the date hereof, until the principal hereof shall have become due and payable, and (b) on the occurrence and during the continuance of an Event of Default, at the Default Rate (as defined in the Note Purchase Agreement referred to below) with respect to any outstanding principal hereof, any overdue payment of interest and any overdue payment of any Make-Whole Amount (as defined in the Note Purchase Agreement referred to below), payable quarterly as aforesaid (or, at the option of the registered holder hereof, on demand).

Payments of principal of, interest on and any Make-Whole Amount with respect to this Note are to be made in lawful money of the United States of America at the principal office of The Bank of New York in New York, New York or at such other place as the Company shall have designated by written notice to the Holder of this Note as provided in the Note Purchase Agreement.

This Note is one of a series of Senior Secured Notes (herein called the "Notes") issued pursuant to a Note Purchase Agreement, dated as of June 7, 2002 (as from time to time amended, the "Note Purchase Agreement"), among the Company and the Purchasers named therein and is entitled to the benefits thereof. Each holder of this Note will be deemed, by its acceptance hereof, (i) to have agreed to the confidentiality provisions set forth in Section 20 of the Note Purchase Agreement and (ii) to have made the representation set forth in Section 6.2 of the Note Purchase Agreement.

This Note is a registered Note and, as provided in the Note Purchase Agreement, upon surrender of this Note for registration of transfer, duly endorsed, or accompanied by a written instrument of transfer duly executed, by the registered holder hereof or such holder's attorney duly authorized in writing, a new Note for a like principal amount and of like tenor will be issued to, and registered in the name of, the transferee. Prior to due presentment for registration of transfer, the Company may treat the person in whose name this Note is registered as the owner hereof for the purpose of receiving payment and for all other purposes, and the Company will not be affected by any notice to the contrary.

This Note and a holder hereof are entitled equally and ratably with the holders of all other Notes to the rights and benefits provided pursuant to the terms and provisions of the Security Documents and the Intercreditor Agreement (as each such term is defined in the Note Purchase Agreement). Reference is hereby made to each of the foregoing for statement of the nature and extent of the benefits and security for the Notes afforded thereby and the rights of the holders of the Notes and the Company in respect thereof.

This Note is subject to optional and mandatory prepayment, in whole or from time to time in part, at the times and on the terms specified in the Note Purchase Agreement, but not otherwise.

If an Event of Default, as defined in the Note Purchase Agreement, occurs and is continuing, the principal of this Note may be declared or otherwise become due and payable in the manner, at the price (including any applicable Make-Whole Amount) and with the effect provided in the Note Purchase Agreement.

Should any indebtedness represented by this Note be collected at law or in equity, or in bankruptcy or other proceedings, or should this Note be placed in the hands of attorneys for collection, the Company agrees to pay, in addition to the principal, premium, if any, and interest due and payable hereon, all costs of collecting or attempting to collect this Note, including reasonable attorneys' fees and expenses (including those incurred in connection with any appeal).

THIS NOTE IS INTENDED TO BE PERFORMED IN THE STATE OF NEW YORK AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE INTERNAL LAW OF SUCH STATE, EXCLUDING CHOICE-OF-LAW PRINCIPLES OF THE LAW OF SUCH STATE WHICH WOULD REQUIRE APPLICATION OF THE LAWS OF THE JURISDICTION OTHER THAN SUCH STATE.

Inergy Propane, LLC

By _________________________
Name:
Title:

[Form of Opinion of Company's Counsel]

[To be attached]

[Form of Parent Guaranty]

Exhibit C-1
(to Note Purchase Agreement)

[Form of Subsidiary Guaranty]

Exhibit C-2
(to Note Purchase Agreement)

[Form of Funds Delivery Instruction Letter]

[Company's Letterhead]

The Canada Life Assurance Company
Floor SP-11
330 University Avenue
Toronto, Ontario

John Hancock Life Insurance Company
200 Clarendon Street, T-30
Boston, MA 02117

The Prudential Insurance Company of America
c/o Prudential Capital Group
2200 Ross Avenue, Suite 4200E
Dallas, TX 75201

Re: Funds Delivery Instruction

Ladies and Gentlemen:

As contemplated by Section 3 of the Note Purchase Agreement dated as of June 7, 2002, between us, the undersigned hereby instructs you to deliver, on the date of closing, the proceeds of the Notes in the manner required by paragraph 3 to the undersigned's account identified below:

Account Name:	_____________________
Account No:	2000010968431
Bank:____	First Union National Bank
Bank City & State:	Charlotte, North Carolina
Bank ABA No:	053000219
Reference:	_____________________

This instruction has been executed and delivered by an authorized representative of the undersigned.

Very truly yours,

Inergy Propane, LLC

By _______________________________
Name:

Exhibit D
(to Note Purchase Agreement)

EXHIBIT 4.5

PARENT GUARANTY AGREEMENT

THIS GUARANTY AGREEMENT, dated as of June 7, 2002 (the "Guaranty Agreement"), is made by INERGY, L.P., a Delaware limited partnership (the "Guarantor"), in favor of the holders from time to time of the Notes described below (the "Noteholders").

WHEREAS, Inergy Propane, LLC, a Delaware limited liability company (the "Company"), and the Purchasers named on the Purchaser Schedule thereto (collectively, the "Purchasers") have entered into a Note Purchase Agreement dated as of even date herewith (as the same may be amended, restated, supplemented, or otherwise modified from time to time, the "Note Agreement"; capitalized terms used and otherwise not defined herein have the definitions set forth in the Note Agreement) pursuant to which the Company has issued and sold to the Purchasers (i) $35,000,000 aggregate principal amount of its 8.85% Senior Secured Notes, Series A, due June 7, 2007 (the "Series A Notes"), (ii) $25,000,000 aggregate principal amount of its 9.10% Senior Secured Notes, Series B, due June 6, 2008 (the "Series B Notes"), and (iii) $25,000,000 aggregate principal amount of its 9.34% Senior Secured Notes, Series C, due June 5, 2009 (the "Series C Notes" and, together with the Series A Notes and the Series B Notes, collectively, the "Notes"; which term shall include any notes issued in substitution or exchange for any of the foregoing pursuant to the terms of the Note Agreement);

WHEREAS, the Company is a Wholly-Owned Subsidiary of the Guarantor; and

WHEREAS, it is a condition to the agreement of the Purchasers to purchase the Notes that this Guaranty Agreement shall have been executed and delivered by the Guarantor and shall be in full force and effect;

NOW THEREFORE, in order to induce, and in consideration of, the execution and delivery of the Note Agreement and the purchase of the Notes by the Purchasers, the Guarantor hereby covenants and agrees with, and represents and warrants to the Noteholders as follows:

1. THE GUARANTY. The Guarantor hereby irrevocably and unconditionally guarantees to each Noteholder the due and punctual payment in full of (i) the principal of, Make-Whole Amount, if any, and interest on (including interest accruing after the filing of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding, relating to the Company, whether or not a claim for post-filing or post-petition interest is allowed in such proceeding), and any other amounts due under, the Notes when and as the same shall become due and payable (whether at stated maturity or by required or optional prepayment or by acceleration or otherwise) and (ii) any other sums which may become due under the terms and provisions of the Note Agreement, the Notes or any other Note Document (all such obligations described in clauses (i) and (ii) above are herein called the "Guaranteed Obligations"). The guaranty in the preceding sentence is an absolute, present and continuing guaranty of payment and not of

collectibility and is in no way conditional or contingent upon any attempt to collect from the Company or any other guarantor of the Notes or upon any other action, occurrence or circumstance whatsoever. In the event that the Company shall fail so to pay any of such Guaranteed Obligations, the Guarantor agrees to pay the same when due to the Noteholders entitled thereto, without demand, presentment, protest or notice of any kind, in lawful money of the United States of America, at the place for payment specified in the Notes and the Note Agreement. Each default in payment of principal of, Make-Whole Amount, if any, or interest on any Note shall give rise to a separate cause of action hereunder and separate suits may be brought hereunder as each cause of action arises. The Guarantor hereby agrees that the Notes issued in connection with the Note Agreement may make reference to this Guaranty Agreement.

The Guarantor hereby agrees to pay and to indemnify and save each Noteholder harmless from and against any damage, loss, cost or expense (including attorneys' fees) which such Noteholder may incur or be subject to as a consequence, direct or indirect, of (i) any breach by the Guarantor or by the Company of any warranty, covenant, term or condition in, or the occurrence of any default under, this Guaranty Agreement, the Notes, the Note Agreement or any other Note Document, together with all expenses resulting from the compromise or defense of any claims or liabilities arising as a result of any such breach or default, and (ii) any legal action commenced to challenge the validity or enforceability of this Guaranty Agreement, the Notes, the Note Agreement or any other Note Document.

2. OBLIGATIONS ABSOLUTE. The obligations of the Guarantor hereunder shall be primary, absolute, irrevocable and unconditional, irrespective of the validity, regularity or enforceability of the Notes, of the Note Agreement or of the other Note Documents, shall not be subject to any counterclaim, setoff, deduction or defense based upon any claim the Guarantor may have against the Company or any Noteholder or otherwise, and shall remain in full force and effect without regard to, and shall not be released, discharged or in any way affected by, any circumstance or condition whatsoever (whether or not the Guarantor shall have any knowledge or notice thereof), including, without limitation: (a) any amendment, modification of or supplement to the Note Agreement, the Notes, or any other Note Document (except that the obligations of the Guarantor hereunder shall apply to the Note Agreement, the Notes or such other Note Document as so amended, modified or supplemented) or any assignment or transfer of any thereof or of any interest therein, or any furnishing, acceptance or release of any security for the Notes; (b) any waiver, consent, extension, indulgence or other action or inaction under or in respect of the Notes or in respect of the Note Agreement or any other Note Document; (c) any bankruptcy, insolvency, readjustment, composition, liquidation or similar proceeding with respect to the Company or its property; (d) any merger, amalgamation or consolidation of the Guarantor or of the Company into or with any other entity or any sale, lease or transfer of any or all of the assets of the Guarantor or of the Company to any person; (e) any failure on the part of the Company for any reason to comply with or perform any of the terms of any other agreement with the Guarantor; or (f) any other circumstance which might otherwise constitute a legal or equitable discharge or defense of a guarantor. The Guarantor covenants that its obligations hereunder will not be discharged except by

payment and performance in full of all of the Guaranteed Obligations.

3. WAIVER. The Guarantor unconditionally waives to the fullest extent permitted by law, (a) notice of acceptance hereof, of any action taken or omitted in reliance hereon and of any defaults by the Company in the payment of any amounts due under the Notes, the Note Agreement or the other Note Documents, and of any of the matters referred to in paragraph 2 hereof; (b) all notices which may be required by statute, rule of law or otherwise to preserve any of the rights of each Noteholder against the Guarantor, including, without limitation, presentment to or demand for payment from the Company or the Guarantor with respect to any Note, notice to the Company or to the Guarantor of default or protest for nonpayment or dishonor and the filing of claims with a court in the event of the bankruptcy of the Company; (c) any right to the enforcement, assertion or exercise by any Noteholder of any right, power or remedy conferred in this Guaranty Agreement, the Note Agreement, the Notes or the other Note Documents; (d) any requirement or diligence on the part of any Noteholder; and (e) any other act or omission or thing or delay to do any other act or thing which might in any manner or to any extent vary the risk of the Guarantor or which might otherwise operate as a discharge of the Guarantor.

4. OBLIGATIONS UNIMPAIRED. The Guarantor authorizes the Noteholders, without notice or demand to the Guarantor and without affecting its obligations hereunder, from time to time (a) to renew, compromise, extend, accelerate or otherwise change the time for payment of, or otherwise change the terms of, all or any part of the Notes, the Note Agreement, any other Note Document or any other instrument referred to therein; (b) to take and hold security for the payment of the Notes, for the performance of this Guaranty Agreement or otherwise for the Indebtedness guaranteed hereby and to exchange, enforce, waive and release any such security; (c) to apply any such security and to direct the order or manner of sale thereof as the Noteholders in their sole discretion may determine; (d) to obtain additional or substitute endorsers or guarantors; (e) to exercise or refrain from exercising any rights against the Company and others; and (f) to apply any sums, by whomsoever paid or however realized, to the payment of the principal of, Make-Whole Amount, if any, and interest on the Notes and any other Guaranteed Obligations hereunder. The Guarantor waives any right to require the Noteholders to proceed against any additional or substitute endorsers or guarantors or to pursue or exhaust any security provided by the Company, the Guarantor or any other person or to pursue any other remedy available to such Noteholders.

5. SUBROGATION. The Guarantor will not (a) exercise, and hereby subordinates to the rights of the Noteholders, any rights which it may have acquired by way of subrogation under this Guaranty Agreement, by any payment made hereunder or otherwise, or (b) accept any payment on account of such subrogation rights, or any rights of reimbursement, indemnity, exoneration or contribution, any right to participate in any claim or any rights or recourse to any security for the Notes or this Guaranty Agreement unless and until all of the obligations, undertakings or conditions to be performed or observed by the Company pursuant to the Notes, the Note Agreement and the other Note

Documents at the time of the Guarantor's exercise of any such right shall have been performed, observed or paid in full.

For a period of one year after the payment in full of the Guaranteed Obligations, the Guarantor hereby waives (x) all rights of subrogation which it may at any time otherwise have as a result of this Guaranty Agreement (whether statutory or otherwise) to the claims of the Noteholders against the Company or any other guarantor of the Guaranteed Obligations (each referred to herein as the "Other Party") and all contractual, statutory or common law rights of reimbursement, contribution or indemnity from any Other Party which it may at any time otherwise have as a result of this Guaranty Agreement; (y) any right to enforce any other remedy which the Noteholders now have or may hereafter have against any Other Party, any endorser or any other guarantor of all or any part of the Guaranteed Obligations; and (z) all claims (as such term is defined in the Bankruptcy Code) it may at any time otherwise have against any Other Party arising from any transaction whatsoever, including without limitation its right to assert or enforce any such claims.

6. REINSTATEMENT OF GUARANTY. This Guaranty Agreement shall continue to be effective, or be reinstated, as the case may be, if and to the extent at any time payment, in whole or in part, of any of the sums due to any Noteholder for principal, Make-Whole Amount, if any, or interest on the Notes or any of the other Guaranteed Obligations is rescinded or must otherwise be restored or returned by such Noteholder upon the insolvency, bankruptcy, dissolution, liquidation or reorganization of the Company, or upon or as a result of the appointment of a custodian, receiver, trustee or other officer with similar powers with respect to the Company or any substantial part of its property, or otherwise, all as though such payments had not been made. If an event permitting the acceleration of the maturity of the principal amount of the Notes shall at any time have occurred and be continuing and such acceleration shall at such time be prevented or the right of any Noteholder to receive any payment under any Note shall at such time be delayed or otherwise affected by reason of the pendency against the Company of a case or proceeding under a bankruptcy or insolvency law, the Guarantor agrees that, for purposes of this Guaranty Agreement and its obligations hereunder, the maturity of such principal amount shall be deemed to have been accelerated with the same effect as if the Noteholders had accelerated the same in accordance with the terms of the Note Agreement, and the Guarantor shall forthwith pay such accelerated principal amount, accrued interest and Make-Whole Amount, if any, thereon and any other amounts guaranteed hereunder.

7. RANK OF GUARANTY. The Guarantor agrees that its obligations under this Guaranty Agreement shall rank at least pari passu with all other senior obligations of the Guarantor now or hereafter existing and senior to all obligations owed by the Guarantor to any Affiliate of the Guarantor.

8. ADDITIONAL COVENANTS OF THE GUARANTOR.

(a) Affirmative Covenants. So long as any Note is outstanding or the Note Agreement shall remain in effect, the Guarantor agrees that it will:

(i) Existence; Businesses and Properties. (A) Carry on and conduct its principal business substantially as it is now being conducted, (B) maintain in good standing its existence and its right to transact business in those states in which it is now or may be doing business after the date hereof; and (C) maintain all licenses, permits and registrations necessary to the conduct of its business, except where the failure to so maintain its right to transact business or to maintain such licenses, permits or registrations would not have a Material Adverse Effect.

(ii) Payment of Taxes; Etc. Pay and discharge, before they become delinquent, all taxes, assessments and other governmental charges imposed upon it, its properties, or any part thereof, or upon the income or profits therefrom and all claims for labor, materials or supplies which if unpaid might be or become a Lien or charge upon any of its property and other material obligations, except such items as it is in good faith appropriately contesting and as to which adequate reserves have been provided to the satisfaction of the Required Holders.

(iii) Employee Benefits. Not maintain or establish any Plan.

(iv) Books and Records; Inspection; Audits. (A) Maintain complete and accurate books and financial records in accordance with GAAP; and (B) during normal working hours permit the Collateral Agent and the Noteholders to visit and inspect its properties and to conduct any environmental tests or audits thereon, to inspect its books and financial records (including its journals, orders, receipts and correspondence which relates to its accounts receivable), and to discuss its affairs, finances and accounts receivable and operations with its members, officers, employees and its independent public accountants at the expense of the Guarantor.

(v) Compliance with Law. Comply with all laws, ordinances or governmental rules or regulations to which it is subject, including, without limitation, Environmental Laws, except to the extent that non-compliance could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(vi) Financial Statements, Etc. Furnish, or cause the Company to furnish, to each Noteholder, the consolidated and consolidating balance sheets, statements of cash flow, financial statements, certificates, opinions, reports and other information required to be furnished by Section 7 of the Note Agreement, in each case within the time frames required

therein, and shall furnish with reasonable promptness such other information relating to the Guarantor or any of its subsidiaries as any Noteholder may from time to time reasonably request.

(b) Negative Covenants. So long as any Note is outstanding or the Note Agreement shall remain in effect, the Guarantor agrees that it will not:

(i) Liens. Create or suffer to exist any Lien upon or with respect to any of its assets or properties (other than (A) Liens securing the Notes and the payment, performance and observance of the other obligations under this Guaranty Agreement and the other Note Documents, (B) a Lien on the Capital Stock of the Company in favor of Collateral Agent securing the payment, performance and observance of obligations under the Bank Documents and Hedging Agreements with Bank Lenders or Affiliates thereof (x) which is pari passu with the Liens in favor of the Collateral Agent securing the securing the Notes and the payment, performance and observance of the other obligations under this Guaranty Agreement and the other Note Documents and (y) which is subject to the Intercreditor Agreement, and (C) a Lien on the Capital Stock of the Company in favor of Collateral Agent securing the payment, performance and observance of obligations with respect to Permitted Additional Private Placement Debt, (x) which are pari passu with the Liens in favor of the Collateral Agent securing the Notes and Indebtedness under the Bank Documents and Hedging Agreements and the payment, performance and observance of the other obligations under this Agreement, the other Note Documents and the Bank Documents, and (y) which are subject to the provisions of the Intercreditor Agreement, as amended to provide for the Permitted Additional Private Placement Debt pursuant to an amendment in form and substance satisfactory to the Required Holders), whether such Person owns or has an interest in such properties on the date hereof or at any time thereafter.

(ii) Indebtedness. Create or suffer to exist any Indebtedness other than (A) Indebtedness under this Guaranty Agreement, (B) Indebtedness represented by any other Guaranty of Indebtedness of the Company under the Bank Documents and Hedging Agreements with Bank Lenders or Affiliates thereof, so long as each beneficiary of such Guaranty Agreement is a party to the Intercreditor Agreement, and (C) Indebtedness represented by any other Guaranty of Indebtedness of the Company with respect to Permitted Additional Private Placement Debt, so long as each beneficiary of such Guaranty Agreement is a party to the Intercreditor Agreement, as amended to provide for the Permitted Additional Private Placement Debt pursuant to an amendment in form and substance satisfactory to the Required Holders.

(iii) Loans, Advances, Investments and Contingent Liabilities. Make or permit to remain outstanding any loan or advance to, or extend credit to, or make or permit to remain outstanding any Guaranty in connection with the obligations, stock or dividends of, or own, purchase or acquire any stock, obligations or securities of, or any other interest in, or make any capital contribution to, any Person, except that the Guarantor may: (A) provide this Guaranty Agreement and the Guaranties permitted by clauses (B) and (C) of paragraph 8(b)(ii) above; and (B) own, purchase or acquire stock or other equity interests of the Company that are pledged pursuant to the Pledge Agreement to which the Guarantor is a party.

(iv) Mergers; Disposition of Assets and Properties. (A) Merge or consolidate with or otherwise acquire, or be acquired by, any other Person; or (B) sell, lease or otherwise transfer all or any part of its assets or properties.

(v) Acquisition of Assets. Own, acquire or lease any assets or property other than ownership of the Capital Stock of the Company.

(vi) New Businesses. Enter into any business which is not substantially similar to that existing on the date hereof.

(vii) Conflicting Agreements. Enter into any agreement any term or condition of which conflicts with any provision of this Guaranty Agreement or any other Note Document.

(viii) Changes in Accounting Principles; Fiscal Year. Make any change in its principles or methods of accounting as currently in effect, except such changes as are required by GAAP, nor, without first obtaining the written consent of the Required Holders, change its fiscal year.

(ix) Transactions with Affiliates. Enter into or be a party to any transaction or arrangement, including without limitation, the purchase, sale or exchange of property of any kind or the rendering of any service, with any Affiliate, except in the ordinary course of (other than Permitted Acquisitions that are structured in substantially the same manner as the IPC Acquisition) and pursuant to the reasonable requirements of such Person's business and upon fair and reasonable terms substantially as favorable to such Person as those which would be obtained in a comparable arms-length transaction with a non-Affiliate.

9. REPRESENTATIONS AND WARRANTIES OF THE GUARANTOR.

The Guarantor represents and warrants as follows:

(a) Organization, Good Standing and Location. The Guarantor is (i) duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, (ii) duly qualified and authorized to do business and in good standing in every other jurisdiction where the nature of its business requires such qualification and (iii) has all requisite organizational power and authority, and all governmental licenses and permits, to own and operate its properties and to carry on its businesses as presently conducted. The Guarantor has the requisite organizational power to enter into and perform its obligations under this Guaranty Agreement.

(b) Approval and Enforceability of Guaranty Agreement. The execution, delivery and performance of this Guaranty Agreement have been duly authorized by all necessary organizational action on the part of the Guarantor. The Guaranty Agreement has been duly and validly executed and delivered and constitutes the legal, valid and binding obligation of the Guarantor, enforceable against it in accordance with its terms, subject to (i) applicable bankruptcy, insolvency, moratorium, reorganization, receivership and similar laws affecting the rights and remedies of creditors generally, and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

(c) Compliance of Agreement with Laws, Etc. The execution, delivery and performance by the Guarantor of this Guaranty will not, by the passage of time, the giving of notice or otherwise, (i) require any consent, approvals or authorization from any Governmental Authority or violate any provision of any statute or other rule or regulation of any Governmental Authority relating to the Guarantor, (ii) conflict with, result in a breach of or constitute a default under the articles of formation, partnership agreement or other organizational documents of the Guarantor or any indenture, agreement or instrument to which the Guarantor is a party or by which any of its properties may be bound or affected or any order, judgment, decree or ruling of any court, arbitrator or Governmental Authority applicable to the Guarantor, or (iii) result in or require the creation or imposition of any Lien upon or with respect to any property now owned or hereafter acquired by the Guarantor.

(d) Applicability of Note Agreement Representations. The Noteholders shall be entitled to rely on any representation or warranty contained in Section 5 of the Note Agreement and applicable to the Guarantor as if such representation or warranty was made by the Guarantor herein.

10. EVENTS OF DEFAULT. Each of the following shall constitute an Event of Default, whatever the reason for such event and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment or order of any court or any order, rule or regulation of any Governmental Authority or otherwise:

(a) Misrepresentation. Any representation or warranty made or deemed to be made by the Guarantor under this Guaranty or any amendment hereto, shall prove to have been incorrect or misleading in any material respect when made or deemed made.

(b) Default in Performance of Certain Covenants. A default in the performance or observance of any covenant or agreement contained in paragraphs 8(a)(i), 8(a)(iii), 8(a)(iv) or 8(a)(vi), or paragraphs 8(b)(i),(ii), (iii), (iv), (v), (vi), or (ix) of this Guaranty Agreement.

(c) Default in Performance of Other Covenants and Conditions. A default in the performance or observance of any term, covenant, condition or agreement contained in this Guaranty Agreement (other than as specifically provided for otherwise in this paragraph 10) and such default shall continue for a period of thirty (30) days.

11. NOTICES. Unless otherwise specifically provided herein, all notices, consents, directions, approvals, instructions, requests and other communications required or permitted by the terms hereof shall be in writing, and any such communication shall become effective when received, addressed in the following manner: (a) if to the Guarantor, to the address set forth on the signature page hereto or (b) if to any Noteholder, to the respective addresses set forth in the Purchaser Schedule to the Note Agreement or such other address specified by such Noteholder to the Guarantor in writing; provided, however, that any such addressee may change its address for communications by notice given as aforesaid to the other parties hereto.

12. CONSTRUCTION. The paragraph and subparagraph headings in this Guaranty Agreement are for convenience of reference only and shall neither be deemed to be a part of this Guaranty Agreement nor modify, define, expand or limit any of the terms or provisions hereof. All references herein to numbered paragraphs, unless otherwise indicated, are to paragraphs of this Guaranty Agreement. Words and definitions in the singular shall be read and construed as though in the plural and vice versa, and words in the masculine, neuter or feminine gender shall be read and construed as though in either of the other genders where the context so requires.

13. SEVERABILITY. If any provision of this Guaranty Agreement, or the application thereof to any person or circumstances, shall, for any reason or to any extent, be invalid or unenforceable, such invalidity or unenforceability shall not in any manner affect or render invalid or unenforceable the remainder of this Guaranty Agreement, and the application of that provision to other persons or circumstances shall not be affected but, rather, shall be enforced to the extent permitted by applicable law.

14. SUCCESSORS. The terms and provisions of this Guaranty Agreement shall be binding upon and inure to the benefit of the Guarantor and the Noteholders from time to time and their respective permitted successors, transferees and assigns.

15. ENTIRE AGREEMENT; AMENDMENT. This Guaranty Agreement expresses the entire understanding of the subject matter hereof; and all other understandings, written or oral, are hereby merged herein and superseded. No amendment of or supplement to this Guaranty Agreement, or waiver or modification of, or consent under, the terms hereof shall be effective unless in writing and signed by the party to be bound thereby.

16. TERM OF GUARANTY AGREEMENT. The Guaranty Agreement and all guarantees, covenants and agreements of the Guarantor contained herein shall continue in full force and effect and shall not be discharged until such time as all of the Guaranteed Obligations shall be indefeasibly paid or otherwise discharged in full.

17. SURVIVAL. All warranties, representations and covenants made by the Guarantor herein or in any certificate or other instrument delivered by it or on its behalf under this Guaranty Agreement shall be considered to have been relied upon by the Noteholders and shall survive the execution and delivery of this Guaranty Agreement, regardless of any investigation made by the Noteholders or on their behalf.

18. FURTHER ASSURANCES. The Guarantor hereby agrees to execute and deliver all such instruments and take all such action as the Required Holders may from time to time reasonably request in order to effectuate fully the purposes of this Guaranty Agreement.

19. GOVERNING LAW. THIS GUARANTY AGREEMENT HAS BEEN EXECUTED AND DELIVERED IN THE STATE OF NEW YORK AND SHALL BE GOVERNED BY, CONSTRUED AND ENFORCED IN ALL RESPECTS IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS MADE AND TO BE PERFORMED ENTIRELY THEREIN, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS.

20. WAIVER OF JURY TRIAL; SUBMISSION TO JURISDICTION; WAIVER OF IMMUNITIES.

(a) THE GUARANTOR AGREES TO WAIVE ITS RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS GUARANTY AGREEMENT, THE NOTES, ANY OTHER NOTE DOCUMENT OR ANY DEALINGS RELATING TO THE SUBJECT MATTER OF THE TRANSACTIONS CONTEMPLATED BY THE NOTE DOCUMENTS, AND THE LENDER/BORROWER RELATIONSHIP THAT IS BEING ESTABLISHED. THE SCOPE OF THIS WAIVER IS INTENDED TO BE ALL-ENCOMPASSING OF ANY AND ALL DISPUTES THAT MAY BE FILED IN ANY COURT AND THAT RELATE TO THE SUBJECT MATTER OF THE TRANSACTIONS CONTEMPLATED BY THE NOTE DOCUMENTS, INCLUDING WITHOUT LIMITATION, CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS, AND ALL OTHER COMMON LAW AND STATUTORY CLAIMS. THE GUARANTOR ACKNOWLEDGES THAT THIS WAIVER IS A MATERIAL

INDUCEMENT TO THE NOTEHOLDERS TO ENTER INTO THE NOTE AGREEMENT AND PURCHASE THE NOTES PURCHASED BY IT, THAT EACH NOTEHOLDER HAS ALREADY RELIED ON THIS WAIVER IN ENTERING INTO THE NOTE AGREEMENT AND PURCHASING THE NOTES PURCHASED BY IT, AND THAT EACH NOTEHOLDER WILL CONTINUE TO RELY ON THE WAIVER IN ITS RELATED FUTURE DEALINGS WITH THE COMPANY AND THE GUARANTOR. THE GUARANTOR FURTHER WARRANTS AND REPRESENTS THAT IT HAS REVIEWED THIS WAIVER WITH ITS LEGAL COUNSEL, AND THAT IT KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL. IN THE EVENT OF LITIGATION, THIS GUARANTY AGREEMENT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT.

(b) The Guarantor hereby irrevocably submits itself to the jurisdiction of the Supreme Court of the State of New York, New York County, of the United States of America and to the jurisdiction of the United States District Court for the Southern District of New York, for the purpose of any suit, action or other proceeding arising out of, or relating to, this Guaranty Agreement, any other Note Document, or the subject matter hereof or thereof, and the Guarantor hereby waives, and agrees not to assert, by way of motion, as a defense or otherwise, in any such suit, action or proceedings, any claim that it is not personally subject to the jurisdiction of the above-named courts for any reason whatsoever, that such suit, action or proceeding is brought in an inconvenient forum or that the venue of such suit, action or proceeding is improper. The Guarantor hereby agrees that process may be served on Corporation Service Company, located at 80 State Street, Albany, NY 12207. Any and all service of process and any other notice in any such action, suit or proceeding shall be effective against such parties if given by registered or certified mail, return receipt requested, or by any other means or mail which requires a signed receipt, postage prepaid, mailed to such parties has herein provided in paragraph 11. During the term of this Guaranty Agreement, in the event Corporation Service Company shall not be able to accept service of process as aforesaid and if the Guarantor shall not maintain an office in New York City, the Guarantor shall, promptly appoint and maintain an agent qualified to act as an agent for service of process with respect to all courts in and of New York City, and acceptable to the holders of the Notes, as the Guarantor's authorized agent to accept and acknowledge on the Guarantor's behalf service of any and all process which may be served in any such action, suit or proceeding. The Guarantor agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this paragraph 20 shall affect the right of any Noteholder to serve legal process in any other manner permitted by law or affect the right of any Noteholder to bring any action or proceeding against the Guarantor or its respective property in the courts of any other jurisdiction.

The Guarantor hereby agrees that the submission to jurisdiction referred to in this paragraph 20 shall not limit in any manner the rights of any of the Noteholders to take

proceedings against the Guarantor in some other court of competent jurisdiction whether within or outside the United States.

[Remainder of this page blank; signature page follows]

IN WITNESS WHEREOF, the Guarantor has caused this Guaranty Agreement to be duly executed and delivered as of the date and year first above written.

INERGY, LP

By: INERGY GP, LLC,
its Managing General Partner

By:____________________________
John J. Sherman
President

Notice address for
above Guarantor:

c/o Inergy Propane, LLC
1101 Walnut, Suite 1500
Kansas City, Missouri 64106

Signature Page to Guaranty Agreement

LIMITED GUARANTY AGREEMENT

THIS GUARANTY AGREEMENT, dated as of June 7, 2002 (the "Guaranty Agreement"), is made by IPCH ACQUISITION CORP., a Delaware corporation (the "Guarantor"), in favor of the holders from time to time of the Notes described below (the "Noteholders").

WHEREAS, Inergy Propane, LLC, a Delaware limited liability company (the "Company"), and the Purchasers named on the Purchaser Schedule thereto (collectively, the "Purchasers") have entered into a Note Purchase Agreement dated as of even date herewith (as the same may be amended, restated, supplemented, or otherwise modified from time to time, the "Note Agreement"; capitalized terms used and otherwise not defined herein have the definitions set forth in the Note Agreement) pursuant to which the Company has issued and sold to the Purchasers (i) $35,000,000 aggregate principal amount of its 8.85% Senior Secured Notes, Series A, due June 7, 2007 (the "Series A Notes"), (ii) $25,000,000 aggregate principal amount of its 9.10% Senior Secured Notes, Series B, due June 6, 2008 (the "Series B Notes"), and (iii) $25,000,000 aggregate principal amount of its 9.34% Senior Secured Notes, Series C, due June 5, 2009 (the "Series C Notes" and, together with the Series A Notes and the Series B Notes, collectively, the "Notes"; which term shall include any notes issued in substitution or exchange for any of the foregoing pursuant to the terms of the Note Agreement);

WHEREAS, the Guarantor is the owner of certain equity interests in Inergy, L.P., a Delaware limited partnership of which the Company is a Wholly-Owned Subsidiary; and

WHEREAS, it is a condition to the agreement of the Purchasers to purchase the Notes that this Guaranty Agreement shall have been executed and delivered by the Guarantor and shall be in full force and effect;

NOW THEREFORE, in order to induce, and in consideration of, the execution and delivery of the Note Agreement and the purchase of the Notes by the Purchasers, the Guarantor hereby covenants and agrees with, and represents and warrants to the Noteholders as follows:

1. THE GUARANTY. The Guarantor hereby irrevocably and unconditionally guarantees to each Noteholder the due and punctual payment in full of (i) the principal of, Make-Whole Amount, if any, and interest on (including interest accruing after the filing of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding, relating to the Company, whether or not a claim for post-filing or post-petition interest is allowed in such proceeding), and any other amounts due under, the Notes when and as the same shall become due and payable (whether at stated maturity or by required or optional prepayment or by acceleration or otherwise) and (ii) any other

sums which may become due under the terms and provisions of the Note Agreement, the Notes or any other Note Document (all such obligations described in clauses (i) and (ii) above are herein called the "Guaranteed Obligations"). The guaranty in the preceding sentence is an absolute, present and continuing guaranty of payment and not of collectibility and is in no way conditional or contingent upon any attempt to collect from the Company or any other guarantor of the Notes or upon any other action, occurrence or circumstance whatsoever. In the event that the Company shall fail so to pay any of such Guaranteed Obligations, the Guarantor agrees to pay the same when due to the Noteholders entitled thereto, without demand, presentment, protest or notice of any kind, in lawful money of the United States of America, at the place for payment specified in the Notes and the Note Agreement. Each default in payment of principal of, Make-Whole Amount, if any, or interest on any Note shall give rise to a separate cause of action hereunder and separate suits may be brought hereunder as each cause of action arises. The Guarantor hereby agrees that the Notes issued in connection with the Note Agreement may make reference to this Guaranty Agreement.

The Guarantor hereby agrees to pay and to indemnify and save each Noteholder harmless from and against any damage, loss, cost or expense (including attorneys' fees) which such Noteholder may incur or be subject to as a consequence, direct or indirect, of (i) any breach by the Guarantor or by the Company of any warranty, covenant, term or condition in, or the occurrence of any default under, this Guaranty Agreement, the Notes, the Note Agreement or any other Note Document, together with all expenses resulting from the compromise or defense of any claims or liabilities arising as a result of any such breach or default, and (ii) any legal action commenced to challenge the validity or enforceability of this Guaranty Agreement, the Notes, the Note Agreement or any other Note Document.

Notwithstanding the foregoing or any other provisions of this Guaranty Agreement, it is agreed and understood that the Guarantor shall not be required to pay hereunder at any time more than the Maximum Guaranteed Amount determined as of such time. The Guarantor agrees that the Guaranteed Obligations may at any time exceed the sum of the Maximum Guaranteed Amount, without affecting or impairing the obligation of the Guarantor. "Maximum Guaranteed Amount" means as of the date of determination, the lesser of (a) $35,000,000 and (b) the maximum amount that would not render the Guarantor's liability under this Guaranty Agreement subject to avoidance under Section 548 of the United States Bankruptcy Code (or any successor provision) or any comparable provision of applicable state law; provided, however, that (i) the foregoing limitation shall not limit or otherwise affect the Guarantor's liability under this Guaranty Agreement to pay any expenses (including, without limitation, attorney's fees and expenses, whether or not litigation is commenced, and during both the trial and any appellate phases of litigation) incurred by the Noteholders in enforcing any rights under this Guaranty Agreement, and (ii) no payment or prepayment of any Notes or other obligations under the Note Agreement or any other Note Document, by the Company or any other Person, and no foreclosure or other realization by the Collateral Agent or the Noteholders of any Collateral shall reduce the Guaranteed Obligations (except to the extent the sum of all obligations of the Company under the Notes, the Note Agreement

and the other Note Documents is less than $35,000,000 at the time enforcement of this Guaranty Agreement is sought).

2. OBLIGATIONS ABSOLUTE. The obligations of the Guarantor hereunder shall be primary, absolute, irrevocable and unconditional, irrespective of the validity, regularity or enforceability of the Notes, of the Note Agreement or of the other Note Documents, shall not be subject to any counterclaim, setoff, deduction or defense based upon any claim the Guarantor may have against the Company or any Noteholder or otherwise, and shall remain in full force and effect without regard to, and shall not be released, discharged or in any way affected by, any circumstance or condition whatsoever (whether or not the Guarantor shall have any knowledge or notice thereof), including, without limitation: (a) any amendment, modification of or supplement to the Note Agreement, the Notes, or any other Note Document (except that the obligations of the Guarantor hereunder shall apply to the Note Agreement, the Notes or such other Note Document as so amended, modified or supplemented) or any assignment or transfer of any thereof or of any interest therein, or any furnishing, acceptance or release of any security for the Notes; (b) any waiver, consent, extension, indulgence or other action or inaction under or in respect of the Notes or in respect of the Note Agreement or any other Note Document; (c) any bankruptcy, insolvency, readjustment, composition, liquidation or similar proceeding with respect to the Company or its property; (d) any merger, amalgamation or consolidation of the Guarantor or of the Company into or with any other entity or any sale, lease or transfer of any or all of the assets of the Guarantor or of the Company to any person; (e) any failure on the part of the Company for any reason to comply with or perform any of the terms of any other agreement with the Guarantor; or (f) any other circumstance which might otherwise constitute a legal or equitable discharge or defense of a guarantor. The Guarantor covenants that its obligations hereunder will not be discharged except by payment and performance in full of all of the Guaranteed Obligations.

3. WAIVER. The Guarantor unconditionally waives to the fullest extent permitted by law, (a) notice of acceptance hereof, of any action taken or omitted in reliance hereon and of any defaults by the Company in the payment of any amounts due under the Notes, the Note Agreement or the other Note Documents, and of any of the matters referred to in paragraph 2 hereof; (b) all notices which may be required by statute, rule of law or otherwise to preserve any of the rights of each Noteholder against the Guarantor, including, without limitation, presentment to or demand for payment from the Company or the Guarantor with respect to any Note, notice to the Company or to the Guarantor of default or protest for nonpayment or dishonor and the filing of claims with a court in the event of the bankruptcy of the Company; (c) any right to the enforcement, assertion or exercise by any Noteholder of any right, power or remedy conferred in this Guaranty Agreement, the Note Agreement, the Notes or the other Note Documents; (d) any requirement or diligence on the part of any Noteholder; and (e) any other act or omission or thing or delay to do any other act or thing which might in any manner or to any extent vary the risk of the Guarantor or which might otherwise operate as a discharge of the Guarantor.

4. OBLIGATIONS UNIMPAIRED. The Guarantor authorizes the Noteholders, without notice or demand to the Guarantor and without affecting its obligations hereunder, from time to time (a) to renew, compromise, extend, accelerate or otherwise change the time for payment of, or otherwise change the terms of, all or any part of the Notes, the Note Agreement, any other Note Document or any other instrument referred to therein; (b) to take and hold security for the payment of the Notes, for the performance of this Guaranty Agreement or otherwise for the Indebtedness guaranteed hereby and to exchange, enforce, waive and release any such security; (c) to apply any such security and to direct the order or manner of sale thereof as the Noteholders in their sole discretion may determine; (d) to obtain additional or substitute endorsers or guarantors; (e) to exercise or refrain from exercising any rights against the Company and others; and (f) to apply any sums, by whomsoever paid or however realized, to the payment of the principal of, Make-Whole Amount, if any, and interest on the Notes and any other Guaranteed Obligations hereunder. The Guarantor waives any right to require the Noteholders to proceed against any additional or substitute endorsers or guarantors or to pursue or exhaust any security provided by the Company, the Guarantor or any other person or to pursue any other remedy available to such Noteholders.

5. SUBROGATION. The Guarantor will not (a) exercise, and hereby subordinates to the rights of the Noteholders, any rights which it may have acquired by way of subrogation under this Guaranty Agreement, by any payment made hereunder or otherwise, or (b) accept any payment on account of such subrogation rights, or any rights of reimbursement, indemnity, exoneration or contribution, any right to participate in any claim or any rights or recourse to any security for the Notes or this Guaranty Agreement unless and until all of the obligations, undertakings or conditions to be performed or observed by the Company pursuant to the Notes, the Note Agreement and the other Note Documents at the time of the Guarantor's exercise of any such right shall have been performed, observed or paid in full.

   For a period of one year after the payment in full of the Guaranteed Obligations, the Guarantor hereby waives (x) all rights of subrogation which it may at any time otherwise have as a result of this Guaranty Agreement (whether statutory or otherwise) to the claims of the Noteholders against the Company or any other guarantor of the Guaranteed Obligations (each referred to herein as the "Other Party") and all contractual, statutory or common law rights of reimbursement, contribution or indemnity from any Other Party which it may at any time otherwise have as a result of this Guaranty Agreement; (y) any right to enforce any other remedy which the Noteholders now have or may hereafter have against any Other Party, any endorser or any other guarantor of all or any part of the Guaranteed Obligations; and (z) all claims (as such term is defined in the Bankruptcy Code) it may at any time otherwise have against any Other Party arising from any transaction whatsoever, including without limitation its right to assert or enforce any such claims.

6. REINSTATEMENT OF GUARANTY. This Guaranty Agreement shall continue to be effective, or be reinstated, as the case may be, if and to the extent at any time payment, in

whole or in part, of any of the sums due to any Noteholder for principal, Make-Whole Amount, if any, or interest on the Notes or any of the other Guaranteed Obligations is rescinded or must otherwise be restored or returned by such Noteholder upon the insolvency, bankruptcy, dissolution, liquidation or reorganization of the Company, or upon or as a result of the appointment of a custodian, receiver, trustee or other officer with similar powers with respect to the Company or any substantial part of its property, or otherwise, all as though such payments had not been made. If an event permitting the acceleration of the maturity of the principal amount of the Notes shall at any time have occurred and be continuing and such acceleration shall at such time be prevented or the right of any Noteholder to receive any payment under any Note shall at such time be delayed or otherwise affected by reason of the pendency against the Company of a case or proceeding under a bankruptcy or insolvency law, the Guarantor agrees that, for purposes of this Guaranty Agreement and its obligations hereunder, the maturity of such principal amount shall be deemed to have been accelerated with the same effect as if the Noteholders had accelerated the same in accordance with the terms of the Note Agreement, and the Guarantor shall forthwith pay such accelerated principal amount, accrued interest and Make-Whole Amount, if any, thereon and any other amounts guaranteed hereunder.

7. RANK OF GUARANTY. The Guarantor agrees that its obligations under this Guaranty Agreement shall rank at least pari passu with all other senior obligations of the Guarantor now or hereafter existing and senior to all obligations owed by the Guarantor to any Affiliate of the Guarantor.

8. REPRESENTATIONS AND WARRANTIES OF THE GUARANTOR.

The Guarantor represents and warrants as follows:

(a) Organization, Good Standing and Location. The Guarantor is (i) duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, (ii) duly qualified and authorized to do business and in good standing in every other jurisdiction where the nature of its business requires such qualification and (iii) has all requisite organizational power and authority, and all governmental licenses and permits, to own and operate its properties and to carry on its businesses as presently conducted. The Guarantor has the requisite organizational power to enter into and perform its obligations under this Guaranty Agreement.

(b) Approval and Enforceability of Guaranty Agreement. The execution, delivery and performance of this Guaranty Agreement have been duly authorized by all necessary organizational action on the part of the Guarantor. The Guaranty Agreement has been duly and validly executed and delivered and constitutes the legal, valid and binding obligation of the Guarantor, enforceable against it in accordance with its terms, subject to (i) applicable bankruptcy, insolvency, moratorium, reorganization, receivership and similar laws affecting the rights and remedies of creditors generally, and (ii) general principles of equity (regardless of whether such enforceability is considered in a

proceeding in equity or at law).

(c) Compliance of Agreement with Laws, Etc. The execution, delivery and performance by the Guarantor of this Guaranty will not, by the passage of time, the giving of notice or otherwise, (i) require any consent, approvals or authorization from any Governmental Authority or violate any provision of any statute or other rule or regulation of any Governmental Authority relating to the Guarantor, (ii) conflict with, result in a breach of or constitute a default under the articles of formation, partnership agreement or other organizational documents of the Guarantor or any indenture, agreement or instrument to which the Guarantor is a party or by which any of its properties may be bound or affected or any order, judgment, decree or ruling of any court, arbitrator or Governmental Authority applicable to the Guarantor, or (iii) result in or require the creation or imposition of any Lien upon or with respect to any property now owned or hereafter acquired by the Guarantor.

(d) Applicability of Note Agreement Representations. The Noteholders shall be entitled to rely on any representation or warranty contained in Section 5 of the Note Agreement and applicable to the Guarantor as if such representation or warranty was made by the Guarantor herein.

9. NOTICES. Unless otherwise specifically provided herein, all notices, consents, directions, approvals, instructions, requests and other communications required or permitted by the terms hereof shall be in writing, and any such communication shall become effective when received, addressed in the following manner: (a) if to the Guarantor, to the address set forth on the signature page hereto or (b) if to any Noteholder, to the respective addresses set forth in the Purchaser Schedule to the Note Agreement or such other address specified by such Noteholder to the Guarantor in writing; provided, however, that any such addressee may change its address for communications by notice given as aforesaid to the other parties hereto.

10. CONSTRUCTION. The paragraph and subparagraph headings in this Guaranty Agreement are for convenience of reference only and shall neither be deemed to be a part of this Guaranty Agreement nor modify, define, expand or limit any of the terms or provisions hereof. All references herein to numbered paragraphs, unless otherwise indicated, are to paragraphs of this Guaranty Agreement. Words and definitions in the singular shall be read and construed as though in the plural and vice versa, and words in the masculine, neuter or feminine gender shall be read and construed as though in either of the other genders where the context so requires.

11. SEVERABILITY. If any provision of this Guaranty Agreement, or the application thereof to any person or circumstances, shall, for any reason or to any extent, be invalid or unenforceable, such invalidity or unenforceability shall not in any manner affect or render invalid or unenforceable the remainder of this Guaranty Agreement, and the application of that provision to other persons or circumstances shall not be affected but, rather, shall be enforced to the extent permitted by applicable law.

12. SUCCESSORS. The terms and provisions of this Guaranty Agreement shall be binding upon and inure to the benefit of the Guarantor and the Noteholders from time to time and their respective permitted successors, transferees and assigns.

13. ENTIRE AGREEMENT; AMENDMENT. This Guaranty Agreement expresses the entire understanding of the subject matter hereof; and all other understandings, written or oral, are hereby merged herein and superseded. No amendment of or supplement to this Guaranty Agreement, or waiver or modification of, or consent under, the terms hereof shall be effective unless in writing and signed by the party to be bound thereby.

14. TERM OF GUARANTY AGREEMENT. The Guaranty Agreement and all guarantees, covenants and agreements of the Guarantor contained herein shall continue in full force and effect and shall not be discharged until such time as all of the Guaranteed Obligations shall be indefeasibly paid or otherwise discharged in full.

15. SURVIVAL. All warranties, representations and covenants made by the Guarantor herein or in any certificate or other instrument delivered by it or on its behalf under this Guaranty Agreement shall be considered to have been relied upon by the Noteholders and shall survive the execution and delivery of this Guaranty Agreement, regardless of any investigation made by the Noteholders or on their behalf.

16. FURTHER ASSURANCES. The Guarantor hereby agrees to execute and deliver all such instruments and take all such action as the Required Holders may from time to time reasonably request in order to effectuate fully the purposes of this Guaranty Agreement.

17. GOVERNING LAW. THIS GUARANTY AGREEMENT HAS BEEN EXECUTED AND DELIVERED IN THE STATE OF NEW YORK AND SHALL BE GOVERNED BY, CONSTRUED AND ENFORCED IN ALL RESPECTS IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS MADE AND TO BE PERFORMED ENTIRELY THEREIN, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS.

18. WAIVER OF JURY TRIAL; SUBMISSION TO JURISDICTION; WAIVER OF IMMUNITIES.

(a) THE GUARANTOR AGREES TO WAIVE ITS RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS GUARANTY AGREEMENT, THE NOTES, ANY OTHER NOTE DOCUMENT OR ANY DEALINGS RELATING TO THE SUBJECT MATTER OF THE TRANSACTIONS CONTEMPLATED BY THE NOTE DOCUMENTS, AND THE LENDER/BORROWER RELATIONSHIP THAT IS BEING ESTABLISHED. THE SCOPE OF THIS WAIVER IS INTENDED TO BE ALL-ENCOMPASSING OF ANY AND ALL DISPUTES THAT MAY BE FILED IN ANY COURT AND THAT RELATE TO THE SUBJECT MATTER OF THE TRANSACTIONS

CONTEMPLATED BY THE NOTE DOCUMENTS, INCLUDING WITHOUT LIMITATION, CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS, AND ALL OTHER COMMON LAW AND STATUTORY CLAIMS. THE GUARANTOR ACKNOWLEDGES THAT THIS WAIVER IS A MATERIAL INDUCEMENT TO THE NOTEHOLDERS TO ENTER INTO THE NOTE AGREEMENT AND PURCHASE THE NOTES PURCHASED BY IT, THAT EACH NOTEHOLDER HAS ALREADY RELIED ON THIS WAIVER IN ENTERING INTO THE NOTE AGREEMENT AND PURCHASING THE NOTES PURCHASED BY IT, AND THAT EACH NOTEHOLDER WILL CONTINUE TO RELY ON THE WAIVER IN ITS RELATED FUTURE DEALINGS WITH THE COMPANY AND THE GUARANTOR. THE GUARANTOR FURTHER WARRANTS AND REPRESENTS THAT IT HAS REVIEWED THIS WAIVER WITH ITS LEGAL COUNSEL, AND THAT IT KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL. IN THE EVENT OF LITIGATION, THIS GUARANTY AGREEMENT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT.

(b) The Guarantor hereby irrevocably submits itself to the jurisdiction of the Supreme Court of the State of New York, New York County, of the United States of America and to the jurisdiction of the United States District Court for the Southern District of New York, for the purpose of any suit, action or other proceeding arising out of, or relating to, this Guaranty Agreement, any other Note Document, or the subject matter hereof or thereof, and the Guarantor hereby waives, and agrees not to assert, by way of motion, as a defense or otherwise, in any such suit, action or proceedings, any claim that it is not personally subject to the jurisdiction of the above-named courts for any reason whatsoever, that such suit, action or proceeding is brought in an inconvenient forum or that the venue of such suit, action or proceeding is improper. The Guarantor hereby agrees that process may be served on Corporation Service Company, located at 80 State Street, Albany, NY 12207. Any and all service of process and any other notice in any such action, suit or proceeding shall be effective against such parties if given by registered or certified mail, return receipt requested, or by any other means or mail which requires a signed receipt, postage prepaid, mailed to such parties has herein provided in paragraph 9. During the term of this Guaranty Agreement, in the event Corporation Service Company shall not be able to accept service of process as aforesaid and if the Guarantor shall not maintain an office in New York City, the Guarantor shall, promptly appoint and maintain an agent qualified to act as an agent for service of process with respect to all courts in and of New York City, and acceptable to the holders of the Notes, as the Guarantor's authorized agent to accept and acknowledge on the Guarantor's behalf service of any and all process which may be served in any such action, suit or proceeding. The Guarantor agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this paragraph 18 shall affect the right of any Noteholder to serve legal process in any other manner permitted by law or affect the right of any Noteholder to bring any action or proceeding against the Guarantor or its respective property in the courts of any

other jurisdiction.

The Guarantor hereby agrees that the submission to jurisdiction referred to in this paragraph 18 shall not limit in any manner the rights of any of the Noteholders to take proceedings against the Guarantor in some other court of competent jurisdiction whether within or outside the United States.

[Remainder of this page blank; signature page follows]

IN WITNESS WHEREOF, the Guarantor has caused this Guaranty Agreement to be duly executed and delivered as of the date and year first above written.

IPCH ACQUISITION CORP.

By:_________________________________
John J. Sherman
President and Chief Executive Officer

Notice address for
the above Guarantor:

c/o Inergy Propane, LLC
1101 Walnut, Suite 1500
Kansas City, Missouri 64106

Signature Page to Guaranty Agreement

EXHIBIT 4.7

SUBSIDIARY GUARANTY AGREEMENT

THIS GUARANTY AGREEMENT, dated as of June 7, 2002 (the "Guaranty Agreement"), is made by each of the undersigned (each a "Guarantor" and, together with each of the other signatories hereto and any other entities from time to time parties hereto pursuant to paragraph 12, the "Guarantors") in favor of the holders from time to time of the Notes described below (the "Noteholders").

WHEREAS, Inergy Propane, LLC, a Delaware limited liability company (the "Company"), and the Purchasers named on the Purchaser Schedule thereto (collectively, the "Purchasers") have entered into a Note Purchase Agreement dated as of even date herewith (as the same may be amended, restated, supplemented, or otherwise modified from time to time, the "Note Agreement"; capitalized terms used and otherwise not defined herein have the definitions set forth in the Note Agreement) pursuant to which the Company has issued and sold to the Purchasers (i) $35,000,000 aggregate principal amount of its 8.85% Senior Secured Notes, Series A, due June 7, 2007 (the "Series A Notes"), (ii) $25,000,000 aggregate principal amount of its 9.10% Senior Secured Notes, Series B, due June 6, 2008 (the "Series B Notes"), and (iii) $25,000,000 aggregate principal amount of its 9.34% Senior Secured Notes, Series C, due June 5, 2009 (the "Series C Notes" and, together with the Series A Notes and the Series B Notes, collectively, the "Notes"; which term shall include any notes issued in substitution or exchange for any of the foregoing pursuant to the terms of the Note Agreement); and

WHEREAS, it is a condition to the agreement of the Purchasers to purchase the Notes that this Guaranty Agreement shall have been executed and delivered by each Guarantor and shall be in full force and effect;

NOW THEREFORE, in order to induce, and in consideration of, the execution and delivery of the Note Agreement and the purchase of the Notes by the Purchasers, each Guarantor hereby covenants and agrees with, and represents and warrants to the Noteholders as follows:

1. THE GUARANTY. Each Guarantor hereby irrevocably and unconditionally guarantees to each Noteholder the due and punctual payment in full of (i) the principal of, Make-Whole Amount, if any, and interest on (including interest accruing after the filing of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding, relating to the Company, whether or not a claim for post-filing or post-petition interest is allowed in such proceeding), and any other amounts due under, the Notes when and as the same shall become due and payable (whether at stated maturity or by required or optional prepayment or by acceleration or otherwise) and (ii) any other sums which may become due under the terms and provisions of the Note Agreement, the Notes or any other Note Document (all such obligations described in clauses (i) and (ii) above are herein called the "Guaranteed Obligations"). The guaranty in the preceding sentence is an absolute, present and continuing guaranty of payment and not of

collectibility and is in no way conditional or contingent upon any attempt to collect from the Company or any other guarantor of the Notes (including, without limitation, any other Guarantor hereunder) or upon any other action, occurrence or circumstance whatsoever. In the event that the Company shall fail so to pay any of such Guaranteed Obligations, each Guarantor agrees to pay the same when due to the Noteholders entitled thereto, without demand, presentment, protest or notice of any kind, in lawful money of the United States of America, at the place for payment specified in the Notes and the Note Agreement. Each default in payment of principal of, Make-Whole Amount, if any, or interest on any Note shall give rise to a separate cause of action hereunder and separate suits may be brought hereunder as each cause of action arises. Each Guarantor hereby agrees that the Notes issued in connection with the Note Agreement may make reference to this Guaranty Agreement.

Each Guarantor hereby agrees to pay and to indemnify and save each Noteholder harmless from and against any damage, loss, cost or expense (including attorneys' fees) which such Noteholder may incur or be subject to as a consequence, direct or indirect, of (i) any breach by such Guarantor, by any other Guarantor or by the Company of any warranty, covenant, term or condition in, or the occurrence of any default under, this Guaranty Agreement, the Notes, the Note Agreement or any other Note Document, together with all expenses resulting from the compromise or defense of any claims or liabilities arising as a result of any such breach or default, and (ii) any legal action commenced to challenge the validity or enforceability of this Guaranty Agreement, the Notes, the Note Agreement or any other Note Document.

Notwithstanding the foregoing or any other provisions of this Guaranty Agreement, it is agreed and understood that no Guarantor shall be required to pay hereunder at any time more than the Maximum Guaranteed Amount determined as of such time with regard to such Guarantor. Each Guarantor agrees that the Guaranteed Obligations may at any time exceed the sum of the Maximum Guaranteed Amount plus the aggregate maximum amount of all obligations of all other Guarantors, without affecting or impairing the obligation of such Guarantor. "Maximum Guaranteed Amount" means as of the date of determination with respect to a Guarantor, the lesser of (a) the amount of the Guaranteed Obligations outstanding on such date and (b) the maximum amount that would not render such Guarantor's liability under this Guaranty Agreement subject to avoidance under Section 548 of the United States Bankruptcy Code (or any successor provision) or any comparable provision of applicable state law.

2. OBLIGATIONS ABSOLUTE. The obligations of each Guarantor hereunder shall be primary, absolute, irrevocable and unconditional, irrespective of the validity, regularity or enforceability of the Notes, of the Note Agreement or of the other Note Documents, shall not be subject to any counterclaim, setoff, deduction or defense based upon any claim such Guarantor may have against the Company or any Noteholder or otherwise, and shall remain in full force and effect without regard to, and shall not be released, discharged or in any way affected by, any circumstance or condition whatsoever (whether or not such Guarantor shall have any knowledge or notice thereof), including, without limitation: (a)

any amendment, modification of or supplement to the Note Agreement, the Notes, or any other Note Document (except that the obligations of each Guarantor hereunder shall apply to the Note Agreement, the Notes or such other Note Document as so amended, modified or supplemented) or any assignment or transfer of any thereof or of any interest therein, or any furnishing, acceptance or release of any security for the Notes; (b) any waiver, consent, extension, indulgence or other action or inaction under or in respect of the Notes or in respect of the Note Agreement or any other Note Document; (c) any bankruptcy, insolvency, readjustment, composition, liquidation or similar proceeding with respect to the Company or its property; (d) any merger, amalgamation or consolidation of any Guarantor or of the Company into or with any other entity or any sale, lease or transfer of any or all of the assets of any Guarantor or of the Company to any person; (e) any failure on the part of the Company for any reason to comply with or perform any of the terms of any other agreement with any Guarantor; or (f) any other circumstance which might otherwise constitute a legal or equitable discharge or defense of a guarantor. Each Guarantor covenants that its obligations hereunder will not be discharged except by payment and performance in full of all of the Guaranteed Obligations.

3. WAIVER. Each Guarantor unconditionally waives to the fullest extent permitted by law, (a) notice of acceptance hereof, of any action taken or omitted in reliance hereon and of any defaults by the Company in the payment of any amounts due under the Notes, the Note Agreement or the other Note Documents, and of any of the matters referred to in paragraph 2 hereof; (b) all notices which may be required by statute, rule of law or otherwise to preserve any of the rights of each Noteholder against such Guarantor, including, without limitation, presentment to or demand for payment from the Company or any Guarantor with respect to any Note, notice to the Company or to any Guarantor of default or protest for nonpayment or dishonor and the filing of claims with a court in the event of the bankruptcy of the Company; (c) any right to the enforcement, assertion or exercise by any Noteholder of any right, power or remedy conferred in this Guaranty Agreement, the Note Agreement, the Notes or the other Note Documents; (d) any requirement or diligence on the part of any Noteholder; and (e) any other act or omission or thing or delay to do any other act or thing which might in any manner or to any extent vary the risk of such Guarantor or which might otherwise operate as a discharge of such Guarantor.

4. OBLIGATIONS UNIMPAIRED. Each Guarantor authorizes the Noteholders, without notice or demand to such Guarantor and without affecting its obligations hereunder, from time to time (a) to renew, compromise, extend, accelerate or otherwise change the time for payment of, or otherwise change the terms of, all or any part of the Notes, the Note Agreement, any other Note Document or any other instrument referred to therein; (b) to take and hold security for the payment of the Notes, for the performance of this Guaranty Agreement or otherwise for the Indebtedness guaranteed hereby and to exchange, enforce, waive and release any such security; (c) to apply any such security and to direct the order or manner of sale thereof as the Noteholders in their sole discretion may determine; (d) to obtain additional or substitute endorsers or guarantors; (e) to exercise or refrain from exercising any rights against the Company and others; and (f) to apply any sums, by

whomsoever paid or however realized, to the payment of the principal of, Make-Whole Amount, if any, and interest on the Notes and any other Guaranteed Obligations hereunder. Each Guarantor waives any right to require the Noteholders to proceed against any additional or substitute endorsers or guarantors or to pursue or exhaust any security provided by the Company, such Guarantor or any other person or to pursue any other remedy available to such Noteholders.

5. SUBROGATION. Each Guarantor will not (a) exercise, and hereby subordinates to the rights of the Noteholders, any rights which it may have acquired by way of subrogation under this Guaranty Agreement, by any payment made hereunder or otherwise, or (b) accept any payment on account of such subrogation rights, or any rights of reimbursement, indemnity, exoneration or contribution, any right to participate in any claim or any rights or recourse to any security for the Notes or this Guaranty Agreement unless and until all of the obligations, undertakings or conditions to be performed or observed by the Company pursuant to the Notes, the Note Agreement and the other Note Documents at the time of such Guarantor's exercise of any such right shall have been performed, observed or paid in full.

   For a period of one year after the payment in full of the Guaranteed Obligations, each Guarantor hereby waives (x) all rights of subrogation which it may at any time otherwise have as a result of this Guaranty Agreement (whether statutory or otherwise) to the claims of the Noteholders against the Company or any other guarantor of the Guaranteed Obligations (each referred to herein as the "Other Party") and all contractual, statutory or common law rights of reimbursement, contribution or indemnity from any Other Party which it may at any time otherwise have as a result of this Guaranty Agreement; (y) any right to enforce any other remedy which the Noteholders now have or may hereafter have against any Other Party, any endorser or any other guarantor of all or any part of the Guaranteed Obligations; and (z) all claims (as such term is defined in the Bankruptcy Code) it may at any time otherwise have against any Other Party arising from any transaction whatsoever, including without limitation its right to assert or enforce any such claims.

6. REINSTATEMENT OF GUARANTY. This Guaranty Agreement shall continue to be effective, or be reinstated, as the case may be, if and to the extent at any time payment, in whole or in part, of any of the sums due to any Noteholder for principal, Make-Whole Amount, if any, or interest on the Notes or any of the other Guaranteed Obligations is rescinded or must otherwise be restored or returned by such Noteholder upon the insolvency, bankruptcy, dissolution, liquidation or reorganization of the Company, or upon or as a result of the appointment of a custodian, receiver, trustee or other officer with similar powers with respect to the Company or any substantial part of its property, or otherwise, all as though such payments had not been made. If an event permitting the acceleration of the maturity of the principal amount of the Notes shall at any time have occurred and be continuing and such acceleration shall at such time be prevented or the right of any Noteholder to receive any payment under any Note shall at such time be delayed or otherwise affected by reason of the pendency against the Company of a case or

proceeding under a bankruptcy or insolvency law, each Guarantor agrees that, for purposes of this Guaranty Agreement and its obligations hereunder, the maturity of such principal amount shall be deemed to have been accelerated with the same effect as if the Noteholders had accelerated the same in accordance with the terms of the Note Agreement, and such Guarantor shall forthwith pay such accelerated principal amount, accrued interest and Make-Whole Amount, if any, thereon and any other amounts guaranteed hereunder.

7. RANK OF GUARANTY. Each Guarantor agrees that its obligations under this Guaranty Agreement shall rank at least pari passu with all other senior obligations of such Guarantor now or hereafter existing and senior to all obligations owed by such Guarantor to any Affiliate of such Guarantor.

8. REPRESENTATIONS AND WARRANTIES OF THE GUARANTORS.

Each Guarantor represents and warrants as follows:

(a) Organization, Good Standing and Location. Such Guarantor is (i) duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, (ii) duly qualified and authorized to do business and in good standing in every other jurisdiction where the nature of its business requires such qualification and (iii) has all requisite organizational power and authority, and all governmental licenses and permits, to own and operate its properties and to carry on its businesses as presently conducted. Such Guarantor has the requisite organizational power to enter into and perform its obligations under this Guaranty Agreement.

(b) Approval and Enforceability of Guaranty Agreement. The execution, delivery and performance of this Guaranty Agreement have been duly authorized by all necessary organizational action on the part of such Guarantor. The Guaranty Agreement has been duly and validly executed and delivered and constitutes the legal, valid and binding obligation of such Guarantor, enforceable against it in accordance with its terms, subject to (i) applicable bankruptcy, insolvency, moratorium, reorganization, receivership and similar laws affecting the rights and remedies of creditors generally, and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

(c) Applicability of Note Agreement Representations. The Noteholders shall be entitled to rely on any representation or warranty contained in Section 5 of the Note Agreement and applicable to such Guarantor as if such representation or warranty was made by such Guarantor herein.

9. NOTICES. Unless otherwise specifically provided herein, all notices, consents, directions, approvals, instructions, requests and other communications required or permitted by the terms hereof shall be in writing, and any such communication shall become effective when received, addressed in the following manner: (a) if to any

Guarantor, to the address set forth on the signature page hereto or (b) if to any Noteholder, to the respective addresses set forth in the Purchaser Schedule to the Note Agreement or such other address specified by such Noteholder to the Guarantors in writing; provided, however, that any such addressee may change its address for communications by notice given as aforesaid to the other parties hereto.

10. CONSTRUCTION. The paragraph and subparagraph headings in this Guaranty Agreement are for convenience of reference only and shall neither be deemed to be a part of this Guaranty Agreement nor modify, define, expand or limit any of the terms or provisions hereof. All references herein to numbered paragraphs, unless otherwise indicated, are to paragraphs of this Guaranty Agreement. Words and definitions in the singular shall be read and construed as though in the plural and vice versa, and words in the masculine, neuter or feminine gender shall be read and construed as though in either of the other genders where the context so requires.

11. SEVERABILITY. If any provision of this Guaranty Agreement, or the application thereof to any person or circumstances, shall, for any reason or to any extent, be invalid or unenforceable, such invalidity or unenforceability shall not in any manner affect or render invalid or unenforceable the remainder of this Guaranty Agreement, and the application of that provision to other persons or circumstances shall not be affected but, rather, shall be enforced to the extent permitted by applicable law.

12. SUCCESSORS; JOINDER. The terms and provisions of this Guaranty Agreement shall be binding upon and inure to the benefit of the Guarantors and the Noteholders from time to time and their respective permitted successors, transferees and assigns. It is agreed and understood that any Subsidiary of the Company or of any Guarantor may become a Guarantor hereunder by executing a Guarantor Supplement substantially in the form of Exhibit A attached hereto and delivering the same to the Noteholders. Any such Person shall thereafter be a "Guarantor" for all purposes under this Guaranty Agreement.

13. ENTIRE AGREEMENT; AMENDMENT. This Guaranty Agreement expresses the entire understanding of the subject matter hereof; and all other understandings, written or oral, are hereby merged herein and superseded. No amendment of or supplement to this Guaranty Agreement, or waiver or modification of, or consent under, the terms hereof shall be effective unless in writing and signed by the party to be bound thereby.

14. TERM OF GUARANTY AGREEMENT. The Guaranty Agreement and all guarantees, covenants and agreements of each Guarantor contained herein shall continue in full force and effect and shall not be discharged until such time as all of the Guaranteed Obligations shall be indefeasibly paid or otherwise discharged in full.

15. SURVIVAL. All warranties, representations and covenants made by each Guarantor herein or in any certificate or other instrument delivered by it or on its behalf under this Guaranty Agreement shall be considered to have been relied upon by the Noteholders and shall survive the execution and delivery of this Guaranty Agreement, regardless of any

investigation made by the Noteholders or on their behalf.

16. FURTHER ASSURANCES. Each Guarantor hereby agrees to execute and deliver all such instruments and take all such action as the Required Holders may from time to time reasonably request in order to effectuate fully the purposes of this Guaranty Agreement.

17. GOVERNING LAW. THIS GUARANTY AGREEMENT HAS BEEN EXECUTED AND DELIVERED IN THE STATE OF NEW YORK AND SHALL BE GOVERNED BY, CONSTRUED AND ENFORCED IN ALL RESPECTS IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS MADE AND TO BE PERFORMED ENTIRELY THEREIN, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS.

18. WAIVER OF JURY TRIAL; SUBMISSION TO JURISDICTION; WAIVER OF IMMUNITIES.

(a) EACH GUARANTOR AGREES TO WAIVE ITS RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS GUARANTY AGREEMENT, THE NOTES, ANY OTHER NOTE DOCUMENT OR ANY DEALINGS RELATING TO THE SUBJECT MATTER OF THE TRANSACTIONS CONTEMPLATED BY THE NOTE DOCUMENTS, AND THE LENDER/BORROWER RELATIONSHIP THAT IS BEING ESTABLISHED. THE SCOPE OF THIS WAIVER IS INTENDED TO BE ALL-ENCOMPASSING OF ANY AND ALL DISPUTES THAT MAY BE FILED IN ANY COURT AND THAT RELATE TO THE SUBJECT MATTER OF THE TRANSACTIONS CONTEMPLATED BY THE NOTE DOCUMENTS, INCLUDING WITHOUT LIMITATION, CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS, AND ALL OTHER COMMON LAW AND STATUTORY CLAIMS. EACH GUARANTOR ACKNOWLEDGES THAT THIS WAIVER IS A MATERIAL INDUCEMENT TO THE NOTEHOLDERS TO ENTER INTO THE NOTE AGREEMENT AND PURCHASE THE NOTES PURCHASED BY IT, THAT EACH NOTEHOLDER HAS ALREADY RELIED ON THIS WAIVER IN ENTERING INTO THE NOTE AGREEMENT AND PURCHASING THE NOTES PURCHASED BY IT, AND THAT EACH NOTEHOLDER WILL CONTINUE TO RELY ON THE WAIVER IN ITS RELATED FUTURE DEALINGS WITH THE COMPANY AND THE GUARANTORS. EACH GUARANTOR FURTHER WARRANTS AND REPRESENTS THAT IT HAS REVIEWED THIS WAIVER WITH ITS LEGAL COUNSEL, AND THAT IT KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL. IN THE EVENT OF LITIGATION, THIS GUARANTY AGREEMENT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT.

(b) Each Guarantor hereby irrevocably submits itself to the jurisdiction of the Supreme Court of the State of New York, New York County, of the United States of America and to the jurisdiction of the United States District Court for the Southern

District of New York, for the purpose of any suit, action or other proceeding arising out of, or relating to, this Guaranty Agreement, any other Note Document, or the subject matter hereof or thereof, and each Guarantor hereby waives, and agrees not to assert, by way of motion, as a defense or otherwise, in any such suit, action or proceedings, any claim that it is not personally subject to the jurisdiction of the above-named courts for any reason whatsoever, that such suit, action or proceeding is brought in an inconvenient forum or that the venue of such suit, action or proceeding is improper. Each Guarantor hereby agrees that process may be served on Corporation Service Company, located at 80 State Street, Albany, NY 12207. Any and all service of process and any other notice in any such action, suit or proceeding shall be effective against such parties if given by registered or certified mail, return receipt requested, or by any other means or mail which requires a signed receipt, postage prepaid, mailed to such parties has herein provided in paragraph 9. During the term of this Guaranty Agreement, in the event Corporation Service Company shall not be able to accept service of process as aforesaid and if such Guarantor shall not maintain an office in New York City, such Guarantor shall, promptly appoint and maintain an agent qualified to act as an agent for service of process with respect to all courts in and of New York City, and acceptable to the holders of the Notes, as such Guarantor's authorized agent to accept and acknowledge on such Guarantor's behalf service of any and all process which may be served in any such action, suit or proceeding. Each Guarantor agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this paragraph 18 shall affect the right of any Noteholder to serve legal process in any other manner permitted by law or affect the right of any Noteholder to bring any action or proceeding against any Guarantor or its respective property in the courts of any other jurisdiction.

Each Guarantor hereby agrees that the submission to jurisdiction referred to in this paragraph 18 shall not limit in any manner the rights of any of the Noteholders to take proceedings against such Guarantor in some other court of competent jurisdiction whether within or outside the United States.

[Remainder of this page blank; signature page follows]

IN WITNESS WHEREOF, each Guarantor has caused this Guaranty Agreement to be duly executed and delivered as of the date and year first above written.

L & L TRANSPORTATION, LLC

By: ______________________________
John J. Sherman
President

INERGY TRANSPORTATION, LLC

By: ______________________________
John J. Sherman
President

INERGY SALES & SERVICE, INC.

By: ______________________________
John J. Sherman
President and Secretary

Notice address for
all of the above Guarantors:

c/o Inergy Propane, LLC
1101 Walnut, Suite 1500
Kansas City, Missouri 64106

Signature Page to Guaranty Agreement

EXHIBIT A

GUARANTOR SUPPLEMENT

THIS GUARANTOR SUPPLEMENT (this "Guarantor Supplement"), dated as of _______, 20__ is made by ________, a __________ (the "Additional Guarantor"), in favor of the holders from time to time of the Notes issued pursuant to the Note Agreement described below.

WHEREAS, Inergy Propane, LLC, a Delaware limited liability company (the "Company"), and the Purchasers named on the Purchaser Schedule thereto (collectively, the "Purchasers") have entered into a Note Purchase Agreement dated as of June 7, 2002 (as the same may be amended, restated, supplemented, or otherwise modified from time to time, the "Note Agreement"; capitalized terms used and otherwise not defined herein have the definitions set forth in the Note Agreement), pursuant to which the Company has issued and sold to the Purchasers (i) $35,000,000 aggregate principal amount of its 8.85% Senior Secured Notes, Series A, due June 7, 2007 (the "Series A Notes"), (ii) $25,000,000 aggregate principal amount of its 9.10% Senior Secured Notes, Series B, due June 6, 2008 (the "Series B Notes") and (iii) $25,000,000 aggregate principal amount of its 9.34% Senior Secured Notes, Series C, due June 5, 2009 (the "Series C Notes" and, together with the Series A Notes and the Series B Notes, collectively, the "Notes"; which term shall include any notes issued in substitution or exchange for any of the foregoing pursuant to the terms of the Note Agreement); and

WHEREAS, the Company is required pursuant to Section 9.8 of the Note Agreement to cause the Additional Guarantor to deliver this Guarantor Supplement in order to cause the Additional Guarantor to become a Guarantor under that certain Guaranty Agreement dated as of June 7, 2002 executed by certain Subsidiaries of the Company (together with each entity that from time to time becomes a party thereto by executing a Guarantor Supplement pursuant to paragraph 12 thereof, collectively, the "Guarantors") in favor of each holder from time to time of any of the Notes (as the same may be amended, restated, supplemented or otherwise modified from time to time, the "Guaranty Agreement");

WHEREAS, the Additional Guarantor has received and will receive substantial direct and indirect benefits from the Company's compliance with the terms and conditions of the Note Agreement and the Notes issued thereunder;

NOW THEREFORE, in order to induce, and in consideration of, the maintenance of the Note Agreement and to enable each Guarantor to comply with Section 9.8 thereof, the Additional Guarantor hereby covenants, represents and warrants to the holders from time to time of the Notes as follows:

The Additional Guarantor hereby becomes a Guarantor (as defined in the Guaranty Agreement) for all purposes of the Guaranty Agreement. Without limiting the foregoing, the Additional Guarantor hereby (a) jointly and severally with the other Guarantors under the

Guaranty Agreement, guarantees to the holders from time to time of the Notes the prompt payment in full when due (whether at stated maturity, by acceleration or otherwise) of all Guaranteed Obligations (as defined in paragraph 1 of the Guaranty Agreement) in the same manner and to the same extent as is provided in the Guaranty Agreement, (b) makes the representations and warranties set forth in paragraph 8 of the Guaranty Agreement, (c) accepts and agrees to perform and observe all of the covenants set forth therein, (d) waives the rights set forth in paragraph 3 of the Guaranty Agreement, and (e) waives the rights, makes the representations and warranties, submits to jurisdiction, and waives service of process as described in paragraph 18 of the Guaranty Agreement.

Notice of acceptance of this Guarantor Supplement and of the Guaranty Agreement, as supplemented hereby, is hereby waived by the Additional Guarantor.

The address for notices and other communications to be delivered to the Additional Guarantor pursuant to paragraph 9 of the Guaranty Agreement is set forth below.

IN WITNESS WHEREOF, the Additional Guarantor has caused this Guarantor Supplement to be duly executed and delivered as of the day and year first above written.

__________________________________,
a_________________________________

By: ______________________________
Name:
Title:

Address for Notices:

____
____
____
____

EXHIBIT 5.1

[LETTERHEAD OF VINSON & ELKINS L.L.P.]

June 13, 2002

Inergy, L.P.
1101 Walnut, Suite 1500
Kansas City, Missouri 64106

Re: Inergy, L.P.
Amendment No. 1 to Registration Statement on Form S-1
(File No. 333-89010) (the "Registration Statement")
Filed June 13, 2002

Ladies and Gentlemen:

We have acted as counsel to Inergy, L.P., a Delaware limited partnership (the "Partnership"), Inergy GP, LLC, a Delaware limited liability company and the managing general partner of the Partnership (the "Managing General Partner"), and Inergy Holdings, LLC, a Delaware limited liability company and the non-managing general partner of the Partnership (the "Non-Managing General Partner" and collectively with the Managing General Partner, the "General Partners"), in connection with the registration under the Securities Act of 1933, as amended (the "Securities Act") of the offering and sale of up to an aggregate of 1,610,000 common units (including 339,055 common units to be sold by certain selling unitholders and up to 210,000 common units subject to an over allotment option granted by the Partnership to the underwriters named in the Registration Statement) (collectively the "Common Units") representing limited partner interests in the Partnership.

As the basis for the opinion hereinafter expressed, we examined such statutes, including the Delaware Uniform Revised Limited Partnership Act, corporate records and documents, certificates of corporate and public officials, and other instruments and documents as we deemed necessary or advisable for the purposes of this opinion. In such examination, we assumed the authenticity of all documents submitted to us as originals and the conformity with the original documents of all documents submitted to us as copies.

Based on the foregoing and on such legal considerations as we deem relevant, we are of the opinion that:

1. The Partnership has been duly formed and is validly existing as a limited partnership under the Delaware Revised Uniform Limited Partnership Act.

2. The presently outstanding Common Units owned by the selling unitholders to be sold to the underwriters have been duly authorized, validly issued, fully paid and are nonassessable.

3. The Common Units to be sold by the Partnership to the underwriters, when issued and paid for as contemplated by the Registration Statement, will be duly authorized, validly issued, fully paid and nonassessable.

We hereby consent to the reference to us under the heading "Validity of the Common Units" in the prospectus forming a part of the Registration Statement and to the filing of this opinion as an exhibit to the Registration Statement, but we do not thereby admit that we are within the class of persons whose consent is required under the provisions of the Securities Act or the rules and regulations of the Securities and Exchange Commission issued thereunder.

Very truly yours,

/s/ VINSON & ELKINS L.L.P.

VINSON & ELKINS L.L.P.

EXHIBIT 10.1B

AMENDMENT NO. 2 TO

FOURTH AMENDED AND RESTATED CREDIT AGREEMENT

This AMENDMENT NO. 2 TO THE FOURTH AMENDED AND RESTATED CREDIT AGREEMENT (this "Amendment"), dated as of June ___, 2002, is by and between INERGY PROPANE, LLC, a Delaware limited liability company (the "Borrower"); each of the Lenders that is a signatory hereto (each, individually, a "Lender" and, collectively, the "Lenders"); and WACHOVIA BANK, NATIONAL ASSOCIATION (f/k/a FIRST UNION NATIONAL BANK), as Administrative Agent for the Lenders (in such capacity, together with its successors and assigns in such capacity, the "Administrative Agent").

WITNESSETH:

WHEREAS, the Borrower, the Administrative Agent and the Lenders are parties to that certain Fourth Amended and Restated Credit Agreement dated as of December 20, 2001 (as previously amended, the "Credit Agreement")(Capitalized terms used herein and not otherwise defined herein shall have the meaning ascribed thereto in the Credit Agreement);

WHEREAS, as permitted pursuant to Section 5(b) of the Credit Agreement, the Borrower intends to incur certain Private Placement Debt, by entering into that certain Note Purchase Agreement dated as of even date herewith (as the same may be amended, restated, supplemented or otherwise modified from time to time, the "Note Agreement"), between the Borrower and certain purchasers who are a party thereto (the "Purchasers"), pursuant to which the Borrower issues and sells to the Purchasers (i) its 8.85% Senior Secured Notes, Series A, due June 2007, in the aggregate principal amount of $35,000,000 (the "Series A Notes"), (ii) its 9.10% Senior Secured Notes, Series B, due June 2008, in the aggregate principal amount of $25,000,000 (the "Series B Notes") and (iii) its 9.34% Senior Secured Notes, Series C, due June 2009, in the aggregate principal amount of $25,000,000 (the "Series C Notes" and, together with the Series A Notes and the Series B Notes, collectively, the "Private Notes");

WHEREAS, the terms of the Private Notes do not satisfy the definition of "Permitted Private Placement Debt" in the Credit Agreement because the Private Notes permit certain voluntary prepayments of the Private Notes, and require certain mandatory prepayments from asset dispositions, on or prior to December 31, 2004;

WHEREAS, the Administrative Agent and the Lenders have agreed to amend the definition of Permitted Private Placement Debt in the Credit Agreement to permit the foregoing prepayments, provided (i) no voluntary prepayments be made on the Permitted Private Placement Debt without the prior written consent of the Administrative Agent and the Required Lenders and (ii) the net proceeds of asset sales be applied to the Lenders and the holders of the Permitted Private Placement Debt on a pro-rata basis (based on principal amounts outstanding);

WHEREAS, as a condition to the incurrence of the Permitted Private Placement Debt, the Administrative Agent, the Lenders and the Noteholders are required to enter into an Intercreditor

Agreement in substantially the form of Exhibit M to the Credit Agreement (the "Form Intercreditor Agreement");

WHEREAS, the holders of the Private Notes required certain modifications to the Form Intercreditor Agreement and the Borrower has requested that the Administrative Agent and the Lenders enter into the modified Intercreditor Agreement; and

WHEREAS, on the terms and conditions set forth in this Amendment, the Administrative Agent and the Lenders have agreed to the foregoing;

NOW THEREFORE, the parties hereto hereby agree as follows:

Section 1. Definitions; Incorporation of Recitals. Except as otherwise defined in this Amendment, terms defined in the Credit Agreement are used herein as defined therein. Each of the above recitals is incorporated herein and made a part hereof.

Section 2. Amendment. Subject to the satisfaction of the conditions precedent specified in Section 4 below, but effective as of the date hereof, the Administrative Agent and the Lenders hereby agree as follows:

(a) Section 1.01 of the Credit Agreement is hereby amended by amending and restating the definition of "Permitted Private Placement Debt" as follows:

"Permitted Private Placement Debt" means obligations of the Borrower to lenders or other Persons pursuant to a private placement; provided, (i) the principal amount of such obligations does not exceed $100,000,000; (ii) such obligations are not secured by any other assets (real or personal) of any Person not securing the Obligations; (iii) such obligations are not guaranteed by any Person other than Persons guaranteeing the Obligations; (iv) such Obligations shall not require or permit any principal payments to be made on or prior to December 31, 2004 other than (a) voluntary prepayments subject (pursuant to this Agreement or otherwise) to the prior written consent of the Administrative Agent and the Required Lenders and (b) mandatory prepayments from the sale or other disposition of assets of the Borrower and its Subsidiaries; provided the Lenders (pursuant to this Agreement or otherwise) receive no less than their pro-rata share of the net proceeds of such sale or other disposition; and (v) such obligations are subject to the Intercreditor Agreement.

(b) Section 1.01 of the Credit Agreement is hereby modified by amending the definition of Intercreditor Agreement by deleting Exhibit M attached to the Credit Agreement and replacing it with Exhibit M attached hereto.

(c) Section 4.02(f) of the Credit Agreement is hereby amended by adding the following sentence at the end thereof:

"Notwithstanding anything to the contrary set forth above and so long as any Permitted Private Placement Debt is outstanding, the Borrower shall satisfy the requirements for prepayments under this clause (f) if the Borrower prepays the Loans in an amount not less than the "Lenders' pro-rata share" of such net

proceeds and the balance of the such net proceeds are required to, and are used to, prepay Permitted Private Placement Debt. For purposes of the foregoing sentence and Section 10.15 of this Agreement, "Lenders' pro-rata share" means a fraction (expressed as a decimal) the numerator of which is the aggregate outstanding principal balance of the Loans as of the date of the prepayment and the denominator of which is the aggregate outstanding principal amount of the Loans plus the outstanding principal balance of the Permitted Private Placement Debt as of the date of prepayment.

(d) Article X of the Credit Agreement is hereby amended by adding a new Section 10.15 to read as follows:

"Section 10.15. Restrictions on Prepayments of Private Placement Debt.

Permit any Private Placement Debt to be prepaid on or prior to December 31, 2004 other than (i) voluntary prepayments with the prior written consent of the Administrative Agent and the Required Lenders and (ii) mandatory prepayments from the sale or other disposition (including condemnation and other governmental taking) of assets of the Borrower and its Subsidiaries; provided, the Borrower prepays the Loans in an amount not less than the "Lenders' pro-rata share" (as defined in Section 4.02(f) of this Agreement) of such net proceeds and the balance of the such net proceeds are required to, and are used to, prepay Permitted Private Placement Debt.

Section 3. Representations and Warranties. The Borrower represents and warrants to the Lenders and the Administrative Agent that: (a) the representations and warranties set forth in Article VI of the Credit Agreement are true and complete on the date hereof as if made on and as of the date hereof; and (b) no Default or Event of Default has occurred and is continuing on the date hereof.

Section 4. Conditions Precedent. Section 2 shall become effective as of the date hereof upon the execution, and delivery to the Administrative Agent, of this Amendment by the Borrower, together with the consent of the Guarantors attached hereto, and the Administrative Agent and the Lenders.

Section 5. Expenses. The Borrower shall pay (i) all out-of-pocket expenses of the Administrative Agent (including reasonable fees and disbursements of counsel for the Administrative Agent) in connection with the preparation of this Amendment and any other instruments or documents to be delivered hereunder, any waiver or consent hereunder or thereunder or any amendment hereof or thereof or any Default hereunder or thereunder, and (ii) if an Event of Default occurs, all out-of-pocket expenses incurred by the Administrative Agent and each of the Lenders, including fees and disbursements of counsel of the Administrative Agent and each Lender, in connection with such Event of Default and collection and other enforcement proceedings resulting therefrom, including out-of-pocket expenses incurred in enforcing the Credit Agreement and the other Credit Documents.

Section 6. Miscellaneous. Except as herein provided, the Credit Agreement and all other Credit Documents shall remain unchanged and shall continue to be in full force and effect and are hereby ratified and confirmed in all respects. This Amendment may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument, and any of the parties hereto may execute this Amendment by signing any such counterpart. This Amendment shall be governed by, and construed in accordance with, the law of the State of Missouri.

[REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered as of the day and year first above written.

INERGY PROPANE, LLC

By:_________________________________
Name: John J. Sherman
Title: President

WACHOVIA BANK, NATIONAL ASSOCIATION
(f/k/a First Union National Bank), as
Administrative Agent, as Lender, as
Swingline Lender and as Issuing Lender

By:_____________________________________
Name: Joe K. Dancy
Title: Vice President

FLEET NATIONAL BANK, as Syndication
Agent and as Lender

By:______________________________________
Name:
Title:

BANK OF OKLAHOMA, N.A., as Documentation Agent and as Lender

By:______________________________________

Name:

Title:

U.S. BANK, N.A. (f/k/a FIRSTAR BANK,
N.A. OVERLAND PARK), as Syndication
Agent and as Lender

By:_____________________________________

Name:

Title:

WELLS FARGO BANK TEXAS, N.A., as Lender

By:_____________________________________
Name:
Title:

TEAMBANK, N.A., as Lender

By:_____________________________________
Name:
Title:

THIS CONSENT ACKNOWLEDGED THIS
___ DAY OF JUNE, 2002, BY EACH OF
THE BELOW GUARANTORS:

INERGY, L.P.

By: Inergy GP, LLC, its Managing Partner

By:________________________________
Name: John J. Sherman
Title: President

INERGY TRANSPORTATION, LLC

By:________________________________
Name: John J. Sherman
Title: President

L & L TRANSPORTATION, LLC

By:________________________________
Name: John J. Sherman
Title: President

INERGY SALES & SERVICE, INC.

By:________________________________
Name: John J. Sherman
Title: President

IPCH ACQUISITION CORP.

By:________________________________
Name: John J. Sherman
Title: President

EXHIBIT 10.19

Intercreditor and Collateral Agency Agreement

Dated as of June 7, 2002

by and among

WACHOVIA BANK, NATIONAL ASSOCIATION,
Administrative Agent for the Lenders,

THE LENDERS NAMED ON THE SIGNATURE PAGES HERETO

and

THE NOTEHOLDERS NAMED ON THE SIGNATURE PAGES HERETO,
as Noteholder

and

WACHOVIA BANK, NATIONAL ASSOCIATION,
as Collateral Agent

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Intercreditor and Collateral Agency Agreement

This Intercreditor and Collateral Agency Agreement is dated as of June 7, 2002, among (i) WACHOVIA BANK, NATIONAL ASSOCIATION (f/k/a First Union National Bank), as collateral agent (in such capacity and together with any successors or assigns in such capacity pursuant to Section 5.5 or Section 5.8, as applicable, the "Collateral Agent") for the Creditors (as hereinafter defined), (ii) WACHOVIA BANK, NATIONAL ASSOCIATION (f/k/a First Union National Bank), as Administrative Agent for and on behalf of the Lenders and Issuing Bank under the Credit Agreement (as defined below), (iii) the Persons listed as a Lender on the signature pages hereto and (iv) the Persons listed as an Initial Noteholder on the signature pages hereto (each such institution is referred to herein as an "Initial Noteholder" and such institutions are collectively referred to herein as the "Initial Noteholders").

R e c i t a l s:

A. Under and pursuant to that certain Fourth Amended and Restated Credit Agreement dated as of December 20, 2001 (as such agreement may be modified, amended, supplemented, joined, restated, or replaced in accordance with its terms, the "Credit Agreement"), by and among Inergy Propane, LLC, a Delaware limited liability company (the "Company"), as borrower, Wachovia Bank, National Association (f/k/a First Union National Bank), as administrative agent for the Lenders and the Lenders, the Lenders and the Issuing Bank (as defined in the Credit Agreement) have heretofore agreed to make available to the Company certain credit facilities.

B. Under and pursuant to that certain Note Purchase Agreement dated as of June 7, 2002 (as such agreement may be modified, amended, supplemented, joined, restated or replaced in accordance with its terms, the "Note Agreement"), by and among the Company and each of the Initial Noteholders, respectively, the Company proposes to issue and sell to the Initial Noteholders (i) $35,000,000 aggregate principal amount of its 8.85% Senior Secured Notes, Series A, due June 7, 2007 (the "Series A Notes", such term to include any notes of such series issued in substitution therefor pursuant to Section 13 of the Note Purchase Agreement), (ii) $25,000,000 aggregate principal amount of its 9.10% Senior Secured Notes, Series B, due June 6, 2008 (the "Series B Notes", such term to include any notes of such series issued in substitution therefor pursuant to Section 13 of the Note Agreement), and (iii) $25,000,000 aggregate principal amount of its 9.34% Senior Secured Notes, Series C, due June 5, 2009 (the "Series C Notes", such term to include any notes of such series issued in substitution therefor pursuant to Section 13 of the Note Agreement; the Series A Notes, the Series B Notes and the Series C Notes being herein after collectively referred to as the "Private Notes").

C. Pursuant to the terms of the Credit Agreement and the Note Agreement, IPCH Acquisition Corp., Inergy, L.P. and each direct and indirect subsidiary of the Company (the "Guarantors") have guaranteed or, with respect to after acquired or subsequently formed subsidiaries, will guarantee, the Credit Agreement Obligations and the Note Agreement Obligations (each as hereinafter defined) pursuant to one or more guaranty agreements or

joinders thereto (as such guaranties may be modified, amended, renewed or replaced in accordance with their terms, and including, any Additional Guaranties, the "Guaranties").

D. Pursuant to the terms of the Credit Agreement and the Note Agreement, the Company and each direct and indirect subsidiary of the Company have delivered to the Collateral Agent the Security Agreements (as defined in the Credit Agreement) (the "Security Agreements") to secure the Credit Agreement Obligations and the Note Agreement Obligations.

E. Pursuant to the terms of the Credit Agreement and the Note Agreement, the Company and L&L Transportation, LLC, as applicable, each has delivered to the Collateral Agent Mortgages (as defined in the Credit Agreement) (the "Mortgages") to secure the Credit Agreement Obligations and the Note Agreement Obligations.

F. Pursuant to the terms of the Credit Agreement, Inergy, L.P. and the Company each has delivered to the Collateral Agent Pledge Agreements (as defined in the Credit Agreement) (the "Pledge Agreements") to secure the Credit Agreement Obligations and the Note Agreement Obligations.

G. The Lenders and each Initial Noteholder desire that the Collateral Agent shall be the collateral agent to act on behalf of all Creditors regarding the Collateral, all as more fully provided herein; and the Creditors have entered into this Agreement to, among other things, further define the rights, duties, authority and responsibilities of the Collateral Agent and the relationship among the Creditors regarding the relative rights and priorities with respect to the Collateral.

H. Pursuant to the Credit Agreement and as a condition precedent to the purchase of the Private Notes by the Initial Noteholders under the Note Agreement, and the parties hereto have consented and agreed, that all such other actions shall be taken as may be necessary to expressly provide or otherwise effect the agreement of the parties hereto that the Credit Agreement Obligations and the Note Agreement Obligations shall be secured on an equal and ratable basis.

I. Pursuant to the requirements of the Note Agreement, the Company has requested and the Lenders and the Initial Noteholders have agreed to enter into this Agreement.

Now, Therefore, in consideration of the mutual benefit to be provided hereby and other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, the parties hereto, including the Credit Parties, hereby agree as follows:

Section 1. Definitions.

The following terms shall have the meanings assigned to them below in this Section 1 or as otherwise defined in the provisions of this Agreement:

"Actionable Default" shall mean any "Event of Default" under and as defined in the Credit Agreement and any "Event of Default" under and as defined in the Note Agreement.

"Additional Guarantors" shall mean the Persons which are intended to be subject to this Intercreditor Agreement pursuant to the requirements of Section 6.5 hereof.

"Administrative Agent" shall have the meaning given such term in Recitals hereof.

"Bank Loans" shall mean the extensions of credit and other obligations under the Credit Agreement as such amounts may be increased or decreased from time to time.

"Collateral" shall mean the assets and property described in the granting clauses of any Security Document outstanding from time to time granting collateral security to the Collateral Agent for the benefit of the Lenders or the Noteholders.

"Collateral Agent" shall have the meaning assigned thereto in the introductory paragraph hereto.

"Company" shall have the meaning assigned thereto in the Recitals hereof.

"Credit Agreement" shall have the meaning assigned thereto in the Recitals hereof.

"Credit Agreement Obligations" shall mean "Obligations" as defined in the Credit Agreement (including, without limitation, Default Interest, interest accruing at the then applicable rate provided in the Credit Agreement after the maturity of the Bank Loans and interest accruing at the then applicable rate provided in the Credit Agreement after the filing of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding, relating to any of the Credit Parties, whether or not a claim for post-filing or post-petition interest is allowed in such proceeding), whether direct or indirect, absolute or contingent, due or to become due, or now existing or hereafter incurred, which may arise under, out of, or in connection with, the Credit Agreement, any Notes under the Credit Agreement or any other document made, delivered or given in connection therewith, whether on account of principal, interest, premium, fees, indemnities, costs, expenses or otherwise (including, without limitation, all fees and disbursements of counsel to the Administrative Agent and the Lenders that are required to be paid by the Credit Parties pursuant to the terms of the Credit Documents or this Agreement).

"Credit Documents" shall mean the collective reference to the Credit Documents (as defined in the Credit Agreement) and any Hedging Agreement entered into with a Person that is a Lender or an affiliate thereof.

"Credit Party" and "Credit Parties" shall mean the Company, the Guarantors and the Additional Guarantors.

"Creditor" shall mean the Administrative Agent, a Lender or a Noteholder, as the case may be. The Administrative Agent, the Lenders and the Noteholders are sometimes collectively referred to herein as the "Creditors".

"Event of Default" shall mean the occurrence of any event or the existence of any condition which is specified as an "Event of Default" under any Credit Document or any Note Document.

"Finance Documents" shall mean a collective reference to the Credit Documents and the Note Documents.

"Guarantor" and "Guarantors" shall have the meaning assigned thereto in the Recitals hereof.

"Guaranty" and "Guaranties" shall have the meanings assigned thereto in the Recitals hereof.

"Hedging Agreement" shall have the meaning assigned thereto in the Credit Agreement so long as such Hedging Agreement is with a Lender or an affiliate of a Lender.

"Initial Noteholders" shall have the meaning given such term in introductory paragraph above.

"Lender" shall mean each bank and other financial institution from time to time party to the Credit Agreement as a Lender and each Lender or affiliate of a Lender from time to time party to any Hedging Agreement.

"Majority Creditors" shall mean, at the time of any determination hereunder, the Required Lenders (for so long as the Credit Agreement is in effect) and the Required Holders (for so long as any Private Note is outstanding).

"Maturity Event" shall mean (a) the maturity of any of the Bank Loans or the Private Notes by acceleration; (b) the Company shall (1) petition or apply to any tribunal for the appointment of a trustee, custodian, receiver or liquidator for all or any substantial part of its business, estate or assets, or (2) commence any proceeding under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction, whether now or hereafter in effect; or (c) any such petition or application shall be filed or any such proceeding shall be commenced against the Company and (1) the Company shall indicate approval thereof, consent thereto or acquiescence therein, or (2) an order shall be entered appointing a trustee, custodian, receiver or liquidator of all or any substantial part of the assets of the Company or granting relief to the Company or approving the petition in any such proceeding, and such order shall remain in effect for more than sixty (60) days.

"Note Agreement" shall have the meaning assigned thereto in the Recitals hereof.

"Note Agreement Obligations" shall mean the collective reference to the unpaid principal of, interest on and premium, if any, on the Private Notes and all other obligations and liabilities of the Credit Parties to the Noteholders (including, without limitation, interest accruing at the then applicable rate provided in the Note Agreement after the maturity of the Private Notes and interest accruing at the then applicable rate provided in the Note Agreement after the filing

of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding, relating to any of the Credit Parties, whether or not a claim for post-filing or post-petition interest is allowed in such proceeding), whether direct or indirect, absolute or contingent, due or to become due, or now existing or hereafter incurred, which may arise under, out of, or in connection with, the Note Agreement, any Private Notes or any other document made, delivered or given in connection therewith, whether on account of principal, interest, premium, fees, indemnities, costs, expenses or otherwise (including, without limitation, all fees and disbursements of counsel to the Noteholders that are required to be paid by the Credit Parties pursuant to the terms of the Note Agreement, the Private Notes, or this Agreement).

"Note Documents" shall mean the Note Documents (as defined in the Note Agreement).

"Noteholder" shall mean each holder of any Note from time to time, including, without limitation, the Initial Noteholders.

"Notice of Actionable Default" shall mean a written notice issued to the Collateral Agent with a copy to the Credit Parties (a) by any Creditor certifying that an Actionable Default has occurred and is continuing, or (b) by the Majority Creditors certifying that an Actionable Default has occurred and is continuing.

"Obligations" shall mean the collective reference to the Credit Agreement Obligations and the Note Agreement Obligations.

"Person" shall mean an individual, partnership, limited liability company, corporation, trust or unincorporated organization, and a government or agency or political subdivision thereof.

"Pledge Agreement" shall have the meaning assigned thereto in the Recitals hereof.

"Private Notes" shall have the meaning assigned thereto in the Recitals hereof.

"Required Holders" shall have the meaning assigned thereto in the Note Agreement, as in effect on the date hereof.

"Required Lenders" shall have the meaning assigned thereto in the Credit Agreement, as in effect on the date hereof.

"Security Documents" shall mean the Guaranties, Security Agreements, Pledge Agreements and Mortgages and any other guaranty, security agreement, pledge agreement, mortgage or deed of trust (or similar instrument granting a Creditor a lien on real property) executed pursuant to the requirements of any Finance Document and any other instrument or agreement pursuant to which a lien in collateral security is created or arises to secure any or all of the Obligations owing to the Lenders or the Noteholders.

"Specified Payment" shall mean (i) any payment from any Credit Party or any other source received by a Creditor during the continuance of an Actionable Default with respect to

which a Notice of Actionable Default shall have been delivered to the Collateral Agent, (ii) any payments made pursuant to the terms of a Guaranty, (iii) any payment which a Creditor obtains within ninety (90) days before the occurrence of a Maturity Event and (iv) any amounts received by the exercise of set-off rights against any deposits, indebtedness or other obligations or amounts at any time held or owing by such parties to or for the account of any Credit Party, including, without limitation, amounts recovered or proceeds received pursuant to Section 6.1 (b) of this Agreement; provided, however, such payments or other amounts shall not be a Specified Payment if such payments or other amounts (whether in the form of a payment, debit, cash sweep or otherwise) shall be directed by or accompanied by clear instructions (including standing instructions with regard to cash management accounts) from the Company or any such Guarantor or other person or entity that such payments are to apply to obligations of, or loans or other extensions of credit made by, such Creditor other than Credit Agreement Obligations or Note Agreement Obligations, as applicable.

"Subsidiary" shall mean each subsidiary of a Credit Party now existing or from time to time created or formed.

"Uniform Commercial Code" shall mean the Uniform Commercial Code as in effect from time to time in the State of Delaware or any other applicable jurisdiction.

Section 2. Appointment and Authority of Collateral Agent.

(a) The Lenders and the Noteholders hereby appoint Wachovia Bank, National Association to act as Collateral Agent on the terms and conditions set forth in this Agreement and the Security Documents and authorize the Collateral Agent to execute the Security Documents in the name of and for the benefit of the Creditors, and Wachovia Bank, National Association hereby accepts such appointment and shall have all of the rights and obligations of the Collateral Agent hereunder and under the Security Documents.

(b) The Creditors hereby appoint the Collateral Agent as agent for the purposes of perfecting the security interest in assets which, in accordance with Article 9 of the Uniform Commercial Code, can be perfected by possession only, including without limitation the shares of stock of any Person pledged pursuant to any Security Document, and the Collateral Agent hereby acknowledges that it shall hold any such Collateral, including any such shares of stock of any Subsidiary, for the ratable benefit of all Creditors in accordance with this Agreement.

(c) Subject to the requirements of Section 4.2 hereof relating to the instructions of the Majority Creditors, each Creditor hereby authorizes, and each Lender which is or hereafter becomes a party to the Credit Agreement and each Noteholder by the acceptance of any Private Note, shall be deemed to authorize, the Collateral Agent to take such action on its behalf hereunder and under the provisions of the Security Documents and any other instrument and agreement referred to therein or now or hereafter delivered thereunder and to exercise such powers thereunder as are specifically delegated to or required of the Collateral Agent by the terms thereof, subject to the provisions hereof.

Section 3. Priority of Liens.

Notwithstanding any contrary provision contained in any Finance Document or in the Uniform Commercial Code, any applicable law or judicial decision, or whether any Creditor has possession of all or any part of the Collateral, as among the Creditors the respective rights of each Creditor in respect of liens and security interests existing under the Security Documents shall at all times remain on a parity with one another without preference, priority or distinction and shall be shared as provided herein.

Section 4. Enforcement Against Collateral; Application of Proceeds from Collateral and Guaranties.

Section 4.1. Limit on Enforcement. The Creditors agree among themselves and for their own benefit alone that the liens and security interest granted and provided for in the Security Documents shall not be enforced as against any of the Collateral except at the direction of the Majority Creditors upon the occurrence of one or more Actionable Defaults and in compliance with the provisions hereof. Each Creditor agrees that, as long as any Obligations exist or may become outstanding pursuant to the terms of the Finance Documents, the provisions of this Agreement shall provide the exclusive method by which any Creditor may exercise rights and remedies under the Security Documents.

Section 4.2. Enforcement. Upon the occurrence of any Actionable Default and the Collateral Agent's receipt or actual knowledge of a Notice of Actionable Default for the same, the Collateral Agent, at the direction of the Majority Creditors, shall seek to realize upon the security interests and liens granted to the Collateral Agent under the Security Documents in such manner as shall be directed by the Majority Creditors. Whether before or after any Actionable Default, subject to the terms and conditions hereof, the Collateral Agent shall follow the instructions of the Majority Creditors with respect to the preservation, protection, collection or realization upon any Collateral. If the Collateral Agent has requested instructions from the Majority Creditors at a time when a Notice of Actionable Default shall be outstanding and the Majority Creditors have not responded to such request within thirty (30) days thereafter (excluding a notification by any Creditor that the Majority Creditors have not agreed upon the actions to be taken by the Collateral Agent, in which case, the Collateral Agent shall take no action until instructions of the Majority Creditors are received), the Collateral Agent may take, but shall have no obligation to take, any and all actions under the Security Documents or any of them or otherwise, other than foreclosure of any lien, as the Collateral Agent, in good faith, shall determine to be in the best interests of the Creditors and to maximize both the value of the Collateral and the present value of the recovery by each of the Creditors on the Obligations; provided, however, that, if instructions are thereafter received from the Majority Creditors, then any subsequent actions of the Collateral Agent shall be subject to such instructions. In the event the Majority Creditors fail to respond to any such request referred to above, the Collateral Agent may forward a second request for instructions to the Majority Creditors. Such second request shall clearly indicate that it is a "Second Request Under the Intercreditor Agreement" and shall clearly indicate in capitalized letters or contrasting type that, upon failure to respond to such second request within thirty (30) days that the Collateral Agent may take actions under the Security Documents, including foreclosure of any lien. In the event the Majority Creditors fail to

respond to such second request within thirty (30) days thereafter (excluding a notification by any Creditor that the Majority Creditors have not agreed upon the actions to be taken by the Collateral Agent, in which case, the Collateral Agent shall take no action until instructions of the Majority Creditors are received), the Collateral Agent may take, but shall have no obligation to take, any and all actions under the Security Documents or any of them or otherwise, including foreclosure of any lien, as the Collateral Agent, in good faith, shall determine to be in the best interests of the Creditors and to maximize both the value of the Collateral and the present value of the recovery by each of the Creditors on the Obligations; provided, however, that, if instructions are thereafter received from the Majority Creditors, then any subsequent actions of the Collateral Agent shall be subject to such instructions. Notwithstanding anything to the contrary set forth above, no Creditor shall be deemed to have consented to or directed any action by the Collateral Agent in absence of affirmative instructions from such Creditor.

Section 4.3. Application of Proceeds. The Collateral Agent and each of the Creditors agree that (a) the proceeds and avails of any sale of the Collateral, or any part thereof, and the proceeds and avails of any right or remedy under the Security Documents, and (b) any and all Specified Payments, in all cases, shall be shared by the Creditors and shall be distributed by the Collateral Agent to the Obligations in accordance with the priorities as follows, with application against the Obligations owed each Creditor made in the manner determined by such Creditor:

(i) First, to the payment of amounts owing to the Collateral Agent under Section 5.9 of this Agreement (excluding any such costs, expenses or amounts which have theretofore been reimbursed);

(ii) Second, after payment in full of the amounts set forth in clause (i) above, to the payment of all fees, costs and reasonable expenses of the Creditors incurred in connection with the enforcement of their rights and remedies under the Finance Documents (including, without limitation, fees, costs and expenses incurred in connection with evaluating any such rights or remedies) and to all indemnity obligations due and payable under the Finance Documents;

(iii) Third, after payment in full of the amounts set forth in clause (ii) above, up to $50,000 to the payment of all agency and similar fees of the Administrative Agent due to the Administrative Agent under the Credit Documents (excluding any such fees which have theretofore been reimbursed);

(iv) Fourth, after payment in full of the amounts set forth in clause (iii) above, to the Creditors, ratably, in accordance with the respective amounts of (1) the Credit Agreement Obligations constituting the then aggregate unpaid principal amount of the Bank Loans, together with all accrued and unpaid interest thereon at such time, to be applied in accordance with Section 4.10 of the Credit Agreement, (2) amounts due under any Hedging Agreement with any Lender other than termination payments, break-funding costs and fees; and (3) the Note Agreement Obligations

constituting the then aggregate unpaid principal amount of the Private Notes together with all accrued and unpaid interest thereon at such time, for application to such Credit Agreement Obligations and Note Agreement Obligations, without priority of one over the other;

(v) Fifth, after payment in full of the amounts set forth in clause (iv) above, to the Creditors, ratably, in accordance with the respective amounts of (1) the Credit Agreement Obligations constituting the amount of all commitment fees, break-funding costs and other amounts owing under the Credit Agreement, including, without limitation, all amounts under Sections 4.13, 4.14, 4.15 and 4.16 of the Credit Agreement if any, then owing to the Lenders under the Credit Agreement (2) amounts due under any Hedging Agreement with any Lender constituting termination payments, break funding costs and fees and (3) the Note Agreement Obligations constituting break-funding costs, premium or make-whole amount, if any, then owing to the Noteholders under the Note Agreement, for application to such Credit Agreement Obligations and Note Agreement Obligations, without priority of one over the other;

(vi) Sixth, after payment in full of all amounts set forth in clause (v) above, to the payment to the Creditors, ratably, in accordance with the respective amounts of (1) all other Credit Agreement Obligations and (2) all other Note Agreement Obligations, without priority of one over the other; and

(vii) Last, after payment in full of the Obligations, to the payment of the surplus, if any, to any Credit Party, any of their respective successors or to whomsoever may be lawfully entitled to receive the same.

In determining for any purpose of this Agreement, the ratable share of Obligations owed to the respective Creditors as of any time (a) the Obligations owed to each Lender shall be deemed outstanding in an amount equal to the principal amount and interest then outstanding on the Bank Loans, (b) the Obligations owed to each Lender that is party to a Hedging Agreement shall be deemed outstanding in the amount equal to the net amount owed to such Lender or Lenders under such Hedging Agreements, and (c) the Obligations owed to each Noteholder shall be deemed outstanding in an amount equal to the aggregate principal amount and interest then outstanding with respect to the Private Notes.

Section 4.4. Sharing of Recoveries. If any Creditor shall receive any Specified Payment or any other voluntary or involuntary payment, distribution, collection or recovery on any Creditor's Obligations out of the proceeds of any Collateral other than payments thereon received pursuant to Section 4.3 hereof (any such non-excluded payment being hereinafter referred to as a "Recovery"), including such a payment by reason of a setoff against deposit balances of any of the Credit Parties, by exercise of other set-off rights, or by virtue of any casualty insurance, title insurance or any other recovery with respect to any Collateral (but excluding proceeds of environmental insurance and credit derivatives or similar instruments purchased directly by, and entered into by, such Creditor and not expressly subject to the terms

of this Agreement), and as a result thereof such Creditor shall receive an amount which exceeds the amount to which such Creditor would have been entitled to receive under Section 4.3 hereof had such Recovery represented the proceeds of the sale of Collateral (the amount of such excess being herein referred to as the "Excess Amount"), then such Creditor shall pay to the Collateral Agent the Excess Amount of such Recovery, and the Collateral Agent shall pay such Excess Amount to each other Creditor to the extent (if any) such payee would have been entitled thereto if Section 4.3 had governed the application of such Recovery and, pending such payment, to the Collateral Agent, which shall hold such amount in trust for the other Creditors.

Section 4.5. Return of Amounts. In the event that any Creditor which shall receive any amount pursuant to Section 4.4 above (a "Recovering Party") shall be legally required to return or repay any or all of such amount to a Credit Party, or the representative or successor in interest of a Credit Party, whether required pursuant to a settlement approved by such Creditor or required by court order (the portion required to be so returned or repaid being hereinafter referred to as a "Recovered Payment"), each other Creditor which shall have received any portion of such Recovered Payment shall, promptly upon its receipt of notice thereof from the Collateral Agent or such Recovering Party, pay to the Collateral Agent such portion (without interest), and the Collateral Agent shall promptly return such portion to the Recovering Party. If any such Recovered Payment, or any part thereof, is subsequently re-recovered by the Recovering Party from a Credit Party or the representative or successor in interest of a Credit Party, such Recovered Payment, or any part thereof, shall, to the extent required by Section 4.4 hereof, be paid by the Recovering Party to the Collateral Agent (without interest), and the Collateral Agent shall redistribute such Recovered Payment to the other Creditors on the same basis as such amounts were originally distributed. The obligations of the Creditors and the Collateral Agent under this paragraph shall survive the repayment of the Obligations and the termination of the Security Documents.

Section 4.6. Allocation of Payments. Each Creditor shall, to the extent necessary to give full effect to the foregoing provisions, purchase if such Creditor was overpaid or sell if it was underpaid, as the case may be, for cash at face value, but without recourse, from each other Creditor such amount of the Obligations held by such other Creditor (or a participation therein) as shall be necessary to cause a payment or distribution to be shared with such other Creditor as hereinabove required.

Section 4.7. Determination of Amounts of Obligations. Whenever the Collateral Agent is required to determine the existence or amount of any of the Obligations or any portion thereof or the existence of any Actionable Default for any purposes of this Agreement, it shall be entitled, absent manifest error, to make such determination on the basis of one or more certificates of any Creditor (with respect to the Obligations owed to such Creditor); provided, however, that if, notwithstanding the request of the Collateral Agent, any Creditor shall fail or refuse within twenty (20) business days of such request to certify as to the existence or amount of any Obligations or any portion thereof owed to it or the existence of any Actionable Default, the Collateral Agent shall be entitled to determine such existence or amount by such method as the Collateral Agent may, in its sole discretion, determine, including by reliance upon a certificate of the Company; provided, further, that, promptly following determination of any such amount, the Collateral Agent shall notify such Creditor of such determination and thereafter

shall correct any error that such Creditor brings to the attention of the Collateral Agent. The Collateral Agent may rely conclusively, and shall be fully protected in so relying, on any determination made by it in accordance with the provisions of the preceding sentence (or as otherwise directed by a court of competent jurisdiction) and shall have no liability to any of the Credit Parties or any Subsidiary, any Creditor or any other person as a result of any action taken by the Collateral Agent based upon such determination prior to receipt of notice of any error in such determination.

Section 4.8. Acts of Creditors. Any request, demand, authorization, direction, notice, consent, waiver or other action permitted or required by this Agreement to be given or taken by the Creditors or any portion thereof (including the Majority Creditors) may be and, at the request of the Collateral Agent, shall be embodied in and evidenced by one or more instruments satisfactory in form to the Collateral Agent and signed by or on behalf of such persons and, except as otherwise expressly provided in any such instrument, any such action shall become effective when such instrument or instruments shall have been delivered to the Collateral Agent. The instrument or instruments evidencing any action (and the action embodied therein and evidenced thereby) are sometimes referred to herein as an "Act" of the persons signing such instrument or instruments. In the absence of bad faith on the part of the Collateral Agent, the Collateral Agent shall be entitled to rely absolutely upon an Act of any Creditor if such Act purports to be taken by or on behalf of such Creditor, and nothing in this Section 4.8 or elsewhere in this Agreement shall be construed to require any Creditor to demonstrate that it has been authorized to take any action which it purports to be taking, the Collateral Agent being entitled to rely conclusively, and being fully protected in so relying, on any Act of such Creditor.

Section 5. The Collateral Agent.

The Collateral Agent accepts the duties hereunder and under the Security Documents and agrees to perform the same, but only upon the terms and conditions hereof and the Security Documents, including the following, to all of which the Credit Parties and the respective Creditors by their acceptance hereof agree:

Section 5.1. Duties of Collateral Agent. (a) The Collateral Agent upon receipt of a Notice of Actionable Default furnished to the Collateral Agent pursuant to the provisions of this Agreement shall promptly furnish copies of the same to all holders of the Obligations.

(b) In the event that the Collateral Agent shall receive any material notice from any Creditor or from any of the Credit Parties, the Collateral Agent shall promptly furnish copies of the same to all holders of the Obligations at the addresses for notices specified in Section 7.2.

(c) The Collateral Agent shall not have any duty or obligation to manage, control, use, sell, dispose of or otherwise deal with the Collateral, or, to otherwise take or refrain from taking any action under, or in connection with, this Agreement or the Security Documents, except, subject to Section 5.9, as expressly provided by the terms and conditions of this Agreement or the Security Documents, or expressly provided in written instructions received pursuant to the terms of this Agreement or the Security Documents. The Collateral Agent may take, but in absence of written instructions received pursuant to this Agreement shall have no obligation to

take, any and all such actions under the Security Documents or any of them or otherwise as it shall deem to be in the best interests of the Creditors in order to maintain the Collateral and protect and preserve the Collateral and the rights of the Creditors; provided, however, that, in the absence of specific written instructions from the Majority Creditors or as expressly provided in Section 4.2, the Collateral Agent shall not foreclose on any lien or security interest on the Collateral or, except as otherwise provided herein, exercise any other remedies available to it under any Security Documents with respect to the Collateral or any part thereof.

(d) The Collateral Agent shall not be responsible in any manner whatsoever for the correctness of any recitals, statements, representations or warranties contained herein or in any other Security Document. The Collateral Agent makes no representation as to the value or condition of the Collateral or any part thereof, as to the title of any of the Credit Parties or any of their Subsidiaries to the Collateral, as to the security afforded by this Agreement or any Security Document or, as to the validity, execution, enforceability, legality or sufficiency of this Agreement or any Finance Document, and the Collateral Agent shall incur no liability or responsibility in respect of any such matters. The Collateral Agent shall not be required to ascertain or inquire as to the performance by any of the Credit Parties or any of their Subsidiaries.

(e) The Collateral Agent shall not be responsible for insuring the Collateral, for the payment of taxes, charges, assessments or liens upon the Collateral or otherwise as to the maintenance of the Collateral, except as provided in the immediately following sentence when the Collateral Agent has possession of the Collateral. The Collateral Agent shall have no duty to any of the Credit Parties or any of their Subsidiaries or to the Creditors as to any Collateral in its possession or control or in the possession or control of any agent or nominee of the Collateral Agent or any income thereon or as to the preservation of rights against prior parties or any other rights pertaining thereto, except the duty to accord such of the Collateral as may be in its possession substantially the same care as it accords its own assets and the duty to account for monies received by it.

(f) The Collateral Agent may execute any of the powers granted under this Agreement or any of the Security Documents and perform any duty hereunder or thereunder either directly or by or through agents or attorneys-in-fact, and shall not be responsible for the gross negligence or willful misconduct of any agents or attorneys-in-fact selected by it with reasonable care and without gross negligence or willful misconduct.

(g) In the event (i) the Collateral Agent shall have received any written request from any of the Credit Parties for consent or approval to any matter or thing relating to any Collateral or the Credit Party's obligations with respect thereto or (ii) there shall be due from the Collateral Agent under the provisions of any Security Document any performance or the delivery of any instrument, then, in each such event, the Collateral Agent shall send to each of the Creditors a notice setting forth, in reasonable detail, (x) an account of the matter or thing as to which such consent has been requested or the performance or instrument required to be so delivered, as the case may be, and (y) the Collateral Agent's proposed course of action with respect thereto. In the event the Collateral Agent shall not have received a response from a Creditor within thirty (30) days after the giving of such notice, such Creditor shall be deemed to have rejected the

course of action proposed by the Collateral Agent. No such consent of the Creditor shall be required with respect to any action taken in accordance with the provisions of Section 4.2 hereof or with respect to any consent, determination or other matter that is ministerial or administrative in nature. Also, the Collateral Agent is hereby authorized on behalf of all the Creditors, without the necessity of further consent from any Creditor, from time to time prior to an Event of Default, to release portions of the Collateral from the security interest imposed by the Security Documents in connection with any disposition of such portions of the Collateral expressly permitted under the Finance Documents.

(h) The Collateral Agent shall not be deemed to have actual, constructive, direct or indirect notice or knowledge of the occurrence of any Actionable Default unless and until the Collateral Agent shall have received a Notice of Actionable Default or a notice from any of the Credit Parties to the Collateral Agent in its capacity as Collateral Agent indicating that an Actionable Default has occurred. The Collateral Agent shall have no obligation either prior to or after receiving such notice to inquire whether an Actionable Default has, in fact, occurred and shall be entitled to rely conclusively, and shall be fully protected in so relying, on any notice so furnished to it. The Collateral Agent may (but shall not be obligated to) take action hereunder on the basis of an Actionable Default of the type specified in Section 11.01(h) or (i) of the Credit Agreement, or clauses (g) or (h) of Section 11 of the Note Agreement (each as in effect on the date of this Agreement) whether or not the Collateral Agent has received any Notice of Actionable Default stating that such Actionable Default has occurred, provided that any such action taken by the Collateral Agent without direction from the Majority Creditors shall be limited to actions that the Collateral Agent determines to be necessary to protect and preserve the Collateral and the rights of the Creditors, provided, further, that the Collateral Agent shall promptly notify all Creditors in writing of any action taken without direction from the Majority Creditors.

(i) Upon receipt of a Notice of Actionable Default pursuant to the provisions of this Agreement, the Collateral Agent shall, at the request of any Creditor, schedule a meeting of all Creditors to be held at the offices of the Collateral Agent, or another mutually convenient place, to discuss the exercise of rights and remedies under the Security Documents, provided that any Creditor may participate via telephone.

Section 5.2. Collateral Agent's Liability. No provision of this Agreement shall be construed to relieve the Collateral Agent from liability for its own gross negligence or willful misconduct, except that:

(a) the Collateral Agent shall not be liable except for the performance of such duties as are specifically set forth in this Agreement or in the Security Documents and no implied covenants or obligations shall be read into this Agreement or into the Security Documents against the Collateral Agent but the duties and obligations of the Collateral Agent shall be determined solely by the express provisions of this Agreement and the Security Documents;

(b) in the absence of bad faith, gross negligence or willful misconduct on the part of the Collateral Agent, the Collateral Agent may rely upon the authenticity of, and the truth of the statements and the correctness of the opinions expressed in, and shall be protected in acting

upon, any resolution, officer's certificate, opinion of counsel, note, request, notice, consent, waiver, order, signature guaranty, notarial seal, stamp, acknowledgment, verification, appraisal, report, stock certificate, or other paper or document believed by the Collateral Agent to be genuine and to have been signed, affixed or presented by the proper party or parties;

(c) in the absence of bad faith, gross negligence or willful misconduct on the part of the Collateral Agent, whenever the Collateral Agent, or any of its agents, representatives, experts or counsel, shall consider it necessary or desirable that any matter be proved or established, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by an officer's certificate; provided, however, that the Collateral Agent, or such agent, representative, expert or counsel, may require such further and additional evidence and make such further investigation as it or they may consider reasonable;

(d) the Collateral Agent may consult with counsel and the advice or opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered hereunder in good faith and in accordance with such advice or opinion of counsel;

(e) the Collateral Agent shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with any direction or request of the Majority Creditors pursuant to the terms of this Agreement or any of the Security Documents;

(f) the Collateral Agent shall not be liable for any error of judgment made in good faith by an officer of the Collateral Agent unless it shall be proved that the Collateral Agent was grossly negligent in ascertaining the pertinent facts; and

(g) whether or not an Event of Default shall have occurred, the Collateral Agent shall not be under any obligation to take or refrain from taking any action under this Agreement or any of the Security Documents which may tend to involve it in any expense or liability, unless and until it is requested in writing so to do by the Majority Creditors and furnished, from time to time as it may require, with satisfactory indemnity.

This Section does not impair or otherwise affect the Creditors' obligations and liabilities to the Credit Parties (if any) under the terms of the Credit Agreement and Note Agreement for any act or failure to act by the Collateral Agent in each case that is in accordance with the provisions of this Agreement.

Section 5.3. Certain Limitations on Collateral Agent's Rights to Compensation. The Collateral Agent shall have no right against a Creditor for the payment of compensation for its services hereunder or any expenses or disbursements incurred in connection with the exercise and performance of its powers and duties hereunder or any indemnification against liabilities which it may incur in the exercise and performance of such powers and duties, but on the contrary, shall look solely to the Credit Parties for such payment and indemnification which the Credit Parties hereby acknowledge, and the Collateral Agent shall have only such lien on and security interest in the Collateral as security for such compensation, expenses, disbursements and indemnification as and to the extent provided for in Section 4.3(a) hereof.

Section 5.4. Status of Moneys Received. (a) Except as otherwise specifically prescribed in this Agreement, all moneys received by the Collateral Agent shall, until used or applied as herein provided, be held for the purposes for which they were received, in segregated accounts, and may be deposited by the Collateral Agent under such general conditions as may be prescribed by law in the Collateral Agent's general banking department, and the Collateral Agent shall be under no liability for interest on any moneys received by it hereunder. The Collateral Agent and any affiliated corporation may become the owner of any of the Obligations and be interested in any financial transaction with any of the Credit Parties or any affiliated corporation, or the Collateral Agent may act as depository or otherwise in respect to other securities of any of the Credit Parties or any affiliated corporation, all with the same rights which it would have if not the Collateral Agent.

(b) The Collateral Agent may invest and reinvest any funds from time to time held by the Collateral Agent in direct obligations of the United States of America or obligations for which the full faith and credit of the United States is pledged to provide for the payment of principal and interest, maturing not more than 90 days from the date of such investment.

Section 5.5. Resignation or Termination of Collateral Agent. The Collateral Agent may resign as Collateral Agent upon not less than 60 days' written notice to each of the Creditors (with copies to the Credit Parties), such resignation to take effect upon the acceptance by a successor Collateral Agent of its appointment as the Collateral Agent hereunder. In addition, the Majority Creditors may remove the Collateral Agent at any time by giving written notice thereof to the Collateral Agent. Upon any such resignation or removal, the Majority Creditors shall have the right to appoint a successor Collateral Agent which meets the eligibility requirements of Section 5.7. If no successor Collateral Agent shall have been so appointed and shall have accepted such appointment in writing within 30 days after the retiring Collateral Agent's giving of notice of resignation or its removal, then the retiring Collateral Agent may, on behalf of the Creditors, appoint a successor Collateral Agent which meets the eligibility requirements of Section 5.7, and the Credit Parties agree to pay such reasonable fees and expenses of any such appointee as shall be necessary to induce such appointee to agree to become a successor Collateral Agent hereunder. Upon acceptance of appointment as Collateral Agent, such successor shall thereupon and forthwith succeed to and become vested with all the rights, powers and privileges, immunities and duties of the retiring Collateral Agent, and the retiring Collateral Agent, upon the signing, transferring and setting over to such successor Collateral Agent all rights, moneys and other collateral held by it in its capacity as Collateral Agent, shall be discharged from its duties and obligations hereunder. After any retiring Collateral Agent's resignation or removal as Collateral Agent, the provisions of this Section 5, shall inure to its benefit as to any actions taken or omitted to be taken by it while it acted as Collateral Agent.

Section 5.6. Succession of Successor Collateral Agent. Any successor Collateral Agent appointed hereunder shall execute, acknowledge and deliver to the Credit Parties and the predecessor Collateral Agent an instrument accepting such appointment, and thereupon such successor Collateral Agent, without any further act, deed, conveyance or transfer, shall become vested with the title to the Collateral, and with all the rights, powers, duties and obligations of the predecessor Collateral Agent in the trust hereunder, with like effect as if originally named as Collateral Agent herein.

Upon the request of any such successor Collateral Agent, however, the Credit Parties and the predecessor Collateral Agent shall promptly execute and deliver such instruments of conveyance and further assurance reflecting terms consistent with the terms of the Finance Documents then in effect and do such other things as may reasonably be required for more fully and certainly vesting and confirming in such successor Collateral Agent its interest in the Collateral and all such rights, powers, duties and obligations of the predecessor Collateral Agent hereunder, and the predecessor Collateral Agent shall also promptly assign and deliver to the successor Collateral Agent any Collateral subject to the lien and security interest of this Agreement which may then be in its possession.

Section 5.7. Eligibility of Collateral Agent. Any successor Collateral Agent shall be a state or national bank or trust company in good standing, organized under the laws of the United States of America or of any state, having a capital, surplus and undivided profits aggregating at least $500,000,000, if there be such a bank or trust company willing and able to accept the duties hereunder upon reasonable and customary terms.

Section 5.8. Successor Collateral Agent by Merger. Any corporation into which the Collateral Agent may be merged or with which it may be consolidated, or any corporation resulting from any merger or consolidation to which the Collateral Agent shall be a party, or any state or national bank or trust company in any manner succeeding to the corporate trust business of the Collateral Agent as a whole or substantially as a whole, if eligible as provided in Section 5.7, shall be the successor of the Collateral Agent hereunder without the execution or filing of any paper or any further act on the part of any of the parties hereto, anything to the contrary contained herein notwithstanding.

Section 5.9. Compensation and Reimbursement of Collateral Agent. The Credit Parties agree:

(a) to pay to the Collateral Agent all of its out-of-pocket expenses in connection with the preparation, execution and delivery of this Agreement and the transactions contemplated hereby, including but not limited to the reasonable charges and disbursements of its special counsel;

(b) to pay to the Collateral Agent from time to time reasonable compensation for all services rendered by it hereunder;

(c) to reimburse the Collateral Agent upon its request for all reasonable expenses, disbursements and advances incurred or made by the Collateral Agent in accordance with any provision of this Agreement (including the reasonable compensation and the expenses and disbursements of its agents and counsel), except any such expense, disbursement or advance as may be attributable solely to its gross negligence or willful misconduct; and

(d) to indemnify the Collateral Agent for, and to hold it harmless against, any loss, liability or expense incurred without gross negligence or willful misconduct on its part, arising out of or in connection with this Agreement or any Security Document or any action taken or omitted by it thereunder or in connection therewith, including, but not limited to, the costs and

expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder, and any loss, liability, expense or claim arising out of its possession, management, control, use or operation of the Collateral.

Notwithstanding any other provision of this Agreement or the Security Documents, the Collateral Agent shall in all cases be fully justified in failing or refusing to act hereunder unless it shall be indemnified to its satisfaction by the Creditors against any and all liability and expense that may be incurred by it by reason of taking or continuing to take any such action.

Section 5.10. Self Dealing. In the event that a Creditor serves as the Collateral Agent, such Creditor acting in its capacity as such shall have the same rights and powers under the Finance Documents as any other Creditor and may exercise or refrain from exercising the same as though it were not the Collateral Agent. Without limiting the generality of the foregoing, the Collateral Agent or any holding company, trust company or corporation in or with which the Collateral Agent or the Collateral Agent's stockholders may be interested or affiliated, or any officer or director of the Collateral Agent, or of any other such entity, or any agent appointed by the Collateral Agent, may have commercial relations or otherwise deal with any of the Credit Parties, or any Creditor, or with any other corporation having relations with any of the Credit Parties or any Creditor, and with any other entity, whether or not affiliated with the Collateral Agent.

Section 6. Agreements Among the Creditors.

Section 6.1. Independent Actions by Creditors. Nothing contained in this Agreement shall prohibit any Creditor from (a) accelerating the maturity of, or demanding payment from any of the Credit Parties on, any Obligation of the Credit Parties to such Creditor, (b) instituting and pursuing legal action against any of the Credit Parties to obtain a judgment or other legal process in respect of such Obligation (including, without limitation, enforcing any such judgment against the assets of the Company, and Guarantor or any other person or entity so long as such assets are not subject to a Lien subject to the terms of this Agreement), (c) imposing a default rate of interest in accordance with the Credit Agreement or the Note Agreement, as applicable, or (d) raising any defenses in any action in which it has been made a party defendant or has been joined as a third party, except that the Collateral Agent may direct and control any defense to the extent directly relating to the Collateral or any one or more of the Security Documents, subject to and in accordance with the provisions of this Agreement.

Section 6.2. Relation of Creditors. This Agreement is entered into solely for the purposes set forth herein, and no Creditor assumes any responsibility to any other party hereto to advise such other party of information known to such other party regarding the financial condition of the Credit Parties or of any other circumstances bearing upon the risk of nonpayment of any Obligation. Each Creditor specifically acknowledges and agrees that nothing contained in this Agreement is or is intended to be for the benefit of a Credit Party and nothing contained herein shall limit or in any way modify any of the obligations of the Credit Parties to the Creditors.

Section 6.3. Acknowledgment of Collateral . Each party hereto hereby expressly acknowledges the collateral security given under the Credit Agreement and the collateral security delivered pursuant to the requirements of the Note Agreement.

Section 6.4. Additional Creditors. Additional Persons which become parties as lenders to the Credit Agreement or noteholders under a Note Agreement shall become "Creditors" hereunder by executing and delivering to the Collateral Agent and each of the then existing Creditors (a) a supplement to this Agreement pursuant to which such party shall become a party to this Agreement executed by such Person and the Collateral Agent and (b) a copy of the agreement or documents pursuant to which such Person has become a creditor of the Credit Parties. Accordingly, upon the execution and delivery of such copy of this Agreement by any such Person, such Person shall thereafter become a Creditor for all purposes of this Agreement.

Section 6.5. Additional Guarantors. Each additional Person who from time to time becomes a guarantor of any obligations under any Financing Document pursuant to the terms of any of the Financing Documents or otherwise. Upon the execution and delivery of any such guaranty by any such Person, shall thereinafter be deemed a "Guarantor" for all purposes of this Agreement and, the Collateral Agent may (or shall at the request of the Majority Creditors), require such Guarantor to execute a joinder to this Agreement in form and substance satisfactory to the Collateral Agent.

Section 6.6. Guaranties. In the event any Guaranty is invalidated, avoided, declared fraudulent or set aside, the Collateral Agent, the Administrative Agent and the Creditors agree that such Guaranty shall nevertheless be considered to be outstanding for all purposes of this Agreement.

Section 6.7. Copies of Modifications. Each Creditor agrees to provide to the Collateral Agent a complete executed copy of any and all amendments, waivers and other modifications to the Finance Documents to which it is a party promptly after the execution and delivery thereof. The Collateral Agent shall not be deemed to have any knowledge of any such amendments, waivers or other modifications until a complete executed copy of the same is delivered to the Collateral Agent.

Section 7. Miscellaneous.

Section 7.1. Entire Agreement. This Agreement represents the entire Agreement among the Creditors and, except as otherwise provided, this Agreement may not be altered, amended or modified except in a writing executed by all the parties to this Agreement.

Section 7.2. Notices. Unless otherwise specifically provided herein, all notices, consents, directions, approvals, instructions, requests and other communications required or permitted by the terms hereof shall be in writing, and any such communication shall become effective when received, addressed in the following manner: (a) if to the Collateral Agent or any Lender, to the respective addresses set forth in the Credit Agreement or (b) if to any Noteholder, to the respective addresses set forth in the Purchaser Schedule to the Note Agreement or such other address specified by such Noteholder to the Collateral Agent in writing provided, however,

that any such addressee may change its address for communications by notice given as aforesaid to the Collateral Agent.

Section 7.3. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of each of the Creditors and their respective successors and assigns (including, without limitation, any holder of a participation interest in any Obligation), whether so expressed or not, and, in particular, shall inure to the benefit of and be enforceable by any future holder or holders of any Obligations, and the term "Creditor" shall include any such subsequent holder of Obligations, wherever the context permits. Without limiting the foregoing, the rights and obligations of any Lender or Noteholder under this Agreement shall be assigned automatically, without the need for the execution of any document or any other action, to, and the term "Lender" or "Noteholder" as used in this Agreement shall include, any assignee, transferee or successor of such Lender under a Credit Agreement or such Noteholder under any Note Agreement, as the case may be, and any such assignee, transferee or successor shall automatically become a party to this Agreement. If required by any party to this Agreement, such assignee, transferee or successor shall execute and deliver to the other parties to this Agreement a written confirmation of its assumption of the obligations of the assignor or transferor hereunder. Each of the Lenders and the Noteholders agrees that it shall deliver a complete copy of this Agreement to any assignee, transferee or successor of a Lender or a Noteholder prior to or substantially concurrently with the execution of any such assignment or transfer.

Section 7.4. Consents, Amendment, Waivers. All amendments, waivers or consents of any provision of this Agreement shall be effective only if the same shall be in writing and signed by the Required Lenders and Required Holders and no such modification or amendment shall be binding on the Credit Parties without the consent of the Credit Parties, provided, however, that (i) no such modification or amendment shall adversely affect any of the Collateral Agent's rights, immunities or rights to indemnification hereunder or under any Security Document or expand its duties hereunder or under any Security Document, without the prior written consent of the Collateral Agent, (ii) no such modification or amendment shall modify any provision hereof which is intended to provide for the equal and ratable security of all outstanding Obligations without the prior written consent of all Creditors, and (iii) no such modification or amendment shall change the definition of "Majority Creditors" or this Section 7.4 or Section 4 without the prior written consent of each Creditor. No waiver of any provision of this Agreement and no consent to any departure by any party hereto from the provisions hereof shall be effective unless such waiver or consent shall be set forth in a written instrument executed by the party against which it is sought to be enforced, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

Section 7.5. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York.

Section 7.6. Counterparts. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one Agreement, and any of the parties hereto may execute this Agreement by signing any such counterpart.

Section 7.7. Sale of Interest. No Creditor will sell, transfer or otherwise dispose of any interest in the Obligations unless such purchaser or transferee shall agree, in writing, to be bound by the terms of this Agreement.

Section 7.8. Severability. In case any one or more of the provisions contained in this Agreement shall be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions of this Agreement shall not in any way be affected or impaired thereby.

Section 7.9. Purchase of Collateral. Any Creditor may purchase Collateral at any public sale of such Collateral pursuant to any of the Security Documents and may make payment on account thereof by using any outstanding Obligation then due and payable to such Creditor from the person which granted a security interest in such Collateral as a credit against the purchase price to the extent, but only to the extent such action (i) has been approved by the Majority Creditors and (ii) does not contravene any Applicable Law (as defined in the Credit Agreement).

Section 7.10. Further Assurances, etc. Each party hereto shall execute and deliver such other documents and instruments, in form and substance reasonably satisfactory to the other parties hereto, and shall take such other action, in each case as any other party hereto may reasonably have requested (at the cost and expense of the Credit Parties which costs and expenses the Credit Parties, by countersigning this Agreement, agree to pay), to effectuate and carry out the provisions of this Agreement, including, by recording or filing in such places as the requesting party may deem desirable, this Agreement or such other documents or instruments.

In Witness Whereof, each of the parties hereto has caused this Agreement to be executed as of the date first above written.

WACHOVIA BANK, NATIONAL
ASSOCIATION, as Collateral Agent, as
Administrative Agent and a Lender

By______________________________
Name:
Title:

FLEET NATIONAL BANK, as a Lender

By:_____________________________
Name:
Title:

BANK OF OKLAHOMA, N.A., as a Lender

By:_____________________________________
Name:
Title:

U.S. BANK, N.A. (f/k/a FIRSTAR BANK,
N.A. OVERLAND PARK), as a Lender

By:______________________________________
Name:
Title:

WELLS FARGO BANK TEXAS, N.A., as a Lender

By:______________________________________
Name:
Title:

TEAMBANK, N.A., as a Lender

By:_____________________________________
Name:
Title:

THE CANADA LIFE
ASSURANCE COMPANY, as a Noteholder

By:_____________________________________
Name:
Title:

JOHN HANCOCK LIFE
INSURANCE COMPANY, as a Noteholder

By:_____________________________________
Name:
Title:

INVESTORS PARTNER LIFE
INSURANCE COMPANY, as a Noteholder

By:_____________________________________
Name:
Title:

JOHN HANCOCK VARIABLE LIFE
INSURANCE COMPANY, as a Noteholder

By:_____________________________________
Name:
Title:

JOHN HANCOCK INSURANCE COMPANY OF
VERMONT, as a Noteholder

By:_____________________________________
Name:
Title:

THE PRUDENTIAL INSURANCE COMPANY OF
AMERICA, as a Noteholder

By:_____________________________________
Name:
Title:

The undersigned parties hereby acknowledge and agree to the foregoing Intercreditor Agreement.

INERGY PROPANE, LLC

By: ____
Name: John J. Sherman
Title: President

INERGY, L.P.

By: Inergy GP, LLC, its Managing Partner

By:_____________________________________
Name: John J. Sherman
Title: President

INERGY TRANSPORTATION, LLC

By: ____
Name: John J. Sherman
Title: President

IPCH ACQUISTION CORP.

By: ____
Name: John J. Sherman
Title: President

L & L TRANSPORTATION, LLC

By: ____
Name: John J. Sherman
Title: President

INERGY SALES & SERVICE, INC.

By: ____
Name: John J. Sherman
Title: President

EXHIBIT 23.1

CONSENT OF INDEPENDENT AUDITORS

Board of Directors and Members
Inergy, L.P.

We consent to the references to our firm under the caption "Experts" and to the use of our report dated December 10, 2001, except for Notes 4 and 12, as to which the date is December 20, 2001, with respect to Inergy, L.P. and subsidiary; our report dated May 2, 2001 with respect to the Hoosier Propane Group; and our report dated May 22, 2002 with respect to Inergy GP, LLC, in Amendment No. 1 to the Registration Statement (Form S-1 No. 333-89010) and related Prospectus of Inergy, L.P. for the registration of 1,400,000 common units.

/s/ Ernst & Young LLP

Kansas City, Missouri
July 12, 2002