

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C.

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SCHEDULE 13E-3

Amendment No. 1

RULE 13E-3 TRANSACTION STATEMENT

(Pursuant to Section 13(e) of the Securities Exchange Act of 1934 and  
Rule 13e-3 ((S)240.13e-3) thereunder)

Petroleum Heat and Power Co., Inc.  
(Name of Issuer)

Petroleum Heat and Power Co., Inc.  
Star Gas Partners, L.P.  
Star Gas Corporation  
(Name(s) of Person(s) Filing Statement)

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Class A Common Stock, par value \$.10 per share  
(Title of Class of Securities)

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716600 309  
(Cusip Number of Class of Securities)

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Joseph P. Cavanaugh  
President  
Star Gas Corporation  
2187 Atlantic Street  
P.O. Box 120011  
Stamford, Connecticut 06912-0011

Irik P. Sevin  
Chairman of the Board and  
Chief Executive Officer  
Petroleum Heat and Power Co., Inc.  
2187 Atlantic Street  
Stamford, Connecticut 06902

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

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With Copies To:

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

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

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

Calculation of Filing Fee

Transaction Valuation*	Amount of Filing Fee
\$26,148,106.30	\$5,230

\* Calculated by multiplying \$0.9844, by 26,562,481, the sum of the number of shares of Common Stock to be converted in the Transaction.

[X] Check box if any part of the fee is offset as provided by Rule 0-11(a)(2) and identify the filing with which the offsetting fee was previously paid. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

Amount Previously Paid: \$9,825  
 Form or Registration No.: Registration Statement on Form S-4;  
 SEC File No. 333-66005  
 Filing Party: Star Gas Partners, L.P.  
 Date Filed: October 22, 1998

INTRODUCTION

This Rule 13e-3 Transaction Statement on Schedule 13E-3 (the "Schedule 13E-3") is being filed by (1) Petroleum Heat and Power Co., Inc, a Minnesota corporation (the "Issuer"); (2) Star Gas Partners, L.P., a Delaware limited partnership and an indirect subsidiary of the Issuer (the "Partnership"); and (3) Star Gas Corporation, a Delaware corporation and a wholly-owned subsidiary of the Issuer ("Star Gas") and the general partner of the Partnership, pursuant to Section 13(e) of the Securities Exchange Act of 1934, as amended, and Rule 13e-3 thereunder, in connection with a transaction (the "Transaction") consisting of (a) the merger of a wholly-owned indirect subsidiary of the Partnership ("Mergeco"), with and into the Issuer (the "Merger"), with the Issuer surviving the Merger as an indirect wholly-owned subsidiary of the Partnership, and the conversion of each outstanding share of Class A and Class C common stock, par value \$.10 per share of the Issuer, (the "Common Stock"), into senior subordinated units of limited partner interest ("Senior Subordinated Units") of the Partnership, upon the terms and subject to the conditions set forth in a certain Agreement and Plan of Merger dated as of October 22, 1998 (the "Merger Agreement") among the Issuer, the Partnership and Mergeco, et al., a copy of which is filed as Exhibit (c)(1) hereto; and (b) the exchange (the "Exchange") (1) by certain holders of shares of Common Stock of the Issuer that are affiliates of the Issuer (the "LLC Owners") with (A) Star Gas LLC, a Delaware limited liability company, of a portion of the Common Stock (the "LLC Shares") held by the LLC Owners for 100% of the limited liability company interests in Star Gas LLC (which in turn will exchange the LLC Shares with the Partnership for General Partner Units) and (B) with the Partnership, of their remaining shares of Common Stock held by the LLC Owners, for junior subordinated units of limited partner interest ("Junior Subordinated Units") of the Partnership, and (2) by certain other holders of Common Stock, that are affiliates of the Issuer with the Partnership, of their Common Stock for Senior Subordinated Units, upon the terms and subject to the conditions set forth in a certain exchange agreement dated October 22, 1998 (the "Exchange Agreement") among the Issuer, the Partnership, the LLC Owners and the other affiliated holders of Common Stock referred to above, a copy of which is filed as Exhibit (c) (2) hereto.

The following Cross Reference Sheet, prepared pursuant to General Instruction F to Schedule 13E-3, shows the location in the joint proxy statement and prospectus of the Partnership (the "Proxy Statement"), included in the registration statement on Form S-4 (the "S-4") filed by the Partnership with the Securities and Exchange Commission on the date hereof, of the information required to be included in this Schedule 13E-3. The information set forth in the S-4, including all exhibits thereto and the Annual Report on Form 10-K of the Issuer for its fiscal year ended December 31, 1997 (the "Petro 10-K"), the Proxy Statement of the Issuer for its 1998 annual meeting of shareholders (the "Petro Annual Meeting Proxy Statement") and the Annual Report on Form 10-K of the Partnership for its fiscal year ended September 30, 1997 (the "Partnership 10-K") are hereby expressly incorporated herein by reference as set forth in the Cross Reference Sheet and the responses in this Schedule 13E-3, and such

responses are qualified in their entirety by reference to the information contained in the Proxy Statement, the

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annexes thereto, the Petro 10-K, the Petro Annual Meeting Proxy Statement and the Partnership 10-K which are incorporated by reference in and/or accompany the Proxy Statement.

The information contained in this Schedule 13E-3 concerning the Issuer, including, without limitation, the information concerning the background of the Transaction, the deliberations of the Issuer's Board of Directors in connection with the Transaction, the opinion of the Issuer's financial advisor and the Issuer's capital structure and historical financial statements of the Issuer, was supplied by the Issuer. The Partnership and Star Gas take no responsibility for the accuracy or completeness of such information.

The information contained in this Schedule 13E-3 concerning the Partnership, including, without limitation, the information concerning the background of the Transaction, the opinion of the financial advisor to the special committee (the "Special Committee") of the board of directors of Star Gas, the Partnership's capital structure and historical financial statements of the Partnership, was supplied by Star Gas, on behalf of the Partnership. Petro takes no responsibility for the accuracy or completeness of such information.

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#### CROSS REFERENCE SHEET

Item in Schedule 13E-3 - - - - -	Where Located in Proxy Statement - - - - -
Item 1(a).....	Cover Page, "Proxy Statement Summary - Parties - Petro" and "Parties and Conflicts - Parties to the Transaction - Petro"
Item 1(b).....	Cover Page, "Proxy Solicitations - The Special Meeting - Petro Record Date," "Proxy Solicitations - The Special Meeting - Voting Rights; Vote Required" and "Proxy Solicitations - The Special Meeting - Petro Preferred Stock"
Items 1(c) and (d).....	"Comparative Security Price and Distribution Information - Petro Capital Stock -Class A Common Stock," "Comparison of Securities - Distributions and Dividends" and "Incorporation of Certain Documents by Reference"
Item 1(e).....	*
Item 1(f).....	*
Items 2(a) - (d) and (g).....	Cover Page, "Proxy Statement Summary - Parties," "Parties and Conflicts - Parties to the Transaction," "Management of the Partnership After the Transaction - Officers and Employees of the Operating Partnership and Petro," "Beneficial Ownership of Principal Unitholders and Management" and "Incorporation of Certain Documents by Reference"
Items 2(e) and (f).....	*
Items 3(a) and (b).....	"Proxy Statement Summary - The Transaction," "Proxy Statement Summary - The Transaction - The Merger and the Exchange,"

"The Transaction - Description of the Transaction,"  
"The Transaction -

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Description of the Merger and the Exchange," "Special Factors - Background of the Transaction," "Management of the Partnership After the Transaction" and "Incorporation of Certain Documents by Reference"

Item 4(a) and (b).....	Cover Page, "Proxy Statement Summary - The Transaction," "Proxy Statement Summary - The Transaction - The Merger and the Exchange," "The Transaction - Description of the Transaction," "The Transaction - Description of the Merger and the Exchange" and "The Transaction - Description of the Merger Agreement"
Items 5(a) - (g).....	"Proxy Statement Summary - The Transaction," "Proxy Statement Summary - The Transaction - The Merger and the Exchange," "The Transaction - Description of the Transaction," "The Transaction - Description of the Merger and the Exchange" and "The Transaction - Description of the Merger Agreement"
Item 6(a).....	"Proxy Statement Summary - The Transaction - Financings and Refinancings," "Proxy Statement Summary - Financial Information - Estimated Sources and Uses of Funds of the Equity Offering and Debt Offering" and "The Transaction - Related Financing and Refinancing Transactions"
Item 6(b).....	"Proxy Statement Summary - Financial Information - Estimated Sources and Uses of Funds of the Equity Offering and Debt Offering," "Proxy Solicitations - The Unitholders Meeting - Cost of Solicitation of Proxies," "Proxy Solicitation - The Special Meeting - Cost of Solicitation of Proxies," "Special Factors - Opinion of A.G. Edwards - Terms of A.G. Edwards' Engagement," "Special Factors - Opinion of Dain Rauscher Wessels - Dain Rauscher Wessels' Engagement Agreement" and "The Transaction - Description of the Merger Agreement - Expenses"
Item 6(c).....	"Proxy Statement Summary - The Transaction - Related Financings and Refinancings" and "The

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Transaction - Related Financing and Refinancing Transactions"

Item 6(d).....	*
Item 7(a).....	"Proxy Statement Summary - Special Factors - Potential Advantages to the Common Stockholders," "Proxy Statement

Summary - Special Factors -  
Recommendations of Petro Board of  
Directors and Opinion of Dain Rauscher  
Wessels," "Proxy Statement Summary -  
Description of the Partnership Units,"  
"Special Factors - Background of the  
Transaction," "Special Factors - Reasons  
for the Transaction that the Petro  
Board Considered; Recommendation of  
the Petro Board," "Cash Available for  
Distribution" and "Description of the  
Units"

Items 7(b) and (c)..... "Proxy Statement Summary - The  
Transaction" and "The Transaction -  
Background of the Transaction"

Item 7(d)..... "Proxy Statement Summary - Special  
Factors - Potential Advantages to the  
Common Stockholders," "Proxy Statement  
Summary - Special Factors - Potential  
Disadvantages and Risks to the Common  
Stockholders," "Proxy Statement  
Summary - Financial Information -  
Summary Selected Unaudited Pro Forma  
Condensed Consolidated Financial  
Information," "Risk Factors - Risks to  
Common Stockholders," "Risk Factors -  
Tax Risks to Common Stockholders,"  
"Parties and Conflicts - Conflicts of  
Interest - Certain Persons Have  
Interests in the Transaction that  
Conflict, or May be Perceived to  
Conflict, with the Interests of Common  
Stockholders and Common Unitholders,"  
"Special Factors - Reasons for the  
Transaction that the Petro Board  
Considered; Recommendation of the Petro  
Board,"

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"Management of the Partnership After  
the Transaction," "The Amended and  
Restated Partnership Agreement,"  
"Cash Distribution Policy," "Cash  
Available for Distribution,"  
"Description of the Units,"  
"Comparison of Securities" and  
"Certain Federal Income Tax  
Considerations"

Items 8(a) - (e)..... Cover Page, "Proxy Statement Summary -  
Special Factors - Recommendations of  
Petro Board of Directors and Opinion of  
Dain Rauscher Wessels," "Proxy  
Solicitations - The Special Meeting -  
Petro Board Recommendation," "Proxy  
Solicitations - The Special Meeting -  
Voting Rights; Vote Required," "Special  
Factors - Background of the  
Transaction," "Special Factors -  
Reasons for the Transaction that the  
Petro Board Considered; Recommendation  
of the Petro Board" and "Special  
Factors - Opinion of Dain Rauscher  
Wessels"

Item 8(f)..... \*

Items 9(a) - (c).....	"Proxy Statement Summary - Special Factors - Recommendation of Petro Board of Directors and Opinion of Dain Rauscher Wessels," "Special Factors - Background of the Transaction - Petro Retains Dain Rauscher Wessels to Provide a Fairness Opinion to Petro's Public Common Stockholders" and "Special Factors - Opinion of Dain Rauscher Wessels"
Items 10(a).....	"Proxy Solicitations - The Special Meeting - Voting Rights; Vote Required"
Item 10(b).....	*
Item 11.....	"Proxy Statement Summary - The Transaction,"

"Proxy Statement Summary - The Transaction - The Merger and the Exchange," "Proxy Statement Summary - The Transaction - Financings and Refinancings," "The Transaction - Description of the Transaction," "The Transaction - Description of the Merger and the Exchange," "The Transaction - Related Financing and Refinancing Transactions" and "Parties and Conflicts - Conflicts of Interest - Certain Persons Have Interests in the Transaction that Conflict, or May be Perceived to Conflict, with the Interests of Common Stockholders and Common Unitholders"

Items 12(a) and (b).....	"Proxy Statement Summary - Special Factors - Recommendation of Petro Board of Directors and Opinion of Dain Rauscher Wessels," "Proxy Solicitations - The Special Meeting - Petro Board Recommendation," "Proxy Solicitations - The Special Meeting - Voting Rights; Vote Required" and "Special Factors - Reasons for the Transaction that the Petro Board Considered; Recommendation of the Petro Board"
Item 13(a).....	"Proxy Solicitations - The Special Meeting - Dissenters' Rights," "Dissenters' Rights," and Annex F to the Proxy Statement
Item 13(b).....	*
Item 13(c).....	*
Item 14(a) and (b).....	"Proxy Statement Summary - Financial Information - Summary Selected Historical Financial and Operating Data of Petro," "Proxy Statement Summary - Financial Information - Summary Selected Unaudited Pro Forma Condensed Consolidated Financial Information," "Comparative Security Price and Distribution Information - Comparative Per Share/Per Unit Information (Unaudited)," "Unaudited Pro Forma Condensed Consolidated Financial

Information" and "Incorporation of  
Certain Documents by Reference"

- Item 14(b) ..... \*
- Item 15(a) ..... "Proxy Statement Summary - The  
Transaction," "Proxy Statement  
Summary - The Transaction - Financings

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and Refinancings, "Proxy Statement  
Summary - Financial Information -  
Estimated Sources and Uses of Funds of  
the Equity Offering and Debt Offering,"  
"Proxy Solicitations - The Unitholders  
Meeting - Cost of Solicitation of  
Proxies," "Proxy Solicitations - The  
Special Meeting - Cost of Solicitation  
of Proxies," "The Transaction - Related  
Financing and Refinancing Transactions -  
Public Offerings" and "The Transaction -  
Description of the Merger Agreement -  
Expenses"

- Item 15(b) ..... "Proxy Solicitations - The Unitholders  
Meeting - Cost of Solicitation of  
Proxies," "Proxy Solicitations - The  
Special Meeting - Cost of Solicitation  
of Proxies," "Special Factors - Opinion  
of A.G. Edwards - Terms of A.G. Edwards'  
Engagement" and "Special Factors -  
Opinion of Dain Rauscher Wessels - Dain  
Rauscher Wessels' Engagement Agreement"

Item 16 ..... The Proxy Statement in its entirety

Item 17 ..... \*

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\* The Item is located in the Schedule 13E-3 only.

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ITEM 1. ISSUER AND CLASS OF SECURITY SUBJECT TO THE TRANSACTION.

(a) The relevant information set forth in the Proxy Statement on the cover page thereof and under "Proxy Statement Summary - Parties - Petro" and "Parties and Conflicts - Parties to the Transaction - Petro" is incorporated herein by reference.

(b) The information set forth in the Proxy Statement on the cover page thereof and under "Proxy Solicitations - The Special Meeting - Petro Record Date," "Proxy Solicitations - The Special Meeting - Voting Rights; Vote Required" and "Proxy Solicitations - The Special Meeting - Petro Preferred Stock" is incorporated herein by reference.

(c) and (d) The relevant information set forth in the Proxy Statement under "Comparative Security Price and Distribution Information - Petro Capital Stock -Class A Common Stock," "Comparison of Securities - Distributions and Dividends" and "Incorporation of Certain Documents by Reference" is incorporated herein by reference. The information set forth in Item 5, Part II of the Petro 10-K under the heading "Market for Registrant's Common Equity and Related Stockholder Matters" is incorporated herein by reference.

(e) On December 22, 1997, the Partnership offered, in an underwritten public offering registered under the Securities Act, 832,727 of its common units

representing limited partner interests (the "Common Units"), at an offering price to the public of \$21.25 per Common Unit. 809,000 of such Common Units were offered by the Partnership and 23,727 of such Common Units were offered by Star Gas as the selling unitholder. The Partnership received net proceeds of \$16,244,720 for 809,000 Common Units sold by the Partnership, and Star Gas received net proceeds of \$2,966.358 for 87,000 Common Units sold by Star Gas (including 62,273 Common Units sold by Star Gas pursuant to the over-allotment option to purchase an additional 124,000 Common Units granted to the underwriters, which was exercised in part on January 7, 1998).

(f) Not Applicable.

#### ITEM 2. IDENTITY AND BACKGROUND.

(a)-(d) and (g) This Statement is being filed by the Issuer, the Partnership and Star Gas. The information set forth on the cover page thereof and under "Proxy Statement Summary - Parties," "Parties and Conflicts - Parties to the Transaction," "Management of the Partnership After the Transaction - Officers and Employees of the Operating Partnership and Petro" and "Beneficial Ownership of Principal Unitholders and Management" and information appearing under Item 10 of the Petro 10-K and under "Election of Directors" and "Executive Officers" in the Petro Annual Meeting Proxy Statement and information appearing under Item 10 of the Partnership 10-K, which information is incorporated by reference in the Proxy Statement under "Incorporation of Certain Documents by Reference" and is incorporated herein by reference.

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(e) and (f) During the last five years, none of (i) the Issuer, the Partnership or Star Gas or, (ii) to the best knowledge of the Issuer, the Partnership and Star Gas, any person who is a director or executive officer of the Issuer, the Partnership or Star Gas has been (i) convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors) or (ii) a party to a civil proceeding of a judicial or administrative body of competent jurisdiction and as a result of such proceeding was or is subject to a judgment, decree or final order enjoining future violations of, or prohibiting activities subject to, federal or state securities laws or finding any violation of such laws. The Partnership and the Operating Partnership do not have any officers, directors or employees.

#### ITEM 3. PAST CONTACTS, TRANSACTIONS OR NEGOTIATIONS.

(a) and (b) The relevant information set forth in the Proxy Statement under "Proxy Statement Summary - The Transaction," "Proxy Statement Summary - The Merger and the Exchange" and "Proxy Statement Summary - Partnership Structure and Management Following the Transaction," "The Transaction - Description of the Transaction," "The Transaction - Description of the Merger and the Exchange," "The Transaction - Background of and Reasons for the Transaction- Background of the Transaction" and "Management of the Partnership After the Transaction" and information appearing under Item 13 of the Petro 10-K and under "Election of Directors - Certain Transactions" in the Petro Annual Meeting Proxy Statement and information appearing in Note 16 (Related Party Transactions) to the Consolidated Financial Statements of the Partnership and its subsidiary included in the Partnership 10-K, which information is incorporated by reference in the Proxy Statement under "Incorporation of Certain Documents" and is incorporated herein by reference.

#### ITEM 4. TERMS OF THE TRANSACTION.

(a) and (b) The information set forth in the Proxy Statement on the cover page thereof and under "Proxy Statement Summary - The Transaction," "Proxy Statement Summary - The Transaction - The Merger and the Exchange," "The Transaction - Description of the Transaction," "The Transaction - Description of the Merger and the Exchange" and "The Transaction - Description of the Merger Agreement" is incorporated herein by reference.

#### ITEM 5. PLANS OR PROPOSALS OF THE ISSUER OR AFFILIATE.

(a)-(g) The information set forth in the Proxy Statement under "Proxy Statement Summary - The Transaction," "Proxy Statement Summary - The Merger and the Exchange," "The Transaction - Description of the Transaction," "The Transaction - Description of the Merger and the Exchange" and "The Transaction - Description of the Merger Agreement" is incorporated herein by reference.



## ITEM 6. SOURCE AND AMOUNTS OF FUNDS OR OTHER CONSIDERATION.

(a) The information set forth in the Proxy Statement under "Proxy Statement Summary - Financings and Refinancings, "Proxy Statement Summary - Financial Information - Estimated Sources and Uses of Funds of the Equity Offering and Debt Offering" and "The Transaction - Related Financing and Refinancing Transactions" is incorporated herein by reference.

(b) The information set forth in the Proxy Statement under "Proxy Statement Summary - Financial Information - Estimated Sources and Uses of Funds of the Equity Offering and Debt Offering," "Proxy Solicitations - The Unitholders Meeting - Cost of Solicitation of Proxies," "Proxy Solicitations - The Special Meeting - Cost of Solicitation of Proxies," "Special Factors - Opinion of A.G. Edwards - Terms of A.G. Edwards' Engagement," "Special Factors - Opinion of Dain Rauscher Wessels - Dain Rauscher Wessels' Engagement Agreement" and "The Transaction - Description of the Merger Agreement - Expenses" is incorporated herein by reference.

(c) The information set forth in the Proxy Statement under "Proxy Statement Summary - Financings and Refinancings" and "The Transaction - Related Financing and Refinancing Transactions" is incorporated herein by reference.

(d) Not applicable.

## ITEM 7. PURPOSE(S), ALTERNATIVES, REASONS AND EFFECTS.

(a) The information set forth in the Proxy Statement under "Proxy Statement Summary - Special Factors - Potential Advantages to the Common Stockholders," "Proxy Statement Summary - Special Factors - Recommendations of Petro Board of Directors and Opinion of Dain Rauscher Wessels," "Proxy Statement Summary - Description of the Partnership Units," "Special Factors - Background of the Transaction," "Special Factors - Reasons for the Transaction that the Petro Board Considered; Recommendation of the Petro Board," "Cash Available for Distribution" and "Description of the Units" is incorporated herein by reference.

(b) and (c) The information set forth in the Proxy Statement under "Proxy Statement Summary - The Transaction" and "Special Factors - Background of the Transaction" is incorporated herein by reference.

(d) The information set forth in the Proxy Statement "Proxy Statement Summary - Special Factors - Potential Advantages to the Common Stockholders," "Proxy Statement Summary - Special Factors - Potential Disadvantages and Risks to the Common Stockholders," "Proxy Statement Summary - Financial Information - Summary Selected Unaudited Pro Forma Condensed Consolidated Financial Information," "Risk Factors - Risks to Common Stockholders," "Risk Factors - Tax Risks to Common Stockholders," "Parties and Conflicts - Conflicts of Interest - Certain Persons Have Interest in the Transaction that Conflict, or May be Perceived to Conflict, with the Interests of Common Stockholders and Common Unitholders,"

"Special Factors - Reasons for the Transaction that the Petro Board Considered; Recommendation of the Petro Board," "Management of the Partnership After the Transaction," "The Amended and Restated Partnership Agreement," "Cash Distribution Policy," "Cash Available for Distribution," "Description of the Units," "Comparison of Securities" and "Certain Federal Income Tax Considerations" is incorporated herein by reference.

## ITEM 8. FAIRNESS OF THE TRANSACTION.

(a) - (e) The information set forth in the Proxy Statement on the cover page thereof and under "Proxy Statement Summary - Special Factors - Recommendation of Petro Board of Directors and Opinion of Dain Rauscher Wessels," "Parties and Conflicts - Conflicts of Interests - Certain Persons Have Interests in the Transaction that Conflict, or May be Perceived to Conflict, with the Interests of the Common Stockholders and Common Unitholders," "Proxy Solicitations - The Special Meeting - Petro Board Recommendation," "Proxy Solicitations - The Special Meeting - Voting Rights; Vote Required" "Special

Factors - Background of the Transaction," "Special Factors - Reason for the Transaction that the Petro Board Considered; Recommendations of the Petro Board," and "Special Factors - Opinion of Dain Rauscher Wessels" is incorporated herein by reference.

(f) Not applicable.

ITEM 9. REPORTS, OPINIONS, APPRAISALS AND CERTAIN NEGOTIATIONS.

(a) - (c) The information set forth in the Proxy Statement under "Proxy Statement Summary - Special Factors - Recommendation of Petro Board of Directors and Opinion of Dain Rauscher Wessels," "Special Factors - Background of the Transaction - Petro Retains Dain Rauscher Wessels to Provide a Fairness Opinion to Petro's Public Common Stockholders" and "Special Factors - Opinion of Dain Rauscher Wessels" is incorporated herein by reference. The opinion of Dain Rauscher Wessels is attached to the Proxy Statement as Annex E.

ITEM 10. INTEREST IN SECURITIES OF THE ISSUER.

(a) The information set forth in the Proxy Statement under "Proxy Solicitations - The Special Meeting - Voting Rights; Vote Required" and the information set forth in the Petro Annual Meeting Proxy Statement under "Ownership of Equity Securities" is incorporated herein by reference.

(b) Not applicable.

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ITEM 11. CONTRACTS, ARRANGEMENTS OR UNDERSTANDINGS WITH RESPECT TO THE ISSUER'S SECURITIES PROXY STATEMENT - SUMMARY - THE TRANSACTION.

The information set forth in the Proxy Statement under "Proxy Statement Summary - The Transaction," "Proxy Statement Summary - The Transaction - The Merger and the Exchange," "Proxy Statement Summary - The Transaction -Financings and Refinancings," "The Transaction - Description of the Transaction," "The Transaction - Description of the Merger and the Exchange," "Parties and Conflicts - Conflicts of Interest - Certain Persons Have Interests in the Transaction that Conflict, or May be Perceived to Conflict, with the Interests of Common Stockholders and Common Unitholders," and "The Transaction - Related Financing and Refinancing Transactions" is incorporated herein by reference.

ITEM 12. PRESENT INTENTION AND RECOMMENDATION OF CERTAIN PERSONS WITH REGARD TO THE TRANSACTION.

(a) and (b) The information set forth in the Proxy Statement under "Proxy Statement Summary - Special Factors - Recommendation of Petro Board of Directors and Opinion of Dain Rauscher Wessels," "Proxy Solicitations - The Special Meeting - Petro Board Recommendation," "Proxy Solicitations - The Special Meeting - Voting Rights; Vote Required" and "Special Factors - Reasons for the Transaction that the Petro Board Considered; Recommendation of the Petro Board" is incorporated herein by reference.

ITEM 13. OTHER PROVISIONS OF THE TRANSACTION.

(a) The information set forth in the Proxy Statement under "Proxy Solicitations - The Special Meeting - Dissenters' Rights," "Dissenters' Rights," and Annex F to the Proxy Statement is incorporated herein by reference.

(b) Not applicable.

(c) Not applicable.

ITEM 14. FINANCIAL INFORMATION.

(a) The information set forth in the Proxy Statement under "Proxy Statement Summary - Financial Information - Summary Selected Historical Financial and Operating Data of Petro," "Proxy Statement Summary - Financial Information - Summary Selected Unaudited Pro Forma Condensed Consolidated Financial Information," "Comparative Security Price and Distribution Information-Comparative Per Share/Per Unit Information (Unaudited)" and "Unaudited Pro Forma Condensed Consolidated Financial Information" is incorporated herein by reference. The consolidated financial statements of Petro and its subsidiaries included in the Petro 10 - K have been incorporated by reference in the Proxy Statement under "Incorporation of Certain Documents by Reference" are

incorporated herein by reference.

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(b) Not applicable.

ITEM 15. PERSONS AND ASSETS EMPLOYED, RETAINED OR UTILIZED.

(a) The relevant information set forth under "Proxy Statement Summary - The Transaction," "Proxy Statement Summary - The Transaction - Financings and Refinancings," "Proxy Statement Summary - Financial Information - Estimated Sources and Uses of Funds of the Equity Offering and Debt Offering," "Proxy Solicitations - The Unitholders Meeting - Cost of Solicitation of Proxies," "Proxy Solicitations - The Special Meeting - Cost of Solicitation of Proxies," "The Transaction - Related Financing and Refinancing Transactions - Public Offerings" and "The Transaction - Description of the Merger Agreement - Expenses" is incorporated herein by reference.

(b) The relevant information set forth under "Proxy Solicitations - The Unitholders Meeting - Cost of Solicitation of Proxies," "Proxy Solicitations - The Special Meeting - Cost of Solicitation of Proxies," "Special Factors - Opinion of A.G. Edwards - Terms of A.G. Edwards' Engagement" and "Special Factors - Opinion of Dain Rauscher Wessels - Dain Rauscher Wessels' Engagement Agreement" is incorporated herein by reference.

ITEM 16. ADDITIONAL INFORMATION.

The information set forth in the Proxy Statement, a copy of which is filed as Exhibit (d)(1) hereto, is incorporated herein by reference.

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ITEM 17. MATERIAL TO BE FILED AS EXHIBITS.

- (a) Loan Agreements referred to in Item 6.\*\*
- (b) (1) Opinion of Dain, Rauscher Wessels, dated October 22, 1998 (attached as Annex E to the Proxy Statement).\*\*
- (b) (2) Dain Rauscher Wessels' Presentation to the Issuer's Board of Directors.\*
- (b) (3) PaineWebber Incorporated's Presentations to the Issuer's Board of Directors.\*
- (b) (4) Opinion of A. G. Edwards, dated October 16, 1998 (attached as Annex D to the Proxy Statement).\*\*
- (b) (5) A. G. Edwards' Preliminary Report to Star Gas' Special Committee dated April 28, 1998.\*
- (b) (6) A. G. Edwards' Appendices to Preliminary Report to Star Gas' Special Committee dated April 28, 1998.\*
- (b) (7) A. G. Edwards' Preliminary Status Report to the Partnership's Board of Directors draft dated May 4, 1998.\*
- (b) (8) A. G. Edwards' Round II Appendices to Preliminary Report to the Special Committee-Analyses Performed at \$2.00 per share dated May 4, 1998.\*
- (b) (9) A. G. Edwards' Round II Appendices to Preliminary Report to the Special Committee-Analyses Performed at \$2.50 per share dated May 4, 1998.\*
- (b) (10) A. G. Edwards' Preliminary Status Report to the Partnership's Board of Directors dated May 7, 1998.\*
- (b) (11) A. G. Edwards' Proposal to Star Gas' Special Committee draft dated May 20, 1998.\*
- (b) (12) A. G. Edwards' Round III Update to Preliminary Report to Star Gas' Special Committee dated May 21, 1998.\*

- (b) (13) A. G. Edwards' Round III Appendices to Preliminary Report to Star Gas' Special Committee-Analyses Performed at \$2.50 per share plus issuances of DPUs dated May 21, 1998.\*
- (b) (14) A. G. Edwards' Revised Proposal to Star Gas' Special Committee draft dated May 26, 1998.\*
- (b) (15) A. G. Edwards' Revised Proposal to Star Gas' Special Committee draft dated July 28, 1998.\*
- (b) (16) A. G. Edwards' Fairness Opinion Presentation to Star Gas' Special Committee dated October 16, 1998.\*
- (b) (17) A. G. Edwards' Appendix I to Fairness Opinion Presentation to Star Gas' Special Committee dated October 16, 1998.\*
- (b) (18) A. G. Edwards' Appendix II to Fairness Opinion Presentation to Star Gas' Special Committee dated October 16, 1998.\*
- (c) (1) Agreement and Plan of Merger dated October 22, 1998, among Issuer, the Partnership, the Operating Partnership, and Mergeco and the Company (attached as Annex A to the Proxy Statement).\*\*
- (c) (2) Exchange Agreement dated October 22, 1998 among the Partnership and certain affiliated Common Stockholders of Petro (attached as Annex B to the Proxy Statement).\*\*
- (d) (1) Preliminary Proxy Statement/Prospectus dated December 22, 1998.\*\*
- (d) (2) Form of Letter of Transmittal to holders of Petro Common Stock .\*\*
- (d) (3) Form of Notice of Special Meeting.\*\*
- (d) (4) Press Release issued by Parent on August 14, 1998.\*
- (e) Section 302A-471 and 302A-473 of the Minnesota Business Corporation Act (attached as Annex F to the Proxy Statement).\*\*\*
- (f) Not applicable.

- - - - -  
 \* Filed herewith.

\*\* Incorporated by reference to the Registration Statement on Form S-4 filed by the Issuer with the Securities and Exchange Commission on October 22, 1998.

\*\*\* Filed on October 22, 1998.

SIGNATURES

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

December 23, 1998.

PETROLEUM HEAT AND POWER CO., INC.

By: /s/ Irik P. Sevin  
 -----  
 Name: Irik P. Sevin  
 Title: Chairman of the Board and Chief  
 Executive Officer

STAR GAS PARTNERS, L.P.

By: Star Gas Corporation  
 -----  
 its General Partner

By: /s/ Joseph P. Cavanaugh

-----  
Name: Joseph P. Cavanaugh  
Title: President

STAR GAS CORPORATION

By: /s/ Joseph P. Cavanaugh

-----  
Name: Joseph P. Cavanaugh  
Title: President

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EXHIBIT INDEX

EXHIBIT NO.	DESCRIPTION
(a)	Loan Agreements referred to in Item 6.***
(b) (1)	Opinion of Dain, Rauscher Wessels, dated October 22, 1998 (attached as Annex E to the Proxy Statement).**
(b) (2)	Dain, Rauscher Wessels' Presentation to the Issuer's Board of Directors.*
(b) (3)	Paine Webber Incorporated's Presentations to the Issuer's Board of Directors.*
(b) (4)	Opinion of A.G. Edwards, dated October 16, 1998 (attached as Annex D to the Proxy Statement).**
(b) (5)	A.G. Edwards' Preliminary Report to Star Gas' Special Committee dated April 28, 1998.*
(b) (6)	A. G. Edwards' Appendices to Preliminary Report to Star Gas' Special Committee dated April 28, 1998.*
(b) (7)	A. G. Edwards' Preliminary Status Report to the Partnership's Board of Directors draft dated May 4, 1998.*
(b) (8)	A. G. Edwards' Round II Appendices to Preliminary Report to the Special Committee-Analyses Performed at \$2.00 per share dated May 4, 1998.*
(b) (9)	A. G. Edwards' Round II Appendices to Preliminary Report to the Special Committee-Analyses Performed at \$2.50 per share dated May 4, 1998.*
(b) (10)	A. G. Edwards' Preliminary Status Report to the Partnership's Board of Directors dated May 7, 1998.*
(b) (11)	A. G. Edwards' Proposal to Star Gas' Special Committee draft dated May 20, 1998.*
(b) (12)	A. G. Edwards' Round III Update to Preliminary Report to Star Gas' Special Committee dated May 21, 1998.*
(b) (13)	A. G. Edwards' Round III Appendices to Preliminary Report to Star Gas' Special Committee-Analyses Performed at \$2.50 per share plus issuances of DPUs dated May 21, 1998.*
(b) (14)	A. G. Edwards' Revised Proposal to Star Gas' Special Committee draft dated May 26, 1998.*
(b) (15)	A. G. Edwards' Revised Proposal to Star Gas' Special Committee draft dated July 28, 1998.*
(b) (16)	A. G. Edwards' Fairness Opinion Presentation to Star Gas' Special Committee dated October 16, 1998.*

- (b) (17) A. G. Edwards' Appendix I to Fairness Opinion Presentation to Star Gas' Special Committee dated October 16, 1998.\*
- (b) (18) A. G. Edwards' Appendix II to Fairness Opinion Presentation to Star Gas' Special Committee dated October 16, 1998.\*
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- (c) (2) Exchange Agreement dated October 22, 1998 among the Partnership and certain affiliated Common Stockholders of Petro (attached as Annex B to the Proxy Statement).\*\*
- (d) (1) Preliminary Proxy Statement/Prospectus dated December 22, 1998.\*\*
- (d) (2) Form of Letter of Transmittal to holders of Petro Common Stock.\*\*
- (d) (3) Form of Notice of Special Meeting.\*\*
- (d) (4) Press Release issued by Parent on August 14, 1998.\*
- (e) Section 302A-471 and 302A-473 of the Minnesota Business Corporation Act (attached as Annex F to the Proxy Statement).\*\*\*
- (f) Not applicable.

- -----  
\* Filed herewith.

\*\* Incorporated by reference to the Registration Statement on Form S-4 filed by the Issuer with the Securities and Exchange Commission on October 22, 1998.

\*\*\* Filed on October 22, 1998.

[LOGO OF PETRO APPEARS HERE]

Materials Prepared for Discussion  
Board of Directors Meeting

October 6, 1998

DAIN RAUSCHER WESSELS

a division of Dain Rauscher Incorporated

PROJECT INTENSE HEAT

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LOGO PETRO      Project Intense Heat

Transaction Summary

LOGO PETRO Transaction Summary  
Summary of Proposed Terms

PROJECT INTENSE HEAT  
Summary of Proposed Terms  
(In thousands, except as otherwise indicated)

Petro Shareholders (A only)	Historical Petro Common	Pro Forma Star Units			
		Common Units	Sr Sub Units	Jr Sub Units	GP Units
Class A	12,918	--	1,688	--	
Petro Shareholders (excluding A only)					
Class A (to receive Sr Sub Units)	8,258	--	1,079	--	
Class A & C (to receive Jr Sub Units)	5,386	--	--	578	279
Class B	11	--	--	--	--
Total Petro Shareholders (excluding A only)	13,655		1,079	578	279
Total Petro Shareholders	26,573		2,766	578	279
Existing Star Public Unitholders	--	3,832	--	--	--
New Star Units					
Debt and Preferred Stock Exchange	--	104	--	--	--
Public Offering	--	6,375	--	--	--
Pro Forma Star Units Outstanding	--	10,311	2,766	578	279
General Assumptions					
Exchange Ratio (Petro Share / Star Unit)	--	--	0.13064	0.15913	0.15913
Star Historical MQD	\$2.200				
Star Pro Forma MQD	\$2.300				
GP Interest	2.0%				

  

Petro Shareholders (A only)	Pro Forma Star Units				
	Total Units	DPU's (Sr Sub)	Total Units (incl. DPU's)	Fully-Diluted Ownership	GP Incentive Distributions
Class A	1,688	423	2,111	14.2%	46.6%
Petro Shareholders (excluding A only)					
Class A (to receive Sr Sub Units)	1,079	271	1,349	9.1%	29.8%
Class A & C (to receive Jr Sub Units)	857	215	1,072	7.2%	23.7%
Class B	--	--	--	--	--
Total Petro Shareholders (excluding A only)	1,936	486	2,422	16.3%	53.4%
Total Petro Shareholders	3,624	909	4,533	30.5%	100.0%
Existing Star Public Unitholders	3,832	--	3,832	25.8%	--
New Star Units					
Debt and Preferred Stock Exchange	104	--	104	0.7%	--
Public Offering	6,375	--	6,375	43.0%	--
Pro Forma Star Units Outstanding	13,934	909	14,843	100.0%	100.0%
General Assumptions					
Exchange Ratio (Petro Share / Star Unit)	--	--	--	--	--
Star Historical MQD					
Star Pro Forma MQD					
GP Interest					

## DPU Distribution

Pro rata distribution of Sr Sub Units based upon Petro pro forma ownership of total Star Units issued to Petro. Up to



303,000 DPUs can be earned each year if Petro provides \$0.50 per Unit accretion to Star, up to a maximum of 909,000 DPUs.

GP Incentive

Distributions Pro rata distribution based upon Petro pro forma ownership of total Star Units issued to Petro.

Petro Debt &

Preferred Exchange Petro will issue to holders of certain Petro debt and preferred stock 3.37 shares of Petro Junior Convertible Preferred Stock for each \$1,000 in principal or liquidation value. Each share of Petro Junior Convertible Preferred Stock will be exchangeable into 0.13 Star Common Units.

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Dain Rauscher Wessels

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LOGO PETRO Project Intense Heat  
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Pro Forma Analysis

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Dain Rauscher Wessels

Page 3

LOGO PETRO Pro Forma Analysis  
Petro Summary Historical Financial Data  
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PETROLEUM HEAT AND POWER CO., INC.  
Summary Historical Financial Data  
(In thousands, except as otherwise indicated)

At or for the Year Ended December 31,

INCOME STATEMENT DATA	1993	1994	1995	1996
Net Sales	\$538,526	\$546,677	\$609,507	\$608,161
Gross Profit (after direct delivery expense)	141,815	150,701	185,048	147,671
EBITDA (1)	48,436	55,387	56,753	42,070
EBITDA (including SGU Distributions) (1)	48,436	55,387	56,753	46,383
EBIT	13,772	22,992	17,710	12,125
Net Income (Loss) before Extraordinary Items	(7,564)	(3,611)	(22,043)	(21,901)
Net Income (Loss)	(8,431)	(4,265)	(23,479)	(28,315)
Net Income (Loss) to Common	(11,798)	(7,776)	(26,742)	(30,704)
Cash Flow (Loss) to Common	25,971	28,905	16,028	8,764
Less: Maintenance Capex (2)	3,000	3,000	3,000	3,000
Free Cash Flow (Loss)	22,971	25,905	13,028	5,764
PER SHARE DATA				
Earnings (Loss) per Share before Extra Items	(\$0.50)	(\$0.33)	(\$1.00)	(\$0.95)
Earnings (Loss) per Share	(\$0.54)	(\$0.36)	(\$1.06)	(\$1.20)
Cash Flow (Loss) per Share	\$1.19	\$1.32	\$0.63	\$0.34
Free Cash Flow (Loss) per Share	\$1.06	\$1.18	\$0.51	\$0.23
Dividends Paid per Share	\$0.53	\$0.55	\$0.60	\$0.60
Weighted Average Shares Outstanding	21,755	21,897	25,324	25,593
BALANCE SHEET DATA				
Working Capital	\$16,694	\$28,345	\$65,408	\$18,093
Total Assets	256,589	397,174	357,241	275,025
Total Debt (including short-term)	213,344	315,562	341,430	316,384
Preferred Stock (including current maturities)	25,000	20,834	16,667	12,500
Total Stockholders' Equity (Deficiency)	(61,964)	(66,176)	(100,903)	(145,733)
Total Capitalization	176,380	270,220	257,194	183,151
FINANCIAL RATIO DATA				
Interest Expense	\$22,156	\$25,282	\$41,084	\$34,669

EBITDA to Interest Expense	2.2 x	2.2 x	1.4 x	1.2 x
EBITDA (including SGU Distributions) to Interest Expense	2.2 x	2.2 x	1.4 x	1.3 x
Total Debt to EBITDA	4.4 x	5.7 x	6.0 x	7.5 x
Total Debt to EBITDA (including SGU Distributions)	4.4 x	5.7 x	6.0 x	6.8 x
Total Debt to Total Capitalization	121.0%	116.8%	132.8%	172.7%
Total Debt & Preferred to Total Capitalization	135.1%	124.5%	139.2%	179.6%

At or for the Year Ended December 31, 1997

INCOME STATEMENT DATA	Q1	Q2	Q3	Q4	Total
Net Sales	\$248,095	\$87,972	\$50,788	\$161,286	\$548,141
Gross Profit (after direct delivery expense)	72,443	17,793	4,161	43,990	138,387
EBITDA (1)	47,147	(6,945)	(20,908)	16,716	36,010
EBITDA (including SGU Distributions) (1)	48,524	(5,568)	(19,532)	18,093	41,517
EBIT	39,796	(14,380)	(28,362)	9,210	6,264
Net Income (Loss) before Extraordinary Items	33,388	(27,454)	(40,316)	11,483	(22,899)
Net Income (Loss)	33,388	(27,454)	(40,316)	11,483	(22,899)
Net Income (Loss) to Common	32,492	(28,375)	(42,177)	10,517	(27,543)
Cash Flow (Loss) to Common	39,328	(17,035)	(30,400)	7,000	(1,107)
Less: Maintenance Capex (2)	750	750	750	750	3,000
Free Cash Flow (Loss)	38,578	(17,785)	(31,150)	6,250	(4,107)
PER SHARE DATA					
Earnings (Loss) per Share before Extra Items	\$1.26	(\$1.09)	(\$1.61)	\$0.40	(\$1.06)
Earnings (Loss) per Share	\$1.26	(\$1.09)	(\$1.61)	\$0.40	(\$1.06)
Cash Flow (Loss) per Share	\$1.53	(\$0.66)	(\$1.16)	\$0.27	(\$0.04)
Free Cash Flow (Loss) per Share	\$1.50	(\$0.69)	(\$1.19)	\$0.24	(\$0.16)
Dividends Paid per Share	\$0.08	\$0.08	\$0.08	\$0.08	\$0.30
Weighted Average Shares Outstanding	25,759	25,935	26,147	26,359	26,050
BALANCE SHEET DATA					
Working Capital	\$78,544	\$54,179	\$5,414	\$12,436	\$12,436
Total Assets	296,338	259,761	223,918	247,846	247,846
Total Debt (including short-term)	297,888	291,654	291,472	294,348	294,348
Preferred Stock (including current maturities)	42,500	42,500	38,334	36,656	36,656
Total Stockholders' Equity (Deficiency)	(116,158)	(145,848)	(189,361)	(177,033)	(177,033)
Total Capitalization	224,230	188,306	140,445	153,971	153,971
FINANCIAL RATIO DATA					
Interest Expense	\$8,805	\$8,344	\$8,432	\$8,232	\$33,813
EBITDA to Interest Expense	--	--	--	--	1.1 x
EBITDA (including SGU Distributions) to Interest Expense	--	--	--	--	1.2 x
Total Debt to EBITDA	--	--	--	--	8.2 x
Total Debt to EBITDA (including SGU Distributions)	--	--	--	--	7.1 x
Total Debt to Total Capitalization	132.8%	154.9%	207.5%	191.2%	191.2%
Total Debt & Preferred to Total Capitalization	151.8%	177.5%	234.8%	215.0%	215.0%

INCOME STATEMENT DATA	Fiscal 1998		LTM Ended June 30, 1998
	Q1	Q2	
Net Sales	\$183,139	\$66,227	\$461,440
Gross Profit (after direct delivery expense)	63,483	14,081	125,715
EBITDA (1)	40,733	(6,355)	30,186
EBITDA (including SGU Distributions) (1)	42,154	(4,934)	35,781
EBIT	33,318	(13,432)	734
Net Income (Loss) before Extraordinary Items	26,978	(22,974)	(24,829)
Net Income (Loss)	26,978	(22,974)	(24,829)
Net Income (Loss) to Common	25,415	(23,939)	(30,184)
Cash Flow (Loss) to Common	32,165	(12,857)	(4,092)
Less: Maintenance Capex (2)	750	750	3,000
Free Cash Flow (Loss)	31,415	(13,607)	(7,092)
PER SHARE DATA			
Earnings (Loss) per Share before Extra Items	\$0.96	(\$0.90)	(\$1.14)
Earnings (Loss) per Share	\$0.96	(\$0.90)	(\$1.14)
Cash Flow (Loss) per Share	\$1.21	(\$0.48)	(\$0.15)
Free Cash Flow (Loss) per Share	\$1.18	(\$0.51)	(\$0.27)
Dividends Paid per Share			
Weighted Average Shares Outstanding	26,564	26,571	26,410
BALANCE SHEET DATA			
Working Capital	\$40,653	\$23,139	\$23,139
Total Assets	248,777	229,120	229,120
Total Debt (including short-term)	287,010	286,978	286,978
Preferred Stock (including current maturities)	36,819	36,854	36,854
Total Stockholders' Equity (Deficiency)	(151,137)	(175,066)	(175,066)
Total Capitalization	172,692	148,766	148,766
FINANCIAL RATIO DATA			
Interest Expense	\$8,275	\$8,210	\$33,149
EBITDA to Interest Expense	--	--	0.9 x
EBITDA (including SGU Distributions) to Interest Expense	--	--	1.1 x
Total Debt to EBITDA	--	--	9.5 x
Total Debt to EBITDA (including SGU Distributions)	--	--	8.0 x
Total Debt to Total Capitalization	166.2%	192.9%	192.9%
Total Debt & Preferred to Total Capitalization	187.5%	217.7%	217.7%

(1) EBITDA excludes non-recurring expenses.

(2) Petro provided estimate for maintenance capital expenditures.

LOGO PETRO Pro Forma Analysis  
Star Gas Summary Historical Financial Data

STAR GAS PARTNERS, L.P.  
Summary Historical Financial Data  
(In thousands, except as otherwise indicated)

INCOME STATEMENT DATA	At or for the Year Ended September 30,			
	1993	1994	1995	1996
Sales	\$ 143,216	\$ 128,040	\$ 104,550	\$ 119,634
Gross Profit (after delivery and branch expense)	23,103	27,957	19,668	26,327
EBITDA	19,437	21,946	13,541	19,870
EBIT	(30,313)	8,907	3,468	10,062
Net Income (Loss)	(47,049)	(1,404)	(6,169)	2,593
Limited Partners' Interest in Net Income (Loss)				
Cash Flow (Loss)	4,271	11,966	5,626	13,083
Maintenance Capex	4,688	5,419	7,988	5,332
Distributable Cash Flow (Loss)	(417)	6,547	(2,362)	7,751
PER UNIT DATA				
Net Income (Loss) per Unit				
Cash Flow (Loss) per Unit				
Distributable Cash Flow (Loss) per Unit				
Cash Distributions per Unit				\$1.17 (1)
Weighted Avg. Limited Partner Units Outstanding				
BALANCE SHEET DATA				
Working Capital (Deficit)		\$1,976	(\$486)	\$7,546
Total Assets		147,608	155,393	156,913
Total Debt (including short-term)		74,929	2,137	87,350
Cumulative Redeemable Preferred Stock		8,264	8,625	--
Total Partners' Capital		44,328	44,305	61,398
Total Capitalization		127,521	55,067	148,748
FINANCIAL RATIO DATA				
Interest Expense	\$16,479	\$10,497	\$8,549	\$7,124
EBITDA to Interest Expense	1.2 x	2.1 x	1.6 x	2.8 x
Total Debt to EBITDA		3.4 x	0.2 x	4.4 x
Total Debt to Total Capitalization		58.8%	3.9%	58.7%

  

INCOME STATEMENT DATA	At or for the Year Ended September 30, 1997				
	Q1	Q2	Q3	Q4	Total
Sales	\$ 50,876	\$ 46,442	\$ 20,078	\$ 17,763	\$ 135,159
Gross Profit (after delivery and branch expense)	12,001	12,019	1,744	757	26,521
EBITDA	10,402	9,725	253	(677)	19,703
EBIT	7,816	7,095	(2,400)	(3,213)	9,298
Net Income (Loss)	5,892	5,325	(4,143)	(5,062)	2,012
Limited Partners' Interest in Net Income (Loss)	5,774	5,218	(4,060)	(4,960)	(1,972)
Cash Flow (Loss)	8,650	8,049	(1,245)	(2,430)	13,024
Maintenance Capex	2,517	1,271	666	825	5,279
Distributable Cash Flow (Loss)	6,133	6,778	(1,911)	(3,255)	7,745
PER UNIT DATA					
Net Income (Loss) per Unit	\$1.10	\$0.99	(\$0.77)	(\$0.94)	\$0.37
Cash Flow (Loss) per Unit	\$1.61	\$1.50	(\$0.23)	(\$0.45)	\$2.42
Distributable Cash Flow (Loss) per Unit	\$1.14	\$1.26	(\$0.36)	(\$0.61)	\$1.44
Cash Distributions per Unit	\$0.55	\$0.55	\$0.55	\$0.55	\$2.20
Weighted Avg. Limited Partner Units Outstanding	5,271	5,271	5,271	5,271	5,271
BALANCE SHEET DATA					
Working Capital (Deficit)	\$12,428	\$14,583	\$9,684	\$3,319	\$3,319
Total Assets	168,485	158,678	153,767	147,469	147,469
Total Debt (including short-term)	91,850	85,000	85,000	85,000	85,000
Cumulative Redeemable Preferred Stock	--	--	--	--	--
Total Partners' Capital	64,332	66,699	59,598	51,578	51,578
Total Capitalization	156,182	151,699	144,598	136,578	136,578
FINANCIAL RATIO DATA					
Interest Expense	\$1,848	\$1,771	\$1,671	\$1,676	\$6,966
EBITDA to Interest Expense	--	--	--	--	2.8 x
Total Debt to EBITDA	--	--	--	--	4.3 x
Total Debt to Total Capitalization	58.8%	56.0%	58.8%	62.2%	62.2%

INCOME STATEMENT DATA	-----			June 30, 1998
	Q1	Q2	Q3	
Sales	\$ 41,844	\$ 37,884	\$ 16,243	\$ 113,734
Gross Profit (after delivery and branch expense)	10,041	12,736	1,187	24,721
EBITDA	8,672	11,287	(415)	18,867
EBIT	5,847	8,381	(3,328)	7,687
Net Income (Loss)	3,707	6,363	(5,235)	(227)
Limited Partners' Interest in Net Income (Loss)	3,633	6,236	(5,130)	(221)
Cash Flow (Loss)	6,690	9,421	(2,179)	11,502
Maintenance Capex	2,085	943	797	4,650
Distributable Cash Flow (Loss)	4,605	8,478	(2,976)	6,852
PER UNIT DATA				
Net Income (Loss) per Unit	\$0.66	\$1.00	(\$0.82)	(\$0.04)
Cash Flow (Loss) per Unit	\$1.20	\$1.48	(\$0.34)	\$1.94
Distributable Cash Flow (Loss) per Unit	\$0.82	\$1.33	(\$0.47)	\$1.16
Cash Distributions per Unit	\$0.55	\$0.55	\$0.55	\$2.20
Weighted Avg. Limited Partner Units Outstanding	5,474	6,228	6,228	5,800
BALANCE SHEET DATA				
Working Capital (Deficit)	\$10,475	\$14,841	\$4,242	\$4,242
Total Assets	179,451	178,308	173,265	173,265
Total Debt (including short-term)	96,000	96,000	96,950	96,950
Cumulative Redeemable Preferred Stock	--	--	--	--
Total Partners' Capital	71,883	74,751	66,020	66,020
Total Capitalization	167,883	170,751	162,970	162,970
FINANCIAL RATIO DATA				
Interest Expense	\$2,086	\$1,875	\$1,873	\$7,510
EBITDA to Interest Expense	--	--	--	2.5 x
Total Debt to EBITDA	--	--	--	5.1 x
Total Debt to Total Capitalization	57.2%	56.2%	59.5%	59.5%

Note: Financial data prior to December 20, 1995 reflects operations of the Predecessor Company.

- (1) Includes two quarters of distributions and a pro rata distribution of \$0.0725 per Unit for the period December 20, 1995 to December 31, 1995.

Dain Rauscher Wessels

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LOGO PETRO Pro Forma Analysis  
Pro Forma Unit Coverage Analysis

PROJECT INTENSE HEAT  
Pro Forma Unit Coverage Analysis  
(In thousands, except as otherwise indicated)

	Projected for the Year Ended September 30,					
	15 Year Weather Case					
	Estimated 1998E	Normalized 1998E	1999E	2000E	2001E	2002E
Pro Forma EBITDA						
Star	\$ 18,781	\$ 20,731	\$ 23,032	\$ 24,465	\$ 25,898	\$ 27,331
Petro	37,630	44,749	46,094	49,605	52,824	55,897
Synergies	500	500	500	500	500	500
Pro Forma EBITDA	\$ 56,911	\$ 65,980	\$ 69,626	\$ 74,570	\$ 79,222	\$ 83,728
Distributable Cash Flow						
Pro Forma EBITDA	\$ 56,911	\$ 65,980	\$ 69,626	\$ 74,570	\$ 79,222	\$ 83,728
Interest Expense	(27,722)	(27,722)	(28,186)	(29,479)	(31,065)	(32,560)
Maintenance Capex	(6,210)	(6,210)	(6,298)	(6,419)	(6,541)	(6,667)
Other	(525)	(525)	(525)	(525)	(525)	(525)
Distributable Cash Flow	\$ 22,454	\$ 31,523	\$ 34,617	\$ 38,147	\$ 41,091	\$ 43,976
Weighted Average Units Outstanding						
Common Units	10,311	10,311	10,682	11,260	11,676	12,111
Senior Subordinated Units (incl. DPUs)	2,766	2,766	2,766	3,069	3,372	3,675
Junior Subordinated & General Partner Units	857	857	857	857	857	857
Total Weighted Average Units Outstanding	13,934	13,934	14,305	15,186	15,905	16,643
Distributable Cash Flow per Unit						
Common Units	\$ 2.18	\$ 3.06	\$ 3.24	\$ 3.39	\$ 3.52	\$ 3.63
Senior Subordinated Units (incl. DPUs)	\$ 1.72	\$ 2.41	\$ 2.57	\$ 2.66	\$ 2.73	\$ 2.79
Junior Subordinated & General Partner Units	\$ 1.61	\$ 2.26	\$ 2.42	\$ 2.51	\$ 2.58	\$ 2.64

Total Units Outstanding	\$ 1.61	\$ 2.26	\$ 2.42	\$ 2.51	\$ 2.58	\$ 2.64
Distributions per Unit						
MQD per Unit	\$ 2.20	\$ 2.20	\$ 2.30	\$ 2.30	\$ 2.30	\$ 2.30
Indicated Distribution per Unit	\$ 2.20	\$ 2.20	\$ 2.30	\$ 2.40	\$ 2.40	\$ 2.50
MQD Coverage per Unit						
Common Units	0.99 x	1.39 x	1.41 x	1.47 x	1.53 x	1.58 x
Senior Subordinated Units (incl. DPUs)	0.78 x	1.10 x	1.12 x	1.16 x	1.19 x	1.21 x
Junior Subordinated & General Partner Units	0.73 x	1.03 x	1.05 x	1.09 x	1.12 x	1.15 x
Total Units	0.73 x	1.03 x	1.05 x	1.09 x	1.12 x	1.15 x
Indicated Distribution Coverage per Unit						
Common Units	0.99 x	1.39 x	1.41 x	1.41 x	1.47 x	1.45 x
Senior Subordinated Units (incl. DPUs)	0.78 x	1.10 x	1.12 x	1.11 x	1.14 x	1.11 x
Junior Subordinated & General Partner Units	0.73 x	1.03 x	1.05 x	1.05 x	1.08 x	1.06 x
Total Units	0.73 x	1.03 x	1.05 x	1.05 x	1.08 x	1.06 x

Projected for the Year Ended September 30,

30 Year Weather Case

Pro Forma EBITDA	Estimated	Normalized				
	1998E	1998E	1999E	2000E	2001E	2002E
Star	\$ 18,781	\$ 22,135	\$ 24,491	\$ 26,029	\$ 27,566	\$ 29,104
Petro	37,630	46,900	48,881	53,536	57,814	61,900
Synergies	500	500	500	500	500	500
Pro Forma EBITDA	\$ 56,911	\$ 69,535	\$ 73,872	\$ 80,065	\$ 85,880	\$ 91,504
Distributable Cash Flow						
Pro Forma EBITDA	\$ 56,911	\$ 69,535	\$ 73,872	\$ 80,065	\$ 85,880	\$ 91,504
Interest Expense	(27,722)	(27,608)	(28,857)	(31,150)	(33,254)	(35,120)
Maintenance Capex	(6,210)	(6,210)	(6,273)	(6,393)	(6,516)	(6,641)
Other	(525)	(525)	(525)	(525)	(525)	(525)
Distributable Cash Flow	\$ 22,454	\$ 35,192	\$ 38,217	\$ 41,997	\$ 45,585	\$ 49,218
Weighted Average Units Outstanding						
Common Units	10,311	10,311	10,311	10,357	10,550	10,874
Senior Subordinated Units (incl. DPUs)	2,766	2,766	2,766	3,069	3,372	3,675
Junior Subordinated & General Partner Units	857	857	857	857	857	857
Total Weighted Average Units Outstanding	13,934	13,934	13,934	14,284	14,780	15,407
Distributable Cash Flow per Unit						
Common Units	\$ 2.18	\$ 3.41	\$ 3.71	\$ 4.05	\$ 4.32	\$ 4.53
Senior Subordinated Units (incl. DPUs)	\$ 1.72	\$ 2.69	\$ 2.92	\$ 3.13	\$ 3.27	\$ 3.38
Junior Subordinated & General Partner Units	\$ 1.61	\$ 2.53	\$ 2.74	\$ 2.94	\$ 3.08	\$ 3.19
Total Units Outstanding	\$ 1.61	\$ 2.53	\$ 2.74	\$ 2.94	\$ 3.08	\$ 3.19
Distributions per Unit						
MQD per Unit	\$ 2.20	\$ 2.20	\$ 2.30	\$ 2.30	\$ 2.30	\$ 2.30
Indicated Distribution per Unit	\$ 2.20	\$ 2.20	\$ 2.30	\$ 2.50	\$ 2.70	\$ 2.90
MQD Coverage per Unit						
Common Units	0.99 x	1.55 x	1.61 x	1.76 x	1.88 x	1.97 x
Senior Subordinated Units (incl. DPUs)	0.78 x	1.22 x	1.27 x	1.36 x	1.42 x	1.47 x
Junior Subordinated & General Partner Units	0.73 x	1.15 x	1.19 x	1.28 x	1.34 x	1.39 x
Total Units	0.73 x	1.15 x	1.19 x	1.28 x	1.34 x	1.39 x
Indicated Distribution Coverage per Unit						
Common Units	0.99 x	1.55 x	1.61 x	1.62 x	1.60 x	1.56 x
Senior Subordinated Units (incl. DPUs)	0.78 x	1.22 x	1.27 x	1.25 x	1.21 x	1.17 x
Junior Subordinated & General Partner Units	0.73 x	1.15 x	1.19 x	1.18 x	1.14 x	1.10 x
Total Units	0.73 x	1.15 x	1.19 x	1.18 x	1.14 x	1.10 x

Projected for the Year Ended September 30,

Pro Forma EBITDA	Estimated 1998E	15 Year Weather Case			
		1999E	2000E	2001E	2002E
Star	\$ 18,781	\$ 23,032	\$ 24,465	\$ 25,898	\$ 27,331
Petro	37,630	46,094	49,605	52,824	55,897
Synergies	500	500	500	500	500
Pro Forma EBITDA	\$ 56,911	\$ 69,626	\$ 74,570	\$ 79,222	\$ 83,728
Distributable Cash Flow					
Pro Forma EBITDA	\$ 56,911	\$ 69,626	\$ 74,570	\$ 79,222	\$ 83,728
Interest Expense	(27,722)	(28,186)	(29,479)	(31,065)	(32,560)
Maintenance Capex	(6,210)	(6,298)	(6,419)	(6,541)	(6,667)
Other	(525)	(525)	(525)	(525)	(525)
Distributable Cash Flow	\$ 22,454	\$ 34,617	\$ 38,147	\$ 41,091	\$ 43,976
Fixed Charges					
Interest Expense	\$ 27,722	\$ 28,186	\$ 29,479	\$ 31,065	\$ 32,560
Lease and Rental Expense	5,281	4,676	4,058	3,642	3,541
Total Fixed Charges	\$ 33,003	\$ 32,862	\$ 33,537	\$ 34,707	\$ 36,101
Pro Forma Balance Sheet Data					
Working Capital	\$ 7,177	\$ 7,177	\$ 7,177	\$ 7,177	\$ 7,177
Total Assets	376,824	379,732	379,450	373,923	363,512
Total Long-Term Debt	314,234	329,549	351,798	372,734	393,010
Total Partners' Capital (Deficit)	(37,889)	(55,252)	(84,504)	(117,291)	(154,104)
Total Capitalization	276,345	274,297	267,294	255,443	238,906
Pro Forma Credit Analysis					
Interest Coverage Ratio (1)	2.05 x	2.47 x	2.53 x	2.55 x	2.57 x
Fixed Charge Coverage Ratio (2)	1.72 x	2.12 x	2.22 x	2.28 x	2.32 x
Total Debt to Total Capitalization	113.7%	120.1%	131.6%	145.9%	164.5%
Total Debt to EBITDA	5.52 x	4.73 x	4.72 x	4.70 x	4.69 x
Total Debt to Distributable Cash Flow	13.99 x	9.52 x	9.22 x	9.07 x	8.94 x

Projected for the Year Ended September 30,

Pro Forma EBITDA	Estimated 1998E	30 Year Weather Case			
		1999E	2000E	2001E	2002E
Star	\$ 18,781	\$ 24,491	\$ 26,029	\$ 27,566	\$ 29,104
Petro	37,630	48,881	53,536	57,814	61,900
Synergies	500	500	500	500	500
Pro Forma EBITDA	\$ 56,911	\$ 73,872	\$ 80,065	\$ 85,880	\$ 91,504
Distributable Cash Flow					
Pro Forma EBITDA	\$ 56,911	\$ 73,872	\$ 80,065	\$ 85,880	\$ 91,504
Interest Expense	(27,722)	(28,857)	(31,150)	(33,254)	(35,120)
Maintenance Capex	(6,210)	(6,273)	(6,393)	(6,516)	(6,641)
Other	(525)	(525)	(525)	(525)	(525)
Distributable Cash Flow	\$ 22,454	\$ 38,217	\$ 41,997	\$ 45,585	\$ 49,218
Fixed Charges					
Interest Expense	\$ 27,722	\$ 28,857	\$ 31,150	\$ 33,254	\$ 35,120
Lease and Rental Expense	5,281	4,676	4,058	3,642	3,541
Total Fixed Charges	\$ 33,003	\$ 33,533	\$ 35,208	\$ 36,896	\$ 38,661
Pro Forma Balance Sheet Data					
Working Capital	\$ 7,177	\$ 7,177	\$ 7,177	\$ 7,177	\$ 7,177
Total Assets	376,824	384,961	389,763	388,457	381,446
Total Long-Term Debt	314,234	348,066	379,371	405,538	430,848
Total Partners' Capital (Deficit)	(37,889)	(69,178)	(103,669)	(138,643)	(178,219)
Total Capitalization	276,345	278,888	275,702	266,895	252,629
Pro Forma Credit Analysis					
Interest Coverage Ratio (1)	2.05 x	2.56 x	2.57 x	2.58 x	2.61 x
Fixed Charge Coverage Ratio (2)	1.72 x	2.20 x	2.27 x	2.33 x	2.37 x
Total Debt to Total Capitalization	113.7%	124.8%	137.6%	151.9%	170.5%
Total Debt to EBITDA	5.52 x	4.71 x	4.74 x	4.72 x	4.71 x
Total Debt to Distributable Cash Flow	13.99 x	9.11 x	9.03 x	8.90 x	8.75 x

- (1) Interest coverage ratio is EBITDA divided by interest expense.  
(2) Fixed charge coverage ratio is EBITDA divided by total fixed charges.



Common Unit	11.30%	--	9.50%	--	9.00%	--	10.75%	--
Senior Subordinated Unit								
Senior Subordinated Unit Distributions	13.30%	200 bps	11.00%	150 bps	9.75%	75 bps	12.50%	175 bps
Petro Incentive Distributions (DPU)	--	--	13.00%	350 bps	12.50%	350 bps	14.25%	350 bps
GP Incentive Distributions	--	--	13.50%	400 bps	13.00%	400 bps	14.75%	400 bps
Junior Subordinated / General Partner Unit								
Junior Subordinated Unit Distributions	14.30%	300 bps	12.00%	250 bps	10.50%	150 bps	13.50%	275 bps
Petro Incentive Distributions (DPU)	--	--	13.00%	350 bps	12.50%	350 bps	14.25%	350 bps
GP Incentive Distributions	--	--	13.50%	400 bps	13.00%	400 bps	14.75%	400 bps

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Unit Reference Value Analysis  
Projected Indicated Distribution per Unit and Cash Distributions per Unit Class

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PROJECT INTENSE HEAT

Projected Indicated Distribution per Unit and Cash Distributions per Unit Class  
(In thousands, except as otherwise indicated)

Distributable Cash Flow	Projected for the Year Ended September 30,			
	15 Year Weather Case			
	1999E	2000E	2001E	2002E
Distributable Cash Flow	\$34,617	\$38,147	\$41,091	\$43,976
Indicated Distribution per Unit	\$2.30	\$2.40	\$2.40	\$2.50
Cash Distributions				
Distributions to Unitholders	\$32,902	\$36,447	\$38,173	\$41,608
GP Incentive Distributions	0	0	0	247
Total Cash Distributions	\$32,902	\$36,447	\$38,173	\$41,855
Weighted Average Units Outstanding				
Common Units	10,682	11,260	11,676	12,111
Senior Subordinated Units (Incl. DPUs)	2,766	3,069	3,372	3,675
Junior Subordinated Units	578	578	578	578
General Partner Units	279	279	279	279
Total Units Outstanding	14,305	15,186	15,905	16,643

GP Incentive Distributions Targets	Splits		
	Annual Target	Unit. holders	GP Incentives
Minimum Quarterly Distribution	\$2,300	98%	2%
First Target Distribution	\$2,416	98%	2%
Second Target Distribution	\$2,844	85%	15%
Third Target Distribution	\$3,704	75%	25%
Thereafter	--	50%	50%

Cash Distributions prior to First Target				
Cash Distributed to Unitholders	\$32,902	\$36,447	\$38,173	\$40,210
Allocation to Common Units	24,568	27,023	26,022	29,260
Allocation to Senior Subordinated Units	6,363	7,367	8,094	8,880
Allocation to Junior Subordinated Units	1,330	1,388	1,388	1,397
Allocation to General Partner Units	641	669	669	673
GP Incentive Distributions	--	--	--	--
Total Cash Distributed	32,902	36,447	38,173	40,210
Cash Distributions First to Second Target				
Cash Distributed to Unitholders	\$0	\$0	\$0	\$1,398
Allocation to Common Units	0	0	0	1,017
Allocation to Senior Subordinated Units	0	0	0	309
Allocation to Junior Subordinated Units	0	0	0	49
Allocation to General Partner Units	0	0	0	23
GP Incentive Distributions	0	0	0	247
Total Cash Distributed	0	0	0	1,645



Cash Distributions Second to Third Target				
-----				
Cash Distributed to Unitholders	\$0	\$0	\$0	\$0
Allocation to Common Units	0	0	0	0
Allocation to Senior Subordinated Units	0	0	0	0
Allocation to Junior Subordinated Units	0	0	0	0
Allocation to General Partner Units	0	0	0	0
GP Incentive Distributions	0	0	0	0
Total Cash Distributed	0	0	0	0

Cash Distributions Third to Thereafter Target				
-----				
Cash Distributed to Unitholders	\$0	\$0	\$0	\$0
Allocation to Common Units	0	0	0	0
Allocation to Senior Subordinated Units	0	0	0	0
Allocation to Junior Subordinated Units	0	0	0	0
Allocation to General Partner Units	0	0	0	0
GP Incentive Distributions	0	0	0	0
Total Cash Distributed	0	0	0	0

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Projected for the Year Ended September 30,  
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30 Year Weather Case  
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Distributable Cash Flow	1999E	2000E	2001E	2002E
-----				
Distributable Cash Flow	\$38,217	\$41,997	\$45,585	\$49,218
Indicated Distribution per Unit	\$2.30	\$2.50	\$2.70	\$2.90

Cash Distributions				
-----				
Distributions to Unitholders	\$32,049	\$35,709	\$39,905	\$44,680
GP Incentive Distributions	0	212	714	1,451
-----				
Total Cash Distributions	\$32,049	\$35,921	\$40,646	\$46,131
=====				

Weighted Average Units Outstanding				
-----				
Common Units	\$10,311	10,357	10,550	10,874
Senior Subordinated Units (Incl. DPUs)	2,766	3,069	3,372	3,675
Junior Subordinated Units	578	578	578	578
General Partner Units	279	279	279	279
-----				
Total Units Outstanding	13,934	14,284	14,780	15,407

Cash Distributions prior to First Target				
-----				
Cash Distributed to Unitholders	\$32,049	\$34,510	\$35,708	\$37,223
Allocation to Common Units	23,715	25,023	25,489	26,272
Allocation to Senior Subordinated Units	6,363	7,416	8,148	8,880
Allocation to Junior Subordinated Units	1,330	1,397	1,397	1,397
Allocation to General Partner Units	641	673	673	673
GP Incentive Distributions	--	--	--	--
Total Cash Distributed	32,049	34,510	35,708	37,223

Cash Distributions First to Second Target				
-----				
Cash Distributed to Unitholders	\$0	\$1,200	\$4,197	\$6,594
Allocation to Common Units	0	870	2,996	4,654
Allocation to Senior Subordinated Units	0	258	958	1,573
Allocation to Junior Subordinated Units	0	49	164	248
Allocation to General Partner Units	0	23	79	119
GP Incentive Distributions	0	212	741	1,164
Total Cash Distributed	0	1,412	4,938	7,758

Cash Distributions Second to Third Target				
-----				
Cash Distributed to Unitholders	\$0	\$0	\$0	\$863
Allocation to Common Units	0	0	0	609
Allocation to Senior Subordinated Units	0	0	0	206
Allocation to Junior Subordinated Units	0	0	0	32
Allocation to General Partner Units	0	0	0	16
GP Incentive Distributions	0	0	0	288
Total Cash Distributed	0	0	0	1,150

Cash Distributions Third to Thereafter Target				
-----				
Cash Distributed to Unitholders	\$0	\$0	\$0	\$0
Allocation to Common Units	0	0	0	0
Allocation to Senior Subordinated Units	0	0	0	0
Allocation to Junior Subordinated Units	0	0	0	0
Allocation to General Partner Units	0	0	0	0
GP Incentive Distributions	0	0	0	0
Total Cash Distributed	0	0	0	0

Unit Reference Value Analysis

Projected Indicated Distribution per Unit and Cash Distributions per Unit Class

PROJECT INTENSE HEAT  
 Projected Indicated Distribution per Unit and Cash Distributions per Unit Class  
 (In thousands, except as otherwise indicated)

Projected for the Year Ended September 30,				
15 Year Weather Case				
Common Unit Cash Distributions	1999E	2000E	2001E	2002E
Cash Distributions prior to First Target	\$24,568	\$27,023	\$28,022	\$29,260
Cash Distributions First to Second Target	0	0	0	1,017
Cash Distributions Second to Third Target	0	0	0	0
Cash Distributions Third to Thereafter Target	0	0	0	0
<b>Total Cash Distributions</b>	<b>\$24,568</b>	<b>\$27,023</b>	<b>\$28,022</b>	<b>\$30,277</b>
Total Cash Distributions per Unit	\$2,300	\$2,400	\$2,400	\$2,500
Weighted Average units Outstanding	10,682	11,260	11,676	12,111
Senior Subordinated Unit Cash Distributions				
Cash Distributions prior to First Target	\$6,363	\$7,367	\$8,094	\$8,880
Cash Distributions First to Second Target	0	0	0	309
Cash Distributions Second to Third Target	0	0	0	0
Cash Distributions Third to Thereafter Target	0	0	0	0
<b>Total Cash Distributions</b>	<b>\$6,363</b>	<b>\$7,367</b>	<b>\$8,094</b>	<b>\$9,169</b>
Total Cash Distributions per Unit	\$2,300	\$2,400	\$2,400	\$2,500
Weighted Average Units Outstanding	2,766	3,069	3,372	3,675
Junior Subordinated Unit Cash Distributions				
Cash Distributions prior to First Target	\$1,330	\$1,388	\$1,388	\$1,397
Cash Distributions First to Second Target	0	0	0	49
Cash Distributions Second to Third Target	0	0	0	0
Cash Distributions Third to Thereafter Target	0	0	0	0
<b>Total Cash Distributions</b>	<b>\$1,330</b>	<b>\$1,388</b>	<b>\$1,388</b>	<b>\$1,446</b>
Total Cash Distributions per Unit	\$2,300	\$2,400	\$2,400	\$2,500
Weighted Average Units Outstanding	578	578	578	578
General Partner Unit Cash Distributions				
Cash Distributions prior to First Target	\$641	\$669	\$669	\$673
Cash Distributions First to Second Target	0	0	0	23
Cash Distributions Second to Third Target	0	0	0	0
Cash Distributions Third to Thereafter Target	0	0	0	0
<b>Total Cash Distributions</b>	<b>\$641</b>	<b>\$669</b>	<b>\$669</b>	<b>\$697</b>
Total Cash Distributions per Unit	\$2,300	\$2,400	\$2,400	\$2,500
Weighted Average Units Outstanding	279	279	279	279
GP Incentive Distributions				
Cash distributions prior to First Target	-	-	-	-
Cash Distributions First to Second Target	0	\$0	\$0	\$247
Cash Distributions Second to Third Target	0	0	0	0
Cash Distributions Third to Thereafter Target	0	0	0	0
<b>Total Cash Distributions</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$247</b>
Total Cash Distributions per unit (Sr, Jr & GP)	\$0.000	\$0.000	\$0.000	\$0.054
Weighted Average Units Outstanding (Sr, Jr & GP)	3,624	3,927	4,230	4,533

Projected for the Year Ended September 30,				
30 Year Weather Case				
Common Unit Cash Distributions	1999E	2000E	2001E	2002E
Cash Distributions prior to First Target	\$23,715	\$25,023	\$25,489	\$26,272
Cash Distributions First to Second Target	0	870	2,996	4,654
Cash Distributions Second to Third Target	0	0	0	609
Cash Distributions Third to Thereafter Target	0	0	0	0
<b>Total Cash Distributions</b>	<b>\$23,715</b>	<b>\$25,893</b>	<b>\$28,486</b>	<b>\$31,535</b>
Total Cash Distributions per Unit	\$2,300	\$2,500	\$2,700	\$2,900
Weighted Average units Outstanding	10,311	10,357	10,550	10,874
Senior Subordinated Unit Cash Distributions				
Cash Distributions prior to First Target	\$6,363	\$7,416	\$8,148	\$8,880
Cash Distributions First to Second Target	0	258	958	1,573
Cash Distributions Second to Third Target	0	0	0	206
Cash Distributions Third to Thereafter Target	0	0	0	0

Total Cash Distributions	\$6,363	\$7,674	\$9,106	\$10,659
Total Cash Distributions per Unit	\$2,300	\$2,500	\$2,700	\$2,900
Weighted Average Units Outstanding	2,766	3,069	3,372	3,675
Junior Subordinated Unit Cash Distributions				
Cash Distributions prior to First Target	\$1,330	\$1,397	\$1,397	\$1,397
Cash Distributions First to Second Target	0	49	164	248
Cash Distributions Second to Third Target	0	0	0	32
Cash Distributions Third to Thereafter Target	0	0	0	0
Total Cash Distributions	\$1,330	\$1,446	\$1,562	\$1,677
Total Cash Distributions per Unit	\$2,300	\$2,500	\$2,700	\$2,900
Weighted Average Units Outstanding	578	578	578	578
General Partner Unit Cash Distributions				
Cash Distributions prior to First Target	\$641	\$673	\$673	\$673
Cash Distributions First to Second Target	0	23	79	119
Cash Distributions Second to Third Target	0	0	0	16
Cash Distributions Third to Thereafter Target	0	0	0	0
Total Cash Distributions	\$641	\$697	\$752	\$808
Total Cash Distributions per Unit	\$2,300	\$2,500	\$2,700	\$2,900
Weighted Average Units Outstanding	279	279	279	279
GP Incentive Distributions				
Cash distributions prior to First Target	-	-	-	-
Cash Distributions First to Second Target	\$0	\$212	\$741	\$1,164
Cash Distributions Second to Third Target	0	0	0	288
Cash Distributions Third to Thereafter Target	0	0	0	0
Total Cash Distributions	\$0	\$212	\$741	\$1,451
Total Cash Distributions per unit (Sr, Jr & GP)	\$0.000	\$0.054	\$0.175	\$0.320
Weighted Average Units Outstanding (Sr, Jr & GP)	3,624	3,927	4,230	4,533

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Unit Reference Value Analysis  
Cumulative Incremental DPU per Unit Calculation

PROJECT INTENSE HEAT  
Cumulative Incremental DPU per Unit Calculation  
(In thousands, except as otherwise indicated)

	Projected for the Year Ended September 30,			
	15 Year Weather Case			
Units to Receive DPUs	1999E	2000E	2001E	2002E
Senior Subordinated Units (Includes DPUs)	2,766	3,069	3,372	3,675
Junior Subordinated Units	578	578	578	578
General Partner Units	279	279	279	279
Total Units	3,624	3,927	4,230	4,533
Cumulative Incremental DPU per Unit				
DPUs Distributed	0	303	303	303
DPU per Outstanding Unit	0.000	0.084	0.077	0.072
Cumulative incremental DPU per Unit	0.000	0.084	0.167	0.251
	Projected for the Year Ended September 30,			
	30 Year Weather Case			
Units to Receive DPUs	1999E	2000E	2001E	2002E
Senior Subordinated Units (Includes DPUs)	2,766	3,069	3,372	3,675
Junior Subordinated Units	578	578	578	578
General Partner Units	279	279	279	279
Total Units	3,624	3,927	4,230	4,533
Cumulative Incremental DPU per Unit				

DPUs Distributed	0	303	303	303
DPU per Outstanding Unit	0.000	0.084	0.077	0.072
Cumulative incremental DPU per Unit	0.000	0.084	0.167	0.251

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Unit Reference Value Analysis  
Unit Reference Value Analysis  
(Downside Case)

PROJECT INTENSE HEAT  
Unit Reference Value Analysis (Downside Case)

	Downside Case				Terminal Value (2)	Total NPV	Liquidity Discount (3)	Adjusted NPV
	Projected for the Year Ended September 30,							
Common Unit (1)	1998E	2000E	2001E	2002E				
Cash Distributions	\$2.30	\$2.30	\$2.30	\$2.30	\$20.36			
Period	0.50	1.50	2.50	3.50	4.00			
NPV @ 11.30%	\$2.18	\$1.96	\$1.76	\$1.58	\$13.27	\$20.75	--	\$20.75
Senior Subordinated Unit								
Cash Distributions	\$2.30	\$2.30	\$2.30	\$2.30	\$17.30			
Period	0.50	1.50	2.50	3.50	4.00			
NPV @ 13.30% (200 bps spread to Common)	\$2.16	\$1.91	\$1.68	\$1.49	\$10.50	\$17.74	--	\$17.74
Junior Subordinated/General Partner Unit								
Cash Distributions	\$2.30	\$2.30	\$2.30	\$2.30	\$18.09			
Period	0.50	1.50	2.50	3.50	4.00			
NPV @ 14.30% (300 bps spread to Common)	\$2.15	\$1.88	\$1.65	\$1.44	\$9.43	\$16.55	17.0%	\$13.74

- (1) Common Unit discount rate is derived by using the appropriate rate to calculate a net present value equal to the 09/25/98 closing price of \$20.75.
- (2) Terminal value is calculated as a perpetuity by dividing 2002E distribution by the discount rate.
- (3) The Junior Subordinated and General Partner Unit discount is determined by using a 20% liquidity discount for both Units and a 10% control premium for a General Partner Unit. The weighted average based upon pro forma Unit ownership is a discount of 17%.

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Unit Reference Value Analysis  
Common Unit Reference Value Analysis  
(15 Year Weather Case)

PROJECT INTENSE HEAT  
Common Unit Reference Value Analysis (15 Year Weather Case)

Common Unit (1)	15 Year Weather Case				Terminal Value (2)	Total NPV
	Projected for the Year Ended September 30,					
	1999E	2000E	2001E	2002E		
Cash Distributions	\$2.30	\$2.40	\$2.40	\$2.50	\$26.32	
Period	0.50	1.50	2.50	3.50	4.00	
NPV @ 9.50%	\$2.20	\$2.09	\$1.91	\$1.82	\$18.30	\$26.33

- (1) Common Unit discount rate is a Dain Rauscher Wessels assumed yield based upon the growth rate in distributions in the 15 year weather case.  
(2) Terminal value is calculated as a perpetuity by dividing 2002E distribution by the discount rate.

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Unit Reference Value Analysis  
Senior Subordinated Unit Reference Value Analysis  
(15 Year Weather Case)

PROJECT INTENSE HEAT  
Senior Subordinated Unit Reference Value Analysis (15 Year Weather Case)

Senior Subordinated Unit Distributions	15 Year Weather Case				Terminal Value (1)	Total NPV
	Projected for the Year Ended September 30,					
	1999E	2000E	2001E	2002E		
Cash Distributions	\$2.30	\$2.40	\$2.40	\$2.50	\$22.73	
Period	0.50	1.50	2.50	3.50	4.00	
NPV @ 11.00% (150 bps spread to Common)	\$2.18	\$2.05	\$1.85	\$1.74	\$14.97	\$22.79
Deferred Participation Unit (DPU)						
Cumulative Incremental DPU per Unit	0.000	0.084	0.167	0.251		
Cash Distributions per Fractional Unit	\$0.00	\$0.20	\$0.40	\$0.63	\$4.82	
Period	0.50	1.50	2.50	3.50	4.00	
NPV @ 13.00% (350 bps spread to Common)	\$0.00	\$0.17	\$0.30	\$0.41	\$2.96	\$3.83
GP Incentive Distributions						
Cash Distributions	\$0.00	\$0.00	\$0.00	\$0.05	\$0.40	
Period	0.50	1.50	2.50	3.50	4.00	
NPV @ 13.50% (400 bps spread to Common)	\$0.00	\$0.00	\$0.00	\$0.03	\$0.24	\$0.28
Total Net Present Value per Unit	\$2.18	\$2.22	\$2.14	\$2.18	\$18.17	\$26.90

- (1) Terminal value is calculated as a perpetuity by dividing 2002E distribution by the discount rate.

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Unit Reference Value Analysis

Junior Subordinated/General Partner Unit Reference Value Analysis  
(15 Year Weather Case)

PROJECT INTENSE HEAT  
Junior Subordinated/General Partner Unit Reference Value Analysis  
(15 Year Weather Case)

15 Year Weather Case								
Junior Subordinated/GP Unit Distributions	Projected for the Year Ended September 30,				Terminal Value(1)	Total NPV	Liquidity Discount (2)	Adjusted NPV
	1999E	2000E	2001E	2002E				
Cash Distributions	\$2.30	\$2.40	\$2.40	\$2.50	\$20.83			
Period	0.50	1.50	2.50	3.50	4.00			
NPV @12.00% (260 bps spread to Common)	\$2.17	\$2.02	\$1.81	\$1.68	\$13.24	\$20.93	17%	\$17.37
Deferred Participation Unit (DPU)								
Cumulative Incremental DPU per Unit	0.000	0.084	0.167	0.251				
Cash Distributions per Fractional Unit	\$0.00	\$0.20	\$0.40	\$0.63	\$4.82			
Period	0.50	1.50	2.50	3.50	4.00			
NPV @ 13.00% (350 bps spread to Common)	\$0.00	\$0.17	\$0.30	\$0.41	\$2.96	\$3.83	17%	\$3.18
GP Incentive Distributions								
Cash Distributions	\$0.00	\$0.00	\$0.00	\$0.05	\$0.40			
Period	0.50	1.50	2.50	3.50	4.00			
NPV @ 13.50% (400 bps spread to Common)	\$0.00	\$0.00	\$0.00	\$0.03	\$0.24	\$0.28	17%	\$0.23
<b>Total Net Present Value per Unit</b>	<b>\$2.17</b>	<b>\$2.19</b>	<b>\$2.10</b>	<b>\$2.13</b>	<b>\$16.44</b>	<b>\$25.04</b>	<b>17%</b>	<b>\$20.78</b>

- (1) Terminal value is calculated as a perpetuity by dividing 2002E distribution by the discount rate.
- (2) The Junior Subordinated and General Partner Unit discount is determined by using a 20% liquidity discount for both Units and a 10% control premium for a General Partner Unit. The weighted average based upon pro forma Unit ownership is a discount of 17%.

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Unit Reference Value Analysis  
Common Unit Reference Value Analysis  
(30 Year Weather Case)

PROJECT INTENSE HEAT  
Common Unit Reference Value Analysis (30 Year Weather Case)

30 Year Weather Case						
Common Unit (1)	Projected for the Year Ended September 30				Terminal Value (2)	Total NPV
	1999E	2000E	2001E	2002E		
Cash Distributions	\$2.30	\$2.50	\$2.70	\$2.90	\$32.22	
Period	0.50	1.50	2.50	3.50	4.00	
NPV @ 9.00%	\$2.20	\$2.20	\$2.18	\$2.14	\$22.83	\$31.55

- 
- (1) Common Unit discount rate is a Dain Rauscher Wessets assumed yield based upon the growth rate in distributions in the 30 year weather case.
  - (2) Terminal value is calculated as a perpetuity by dividing 2002E distribution by the discount rate.
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Unit Reference Value Analysis  
 Senior Subordinated Unit Reference Value Analysis  
 (30 Year Weather Case)

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PROJECT INTENSE HEAT  
 Senior Subordinated Unit Reference Value Analysis (30 Year Weather Case)

Senior Subordinated Unit Distributions	30 Year Weather Case				Terminal Value (1)	Total NPV
	Projected for the Year Ended September 30,					
	1999E	2000E	2001E	2002E		
Cash Distributions	\$2.30	\$2.50	\$2.70	\$2.90	\$29.74	
Period	0.50	1.50	2.50	3.50	4.00	
NPV @ 9.75% (75 bps spread to Common)	\$2.20	\$2.17	\$2.14	\$2.09	\$20.50	\$29.10
Deferred Participation Unit DPU						
Cumulative Incremental DPU per Unit	0.000	0.084	0.167	0.251		
Cash Distributions per Fractional Unit	\$0.00	\$0.21	\$0.45	\$0.73	\$5.82	
Period	0.50	1.50	2.50	3.50	4.00	
NPV @ 12.50% (350 bps spread to Common)	\$0.00	\$0.18	\$0.34	\$0.48	\$3.63	\$4.63
GP Incentive Distributions						
Cash Distributions	\$0.00	\$0.05	\$0.18	\$0.32	\$2.46	
Period	0.50	1.50	2.50	3.50	4.00	
NPV @ 13.00% (400 bps spread to Common)	\$0.00	\$0.04	\$0.13	\$0.21	\$1.51	\$1.89
-----						
Total Net Present Value per Unit	\$2.20	\$2.39	\$2.61	\$2.78	\$25.65	\$35.62

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- (1) Terminal value is calculated as a perpetuity by dividing 2002E distribution by the discount rate.
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Unit Reference Value Analysis  
 Junior Subordinated/General Partner Unit Reference Value Analysis  
 (30 Year Weather Case)

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PROJECT INTENSE HEAT  
 Junior Subordinated General Partner Unit Reference Value Analysis  
 (30 Year Weather Case)

Junior Subordinated/GP Unit Distributions	Projected for the Year Ended September 30,				Terminal Value (1)	Total NPV	Liquidity Discount (2)	Adjusted NPV
	1999E	2000E	2001E	2002E				
Cash Distributions	\$2.30	\$2.50	\$2.70	\$2.90	\$27.62			
Period	0.50	1.50	2.50	3.50	4.00			
NPV @ 10.50% (150 bps spread to Common)	\$2.19	\$2.15	\$2.10	\$2.04	\$18.53	\$27.01	17%	\$22.42
Deferred Participation Unit (DPU)								
Cumulative Incremental DPU per Unit	0.000	0.084	0.167	0.251				
Cash Distributions per Fractional Unit	\$0.00	\$0.21	\$0.45	\$0.73	\$5.82			
Period	0.50	1.50	2.50	3.50	4.00			
NPV @ 12.50% (350 bps spread to Common)	\$0.00	\$0.18	\$0.34	\$0.48	\$3.63	\$4.63	17%	\$3.84
GP incentive Distributions								
Cash Distributions	\$0.00	\$0.05	\$0.18	\$0.32	\$2.48			
Period	0.50	1.50	2.50	3.50	4.00			
NPV @ 13.00% (400 bps spread to Common)	\$0.00	\$0.04	\$0.13	\$0.21	\$1.51	\$1.89	17%	\$1.57
Total Net Present Value per Unit	\$2.19	\$2.37	\$2.57	\$2.74	\$23.67	\$33.53	17%	\$27.83

- (1) Terminal value is calculated as a perpetuity by dividing 2002E distribution by the discount rate.
- (2) The Junior Subordinated and General Partner Unit discount is determined by using a 20% liquidity discount for both Units and a 10% control premium for a General Partner Unit. The weighted average based upon pro form a Unit ownership is a discount of 17%.

Dain Rauscher Wessels

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Unit Reference Value Analysis  
Common Unit Reference Value Analysis  
(Dain Rauscher Wessels Case)

PROJECT INTENSE HEAT  
Common Unit Reference Value Analysis (Dain Rauscher Wessels Case)

Common Unit (1)	Projected for the Year Ended September 30,				Terminal Value (2)	Total NPV
	1999E	2000E	2001E	2002E		
Cash Distributions	\$2.30	\$2.30	\$2.40	\$2.40	\$22.33	
Period	0.50	1.50	2.50	3.50	4.00	
NPV @ 10.75%	\$2.19	\$1.97	\$1.86	\$1.68	\$14.84	\$22.54

Note: Dain Rauscher Wessels Case assumes distributions of \$2.30, \$2.30, \$2.40 and \$2.40 for the years 1999E, 2000E, 2001E and 2002E, respectively.

- (1) Common Unit discount rate is a Dain Rauscher Wessels assumed yield based upon the growth rate in distributions in the Dain Rauscher Wessels case.
- (2) Terminal value is calculated as a perpetuity by dividing 2002E distribution by the discount rate.

Dain Rauscher Wessels

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Unit Reference Value Analysis



Senior Subordinated Unit Reference Value Analysis  
(Dain Rauscher Wessels Case)

PROJECT INTENSE HEAT  
Senior Subordinated Unit Reference Value Analysis (Dain Rauscher Wessels Case)

Senior Subordinated Unit Distributions	Dain Rauscher Wessels Case				Terminal Value (1)	Total NPV
	Projected for the Year Ended September 30,					
	1999E	2000E	2001E	2002E		
Cash Distributions	\$2.30	\$2.30	\$2.40	\$2.40	\$19.20	
Period	0.50	1.50	2.50	3.50	4.00	
NPV @ 12.50% (175 bps spread to Common)	\$2.17	\$1.93	\$1.79	\$1.59	\$11.99	\$19.46
Deferred Participation Unit (DPU)						
Cumulative Incremental DPU per Unit	0.000	0.084	0.167	0.251		
Cash Distributions per Fractional Unit	\$0.00	\$0.19	\$0.40	\$0.60	\$4.23	
Period	0.50	1.50	2.50	3.50	4.00	
NPV @ 14.25% (350 bps spread to Common)	\$0.00	\$0.16	\$0.29	\$0.38	\$2.48	\$3.30
GP Incentive Distributions						
Cash Distributions	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	
Period	0.50	1.50	2.50	3.50	4.00	
NPV @ 14.75% (400 bps spread to Common)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
<b>Total Net Present Value per Unit</b>	<b>\$2.17</b>	<b>\$2.09</b>	<b>\$2.08</b>	<b>\$1.97</b>	<b>\$14.47</b>	<b>\$22.76</b>

Note: Dain Rauscher Wessels Case assumes distributions of \$2.30, \$2.30, \$2.40 and \$2.40 for the years 1999E, 2000E, 2001E and 2002E, respectively.  
(1) Terminal value is calculated as a perpetuity by dividing 2002E distribution by the discount rate.

Dain Rauscher Wessels

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Unit Reference Value Analysis  
Junior Subordinated/General Partner Unit Reference Value Analysis  
(Dain Rauscher Wessels Case)

PROJECT INTENSE HEAT  
Junior Subordinated General Partner Unit Reference Value Analysis  
(Dain Rauscher Wessels Case)

Junior Subordinated/GP Unit Distributions	Dain Rauscher Wessels Case				Terminal Value (1)	Total NPV	Liquidity Discount (2)	Adjusted NPV
	Projected for the Year Ended September 30,							
	1999E	2000E	2001E	2002E				
Cash Distributions	\$2.30	\$2.30	\$2.40	\$2.40	\$17.78			
Period	0.50	1.50	2.50	3.50	4.00			
NPV @ 13.50% (276 bps spread to Common)	\$2.16	\$1.90	\$1.75	\$1.54	\$10.71	\$18.06	17%	\$14.99
Deferred Participation Unit (DPU)								
Cumulative Incremental DPU per Unit	0.000	0.084	0.167	0.251				
Cash Distributions per Fractional Unit	\$0.00	\$0.19	\$0.40	\$0.60	\$4.23			
Period	0.50	1.50	2.50	3.50	4.00			
NPV @ 14.26% (350 bps spread to Common)	\$0.00	\$0.16	\$0.29	\$0.38	\$2.48	\$3.30	17%	\$2.74
GP Incentive Distributions								
Cash Distributions	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00			
Period	0.50	1.50	2.50	3.50	4.00			
NPV @ 14.75% (400 bps spread to Common)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	17%	\$0.00
<b>Total Net Present Value per Unit</b>	<b>\$2.16</b>	<b>\$2.06</b>	<b>\$2.04</b>	<b>\$1.92</b>	<b>\$13.19</b>	<b>\$21.37</b>	<b>17%</b>	<b>\$17.73</b>

Note: Dain Rauscher Wessels Case assumes distributions of \$2.30, \$2.30, \$2.40 and \$240 for the years 1 999E, 2000E, 2001E and 2002E, respectively.

- (1) Terminal value is calculated as a perpetuity by dividing 2002E distribution by the discount rate.
- (2) The Junior Subordinated and General Partner Unit discount is determined by using a 20% liquidity discount for both Units and a 10% control premium for a General Partner Unit. The weighted average based upon pro forma Unit ownership is a discount of 17%.

Dain Rauscher Wessels

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Project Intense Heat

Historical and Pro Forma  
MVE and MVC Comparison

Dain Rauscher Wessels

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Historical and Pro Forma MVE and MVC Comparison  
Petro Historical and Pro Forma Adjusted MVE and MVC Summary

PROJECT INTENSE HEAT

Petro Historical and Pro Forma Adjusted Market Value of Equity  
and Market Value of Capitalization Summary  
(In thousands, except as otherwise indicated)

Market Value of Equity	Historical MVE & MVC	Pro Forma Adjusted Market Value of Equity and Market Value of Capitalization				Total Units	Percent Change
		Common Units	Sr Sub Units	Jr Sub/GP Units			
Shares/Units Outstanding	26,573	--	2,766	857	3,624		
Valuation per Share/Unit (1)	\$1.875	\$22,537	\$22,762	\$17.733			
Market Value of Equity	\$49,824	--	\$62,970	\$15,199	\$78,169	56.9%	
Principal Amount of Debt estimated at 9/30/98 (pre-transaction)							
11.96% Senior Notes	\$60,000				\$60,000		
14.10% Senior Notes	3,100				3,100		
14.10% Subordinated Notes	3,100				3,100		
10.13% Subordinated & Senior Subordinated Notes	50,000				50,000		
9.38% Subordinated & Senior Subordinated Notes	75,000				75,000		
12.25% Subordinated & Senior Subordinated Notes	81,250				81,250		
8.00% Acq. & Other Notes	14,508				14,508		
8.25% Existing Credit Facility	0				0		
Total Principal Amount of Debt	\$286,958				\$286,958		
Value of Preferred Stock estimated at 9/30/98 (2)							
14.33% Preferred Stock	\$4,167				\$4,167		
12.88% Preferred Stock	30,000				27,600		
Total Liquidation Value of Preferred Stock	\$34,167				\$31,767		
Debt and Preferred Stock Exchange (Common Units Issued)							
Common Units Issued in Exchange	--	104					
Dain Rauscher Wessels Reference Value per Unit	--	\$22,537					
Total Value of Units Issued	--	\$2,337			\$2,337		
Market Value of Capitalization							
Total Value of Equity, Debt & Preferred	\$370,949				\$399,231		

Less: Excess Cash (pre-transaction)	(20,000)	(20,000)	
Market Value of Capitalization	\$350,949	\$379,231	8.1%

- (1) Petro historical value per share is the closing market price one day prior to announcement and the Star pro forma value per Unit is based on the Unit Reference Value Analysis (Dain Rauscher Wessels Case), [See Unit Reference Value Analysis Summary on page 9].
- (2) Petro value for Preferred Stock is liquidation value estimated at September 30, 1998, except pro forma value for the 12.88% Preferred, which is 92% of liquidation value.

Dain Rauscher Wessels Page 25

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Historical and Pro Forma MVE and MVC Comparison  
 Star Historical and Pro Forma Adjusted MVE and MVC Summary

PROJECT INTENSE HEAT  
 Star Historical and Pro Forma Adjusted Market Value of Equity and Market Value  
 of Capitalization Summary  
 (in thousands, except as otherwise indicated)

Market Value of Equity	Historical Market Value of Equity and Market Value of Capitalization			
	Common Units	Sub Units	Implied GP Units	Total Units
Units Outstanding	3,832	2,396	127	6,355
Valuation per Unit (1)	\$21,063	\$14,744	\$18,956	
Market Value of Equity	\$80,706	\$35,327	\$2,409	\$118,442
Market Value of Capitalization				
Market Value of Equity				\$118,442
Total Debt (2)				110,080
Less: Excess Cash (2)				(501)
Market Value of Capitalization				\$228,021

Market Value of Equity	Pro Forma Adjusted Market Value of Equity and Market Value of Capitalization				Percent Change
	Common Units	Sr Sub Units	Jr Sub/GP Units	Total Units	
Units Outstanding	10,311	2,766	857	13,934	
Valuation per Unit (1)	\$22,537	\$22,762	\$17,733		
Market Value of Equity	\$232,371	\$62,970	\$15,199	\$310,540	162.2%
Market Value of Capitalization					
Market Value of Equity				\$310,540	
Total Debt (2)				314,234	
Less: Excess Cash (2)				(7,177)	
Market Value of Capitalization				\$617,597	170.9%

- (1) Star historical value per Common Unit is the closing market price one day prior to announcement, the Star value per Subordinated Unit is the value of a Common Unit less a 20% liquidity discount and a 10% subordination discount. The value of an implied General Partner Unit is the value of a Common Unit less a 20% liquidity discount plus a 10% control premium. The value of each pro forma Star Unit is based on the Unit Reference Value Analysis (Dain Rauscher Wessels Case).
- (2) Total debt and excess cash for historical is based on the Star September 30, 1998 estimated balance sheet and for pro forma is based on the Star September 30, 1998 pro forma balance sheet.

Dain Rauscher Wessels

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Project Intense Heat

Discounted Cash Flow Analysis

Dain Rauscher Wessels

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Discounted Cash Flow Analysis  
Petro Stand-Alone Free Cash Flow Projections (Unlevered)

PETROLEUM HEAT AND POWER CO., INC.  
Stand-Alone Free Cash Flow Projections (Unlevered)  
(In thousands, except as otherwise indicated)

	Projected for the Year Ended September 30,				
	Estimated 1998E	15 Year Weather Case			
		1999E	2000E	2001E	2002E
Volume (gallons)	355,157	369,707	356,249	343,852	332,333
Sales	\$475,541	\$490,828	\$477,965	\$466,187	\$455,287
Cost of Sales	318,900	328,642	318,786	309,754	301,400
Gross Profit	156,641	162,186	159,179	156,433	153,887
Operating Expenses	119,011	118,794	117,410	116,196	115,118
Heating Oil EBITDA	37,630	43,392	41,769	40,237	38,769
MLP Distribution	5,684	2,788	2,981	3,266	3,576
Total EBITDA	43,314	46,180	44,750	43,503	42,345
Depreciation and Amortization	28,710	23,500	19,500	15,500	11,500
Pretax Income (Loss)	14,604	22,680	25,250	28,003	30,845
Income Tax Expense	500	500	500	500	500
Net Income	14,104	22,180	24,750	27,503	30,345
Plus: Depreciation and Amortization	28,710	23,500	19,500	15,500	11,500
Cash Flow	\$42,814	\$45,680	\$44,250	\$43,003	\$41,845
Less: Maintenance Capex	(2,776)	(3,000)	(3,000)	(3,000)	(3,000)
Free Cash Flow	\$40,038	\$42,680	\$41,250	\$40,003	\$38,845

Projected for the Year Ended September 30,					
30 Year Weather Case					
Estimated	1998E	1999E	2000E	2001E	2002E
Volume (gallons)	355,157	380,161	366,323	353,575	341,730
Sales	\$475,541	\$504,120	\$490,912	\$478,817	\$467,624
Cost of Sales	318,900	337,106	326,993	317,724	309,151
Gross Profit	156,641	167,014	163,919	161,093	158,473
Operating Expenses	119,011	121,466	120,052	118,810	117,707
Heating Oil EBITDA	37,630	45,548	43,867	42,283	40,766
MLP Distribution	5,684	4,436	5,008	5,570	5,577
Total EBITDA	43,314	49,984	48,875	47,853	46,343
Depreciation and Amortization	28,710	23,500	19,500	15,500	11,500
Pretax Income (Loss)	14,604	26,484	29,375	32,353	34,843
Income Tax Expense	500	500	500	500	500
Net Income	14,104	25,984	28,875	31,853	34,343
Plus: Depreciation and Amortization	28,710	23,500	19,500	15,500	11,500
Cash Flow	\$42,814	\$49,484	\$48,375	\$47,353	\$45,843
Less: Maintenance Capex	(2,776)	(3,000)	(3,000)	(3,000)	(3,000)
Free Cash Flow	\$40,038	\$46,484	\$45,375	\$44,353	\$42,843

Dain Rauscher Wessels

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Discounted Cash Flow Analysis  
Leveraged Weighted Average Cost of Capital Calculation

PETROLEUM HEAT AND POWER CO., INC.  
Leveraged Weighted Average Cost of Capital Calculation

Risk Free Rate			
30-Year treasury bond yield (9/25/98)		Risk Free Rate (Rf)	5.12%
Expected Return on Equity Market			
30-Year treasury bond yield (9/25/98)		Rf	5.12%
Historical spread between equity returns and 30-year treasury bond yield (Ibbotson Associates)		S	7.00%
		Expected Return on Equity Market (Rm) = Rf+S	12.12%
Cost of Debt			
Long-term debt interest rate (Petro Estimate)		lr	12.00%
Corporate tax rate		t	35.00%
		Cost of Debt (Cd) = lr*(1-t)	7.80%
Unleveraged Beta			
Unleveraged beta (Dain Rauscher Wessels estimate)		Unleveraged Beta (Ub)	1.25
Leveraged Beta			
Target long-term debt/total capitalization		Td	60.00%
Target long-term equity/total capitalization		Te	40.00%
Debt/equity ratio		De	150.00%
		Leveraged Beta (B) = Ub*(1+(1-t)*De)	2.47
Unleveraged Cost of Equity			
Risk free rate		Rf	5.12%
Expected return on equity market		Rm	12.12%
Unleveraged beta		Ub	1.25
		Unleveraged Cost of Equity = Rf+Ub(Rm-Rf)	13.87%
Leveraged Cost of Equity			
Risk free rate		Rf	5.12%
Expected return on equity market		Rm	12.12%
Leveraged beta		B	2.47
		Leveraged Cost of Equity (CeU) = Rf+B(Rm-Rf)	22.40%
Leveraged Weighted Average Cost of Capital			
Target long-term debt/total capitalization		Td	60.00%

Target long-term equity/total capitalization  
 Leveraged cost of equity  
 Cost of debt

Te 40.00%  
 Ceu 22.40%  
 Cd 7.80%

Leveraged Weighted Average Cost of Capital (WACC) = (Td\*Cd) + (Te\*Ceu) 13.64%

[LOGO OF PETRO(TM) APPEARS HERE]

Discounted Cash Flow Analysis  
 Petro Stand-Alone Discounted Cash Flow Analysis (15 Year Weather Case)

PETROLEUM HEAT AND POWER CO., INC.  
 Stand-Alone Discounted Cash Flow Analysis (15 Year Weather Case)  
 (In thousands, except as otherwise Indicated)

	Projected for the Year Ended September 30,					Terminal Value @ 7.5 x EBITDA	Total Enterprise Value
	1998E (1)	1999E	2000E	2001E	2002E		
Unlevered Free Cash Flow	\$6,787	\$42,680	\$41,250	\$40,003	\$38,845	\$317,588	
Period	0.25	1.25	2.25	3.25	4.25	4.75	
Discounted Cash Flow							
@ 12.0%	\$6,597	\$37,043	\$31,966	\$27,678	\$23,997	\$185,386	\$312,667
@ 13.0%	\$6,583	\$36,633	\$31,333	\$26,890	\$23,107	\$177,722	\$302,268
@ 14.0%	\$6,568	\$36,232	\$30,718	\$26,131	\$22,258	\$170,438	\$292,345
@ 15.0%	\$6,554	\$35,839	\$30,120	\$25,399	\$21,447	\$163,512	\$282,871
@ 16.0%	\$6,540	\$35,453	\$29,539	\$24,695	\$20,672	\$156,923	\$273,822

Less: Total Debt & Pref.	Plus: Working Capital (2)	Total Equity Value	Total Equity Value Per Share (3)

Unlevered Free Cash Flow			
Period			
Discounted Cash Flow			
@ 12.0%	(\$301,125)	\$11,542	\$0.43
@ 13.0%	(\$301,125)	\$1,143	\$0.04
@ 14.0%	(\$301,125)	(\$8,780)	(\$0.33)
@ 15.0%	(\$301,125)	(\$18,254)	(\$0.69)
@ 16.0%	(\$301,125)	(\$27,303)	(\$1.03)

- (1) 1998E results include only the last two quarters of the year.
- (2) Total debt, preferred stock and working capital are estimated at September 30, 1998.
- (3) Per share numbers are based upon shares outstanding of 26,573.

Petro Stand-Alone Discounted Cash Flow Analysis  
(30 Year Weather Case)

PETROLEUM HEAT AND POWER CO., INC,  
STAND-ALONE DISCOUNTED CASH FLOW ANALYSIS (30 YEAR WEATHER CASE)  
(IN THOUSANDS, EXCEPT AS OTHERWISE INDICATED)

	PROJECTED FOR THE YEAR ENDED SEPTEMBER 30,					TERMINAL VALUE @ 7.5 X	TOTAL ENTERPRISE VALUE	LESS: TOTAL DEBT & PREF PLUS: WORKING CAPITAL (2)	TOTAL EQUITY VALUE	TOTAL EQUITY VALUE PER SHARE (3)
	1998E (1)	1999E	2000E	2001E	2002E	EBITDA				
UNLEVERED FREE CASH FLOW	\$6,787	\$46,375	\$45,375	\$44,353	\$42,843	\$347,573				
PERIOD	0.25	1.25	2.25	3.25	4.25	4.75				
Discounted Cash flow										
@ 12.0%	\$6,597	\$40,344	\$35,162	\$30,688	\$26,467	\$202,890	\$342,148	(\$301,125)	\$41,023	\$1.54
@ 13.0%	\$6,583	\$39,898	\$34,466	\$29,814	\$25,486	\$194,501	\$330,748	(\$301,125)	\$29,623	\$1.11
@ 14.0%	\$6,568	\$39,461	\$33,789	\$28,972	\$24,549	\$186,529	\$319,870	(\$301,125)	\$18,745	\$0.71
@ 15.0%	\$6,554	\$39,033	\$33,132	\$28,161	\$23,655	\$178,950	\$309,484	(\$301,125)	\$ 8,359	\$0.31
@ 16.0%	\$6,540	\$38,613	\$32,493	\$27,380	\$22,800	\$171,739	\$299,565	(\$301,125)	(\$ 1,560)	(\$0.06)

- (1) 1998E results include only the last two quarters of the year.  
(2) Total debt, preferred stock and working capital are estimated at September 30, 1998.  
(3) Per share numbers are based upon shares outstanding of 26,573.

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[LOGO OF PETRO APPEARS HERE]      DISCOUNTED CASH FLOW ANALYSIS  
Stand-Alone Discounted Cash Flow Analysis Matrix

PETROLEUM HEAT AND POWER CO., INC.  
STAND-ALONE DISCOUNTED CASH FLOW ANALYSIS MATRIX  
(IN THOUSANDS, EXCEPT AS OTHERWISE INDICATED)

DISCOUNTED CASH FLOW	TERMINAL VALUE MULTIPLES (EBITDA)					
	15 YEAR WEATHER CASE			30 YEAR WEATHER CASE		
	6.5X	7.5X	8.5X	6.5X	7.5X	8.5X
@ 12.0%	(\$0.50)	\$0.43	\$1.36	\$0.53	\$1.54	\$2.56
@ 13.0%	(\$0.85)	\$0.04	\$0.93	\$0.14	\$1.11	\$2.09
@ 14.0%	(\$1.19)	(\$0.33)	\$0.52	(\$0.23)	\$0.71	\$1.64
@ 15.0%	(\$1.51)	(\$0.69)	\$0.13	(\$0.58)	\$0.31	\$1.21
@ 16.0%	(\$1.81)	(\$1.03)	(\$0.24)	(\$0.92)	(\$0.06)	\$0.80

Note: Per share numbers are based upon shares outstanding of 26,573.

Page 32

[LOGO OF PETRO APPEARS HERE] PROJECT INTENSE HEAT

RELATIVE CONTRIBUTION ANALYSIS

Page 33

[LOGO OF PETRO APPEARS HERE] RELATIVE CONTRIBUTION ANALYSIS  
(Not Adjusted for Pro Forma Unit Class Value Difference)

PROJECT INTENSE HEAT  
RELATIVE CONTRIBUTION ANALYSIS (NOT ADJUSTED FOR PRO FORMA  
UNIT CLASS VALUE DIFFERENCE)  
(in thousands, except as otherwise indicated)

	Projected for the Year Ended September 30,	
	Normalized 1998E	16 Yr. Weather 1999E
Star Stand-Alone Distributable Cash Flow		
EBITDA	\$ 20,731	\$ 23,032
Interest Expense	(7,662)	(8,538)
Maintenance Capex	(2,710)	(2,657)
Other	(25)	(25)
Distributable Cash Flow	\$ 10,334	\$ 11,812
Distribution to Star Common		
Cash Distribution to Star Common Units	\$ 8,430	\$ 8,430
Distribution per Common Unit	\$ 2.20	\$ 2.20
Weighted Avg. Star Common Units Outstanding	\$ 3,832	3,632
Distribution to Star Sub Units (Petro)		
Cash Distribution to Star Sub Units	\$ 1,904	\$ 3,362
Weighted Avg. Star Sub Units outstanding	2,396	2,396
Cash Distribution per Star Sub Unit	\$ 0.79	\$ 1.41
Petro Distributable Cash Flow		
EBITDA	\$ 44,749	\$ 46,094
Pro Forma Synergies	500	500
Preferred Dividends	(5,026)	(4,432)
Interest Expense	(31,444)	(30,971)
Maintenance Capex	(2,776)	(3,000)
Taxes	(500)	(500)
Distributable Cash Flow	\$ 5,503	\$ 7,691
Cash Distribution to Star Sub Units	1,904	3,362
Total Distribution Cash Flow	\$ 7,407	\$ 11,073
Star Pro Forma Units Outstanding		
Star	3,832	3,832
Petro	3,624	3,624
Total Units	7,455	7,455
Star Relative Contribution		



Distributable Cash Flow Contribution	53.2%	43.2%
Percent of Pro Forma Units Received	51.4%	51.4%

Petro Relative Contribution

Distributable Cash Flow Contribution	46.8%	56.8%
Percent of Pro Forma Units Received	48.6%	48.6%

Page 34

[LOGO OF PETRO APPEARS HERE] RELATIVE CONTRIBUTION ANALYSIS  
(Adjusted for Pro Forma Unit Class Value Difference)

PROJECT INTENSE HEAT  
Relative Contribution Analysis (Adjusted for Pro Forma Unit Class Value Difference)  
(In thousands, except as otherwise Indicated)

Projected for the Year Ended September 30,

	Normalized 1998E	15 Yr. Weather 1998E
Star Stand-Alone Distributable Cash Flow		
EBITDA	\$20,731	\$ 23,032
Interest Expense	(7,662)	(8,538)
Maintenance Capex	(2,710)	(2,657)
Other	(25)	(25)
Distributable Cash Flow	\$10,334	\$ 11,812
Distribution to Star Common		
Cash Distribution to Star Common Units	\$ 8,430	\$ 8,430
Distribution per Common Unit	\$ 2.20	\$ 2.20
Weighted Avg. Star Common Units Outstanding	\$ 3,832	\$ 3,832
Distribution to Star Sub Units (Petro)		
Cash Distribution to Star Sub Units	\$ 1,904	\$ 3,382
Weighted Avg. Star Sub Units Outstanding	\$ 2,398	\$ 2,398
Cash Distribution per Star Sub Unit	\$ 0.79	\$ 1.41
Petro Distributable Cash Flow		
EBITDA	\$44,749	\$ 48,094
Pro Forma Synergies	500	500
Preferred Dividends	(5,028)	(4,432)
Interest Expense	(31,444)	(30,971)
Maintenance Capex	(2,778)	(3,000)
Taxes	(500)	(500)
Distributable Cash Flow	\$ 5,503	\$ 7,691
Cash Distribution to Star Sub Units	1,904	3,382
Total Distributable Cash Flow	\$ 7,407	\$ 11,079
Pro Forma Unit Class Value Adjustment		
Pro Forma Senior Subordinated Units	2,766	2,766
Senior Subordinated / Common Unit Value Ratio (1)	1.01	1.01
Adjusted Senior Subordinated Units	2,794	2,794
Pro Forma Junior Subordinated & GP Units	857	857
Junior Subordinated & GP / Common Unit Value Ratio (1)	0.79	0.79
Adjusted Junior Subordinated & GP Units	674	674
Total Star Units Received by Petro (Value Adjusted)	3,468	3,468
Star Pro Forma Units Outstanding		
Star	3,832	3,832
Petro (Adjusted)	3,468	3,468
Total Units	7,900	7,300
Star Relative Contribution		
Distributable Cash Flow Contribution	53.2%	43.2%
Percent of Pro Forma B Units Received	52.5%	52.5%
Petro Relative Contribution		
Distributable Cash Flow Contribution	48.8%	58.8%
Percent of Pro Forma Units Received	47.5%	47.5%

(1) Value ratio is based on the Dain Rauscher Wessels Case.

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[LOGO PETRO APPEARS HERE] PROJECT INTENSE HEAT

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NET ASSET VALUE ANALYSIS

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Page 36

[LOGO OF PETRO APPEARS HERE] NET ASSET VALUE ANALYSIS  
Home Heating Oil Business Valuation

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PETROLEUM HEAT AND POWER CO., INC.  
Home Heating Oil Business Valuation  
(in thousands, except as otherwise indicated)

Method 1

-----  
Petro 1998E Normalized EBITDA (1) \$ 44,749  
Mean EBITDA Multiple 4.2x  
Total Enterprise Value \$187,946  
Petro Size Premium 10.0%  
Total Adjusted Enterprise Value \$206,740

Methodology

Petro  
Acquisitions  
1996-1997  
Ten Largest

Method 2

-----  
Petro 1998E Normalized Gallons 384,390  
Mean Acquisition Cost per Gallon \$ 0.84  
Total Enterprise Value \$ 322,888  
Petro Size Premium 10.0%  
Total Adjusted Enterprise Value \$ 355,176

Methodology

Petro  
Acquisitions  
1996-1997  
Ten Largest

Method 3

-----  
Petro 1998E Forecasted Customers 335,000  
Mean Acquisition Cost per Customer \$ 1,194  
Total Enterprise Value \$399,990  
Petro Size Premium 10.0%  
Total Adjusted Enterprise Value \$439,989

Methodology

Petro  
Acquisitions  
1996-1997  
Ten Largest

Method 4

-----  
Petro 1998E Normalized EBITDA (1) \$ 44,749  
Mean EBITDA Multiple 6.1x  
Total Enterprise Value \$272,969  
Petro Size Premium 10.0%  
Total Adjusted Enterprise Value \$300,266

Methodology

Star Gas  
Acquisitions  
1994-1998

Method 5

-----  
Petro LTM 6/30/98 EBITDA (1) \$ 30,186  
Mean EBITDA Multiple 11.4x  
Total Enterprise Value \$344,120

Methodology

Selected Energy  
Marketing &  
Distribution  
M&A Analysis

Method 6

-----  
Petro LTM 6/30/98 EBITDA (1) \$ 30,186  
Consolidator Growth Rate Factor 66.3  
Petro EBITDA CAGR (2) 6.6%  
Implied EBITDA Multiple 4.4x  
Total Enterprise Value \$132,818

Methodology

Selected  
Industry  
Consolidators

(1) Excludes Star Gas distributions.

(2) Petro EBITDA compound annual growth rate (CAGR) from 1999E to 2002E, assuming 15 year weather and \$25.0 million of acquisitions per year.

[LOGO OF PETRO APPEARS HERE] NET ASSET VALUE ANALYSIS  
NET ASSET VALUE SUMMARY

PETROLEUM HEAT AND POWER CO., INC.  
NET ASSET VALUE SUMMARY  
(In thousands, except as otherwise indicated)

HOME HEATING OIL BUSINESS	METHOD 1	METHOD 2	METHOD 3	METHOD 4	METHOD 5	METHOD 6
Total Enterprise Value (See Previous Page)	\$ 206,740	\$ 355,176	\$ 439,989	\$ 300,266	\$ 344,120	\$ 132,818
INVESTMENT IN STAR						
Total Subordinated Units	2,396	2,396	2,396	2,396	2,396	2,396
Implied OP Units	127	127	127	127	127	127
Total Implied Units	2,523	2,523	2,523	2,523	2,523	5,523
Common Unit Price (one day prior to announcement)	\$ 21,063	\$ 21,063	\$ 21,063	\$ 21,063	\$ 21,063	\$ 21,063
Structural Subordination Discount	15%	15%	15%	15%	15%	15%
Value per Unit	\$ 17.90	\$ 17.90	\$ 17.90	\$ 17.90	\$ 17.90	\$ 17.90
Total Value of Investment in Star	\$ 45,173	\$ 45,173	\$ 45,173	\$ 45,173	\$ 45,173	\$ 45,173
GROSS ASSET VALUE	\$ 251,913	\$ 400,349	\$ 485,162	\$ 345,439	\$ 389,293	\$ 177,991
PRINCIPAL AMOUNT OF DEBT ESTIMATED AT 9/30/98						
11.96% Senior Notes	\$ 60,000	\$ 60,000	\$ 60,000	\$ 60,000	\$ 60,000	\$ 60,000
14.10% Senior Notes	3,100	3,100	3,100	3,100	3,100	3,100
14.10% Subordinated Notes	3,100	3,100	3,100	3,100	3,100	3,100
10.13% Subordinated & Senior Subordinated Notes	50,000	50,000	50,000	50,000	50,000	50,000
9.38% Subordinated & Senior Subordinated Notes	75,000	75,000	75,000	75,000	75,000	75,000
12.25% Subordinated & Senior Subordinated Notes	81,250	81,250	81,250	81,250	81,250	81,250
8.00% Acq. & Other Notes	14,508	14,508	14,508	14,508	14,508	14,508
8.25% Existing Credit Facility	0	0	0	0	0	0
Total Principal Amount of Debt	\$ 286,958	\$ 286,958	\$ 286,958	\$ 286,958	\$ 286,958	\$ 286,958
LIQUIDATION VALUE OF PREFERRED STOCK ESTIMATED AT 9/30/98						
14.33% Preferred Stock	\$ 4,167	\$ 4,167	\$ 4,167	\$ 4,167	\$ 4,167	\$ 4,167
12.88% Preferred Stock	30,000	30,000	30,000	30,000	30,000	30,000
Total Liquidation Value of Preferred Stock	\$ 34,167	\$ 34,167	\$ 34,167	\$ 34,167	\$ 34,167	\$ 34,167
PREPAYMENT PENALTIES & OTHER LIABILITIES						
Prepayment Penalties on Outstanding Debt (1)	\$ 22,957	\$ 22,957	\$ 22,957	\$ 22,957	\$ 22,957	\$ 22,957
Other Long-Term Liabilities	10,711	10,711	10,711	10,711	10,711	10,711
Working Capital & Cash Escrow Adjustment	(20,000)	(20,000)	(20,000)	(20,000)	(20,000)	(20,000)
Liquidation Transaction Costs	5,000	5,000	5,000	5,000	5,000	5,000
Total Prepayment Penalties & Other Liabilities	\$ 18,668	\$ 18,668	\$ 18,668	\$ 18,668	\$ 18,668	\$ 18,668
NET ASSET VALUE	(\$87,880)	\$ 60,556	\$ 145,369	\$ 5,646	\$ 49,500	(\$161,802)
NET ASSET VALUE PER SHARE	(\$3.31)	\$ 2.28	\$ 5.47	\$ 0.21	\$ 1.86	(\$6.09)
TOTAL SHARES OUTSTANDING	26,573	26,573	26,573	26,573	26,573	26,573

(1) Assumes all debt is prepaid at 108% of par.

[LOGO OF PETRO APPEARS HERE] PROJECT INTENSE HEAT

[LOGO OF PETRO APPEARS HERE] ENERGY AND FUEL MARKETING AND DISTRIBUTION  
COMPANIES  
Market Value of Equity to Latest Twelve Months Net  
Income from Operations

=====  
[GRAPH APPEARS HERE]

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Note: Market data as of 9/25/98.  
Source: Factset Data Systems and publicly available information.  
(1) Market value of equity for Petro is calculated using the closing market  
price one day prior to announcement.

[LOGO OF PETRO APPEARS HERE] ENERGY AND FUEL MARKETING AND DISTRIBUTION  
COMPANIES  
Market Value of Equity to Latest Twelve Months  
Cash Flow

=====  
[GRAPH APPEARS HERE]

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Note: Market data as of 9/25/98.  
Source: Factset Data Systems and publicly available information.  
(1) Market value of equity for Petro is calculated using the closing market  
price one day prior to announcement.

[LOGO OF PETRO APPEARS HERE] ENERGY AND FUEL MARKETING AND DISTRIBUTION  
COMPANIES Price to Book Value per Common Share

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[GRAPH APPEARS HERE]

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Note: Market data as of 9/25/98.  
Source: Factset Data Systems and publicly available information.

[LOGO OF PETRO APPEARS HERE] ENERGY AND FUEL MARKETING AND DISTRIBUTION  
COMPANIES  
Market Value of Capitalization to Latest Twelve  
Months Revenues

=====

[GRAPH APPEARS HERE]

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Note: Market data as of 9/25/98.  
Source: Factset Data Systems and publicly available information.  
(1) Market value of capitalization for Petro is calculated using the closing  
market price one day prior to announcement.

[LOGO OF PETRO APPEARS HERE] ENERGY AND FUEL MARKETING AND DISTRIBUTION  
COMPANIES  
Market Value of Capitalization to Latest Twelve  
Months EBITDA

=====

[GRAPH APPEARS HERE]

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Note: Market data as of 9/25/98.  
Source: Factset Data Systems and publicly available information.  
(1) Market value of capitalization for Petro is calculated using the closing  
market price one day prior to announcement. Petro latest twelve months  
EBITDA includes Star Gas distributions and excludes non-recurring expenses.

[LOGO OF PETRO APPEARS HERE] ENERGY AND FUEL MARKETING AND DISTRIBUTION  
COMPANIES  
Market Value of Capitalization to Latest Twelve  
Months EBIT

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[GRAPH APPEARS HERE]

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Note: Market data as of 9/25/98.  
Source: Factset Data Systems and publicly available information.  
(1) Market value of capitalization for Petro is calculated using the closing market price one day prior to announcement.

[LOGO OF PETRO APPEARS HERE] PROJECT INTENSE HEAT

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COMPARABLE COMPANY TRADING ANALYSIS  
Propane Master Limited Partnerships

[LOGO OF PETRO APPEARS HERE] PROPANE MASTER LIMITED PARTNERSHIPS  
Percentage of 52 Week High Common Unit Price

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[GRAPH APPEARS HERE]

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Note: Market data as of 9/25/98.  
Source: Factset Data Systems.  
(1) Percentage of 52 week high one day prior to announcement of merger on August 13, 1998.

[LOGO OF PETRO APPEARS HERE] PROPANE MASTER LIMITED PARTNERSHIPS  
Current Yield

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[GRAPH APPEARS HERE]

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Note: Market data as of 9/25/98.  
Source: Factset Data Systems and publicly available information.  
(1) Star Gas yield based on annual distribution of \$2.20 per Unit.

[LOGO OF PETRO APPEARS HERE] PROPANE MASTER LIMITED PARTNERSHIPS  
Historical Yields

[GRAPH APPEARS HERE]

Source: Factset Data Systems and publicly available information.

[LOGO OF PETRO APPEARS HERE] PROPANE MASTER LIMITED PARTNERSHIPS  
Historical Yields vs. 10-Year Treasury

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[GRAPH APPEARS HERE]

Source: Factset Data Systems and publicly available information.

(1) Peer group includes Amerigas Partners, Cornerstone Propane Partners,  
Ferrellgas Partners, Heritage Propane Partners and Suburban Propane Partners  
and excludes National Propane Partners.

[LOGO OF PETRO APPEARS HERE] PROPANE MASTER LIMITED PARTNERSHIPS  
Yield Spread To Treasury

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[GRAPH APPEARS HERE]

Source: Factset Data Systems and publicly available information.

(1) Peer group includes Amerigas Partners, Cornerstone Propane Partners,  
Ferrellgas Partners, Heritage Propane Partners and Suburban Propane Partners  
and excludes National Propane Partners.

[LOGO OF PETRO APPEARS HERE] PROPANE MASTER LIMITED PARTNERSHIPS  
Adjusted Market Value of Capitalization/(1)/

[GRAPH APPEARS HERE]

Note: Market data as of 9/25/98.

Source: Factset Data Systems, publicly available information and Petroleum Heat and Power Co., Inc.

- (1) Adjusted Market Value of Capitalization (MVC) is defined as adjusted market value of equity (common units multiplied by current common unit price, plus subordinated units multiplied by current common unit price less a 20% liquidity discount and a 10% subordination discount, plus implied GP units multiplied by current common unit price less a 20% liquidity discount plus a 10% control premium) plus book value of total debt, less cash and equivalents in excess of a 1.0 working capital ratio.
- (2) Adjusted MVC for Star Gas historical is calculated based upon the definition above using the closing market price one day prior to announcement. The adjusted MVC for Star Gas pro forma is based upon the Unit Reference Value Analysis (Dain Rauscher Wessels Case), [See Unit Reference Value Analysis on page 9].

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Dain Rauscher Wessels

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[LOGO OF PETRO APPEARS HERE] PROPANE MASTER LIMITED PARTNERSHIPS

Adjusted Market Value of Capitalization/(1)/ to  
Latest Twelve Months EBITDA

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[GRAPH APPEARS HERE]

Note: Market data as of 9/25/98.

Source: Factset Data Systems and publicly available information.

- (1) Adjusted Market Value of Capitalization (MVC) is defined as adjusted market value of equity (common units multiplied by current common unit price, plus subordinated units multiplied by current common unit price less a 20% liquidity discount and a 10% subordination discount, plus implied GP units multiplied by current common unit price less a 20% liquidity discount plus a 10% control premium) plus book value of total debt, less cash and equivalents in excess of a 1.0 working capital ratio.
- (2) Adjusted MVC for Star Gas is calculated based upon the definition above using the closing market price one day prior to announcement.

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Page 53

[LOGO OF PETRO APPEARS HERE] PROPANE MASTER LIMITED PARTNERSHIPS  
Adjusted Market Value of Equity/(1)/ to Latest  
Twelve Months Flow from Operations

=====  
[GRAPH APPEARS HERE]



Note: Market data as of 9/25/98.

Source: Factset Data Systems and publicly available information.

- (1) Adjusted Market Value of Equity (MVE) is defined common units multiplied by current common unit price, plus subordinated units multiplied by current common unit price less a 20% liquidity discount and a 10% subordination discount, plus implied GP units multiplied by current common unit price less a 20% liquidity discount plus a 10% control premium.
- (2) Adjusted MVE for Star Gas is calculated based upon the definition above using the closing market price one day prior to announcement.

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Page 54

[LOGO OF PETRO APPEARS HERE] PROPANE MASTER LIMITED PARTNERSHIPS  
Total Debt to Adjusted Market Value of  
Capitalization/(1)/

=====

[GRAPH APPEARS HERE]

Note: Market data as of 9/25/98.

Source: Factset Data Systems, publicly available information and Petroleum Heat and Power Co., Inc.

- (1) Adjusted Market Value of Capitalization (MVC) is defined as adjusted market value of equity (common units multiplied by current common unit price, plus subordinated units multiplied by current common unit price less a 20% liquidity discount and a 10% subordinated discount, plus implied GP units multiplied by current common unit price less a 20% liquidity discount plus a 10% control premium) plus book value of total debt, less cash and equivalents in excess of a 1.0 working capital ratio.
- (2) Adjusted MVC for Star Gas historical is calculated based upon the definition above using the closing market price one day prior to announcement. The adjusted MVC for Star Gas pro forma is based upon the Unit Reference Value Analysis (Dain Rauscher Wessels Case). [See Unit Reference Value Analysis on page 9].

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Page 55

[LOGO OF PETRO APPEARS HERE] PROPANE MASTER LIMITED PARTNERSHIPS  
Total Debt to Total Book Capitalization

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[GRAPH APPEARS HERE]

Source: Publicly available information and Petroleum Heat and Power Co., Inc.

- (1) Pro forma total debt to total book capitalization for Star Gas is estimated at September 30, 1998.

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Page 56

[LOGO OF PETRO APPEARS HERE] PROPANE MASTER LIMITED PARTNERSHIPS

Latest Twelve Months EBITDA to Interest Expense  
(Interest Coverage)

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Source: Publicly available information and Petroleum Heat and Power Co., Inc.  
(1) Pro forma EBITDA to interest expense for Star Gas is estimated for the year  
ended September 30, 1998.

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Page 57

[LOGO OF PETRO APPEARS HERE] PROPANE MASTER LIMITED PARTNERSHIPS  
Total Debt to Latest Twelve Months EBITDA

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Source: Publicly available information and Petroleum Heat and Power Co., Inc.  
(1) Pro forma total debt to EBITDA for Star Gas is estimated at and for the year  
ended September 30, 1998.

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Page 58

[LOGO OF PETRO APPEARS HERE] PROPANE MASTER LIMITED PARTNERSHIPS  
Latest Twelve Months Profitability Margins

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Source: Publicly available information.

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Page 59

[LOGO OF PETRO APPEARS HERE] PROPANE MASTER LIMITED PARTNERSHIPS  
Latest Twelve Months Retail Gallons

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[GRAPH APPEARS HERE]

Source: Publicly available information.

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Page 60

[LOGO OF PETRO APPEARS HERE] PROPANE MASTER LIMITED PARTNERSHIPS  
Latest Twelve Months Sales Percentage by Customer  
Type

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[GRAPHS APPEARS HERE]

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Source: Publicly available information

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Page 61

[LOGO OF PETRO APPEARS HERE] PROPANE MASTER LIMITED PARTNERSHIPS  
Latest Twelve Months Operating Results per Retail  
Gallon

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[GRAPH APPEARS HERE]

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Source: Publicly available information

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Page 62

[LOGO OF PETRO APPEARS HERE] PROPANE MASTER LIMITED PARTNERSHIPS  
Latest Twelve Months Operating Results per Branch

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[GRAPH APPEARS HERE]

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Source: Publicly available information.

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[LOGO OF PETRO APPEARS HERE] PROJECT INTENSE HEAT

[LOGO OF PETRO APPEARS HERE] COMPARABLE TRANSACTIONS ANALYSIS  
 Selected Energy Marketing & Distribution Merger &  
 Acquisition Transactions  
 (1994 - Present)

PROJECT INTENSE HEAT  
 SELECTED ENERGY MARKETING & DISTRIBUTION MERGER & ACQUISITION TRANSACTIONS  
 (1994 - PRESENT)

DATE EFFECTIVE	ACQUIROR NAME	TARGET NAME	TRANSACTION ENTERPRISE VALUE (1) (\$ MIL.)	TRANSACTION ENTERPRISE VALUE/LTM EBITDA
05/31/94	Valero Energy Corporation	Valero Natural Gas Partners, LP.	\$ 665.6	14.6x
07/01/94	Associated Natural Gas Corporation	Grand Valley Gas Company	53.8	7.3x
07/13/94	K N Energy, Inc.	American Oil and Gas Company	410.9	10.9x
12/15/94	Panhandle Eastern Corp.	Associated Natural Gas Corporation	750.7	9.6x
03/14/95	Natural Gas Clearinghouse	Trident NGL Holding, Inc.	719.3	9.8x
06/15/95	LG&E Energy Corporation	Hadson Corporation	143.0	11.9x
08/05/97	El Paso Natural Gas Company	Eastex Energy, Inc.	35.6	NM
04/15/97	PacifiCorp Holdings, Inc.	TPC Corporation	388.7	13.4x
11/18/97	Enron Corp.	Enron Global Power & Pipelines L.L.C.	829.1	14.3x
03/06/98	Kinder Morgan Energy Partners, LP.	Santa Fe Pacific Pipeline Partners, L.P.	1,464.9	10.9x
		MEAN	\$ 566.2	11.4x
		MEDIAN	565.1	10.9x
		HIGH	1,464.9	14.6x
		LOW	35.6	7.3x
PENDING	STAR GAS PARTNERS, L.P.	PETROLEUM HEAT AND POWER CO., INC. (2)	\$ 379.2	10.6x

  

DATE EFFECTIVE	TRANSACTION ENTERPRISE VALUE/LTM EBIT	TRANSACTION EQUITY VALUE (\$ MIL.)	TRANSACTION EQUITY VALUE/ LTM NET INCOME	TRANSACTION EQUITY VALUE/ LATEST BOOK VALUE
05/31/94	21.4x	\$ 230.4	55.3x	4.3x
07/01/94	10.9x	56.7	26.5x	3.5x
07/13/94	20.5x	302.1	54.8x	1.6x
12/15/94	15.2x	577.5	19.5x	2.8x
03/14/95	18.2x	333.7	50.3x	1.4x
06/15/95	NM	143.0	NM	NM
08/05/95	NM	34.2	NM	2.2x
04/15/97	23.3x	241.4	47.9x	2.5x
11/18/97	14.3x	865.3	15.4x	2.5x
03/06/98	13.0x	1,163.1	21.3x	4.3x
	17.1x	\$ 394.7	36.4x	2.8x
	16.7x	271.8	37.2x	2.5x
	23.3x	1,163.1	55.3x	4.3x
	10.9x	34.2	15.4x	1.4x
PENDING	NM	\$ 78.2	NM	NM

Source: Securities Data Company, publicly available information and Petroleum Heat and Power Co., Inc.

- Transaction Enterprise Value is defined as common equity purchase price plus total debt and preferred stock, less cash and equivalents, excluding fees and expenses. The stock is valued using the closing price on the last full trading day prior to announcement.
- Petro market value of capitalization and market value of equity are based on the Unit Reference Value Analysis (Dain Rauscher Wessels Case). (See Unit Reference Value Analysis Summary on page 9). LTM EBITDA includes Star Gas distributions and excludes non-recurring expenses.



02/01/96	Seaman	\$ 7,134	\$1,552	4.6x	7,522	\$0.95	7,806	\$ 914
01/11/96	Garrison	5,242	1,154	4.5x	5,925	0.88	6,575	797
01/19/96	Cibro	4,368	1,087	4.0x	6,200	0.70	2,426	1,800
10/18/96	Bergen	3,202	718	4.5x	5,501	0.58	1,593	2,010
04/14/97	Mugullian Fuel	2,802	638	4.4x	3,000	0.93	2,570	1,090
04/01/96	McDowell	2,723	669	4.1x	2,675	1.02	2,305	1,182
08/29/97	Oil Burner Utility	2,633	603	4.4x	3,500	0.75	1,590	1,656
09/10/97	Romary	2,252	545	4.1x	2,348	0.96	2,210	1,019
09/29/97	T.W. Perry	1,619	439	3.7x	2,118	0.76	2,461	658
08/26/97	Bellomo	1,489	443	3.4x	1,657	0.90	1,822	817
-----								
TOTAL		\$33,465	\$7,848	--	40,446	--	31,358	--
MEAN		3,346	785	4.2x	4,045	\$0.84	3,136	\$1,194
WEIGHTED AVERAGE		--	--	4.3x	--	0.83	--	1,067
MEDIAN		2,763	654	4.2x	3,260	0.89	2,366	1,055
HIGH		7,134	1,552	4.6x	7,622	1.02	7,806	2,010
LOW		1,489	439	3.4x	1,657	0.68	1,690	658
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Source: Petroleum Heat and Power Co., Inc.

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[LOGO OF PETRO APPEARS HERE] COMPARABLE TRANSACTIONS ANALYSIS  
1996 - 1997 Petro Acquisitions (Excluding Ten Largest)

PROJECT INTENSE HEAT

1996 - 1997 PETRO ACQUISITIONS (EXCLUDING TEN LARGEST)

(Dollar and gallon amounts in thousands, except per gallon and per customer amounts)

DATE	COMPANY ACQUIRED	TOTAL ACQUISITION	TARGET LTM EBITDA (PRO FORMA PETRO OWNERSHIP)		TOTAL GALLONS ACQUIRED	ACQUISITION COST PER GALLON	TOTAL CUSTOMERS ACQUIRED	ACQUISITION COST PER CUSTOMER
		COSTS	EBITDA	MULTIPLE	ACQUIRED	PER GALLON	ACQUIRED	PER CUSTOMER
11/24/97	Shreve	\$1,457	\$ 300	4.9X	2,425	\$ 0.60	2,782	\$ 524
09/11/96	Flynn	1,038	232	4.5X	1,316	0.79	1,070	970
12/18/96	Genovese	1,011	281	3.6X	--	--	1,054	959
10/31/96	Hy-Test	813	177	4.6X	1,468	0.55	1,269	641
01/15/97	Oils Inc.	748	188	4.0X	1,189	0.63	826	905
10/01/97	Miltbrook	527	112	4.7X	908	0.58	900	588
07/10/97	Good	521	117	4.5X	1,200	0.43	1,559	334
12/26/96	Sherman	493	103	4.8X	564	0.67	475	1,037
12/30/96	Grasso	423	116	3.6X	1,118	0.38	1,080	392
05/14/97	Alderfer Heating	401	111	3.6X	787	0.51	740	542
12/27/96	Matco	368	97	3.8X	988	0.37	722	510
12/18/96	Dexter Bros.	332	99	3.4X	786	0.42	700	474
09/24/96	Farren	264	69	3.8X	481	0.55	520	507
10/18/96	Highstown	233	62	3.8x	500	0.47	527	443
-----								
TOTAL		\$8,629	\$2,064	--	13,730	--	14,224	--
MEAN		616	147	4.1X	1,066	\$ 0.55	1,016	\$ 630
WEIGHTED AVERAGE		--	--	4.2X	--	0.83	--	607
MEDIAN		507	114	3.9X	998	0.55	863	633
HIGH		1,457	300	4.9X	2,425	0.87	2,782	1,037
LOW		233	62	3.4X	481	0.37	475	334
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SOURCE: Petroleum Heat and Power Co. Inc.

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[LOGO OF PETRO APPEARS HERE] COMPARABLE TRANSACTIONS ANALYSIS  
1994 - 1998 Star Gas Partners Acquisitions

PROJECT INTENSE HEAT

1994 - 1998 STAR GAS PARTNERS ACQUISITIONS

(Dollar and gallon amounts in thousands, except per gallon and per customer amounts)

Date	Company Acquired	Total Acquisition	Target LTM EBITDA	
		Costs	EBITDA	Multiple
06/15/94	Loveland	\$ 700	\$ 127	5.5x
11/24/94	Baystate	1,450	209	6.9x
09/12/95	Debolt	950	151	6.3x
03/22/96	Bob White L.P. Gas/Mitchell Bottle Gas	1,500	263	5.7x
07/22/96	Fuzzy Moore	850	147	5.8x
10/22/97	Pearl Gas Co.	24,127	3,288	7.3x
02/20/98	Tri-County Gas	550	108	5.1x
05/28/98	Knowles LP Gas	3,000	426	7.0x
05/28/98	Tioga Petroleum	1,200	257	4.7x
07/30/98	Lowe Bros & Dad, Inc.	3,750	602	6.2x
08/11/98	Myers Appliance	1,200	191	6.3x
TOTAL		\$ 39,277	\$ 5,769	--
MEAN		3,571	524	6.1x
WEIGHTED AVERAGE		--	--	6.8x
MEDIAN		1,200	209	6.2x
HIGH		24,127	3,288	7.3x
LOW		560	108	4.7x
PETROLEUM HEAT AND POWER CO., INC.				
Normalized 1998E EBITDA		\$334,058	\$44,749 (2)	7.6x
LTM 6/30/98 EBITDA		334,058	30,186 (2)	11.1x

Source: Star Gas Partners, L.P. and Petroleum Heat and Power Co., Inc.

- (1) Acquisition cost is based on the Pro Forma Market Value of Capitalization Analysis (Dain Rauscher Wessels Case), [See Petro Historical and Pro Forma MVE and MVC Summary on page 25] less Petro's investment in Star. The value of Petro's investment in Star is the closing market price of a Star Common Unit one day prior to announcement less a structural subordination discount of 15% multiplied by Petro's implied Star units.
- (2) EBITDA excludes Star Gas distributions and non-recurring expenses.

[LOGO OF PETRO APPEARS HERE] PROJECT INTENSE HEAT

[LOGO OF PETRO APPEARS HERE] Merger Premiums Analysis  
 Selected Energy Industry Merger & Acquisition  
 Transactions (1994 - Present, Stock-for-Stock,  
 \$100 - \$500 million)

PROJECT INTENSE HEAT  
 SELECTED ENERGY INDUSTRY MERGER & ACQUISITION TRANSACTIONS  
 (1994 - Present, Stock-for-Stock, \$100 - \$500 million)

Date Announced	Acquiror Name	Target Name	Transaction Enterprise Value (\$ Mil.)	Transaction Equity Value For Share	Premium No.		
					1 Day Prior	1 Week Prior	4 Weeks Prior
03/24/94	K N Energy, Inc.	American Oil and Gas Company	\$ 410.9	\$ 11.05	4.0%	4.0%	5.2%
06/23/94	Drasser Industries, Inc.	Wheatley TXT Corp.	173.8	14.70	25.1%	25.1%	32.1%
06/02/94	Ray McDermott S.A.	Offshore Pipelines, Inc.	278.6	21.88	14.4%	15.1%	40.0%
06/13/94	Noble Drilling Corporation	Chilee Offshore Drilling Company	200.2	5.25	5.0%	2.4%	23.5%
06/20/94	Kelley Oil Corporation	Kelley Oil & Gas Partners Ltd.	101.7	5.64	-35.6%	-32.7%	-16.5%
03/10/94	United Meridian Corporation	General Atlantic Resources, Inc.	182.3	16.50	-7.0%	-9.6%	11.9%
03/13/94	BJ Services Company	Western Company of North America	377.2	20.00	63.3%	73.9%	70.2%
03/20/94	Parker & Parsley Petroleum Company	Tide West Oil Company	141.0	14.24	-0.1%	21.2%	16.2%
11/30/94	National Energy Group, Inc.	Alexander Energy Corporation	103.6	4.46	-28.6%	-27.1%	-23.2%
03/08/95	Moorco International	Daniel Industries, Inc.	187.8	16.29	29.0%	22.9%	19.6%
05/03/95	Barnett Resources Corporation	Plains Petroleum Company	299.6	30.23	34.3%	38.2%	39.0%
11/20/95	Tidewater, Inc.	Homeback Offshore Services, Inc.	310.8	21.67	40.9%	40.9%	46.9%
01/25/95	ENSCO International, Inc.	Dual Drilling (Mosvold Shipping)	224.7	14.22	8.9%	13.2%	23.7%
02/26/95	HS Resources, Inc.	Tide West Oil Company	201.3	15.91	44.6%	44.6%	51.5%
06/17/97	Baker Hughes Incorporated	Drilex International, Inc.	120.1	17.58	31.4%	37.9%	59.8%
08/10/97	Holburton Company	Numar Corporation	341.6	39.62	90.9%	99.3%	95.7%
06/20/97	Forcenergy Inc.	Convest Energy Corporation	102.0	9.44	11.1%	11.1%	18.9%
06/20/97	Forcenergy Inc.	Edisio Resources Corporation	147.7	10.27	-6.6%	-6.6%	-0.4%
06/24/97	Louis Drayfus Natural Gas Company	American Exploration Company	275.5	15.96	13.0%	15.0%	21.6%
06/30/97	Balco Oil & Gas Corporation	Hugoton Energy Corporation	263.1	15.00	15.4%	20.0%	36.4%
07/07/97	Meridan Resource Corporation	Caim Energy USA, Inc.	233.6	13.30	22.3%	29.0%	26.7%
11/13/97	Chesapeake Energy Corporation	Hugoton Energy Corporation	377.0	13.33	7.7%	11.0%	26.9%
12/15/97	EVI, Inc.	Christiana Companies, Inc.	214.7	34.74	-14.7%	-16.5%	-15.0%
03/12/98	El Paso Natural Gas Company	Deep Tech International	375.4	14.00	8.7%	9.8%	15.5%
05/12/98	Lomak Petroleum, Inc.	Domain Energy Corporation	151.9	9.36	-25.1%	-30.0%	-28.7%
06/13/98	MoMoRan Oil & Gas Company	Freeport-MoMo Ran Sulphur, Inc.	124.2	12.50	14.9%	6.4%	4.2%
06/03/98	CFAS Energy Corporation	Continental Natural Gas, Inc.	151.2	9.31	1.4%	26.3%	33.0%
08/10/98	R&B Falcon Corporation	Cliffs Drilling Company	452.1	28.16	39.0%	41.2%	17.0%
09/14/98	TransMontalons Inc.	Louis Dreyfus Energy Corp.	161.0	11.63	8.1%	7.5%	-15.5%
Mean			\$ 230.5		14.3%	17.0%	21.9%
Median			201.3		11.1%	15.0%	21.6%
High			452.1		90.9%	99.3%	95.7%
Low			101.7		-35.6%	-32.7%	-28.7%
08/14/98	Parker & Parsley Premium Company	Petroleum Heat and Power Co., Inc. (Senior Subordinated Unit/Implied Reference Value per Petro Share) (2)					
Implied Reference Value (including DPUs and GP Incentives)			\$ 2.54		35.6%	62.7%	40.3%
DPUs and GP Incentive Value			0.43				
Total Implies Reference Value			\$ 2.97		58.6%	90.3%	64.1%

Source: Securities Data Company, publicly available information and Petroleum Heat and Power Co., Inc.

(1) Transaction Enterprise Value is defined as common equity purchase price plus total debt and preferred stock, less cash and equivalents, excluding fees and expenses.

The stock is valued using the closing price on the last full trading day prior to announcement.

(2) The Senior Subordinated Unit Implied Reference Value per Petro share is based on the Unit Reference Value Analysis (Dain Rauscher Wessels Case), (See Unit Reference Value Analysis Summary on page 9)

[LOGO OF PETRO APPEARS HERE] MERGER PREMIUMS ANALYSIS

Selected Recent All Industries Merger &  
 Acquisitions Transactions  
 (1998 - Present, Stock-for-Stock, \$100 - \$500  
 million)



PROJECT INTENSE HEAT  
 Selected Recent All Industries Merger & Acquisition Transactions  
 (1998 - Present, Stock-for-Stock, \$100 - \$500 million)

Date Announced	Acquired Name	Target Name	Transaction Enterprise Value (\$ mill.)	Transaction Equity Value Per Share	Premium to:		
					1 Day Prior	1 Week Prior	4 Weeks Prior
01/01/98	ConAgra Inc	GoodMark Foods Inc	\$217.8	\$28.58	54.5%	75.9%	69.4%
01/12/98	Mercantile Bancorp, St Louis, MO	CBT Corp, Paducah Kentucky	275.8	34.36	3.3%	1.8%	19.5%
01/14/98	Suiza Foods Corp	Continental Con Co Inc	330.5	40.65	45.8%	74.4%	71.2%
01/15/98	First Midwest Bancorp, IL	Heritage Financial Services	405.8	32.61	7.8%	10.5%	31.1%
01/15/98	International Technology Corp	OHM Corp	326.8	11.33	24.2%	45.1%	51.4%
01/26/98	USA Waste Services Inc	TransAmerican Waste Industries	142.3	2.18	51.4%	36.6%	78.6%
02/02/98	BMC Software Inc	BOS Systems Inc	306.9	45.00	23.3%	32.4%	42.9%
02/02/98	CompassBank, New Bedford, MA	Sandwich Bancorp, Sandwich, MA	129.6	64.00	47.1%	48.8%	48.8%
02/02/98	Romac International Inc	Source Services Corp	454.4	31.93	51.1%	56.7%	50.2%
02/02/98	Primus Telecommunications	TresCom International Inc	134.7	10.30	25.2%	30.9%	51.5%
02/09/98	Kinross Gold Corp	Amax Gold (Cyprus Amax Mineral)	365.5	2.90	-9.0%	-1.3%	36.5%
02/17/98	Applied Graphics Technologies	Devon Group Inc	474.4	60.08	29.2%	32.0%	37.9%
02/17/98	Bayou Steel Corp	Northwestern Steel & Wire Co	239.7	4.00	10.3%	-4.5%	20.6%
02/17/98	Cape Cod Bank & Trust, Hyannis	Sandwich Bancorp, Sandwich, MA	121.4	60.00	20.2%	20.3%	37.9%
02/19/98	First Security Corp, Utah	California State Bank	276.9	48.72	11.4%	14.0%	18.6%
02/19/98	PLATINUM Technology Inc	Mastering Inc	198.7	12.50	31.6%	25.0%	33.3%
02/23/98	Network Associates Inc	Trusted Information Systems	322.1	20.19	59.9%	84.6%	92.3%
02/24/98	Baxter International Inc	Somatogen Inc	232.9	9.00	35.8%	39.8%	92.0%
02/25/98	BB&T Corp, Winston-Salem, NC	Maryland Federal Bancorp Inc	243.6	37.05	16.7%	19.0%	22.5%
03/02/98	Unitrode Corp	Benchmark Microelectronics Inc	150.6	18.81	15.6%	14.0%	67.2%
03/02/98	Sunbeam Corp	Coleman Co Inc	333.0	30.14	44.4%	58.6%	121.2%
03/02/98	El Paso Natural Gas Co	DeepTech International	375.4	14.00	8.7%	9.8%	15.5%
03/02/98	Slebell Systems Inc	Scopus Technology Inc	490.7	22.39	58.5%	93.6%	100.1%
03/08/98	Protective Life Corp	United Dental Care Inc	180.4	19.58	20.5%	49.2%	57.4%
03/09/98	Commercial Federal, Omaha, NE	First Colorado Bancorp Inc, CO	449.5	25.54	-9.6%	0.2%	0.2%
03/13/98	St. Paul Bancorp Chicago, IL	Beverly Bancorp, Tinley Park, IL	161.8	28.10	16.5%	17.4%	19.6%
03/16/98	PLATINUM Technology Inc	Logic Works Inc	212.9	15.32	13.0%	36.2%	57.1%
03/24/98	Cognizant Corp	Pharmaceutical Marketing Services	188.7	14.65	13.8%	22.1%	45.6%
03/24/98	Cognizant Corp	Walsh International Inc	176.8	15.91	8.8%	36.8%	53.3%
03/25/98	Fidelity National Financial	Matrix Capital Corp	193.1	27.95	45.2%	64.4%	74.7%
03/26/98	Aviation Sales	Whitehall Corp	139.9	22.57	2.6%	-2.9%	9.1%
03/27/98	ISP Holdings Inc	Intl Speciality Products	324.5	18.25	4.3%	1.7%	14.5%
03/31/98	Union Planters Corp, Memphis, TN	Ambanc Corp, Vincennes Indiana	210.8	30.10	3.8%	22.9%	20.4%
03/31/98	Hubco Inc, Mahwah, New Jersey	Dime Financial Corp	214.0	38.25	6.3%	25.4%	22.9%
03/31/98	Hubco Inc, Mahwah, New Jersey	IBS Financial Corp	242.4	20.73	3.6%	2.4%	16.0%
03/31/98	Omicare Inc	IBAH Inc	154.3	5.75	12.2%	61.4%	58.6%
04/06/98	FirstMerit Corp	Security First Corporation	251.2	29.28	30.8%	30.8%	34.6%
04/06/98	Applied Power Inc	Zero Corp	431.6	33.63	16.5%	18.0%	33.2%
04/09/98	Complete Business Solutions	Claremont Technology Group Inc	282.5	27.00	21.3%	77.0%	118.2%
04/15/98	Giant Industries Inc	Holly Corp	251.4	27.43	3.0%	2.5%	-1.2%
04/16/98	Phoenix Technologies Ltd	Award Software International	129.5	16.08	12.8%	21.3%	53.1%
04/17/98	Sterling Commerce Inc	XcelleNet Inc	214.3	22.02	6.1%	12.5%	7.7%
04/27/98	Bright Horizons Holdings Inc	Corporate Family Solutions Inc	127.0	23.69	-21.4%	-22.3%	-7.5%
05/12/98	Lomax Petroleum Inc	Domain Energy Corporation	151.9	9.36	-25.1%	-30.0%	-28.7%
05/19/98	First Charter Corp, NC	HFNC Financial Corp	240.2	13.97	-12.4%	-12.7%	-13.4%
05/19/98	Quantum Corp	ATL Products Inc (???)	304.0	29.00	8.4%	19.0%	45.0%
05/28/98	Republic Security Financial	First Palm Beach Bancorp Inc	295.0	55.05	50.8%	46.8%	45.1%
05/29/98	Pogo Producing Co	Arch Petroleum Inc	114.0	2.47	0.1%	5.5%	-3.5%

[LOGO OF PETRO APPEARS HERE] Merger Premiums Analysis  
 Selected Recent All Industries Merger &  
 Acquisition Transactions (1998 - Present,  
 Stock-For-Stock, \$100-\$500 million)

PROJECT INTENSE HEAT  
 Selected Recent All Industries Merger & Acquisition Transactions  
 (1998-Present, Stock-for-Stock, \$100-\$500 million)

Date Announced	Acquiror Name	Target Name	Transaction Enterprise Value (1) (\$ mill.)	Transaction Equity Value For Shares	Premium to:		
					1 day prior	1 week prior	4 weeks prior
06/02/98	State Financial Services Corp	Home Bancorp of Elgin, Elgin, IL	\$134.0	\$19.05	11.3%	11.3%	8.9%
06/04/98	FMC Commercial Trust	Supertel Hospitality Inc	131.9	12.15	-6.5%	5.6%	-4.7%

06/04/98	World Access Inc	Telco Systems Inc	194.5	17.00	77.8%	65.9%	63.9%
06/12/98	Davel Communications Group Inc	PhoneTel Technologies Inc	227.7	3.08	64.3%	69.9%	208.0%
06/18/98	Summit Bancorp, Princeton, NJ	HSS Bancorp, Norwalk, CT	151.3	58.83	28.2%	36.8%	31.5%
06/22/98	Leaming Co Inc	Broderbund Software Inc	424.3	20.00	21.2%	16.4%	19.0%
06/24/98	Mylan Laboratories Inc	Penederm Inc	193.1	21.89	39.0%	39.5%	88.3%
06/29/98	Philadelphia Suburban Corp	Consumers Water Co	465.6	30.46	25.6%	33.1%	42.5%
07/01/98	Metzler Group Inc	Legc Inc	294.4	21.98	46.5%	49.0%	41.8%
07/06/98	Davel Communications Group Inc	Peoples Telephone Co Inc	114.5	5.86	87.5%	80.3%	118.0%
07/09/98	Zebra Technologies Corp	Eltron International Inc	287.7	36.00	25.8%	34.6%	57.4%
07/16/98	First Commonwealth Financial	Southwest National Corp, PA	269.8	88.63	61.1%	80.9%	77.3%
07/20/98	Richmond County Financial Corp	Bayonne Bancshares New Jersey	177.7	19.03	11.1%	16.7%	18.9%
07/20/98	Santa Barbara Bancorp, CA	Pacific Capital Bancorp, CA	291.4	62.40	27.4%	41.8%	45.1%
07/20/98	Peoples Heritage Fini Group, ME	SIS Bancorp Inc, Springfield, MA	427.6	57.23	27.2%	34.7%	44.0%
07/23/98	HBO & Co	IMNET Systems Inc	287.7	27.62	69.9%	74.0%	77.4%
07/23/98	Digital Microwave Corp	Inova Corp	115.7	6.83	16.2%	36.5%	30.0%
07/31/98	Banknorth Group Inc	Evergreen Bancorp Inc	313.1	34.43	24.1%	28.4%	19.7%
08/03/98	CMS Energy Corporation	Continental Natural Gas, Inc.	151.2	9.31	1.4%	26.3%	33.0%
08/03/98	McMoRan Oil & Gas Co	Freeport, McMoRan Sulphur Inc	124.2	12.50	14.9%	6.4%	4.2%
08/04/98	Public Storage Inc	Storage Trust Realty	366.2	25.00	11.1%	8.1%	1.0%
08/07/98	City Holding Co, Charleston, WV	Horizon Bancorp, Beckley WV	413.4	45.00	6.2%	8.4%	15.0%
08/10/98	R&B Falcon Corp	Cliffs Drilling Co	452.?	28.16	39.0%	41.2%	17.0%
08/10/98	BB&T Corp, Winston-Salem, NC	Scott & Stringfellow Financial	126.4	34.44	19.8%	28.7%	35.0%
08/24/98	Liberty Media (Tele-Commun)	Tele-Commun Inti (Tele-Commun)	379.1	20.77	-1.1%	-4.5%	-9.9%
09/02/98	Sanmina Corp	Altron Inc	195.3	12.39	16.6%	6.5%	7.7%
09/02/98	USWeb Corp	CKS Group Inc	342.9	21.66	53.3%	30.3%	23.7%
09/02/98	Rent-Way Inc	Home Choice Holdings Inc	231.4	13.60	7.2%	4.1%	7.7%
09/08/98	Sovereign Bancorp. PA	Peoples Bancorp Inc, New Jersey	381.4	10.50	26.3%	44.8%	21.7%
09/09/98	First Consulting Group Inc	Integrated Systems Consulting	110.4	13.67	33.7%	30.2%	12.7%
09/14/98	TransMontaigne Inc.	Louis Dreyfus Energy Corp	161.0	11.63	8.1%	7.5%	-15.5%
09/14/98	Qwest Commun Int Inc.	Icon CMT Corp	190.6	12.00	65.5%	60.0%	-4.0%

Mean	\$253.8	23.2%	29.6%	38.5%
Medium	236.3	16.2%	28.6%	33.3%
High	490.7	87.5%	93.6%	208.0%
Low	110.4	-25.7%	30.0%	-28.7%

??	Star Gas Partners, LP.	Petroleum Heat and Power Co, Inc. (Senior Subordinated Unit/Implied Reference Value per Petro Shares) (92)					
		Implied Reference Value (excluding DPUs and GP Incentives)	\$2.54	35.6%	62.7%	40.3%	
		DPUs and GP Incentives Value	0.43				
		Total Implied Reference Value	\$2.97	58.6%	90.3%	64.1%	

Source: Securities Data Company, publicly available information and Petroleum heat and Power Co., Inc.

(1) Transaction Enterprise Value is defined as common equity purchase price plus total debt and preferred stock, less cash and equivalent, excluding fees and expenses.

The stock is valued using the closing price on the last full trading day prior to announcement.

(2) The Senior Subordinated Unit Implied Reference Value per Petro share is based on the Unit Reference Value Analysis (Dain Rauscher Wessel's Case), (See Unit Reference Value Analysis Summary on page 9)

Page 73

[LOGO OF PETRO APPEARS HERE] PROJECT INTENSE HEAT

PRICE AND VOLUME DATA

Page 74

[LOGO OF PETRO APPEARS HERE] PRICE AND VOLUME DATA  
First Trading Day of Class A Common Shares (July 29, 1992) - Present Petro Weekly Stock Price/Volume

[GRAPH APPEARS HERE]

Source: Factset Data Systems and publicly available information.

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Page 75

[LOGO OF PETRO APPEARS HERE]    PRICE AND VOLUME DATA  
                                  IPO (December 14, 1995) - Present Star Gas Daily  
                                  Unit Price/Volume

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[GRAPH APPEARS HERE]

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Source: Factset Data Systems and Publicly available information.

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Page 76

[LOGO OF PETRO APPEARS HERE]    PRICE AND VOLUME DATA  
                                  1997 - Present Relative Price Performance

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[GRAPH APPEARS HERE]

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Source: Factset Data Systems.

- (1) Peer group includes Amerigas Partners, Cornerstone Propane Partners, Ferrellgas Partners, Heritage Propane Partners and Suburban Propane Partners and excludes National Propane Partners.

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[LOGO OF PETRO APPEARS HERE]    PRICE AND VOLUME DATA  
                                  Relative Price Performance Since Announcement of  
                                  Merger (August 14, 1998)

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[GRAPH APPEARS HERE]

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Source: Factset Data Systems.

- (1) Peer group includes Amerigas Partners, Cornerstone Propane Partners, Ferrellgas Partners, Heritage Propane Partners and Suburban Propane Partners and excludes National Propane Partners.

[LOGO OF PETRO APPEARS HERE]    PRICE AND VOLUME DATA  
Present Total Return/(1)/

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[GRAPH APPEARS HERE]

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Source: Factset Data Systems.  
(1) Total return is defined as compound return, with distributions reinvested on ex-dates.

[LOGO OF PETRO APPEARS HERE]    PRICE AND VOLUME DATA  
1997 - Present Total Return/(1)/

=====

[GRAPH APPEARS HERE]

-----  
Source: Factset Data Systems.  
(1) Total return is defined as compound return, with distributions reinvested on ex-dates.  
(2) Peer group includes Amerigas Partners, Cornerstone Propane Partners, Ferrellgas Partners, Heritage Propane Partners and Suburban Propane Partners and excludes National Propane Partners.

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PETROLEUM HEAT & POWER CO., INC.

BOARD OF DIRECTORS PRESENTATION

July 24, 1997

Paine Webber Incorporated

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Petroleum Heat & Power Co., Inc.  
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TABLE OF CONTENTS

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I	SITUATION ANALYSIS
II	THE TRANSACTION
III	BENEFITS OF THE TRANSACTION
IV	ECONOMICS OF THE TRANSACTION
V	COMPARABLE MLP ANALYSIS

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Petroleum Heat & Power Co., Inc.  
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PART I

SITUATION ANALYSIS

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1  
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Petroleum Heat & Power Co., Inc.  
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SITUATION ANALYSIS

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HEATING OIL BUSINESS

- . Petro remains the dominant force in the heating oil business, selling at least 3 times as much as its nearest competitor.
- . Petro also dominates the acquisition market, acquiring a substantial share of all heating oil businesses sold.
- . While the company has constantly made acquisitions over the last 5

years, higher than expected attrition rates have resulted in little EBITDA growth.

- . Operational changes which were instituted on a small scale in 1996-1997 are expected to reduce the attrition rates over the next several years.
- . It is anticipated that the acquisition market will continue to be strong as more owners approach retirement age and capital gain tax relief appears in sight.

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Petroleum Heat & Power Co., Inc.  
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#### SITUATION ANALYSIS

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##### PETRO'S STOCK PERFORMANCE

- . Petro's stock has been in a steady decline since 1992.
- . Petro's stock was particularly hard hit as a result of the warm winter of 1996-1997.
- . It is difficult to determine what portion of the stock's performance was related to Petro's financial performance and what portion is attributable to a lack of research and institutional following and a lack of comps.
- . More importantly, one must question whether or not the operational improvement which is expected over the next two years will be reflected in a higher stock price.
- . Furthermore, Petro's ability to pursue accretive acquisitions will continue to be limited by capital constraints.

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3

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Petroleum Heat & Power Co., Inc.  
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#### SITUATION ANALYSIS

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##### PROPANE BUSINESS

- . Large acquisitions have been scarce. Steady stream of mega-acquisitions (1994-96) as over \$1.5 billion of equity capital has been raised from 1992-1996.
- . Pricing on all acquisitions has become extremely competitive.
- . Multiples for even small deals have expanded.
- . Wholesale price spike during the 1996-1997 season revealed another level of uncertainty, even for those companies (like Star) which profited from the spike.
- . Warm winter in the Northeast compounded the problem for many players.
- . The market is starting to question whether propane MLPs are really growth vehicles.
- . The market is also starting to question if the weather is ever normal (it always seems to be abnormally warm in some section, which more than offsets good results elsewhere).

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Petroleum Heat & Power Co., Inc.  
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SITUATION ANALYSIS

-----  
STAR'S STOCK PERFORMANCE

- . While Star has performed relatively well, it is difficult for the market to assess how much of the performance was related to inventory gains.
- . Star continues to lag behind other MLPs in terms of acquisitions, where Star's ability to compete is limited.
  - Management's limited propane experience limits deal flow
  - Geographic concentration limits "blend-in" opportunities
  - Larger and better capitalized players competing for the same assets

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Petroleum Heat & Power Co., Inc.  
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PART II

THE TRANSACTION

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Petroleum Heat & Power Co., Inc.  
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THE TRANSACTION

-----  
OVERVIEW

- . We believe that a public stock corporation is not the optimal format for Petro.
  - No direct comparables
  - Rapid amortization of customer lists results in no earnings
  - Perceived limited growth in heating oil industry
  - Small capitalization results in limited research coverage
- . Furthermore, the leveraged capital structure limits financial flexibility and growth opportunities.

\* AS A RESULT, PETRO'S STOCK HAS NOT PERFORMED WELL AND IS NOT LIKELY TO ACHIEVE FULL VALUATION EVEN IF OPERATIONS IMPROVE.

-----  
THE TRANSACTION  
-----

IN ORDER TO ADDRESS THESE VALUATION ISSUES, PETRO SHOULD CONSIDER THE BENEFITS OF AN MLP STRUCTURE WHICH CAN BE ACHIEVED THROUGH A MERGER WITH STAR GAS

- . MLPs typically trade on a yield basis, which currently translates into a 9-10x EBITDA multiple vs a 7-8x multiple historically at Petro.
  - . The combination of the two companies would result in a sizable MLP (approximately \$300 million implied equity value) which translates into better valuation and greater liquidity.
  - . Concurrent with the merger, the issuance of new equity would restructure and delever the balance sheet.
  - . The new entity would have substantially better access to capital to fund future growth.
- \* THE COMBINED ENTITY WOULD HAVE THE INVESTMENT STORY TO ATTRACT RESEARCH COVERAGE AND WOULD BENEFIT BOTH PETRO AND STAR GAS SHARE/UNIT HOLDERS.

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THE TRANSACTION  
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THE TRANSACTION INVOLVES TWO SEPARATE STAGES:

-----  
STAGE 1 -- THE EXCHANGE  
-----

PETRO SHAREHOLDERS EXCHANGE THEIR COMMON STOCK FOR STAR GAS MASTER LIMIT PARTNERSHIP UNITS AT \$4.50/SHARE

- . Shareholders who hold only Class A shares exchange into Senior Subordinated MLP units
- . Senior Subordinated MLP Units valued at +/- 10% discount to Common Units
- . "Inside" shareholders /(1) /exchange either into Senior Subordinated MLP Units or Subordinated Units plus the General Partnership Interest
- . Senior Subordinated Units offered to "Insiders" will be capped at 3.5 million Petro shares in order to provide adequate coverage to Star Common Units
- . Subordinated Units valued at +/- 20% discount to Common Units
- . All Senior Subordinated and Subordinated Units convert to Common Units after 3 years of "Earn & Pay" of \$2.30 (i.e. increase the MQD on the Common Units)

-----  
(1) Insiders for the purposes of this discussion are those individuals who own Class C and Class A common shares.  
-----

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THE TRANSACTION

THE TRANSACTION INVOLVES TWO SEPARATE STAGES:

STAGE 2 -- THE RECAPITALIZATION

APPROXIMATELY \$330 MILLION OF PETRO DEBT AND PREFERRED STOCK ARE REFINANCED

- . Existing issues will be either redeemed, exchanged, defeased or tendered for, depending on issue
- . Approximately \$140 million of new Star equity will be raised through the sale of Common Units
- . Approximately \$125 million of new, investment grade debt will be issued

THE TRANSACTION

[GRAPH APPEARS HERE]

\* PETRO PUBLIC SHAREHOLDERS EXCHANGE FOR SENIOR SUBORDINATED; INSIDERS EXCHANGE FOR A COMBINATION OF SENIOR SUBORDINATED AND/OR SUBORDINATED + G.P. UNITS. THE MLP SELLS COMMON UNITS AND USES THE PROCEEDS TO RECAPITALIZE AND REFINANCE.

THE TRANSACTION

STAGE 1 -- THE EXCHANGE

CURRENT		CONSIDERATION RECEIVED	
PETRO SHAREHOLDER TYPE	SHARES (000'S)	TYPE OF MLP INTEREST	UNITS (000'S)
-----	-----	-----	-----
Holders of Class A Only	16,355	Senior Subordinated Units	3,520
Holders of Class A and C Shares			
Shares Permitted To Be Exchanged			
Into Senior Subordinated Units	3,500	Senior Subordinated Units	753
Shares To Be Exchanged Into			
Subordinated Units and GP Interest	5,904	Subordinated and General Partner Interest	1,186
Sub Total	9,404		
TOTAL	25,759	TOTAL	5,459
-----	-----	-----	-----

STAGE 2 -- THE RECAPITALIZATION

UNITS OUTSTANDING AT MLP AFTER RECAPITALIZATION (000'S)

-----	
Common Units	
Currently Outstanding	2,875
Newly Issued (\$139.0 million)	6,046
	-----
Total	8,921
Senior Subordinated Units	4,273
Subordinated Units and GP Interest	1,186
	-----
TOTAL	14,380
-----	

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Petroleum Heat & Power Co., Inc.  
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PART III

BENEFITS OF THE TRANSACTION

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Petroleum Heat & Power Co., Inc.  
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BENEFITS TO PETRO SHAREHOLDERS

- . Premium to market.
  - At \$4.50 per share, the exchange represents approximately a 50% premium to market
- . Higher valuation multiples.
  - MLPS typically trade at 9-10x EBITDA
- . Enhanced growth potential due to greater access to capital.
  - Branding and internal marketing
  - Improved productivity through capital investment
  - Acquisitions
- . Lower overall cost of capital.
  - New debt at +/- 8% vs. 12% existing debt
  - Equity capital with limited upside
- . Greater size and liquidity.
  - Implied equity market value quadruples to over \$300 million
- . Greater financial flexibility.
  - Extend maturities through refinancing
  - Improved covenants due to investment grade rating

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BENEFITS TO STAR UNITHOLDERS

DESPITE ATTRACTIVE FINANCIAL PERFORMANCE, STAR TRADES AT A HIGHER YIELD THAN ITS PEER GROUP. THIS IS DUE TO LACK OF SIZE, GROWTH POTENTIAL, AND GEOGRAPHIC DIVERSITY. AS A RESULT OF THE TRANSACTIONS, STAR HOLDERS WILL BENEFIT FROM THE FOLLOWING:

- . Increased earnings and distributions.

	FROM	TO / (1) /
Distributable Cash per unit	\$2.28	\$2.84
Distributions per unit	\$2.20	\$2.30

- . Increase MQD to \$2.30 per unit.
- . Higher total distribution coverage.

	FROM	TO / (1) /
Coverage on Common Units	1.9x	2.0x
Coverage on Total Units	1.0x	1.2x

- . Larger size equity market capitalization.
- . Provides vehicle for growth in otherwise stagnant market.
- . New identity following aborted sale.

(1) Based on weather normalized 1997 results as provided by the Company.

BENEFITS OF THE TRANSACTION

DISTRIBUTION INCREASE OF SELECTED MLPS SINCE IPO (CURRENT IMPLIED YIELD) / (1) /

[GRAPHS APPEARS HERE]

\* INVESTORS HAVE REWARDED INCREASED CASH FLOW WITH ATTRACTIVE VALUATIONS.

(1) As of 7/22/07.

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Petroleum Heat & Power Co., Inc.  
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BENEFITS OF THE TRANSACTION

-----  
IMPLIED MARKET VALUE OF EQUITY OF SELECTED PROPANE MLPS (CURRENT IMPLIED  
YIELD)/(1)/

[GRAPH APPEARS HERE]

\* THE LARGER PROPANE MLPS HAVE GREATER MARKET LIQUIDITY AND INVESTOR  
AWARENESS AND ARE SUBSEQUENTLY OFTEN REWARDED WITH LOWER YIELDS.

-----  
(1) As of 7/22/97. Implied Market Value of Equity includes all Common,  
Subordinated and GP interests.

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Petroleum Heat & Power Co., Inc.  
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BENEFITS OF THE TRANSACTIONS

-----  
PUBLIC UNIT DISTRIBUTION COVERAGE OF SELECTED PROPANE MLPS (CURRENT IMPLIED  
YIELD)/(1)/

[GRAPH APPEARS HERE]

\* PROPANE MLPS WITH HIGHER DISTRIBUTION COVERAGE PROVIDE INVESTORS WITH  
ADDITIONAL SECURITY, RESULTING IN IMPROVED MARKET VALUATIONS.

-----  
(1) As of 7/22/97.

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Petroleum Heat & Co., Inc.  
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PART IV

ECONOMICS OF THE TRANSACTION

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Petroleum Heat & Co., Inc.  
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TRANSACTION ASSUMPTIONS

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 PETROLEUM HEAT & POWER

	BASE CARE		OPTIMISTIC CARE		PESSIMISTIC CARE	
	ATTRITION	ACQUISITIONS/(1)/	ATTRITION	ACQUISITIONS/(1)/	ATTRITION	ACQUISITIONS/(1)/
	----- \$3.5 Million Maint. CapEx 15-Year Weather 60% productivity improvement -----		----- \$3.5 Million Maint. CapEx 30-Year Weather 60% productivity improvement -----		----- \$3.5 Million Maint. CapEx 15-Year Weather 60% productivity improvement -----	
1998	5.0%	\$15.0 MILLION	4.0%	\$25.0 MILLION	5.0%	\$15.0 MILLION
1999	3.5	15.0%	3.0	25.0	4.0	7.5
2000	3.5	22.5	2.0	25.0	4.0	--
2001	1.6	22.5	1.0	25.0	4.0	--

STAR GAS PARTNERS

-----  
 ALL CASES  
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\$2.75 Million in Acquisitions Per Year at 6.5X EBITDA  
 2% Internal Growth  
 2.0 Million International Growth CapEx per Year  
 3.0 Million in Maintenance Growth CapEx per Year

Scenario 1	Scenario 2
30 Year Weather	15 Year Weather

(1) Petro pro forma for the transaction assumes \$25.0 million in acquisitions per year.

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 Petroelum Heat & Power Co.,  
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ECONOMICS OF THE TRANSACTION

-----  
 IMPACT OF TRANSACTION ON CASH DISTRIBUTION AND VALUE TO PETRO SHAREHOLDERS

	BASE CASE		OPTIMISTIC CASE		PESSIMISTIC CASE	
	CURRENT/(1)/	PRO FORMA	CURRENT/(1)/	PRO FORMA	CURRENT/(1)/	PRO FORMA
1997	\$0.30	\$ 0.49	\$ 0.30	\$ 0.63	\$0.30	\$0.49
1998	-	0.51	-	0.68	-	0.49
1999	-	0.54	-	0.82	-	0.49
2000	-	0.57	-	0.93	-	0.49
2001	-	0.78	-	0.98	-	0.49
Terminal Share Value	\$7.53	\$ 9.45	\$11.86	\$12.25	\$2.60	\$5.44
Basis for Terminal Value	8.0x EBITDA	8.25% Yield	8.0x EBITDA	8.0% Yield	7.0x EBITDA	9.0% Yield
Total Future Value	\$7.92	\$12.70	\$12.25	\$16.78	\$2.99	\$8.23

(1) Assumes dividends are cut in order to conserve cash and fund acquisitions.

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 Petroleum Heat & Power Co., Inc.  
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ECONOMICS OF THE TRANSACTION

-----  
 EFFECT OF TRANSACTION ON STAR UNITHOLDER DISTRIBUTIONS AND UNIT VALUE -- BASE  
 CASE  
 -----

CURRENT DISTRIBUTABLE CASH						
	ACTUAL 1997	NORMALIZED 1997	1998	1999	2000	2001
Earned	\$ 1.95	\$ 2.28	\$ 2.09	\$ 2.19	\$ 2.30	\$ 2.42
Paid	2.20	2.20	2.20	2.20	2.30	2.40
Yield	10.0%	10.0%	10.0%	9.5%	9.0%	9.0%
Unit Value	\$22.00	\$22.00	\$22.00	\$23.16	\$25.56	\$26.67

PRO FORMA DISTRIBUTABLE CASH						
	ACTUAL 1997	NORMALIZED 1997	1998	1999	2000	2001
Earned	\$ 2.17	\$ 2.84	\$ 2.64	\$ 2.92	\$ 3.12	\$ 3.24
Paid	2.30	2.30	2.40	2.50	2.60	2.70
Yield	10.0%	10.0%	10.0%	9.0%	8.0%	7.5%
Unit Value	\$22.00	\$23.00	\$24.00	\$26.32	\$32.50	\$36.00

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 Petroleum Heat & Power Co., Inc.  
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ECONOMICS OF THE TRANSACTION

-----  
 EFFECT OF TRANSACTION ON STAR UNITHOLDER DISTRIBUTIONS AND UNIT VALUE --  
 BASE CASE  
 -----

CURRENT DISTRIBUTABLE CASH						
	ACTUAL 1997	NORMALIZED 1997	1998	1999	2000	2001
Earned	\$ 1.95	\$ 2.28	\$ 2.38	\$ 2.50	\$ 2.63	\$ 2.77
Paid	2.20	2.20	2.38	2.49	2.60	2.72
Yield	10.0%	10.0%	10.0%	9.5%	9.0%	8.5%
Unit Value	\$22.00	\$22.00	\$23.80	\$26.21	\$28.89	\$32.00

PRO FORMA DISTRIBUTABLE CASH						
	ACTUAL 1997	NORMALIZED 1997	1998	1999	2000	2001
Earned	\$ 2.17	\$ 2.84	\$ 2.98	\$ 3.36	\$ 3.63	\$ 3.77
Paid	2.30	2.30	2.85	3.04	3.18	3.25
Yield	10.0%	10.0%	10.0%	9.0%	8.0%	8.0%

Unit Value	\$23.00	\$23.00	\$28.50	\$33.78	\$39.75	\$40.63
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Petroleum Heat & Power Co., Inc.

ECONOMICS OF THE TRANSACTION

EFFECT OF TRANSACTION ON STAR UNITHOLDER DISTRIBUTIONS AND UNIT VALUE --  
PESSIMISTIC CASE

CURRENT DISTRIBUTABLE CASH

	ACTUAL 1997	NORMALIZED 1997	1998	1999	2000	2001
Earned	\$ 1.95	\$ 2.28	\$ 2.09	\$ 2.19	\$ 2.30	\$ 2.42
Paid	2.20	2.20	2.20	2.20	2.20	2.20
Yield	10.0%	10.0%	10.0%	9.5%	9.0%	9.0%
Unit Value	\$ 22.00	\$ 22.00	\$ 22.00	\$23.16	\$24.44	\$24.44

PRO FORMA DISTRIBUTABLE CASH

	ACTUAL 1997	NORMALIZED 1997	1998	1999	2000	2001
Earned	\$ 2.17	\$ 2.84	\$ 2.64	\$ 2.87	\$ 2.90	\$ 2.61
Paid	2.30	2.30	2.30	2.30	2.30	2.30
Yield	10.0%	10.0%	10.0%	9.5%	9.0%	9.0%
Unit Value	\$ 23.00	\$ 23.00	\$ 23.00	\$24.21	\$25.56	\$ 25.56

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Petroleum Heat & Power Co., Inc.

ECONOMICS OF THE TRANSACTION

EFFECT OF THE TRANSACTION ON STAR UNIT COVERAGE -- BASE CASE

CURRENT COVERAGE

	ACTUAL 1997	NORMALIZED 1997	1998	1999	2000	2001
Coverage on Common Units	1.7x	1.9x	1.8x	1.9x	2.0x	2.1x
Coverage on Total Units	0.9	1.0	1.0	1.0	1.0	1.1

PRO FORMA COVERAGE / (1) /						
	ACTUAL 1997	NORMALIZED 1997	1998	1999	2000	2001
Coverage on Common Units	1.5x	2.0x	1.9x	2.1x	2.2x	2.3x
Coverage on Total Units	0.9	1.2	1.2	1.3	1.4	1.4

/(1)/ Based on \$2.30 minimum quarterly distribution.

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Petroleum Heat & Power Co., Inc.

ECONOMICS OF THE TRANSACTION

EFFECT OF TRANSACTION ON STAR UNIT COVERAGE -- OPTIMISTIC CASE

CURRENT COVERAGE						
	ACTUAL 1997	NORMALIZED 1997	1998	1999	2000	2001
Coverage on Common Units	1.7x	1.9x	2.0x	2.1x	2.2x	2.4x
Coverage on Total Units	0.9	1.0	1.1	1.1	1.2	1.3

PRO FORMA COVERAGE / (1) /						
	ACTUAL 1997	NORMALIZED 1997	1998	1999	2000	2001
Coverage on Common Units	1.5x	2.0x	2.1x	2.4x	2.5x	2.6x
Coverage on Total Units	0.9	1.2	1.3	1.5	1.6	1.6

(1) Based on \$2.30 minimum quarterly distribution.

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Petroleum Heat & Power Co., Inc.

ECONOMICS OF THE TRANSACTION

EFFECT OF TRANSACTION ON STAR UNIT COVERAGE -- OPTIMISTIC CASE



-----  
CURRENT COVERAGE  
-----

	ACTUAL 1997	NORMALIZED 1997	1998	1999	2000	2001
Coverage on Common Units	1.7x	1.9x	1.8x	1.9x	2.0x	2.1x
Coverage on Total Units	0.9	1.0	1.0	1.0	1.0	1.1

-----  
PRO FORMA COVERAGE / (1) /  
-----

	ACTUAL 1997	NORMALIZED 1997	1998	1999	2000	2001
Coverage on Common Units	1.5x	2.0x	1.9x	2.0x	2.0x	1.9x
Coverage on Total Units	0.9	1.2	1.2	1.3	1.3	1.1

(1) Based on \$2.30 minimum quarterly distribution.

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Petroleum Heat & Power Co., Inc.  
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PART V

COMPARABLE MLP ANALYSIS

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Petroleum Heat & Power Co., Inc.  
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COMPARABLE MLP ANALYSIS

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COMPARATIVE ANALYSIS OF SELECTED MLPs

COMPANY	MARKET VALUE OF PUBLIC EQUITY		IMPLIED MARKET VALUE OF EQUITY/ (1) /		IMPLIED MARKET CAPITALIZATION/ (2) /	INDICATED DISTRIBUTION PER UNIT	IMPLIED YIELD/ (3) /
	CLOSING 22-JUL-97						
PIPELINES							
Buckeye Partners/ (4) /	\$49.13	\$592.8	\$ 598.8		\$ 823.9	\$3.52	7.2%
Kinder Morgan Energy Partners/ (5) /	62.13	404.4	412.7		564.5	4.00	6.4
EOTT Energy Partners	18.88	188.8	362.7		442.9	1.90	10.1
Genesis Energy/ (6) /	20.38	175.7	224.1		212.6	2.00	9.8
Kaneb Pipe Line Partners		358.3	489.9		627.9		
Senior Preference Units	30.63					2.40	7.8
Preference Units	29.31					2.40	8.2
Lakehead Pipeline Partners/ (7) /	41.88	841.3	1,025.6		1,445.2	3.12	7.5
Leviathan Gas Pipeline Partners/ (8) /	25.06	453.0	623.2		848.4	1.80	7.2
Northern Border Partners/ (9) /	29.94	592.2	800.4		1,295.8	2.20	7.3
Santa Fe Pacific Pipeline Partners	40.38	773.1	788.9		1,166.9	3.00	7.4
TEPPCO Partners/ (10) /	49.00	710.5	728.8		1,022.4	3.20	6.5
PIPELINE MEAN						\$2.69	7.8%
PIPELINE MEDIAN						2.40	7.4
PROPANE							
AmeriGas Partners	\$25.69	\$566.7	\$1,096.8		\$1,823.7	\$2.20	8.6%
Cornerstone Propane Partners/ (11) /	22.50	221.0	377.0		608.7	2.16	9.6
Ferrellgas Partners/ (12) /	22.69	331.5	745.1		1,220.0	2.00	8.8
Heritage Propane Partners	22.75	97.5	185.4		324.4	2.00	8.8
National Propane Partners	\$20.38	\$136.5	\$ 233.6		\$ 358.8	\$2.10	10.3%
Star Gas Partners	22.50	64.7	121.0		207.5	2.20	9.8
Suburban Propane Partners	19.25	415.1	564.2		1,106.7	2.00	10.4

PROPANE MEAN	\$2.09	9.5%
PROPANE MEDIAN	2.10	9.6

COMPARATIVE ANALYSIS OF SELECTED MLPs

(\$ in millions, except per share data)

COMPANY	LTM DISTRIBUTABLE CASH FLOW/		LTM DISTRIBUTABLE CASH FLOW/	
	INDICATED DISTRIBUTION TO PUBLIC UNITS	INDICATED DISTRIBUTION TO TOTAL UNITS	LTM DISTRIBUTION TO PUBLIC UNITS	LTM DISTRIBUTION TO TOTAL UNITS
PIPELINES				
Buckeye Partners/(4)/	1.1x	1.0x	1.2x	1.2x
Kinder Morgan Energy Partners/(5)/	0.5	0.5	0.8	0.8
EOTT Energy Partners	2.0	1.1	2.0	1.1
Genesis Energy/(6)/	1.2	1.0	NM	NM
Kaneb Pipe Line Partners				
Senior Preference Units	2.5	1.1	2.6	1.1
Preference Units	1.5	1.1	1.6	1.1
Lakehead Pipeline Partners/(7)/	1.6	1.3	1.9	1.6
Leviathan Gas Pipeline Partners/(8)/	2.3	1.7	2.8	2.1
Northern Border Partners/(9)/	1.8	1.3	1.8	1.3
Santa Fe Pacific Pipeline Partners	1.4	1.4	1.4	1.4
TEPPCO Partners/(10)/	1.3	1.2	1.4	1.3
PIPELINE MEAN	1.6X	1.2X	1.7X	1.3X
PIPELINE MEDIAN	1.5	1.1	1.7	1.3
PROPANE				
AmeriGas Partners	1.6x	0.8x	1.6x	0.8x
Cornerstone Propane Partners/(11)/	1.2	0.7	NM	NM
Ferrellgas Partners/(12)/	1.8	0.8	1.8	0.8
Heritage Propane Partners	1.5	0.8	1.6	0.8
National Propane Partners	0.7x	0.4x	0.7x	0.4x
Star Gas Partners	1.6	0.9	1.6	0.9
Suburban Propane Partners	0.7	0.5	0.7	0.5
PROPANE MEAN	1.3X	0.7X	1.3X	0.7X
PROPANE MEDIAN	1.5	0.8	1.6	0.8

COMPARATIVE ANALYSIS OF SELECTED MLPs

(\$ in millions, except per share data)

COMPANY	LTD/MARKET CAPITALIZATION	EBITDA/ INTEREST EXP.	MARKET CAP/ EBITDA
PIPELINES			
Buckeye Partners/(4)/	24.0%	3.7x	10.1x
Kinder Morgan Energy Partners/(5)/	28.4	2.6	16.8
EOTT Energy Partners	0.0	11.6	9.2
Genesis Energy/(6)/	0.0	NM	8.9
Kaneb Pipe Line Partners	22.1	5.6	10.0
Senior Preference Units			
Preference Units			
Lakehead Pipeline Partners/(7)/	32.0	3.9	9.9
Leviathan Gas Pipeline Partners/(8)/	25.8	NM	10.2
Northern Border Partners/(9)/	25.9	3.7	10.7
Santa Fe Pacific Pipeline Partners	30.4	3.6	8.8
TEPPCO Partners/(10)/	30.3	3.1	9.8
PIPELINE MEAN	21.9%	4.8X	10.5X
PIPELINE MEDIAN	25.8	3.7	9.9
PROPANE			
AmeriGas Partners	37.7%	2.4x	11.8x
Cornerstone Propane Partners/(11)/	38.2	2.7	18.4
Ferrellgas Partners/(12)/	37.6	2.5	10.6
Heritage Propane Partners	41.2	2.3	11.9
National Propane Partners	35.7%	2.0x	14.0x
Star Gas Partners	41.0	2.9	10.4
Suburban Propane Partners	38.7	2.7	12.3
PROPANE MEAN	38.6%	2.5X	12.8X
PROPANE MEDIAN	38.2	2.5	11.9

- (1) Implied Market Value of Equity implies value of total equity based on value of public units.
- (2) Implied Market Capitalization equals Implied Market Value of Equity plus net debt and other long-term liabilities.
- (3) Based on most recent distribution declared on an annualized basis.
- (4) Indicated Distribution per Unit reflects a Quarterly Distribution of \$0.88 as proposed by the General Partner on June 24, 1997. The increased distribution is subject to approval by the G.P.'s Board of Directors and will be paid August 1997 to unitholders of record on June 16, 1997.
- (5) Pro forma for the expected distribution increase from \$0.63 per unit per quarter to \$1.00 per unit.
- (6) Pro forma for the public offering of 7,500,000 Common Units.
- (7) Indicated Distribution per Unit reflects an increased Quarterly Distribution of \$0.78 as announced on July 17, 1997. The Increased distribution is payable August 14, 1997, to unitholders of record on July 31, 1997.
- (8) Indicated Distribution per Unit reflects an increased Quarterly Distribution of \$0.45 as announced on July 21, 1997. The Increased distribution is payable August 14, 1997, to unitholders of record on

July 31, 1997.

- (9) Distributable Cash Flow is based upon income statement items adjusted for approximate 30% minority interest.
- (10) Indicated Distribution per Unit reflects a Quarterly Distribution of \$0.80 as announced by the General Partner on July 14, 1997. The increased distribution is payable August 8, 1997 to unitholders of record on July 31, 1997.
- (11) Pro forma for the initial public offering of 9,821,000 limited partner units and the private placement of \$220 million of Senior Secured Notes.
- (12) Pro forma for the \$90 million acquisition of Skelgas on April 30, 1996.

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Petroleum Heat & Power Co., Inc.

#### COMPARABLE MLP ANALYSIS

##### DIVERSIFIED MLPS

	DIVERSIFIED LINES OF BUSINESS	IMPLIED YIELD / (1) /	IMPLIED MARKET VALUE OF EQUITY (MILLIONS)	LTM DISTRIBUTION COVERAGE	
				COMMON UNITS	TOTAL UNITS
Genesis Energy	Crude pipeline Crude marketing	9.8%	\$224.1	1.2x	1.0x
Kaneb Pipe Line	Products pipeline Storage terminals	8.2%	\$489.9	1.5	1.1
Kinder Morgan	Products pipeline Coal storage Coal transfer NGL fractionation Gas processing	6.4%	\$412.7	0.8	0.8
Leviathan Gas Pipeline	Gas pipeline Crude pipeline Oil & gas production	7.2%	\$623.2	2.3	1.7

(1) As of 7/22/97.

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Petroleum Heat & Power Co., Inc.

#### STEPS OF THE TRANSACTION AND TAX IMPLICATIONS

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Petroleum Heat & Power Co., Inc.

#### STEPS OF THE TRANSACTION AND TAX IMPLICATIONS

##### STEPS OF THE TRANSACTION

- . STEP ONE: Star Gas Corp. merges into Petro. Petro obtains from Star Gas  
-----  
Corp. the GP units of MLP and OLP and MLP subordinated units. Petro transfers the GP units to an LLC. The subordinated units are designated Senior Subordinated Units.
  
- . STEP TWO: Petro transfers assets to MLP in exchange for additional Senior  
-----  
Subordinated Units so as to have a total number of Senior Subordinated Units equal in value to the value of the Petro Class A Common Stock held by the public.
  
- . STEP THREE: Petro exchanges all LLC shares for an equivalent value of  
-----  
Class C shares held by Petro insiders.
  
- . STEP FOUR: The Petro insiders transfer their remaining Class A and Class C  
-----  
Stock to the MLP in exchange for Junior Subordinated Units.
  
- . STEP FIVE: OLP organized Newco. MLP transfers to OLP and OLP transfer to  
-----  
Newco, all Petro shares owned by the MLP, as acquired by MLP from the Petro insiders.
  
- . STEP SIX: Newco merges with and into Petro. Class A Shares owned by the  
-----  
public are changed into Senior Subordinated Units. Class A and Class C shares owned by Newco are canceled. Newco shares owned by OLP are changed into Class A Petro shares.

CORRESPONDING TAX IMPLICATION

- . Tax free.
  
- . Tax free.
  
- . This triggers tax at Petro measured by the value of the LLC shares in excess of Petro's basis in them and tax at the Petro insider level measured by the value of the LLC shares in excess of their basis in the Petro shares surrendered.
  
- . Tax free.
  
- . Tax free.
  
- . This step is tax free to Newco and OLP. Petro will recognize gain equal to the value of the Senior Subordinated Units in excess of Petro's basis in them. The public shareholders will recognize gain (or loss) measured by the excess (or deficit) in value of the Senior Subordinated Units as compared to their basis in the Petro Class A Common Stock.

STAR GAS PARTNERS, L.P.

BOARD OF DIRECTORS PRESENTATION

January 26, 1998

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Star Gas Partners, L.P.  
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II	PETRO'S STRATEGY
III	THE TRANSACTION
IV	BENEFITS OF THE TRANSACTION
V	ECONOMICS OF THE TRANSACTION
VI	COMPARABLE MLP ANALYSIS
	Exhibit I Steps of the Transaction and Tax Implications

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Star Gas Partners, L.P.  
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PART I

SITUATION ANALYSIS

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1  
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Star Gas Partners, L.P.  
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SITUATION ANALYSIS

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PROPANE BUSINESS

- . Pricing on all acquisitions has become extremely competitive as over \$1.5 billion of equity has come into the industry since 1994.
- . Large acquisitions have been scarce and multiples for even small deals have expanded.
- . Wholesale price spike during the 1996-1997 season revealed another level of uncertainty, even for those companies (like Star) which profited from the spike.

- . Warm winter in the Northeast compounded the problem for many players.
- . The market is starting to question whether propane MLPs are really growth vehicles, as many have failed to demonstrate internal growth.
- . The market is also starting to question if the weather is ever normal (it always seems to be abnormally warm in some section, which more than offsets good results elsewhere).

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Star Gas Partners, L.P.  
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SITUATION ANALYSIS

-----  
IN SPITE OF SOLID PERFORMANCE AND THE RECENT PEARL ACQUISITION, STAR HAS BEEN UNABLE TO IMPROVE ITS VALUATION RELATIVE TO OTHER MLPs

STAR GAS YIELD

[GRAPH APPEARS HERE]

(1) Index is a composite of APU, CNO, FGP, HPG, NPL and SPH.

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Star Gas Partners, L.P.  
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SITUATION ANALYSIS

-----  
CURRENT LTM COVERAGES ON TOTAL UNITS

[GRAPH APPEARS HERE]

CURRENT YIELDS

[GRAPH APPEARS HERE]

\* ONLY NATIONAL PROPANE AND SUBURBAN -- WHICH ARE HAVING OPERATIONAL PROBLEMS -- TRADE AT A HIGHER YIELD THAN STAR.

(1) As of 1/23/98.

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Star Gas Partners, L.P.  
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SITUATION ANALYSIS

-----  
IMPLIED MARKET VALUE OF EQUITY OF SELECTED PROPANE MLPS (CURRENT IMPLIED YIELD) / (1) /

[GRAPH APPEARS HERE]

- \* THE LARGER PROPANE MLPS HAVE GREATER MARKET LIQUIDITY AND INVESTOR AWARENESS AND ARE SUBSEQUENTLY OFTEN REWARDED WITH LOWER YIELDS.
- \* AMERIGAS AND STAR HAVE COMPARABLE COVERAGES, BUT AMERIGAS TRADES AT A 100 B.P. PREMIUM - PRIMARILY DUE TO SIZE.

(1) As of 1/23/98. Implied Market Value of Equity includes all Common, Subordinated and GP interests.

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Star Gas Partners, L.P.  
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SITUATION ANALYSIS

-----  
STAR CONTINUES TO LAG BEHIND OTHER MLPS IN TERMS OF ACQUISITIONS, WHERE STAR'S ABILITY TO COMPETE IS LIMITED

- . Management's limited propane experience lowers deal flow
- . Geographic concentration limits "blend-in" opportunities
- . Larger and better capitalized players compete for the same assets

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Star Gas Partners, L.P.  
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SITUATION ANALYSIS

-----  
SINCE GOING PUBLIC, MOST PROPANE MLPS HAVE MADE ACQUISITIONS AT A DISAPPOINTING PACE

PERCENTAGE GALLONS ACQUIRED AS A % OF ORIGINAL GALLONS/(1)/

[GRAPH APPEARS HERE]

- \* INVESTORS HAVE RESPONDED FAVORABLY TO ACQUISITION OPPORTUNITIES. THE ENTITIES WHICH HAVE GROWN THE MOST ON A PERCENTAGE BASIS (FGP AND HPG) TRADE AT PREMIUM MULTIPLES.

(1) As of 1/23/98.

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Star Gas Partners, L.P.  
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SITUATION ANALYSIS

-----  
HEATING OIL BUSINESS

- . Petro remains the dominant force in the heating oil business, selling at least 3 times as much as its nearest competitor.
- . Petro also dominates the acquisition market, acquiring a substantial share of all heating oil businesses sold.

- . While the company has constantly made acquisitions over the last 5 years, higher than expected attrition rates have resulted in little EBITDA growth.
- . Operational changes which were instituted on a small scale in 1996-1997 are expected to reduce the attrition rates over the next several years.
- . It is anticipated that the acquisition market will continue to be strong as more owners approach retirement age and capital gain tax relief appears in sight.

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Star Gas Partners, L.P.  
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PART II

PETRO'S STRATEGY

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Star Gas Partners, L.P.  
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PETRO'S STRATEGY

-----  
PETRO WILL TAKE ADVANTAGE OF FAVORABLE CONDITIONS IN THE HEATING OIL MARKET

- . Significant competitive advantages.
  - Industry is populated by thousands of relatively small local family owned businesses
  - Higher concentration of customers than in the propane industry creates critical mass
  - Sufficient financial resources to make key strategic acquisitions
  - Management openness and ability to modify historical operating practices
- . Consumer attitudes facilitate creation of a brand image.
  - Utility product that is delivered without affirmative purchase decision
  - 92% of customers do not know competitor's prices
  - 35% of consumers do not know the name of another heating oil company
  - Only 34% know the name of only one other company (no one specific competitor)
- . Unique size provides significant opportunities.
  - Engage professional management and achieve efficient organizational structure
  - Enhance MIS and communication technology



-- Operating and marketing efficiencies

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Star Gas Partners, L.P.  
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PETRO'S STRATEGY

-----  
ANTICIPATED BENEFITS FROM STRATEGY

- . Reduced operating costs and increased profitability.
- . Growth through internal marketing.
- . Attract new customers.
- . Retain existing customers.
- . Improve products and services.

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Star Gas Partners, L.P.  
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PETRO'S STRATEGY

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BY CREATING A BRAND IMAGE, PETRO CAN TARGET A NEW CUSTOMER BASE

- . Consumers moving into oil heated homes.
- . Other fuel oil dealers' dissatisfied customers.
  - Represents 8% to 10% of market
- . Customers of other nationally branded companies offering home delivered products and services.
  - HFS real estate family of companies (Century 21, ERA, Coldwell Banker)
  - Security systems
  - Bottled water
  - Extermination
  - Electricity
  - Lawn care

\* CREATING A BRAND IMAGE WOULD PROVIDE PETRO THE OPPORTUNITY TO FILL THE VOID IN THE INDUSTRY BY BECOMING THE ONLY CONSUMER-RECOGNIZABLE HEATING OIL COMPANY.

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Star Gas Partners, L.P.  
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PETRO'S STRATEGY

-----  
IMPROVE EXISTING CUSTOMER RETENTION

- . Improve product thereby increasing customer satisfaction and reducing triggering events.
  - Reduce oil runouts
  - Reduce incomplete and repeat equipment repairs
  - Provide unique on-time repairs
- . All employees function as salesmen.
- . Segmented and unbundled pricing.
- . Create deeper customer relationships.

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Star Gas Partners, L.P.  
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PETRO'S STRATEGY

-----  
CREATE SEGMENTED AND UNBUNDLED PRICING

- . Heating equipment repair and maintenance revenues lower than cost.
  - Bundled with and subsidized by oil price
- . Unlimited annual service contracts.
- . Tailor unbundled pricing packages for different customer segments.
  - Shift charges away from more visible oil to less sensitive equipment repair
  - Replace unlimited service contracts with co-pay program based on usage

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Star Gas Partners, L.P.  
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PETRO'S STRATEGY

-----  
CREATE DEEPER CUSTOMER RELATIONSHIPS

- . Offer rationally related products requiring similar operating expertise.
  - Air conditioning
  - Electric repair
  - Plumbing

. Create affinity group buying benefits with cross marketing partners.

-- Security systems

-- Bottled water

-- Extermination

-- Electricity

-- Lawn care

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Star Gas Partners, L.P.  
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Part III

THE TRANSACTION

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-----  
Star Gas Partners, L.P.  
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THE TRANSACTION

-----  
OVERVIEW

. Star's limited size relative to other comparable MLPs restricts both its financial flexibility and access to strategic acquisitions.

. We believe that a public stock corporation is not the optimal format for Petro.

\_\_\_ No direct comparables

\_\_\_ Rapid amortization of customer lists results in no earnings

\_\_\_ Perceived limited growth in heating oil industry

\_\_\_ Small capitalization results in limited research coverage

. Furthermore, Petro's leveraged capital structure also limits its financial flexibility and growth opportunities.

\* AS A RESULT, STAR GAS TRADES AT A SLIGHT DISCOUNT TO ITS PEERS, WHILE PETRO'S STOCK HAS PERFORMED POORLY AND IS NOT LIKELY TO ACHIEVE FULL VALUATION EVEN IF OPERATIONS IMPROVE.

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Star Gas Partners, L.P.  
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THE TRANSACTION

IN ORDER TO ADDRESS THESE VALUATION ISSUES, STAR GAS SHOULD CONSIDER THE BENEFITS OF A MERGER WITH PETRO

- . The combination of the two companies would result in a sizable MLP (approximately \$325 million implied equity value) which translates into better valuation and greater liquidity.
- . The new entity would have substantially better access to capital to fund future growth.
- . Concurrent with the merger, the issuance of new equity would restructure and delever the balance sheet.
- . The restructuring would be accretive to distributable cash flow.
- \* THE COMBINED ENTITY WOULD HAVE THE INVESTMENT STORY TO ATTRACT RESEARCH COVERAGE AND WOULD BENEFIT BOTH STAR GAS AND PETRO SHARE/UNIT HOLDERS.

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Star Gas Partners, L.P.  
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THE TRANSACTION

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CERTAIN FACTORS MUST BE INHERENT TO THE TRANSACTION IN ORDER FOR THE MERGER TO BE ATTRACTIVE TO STAR UNITHOLDERS

- . The transaction must be substantially accretive to Star Unitholders based on current operations.
- . Petro shareholders must be subordinate to existing Star Unitholders.
- . The indicated distribution and Minimum Quarterly Distribution ("MQD") must be increased from their current levels.

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Star Gas Partners L.P.  
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THE TRANSACTION

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THE TRANSACTION INVOLVES TWO SEPARATE STAGES:

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STAGE 1-- THE EXCHANGE  
-----

PETRO SHAREHOLDERS EXCHANGE THEIR COMMON STOCK FOR STAR GAS MASTER LIMIT PARTNERSHIP UNITS AT \$3.15/SHARE

- . Shareholders who hold only Class A shares exchange into Senior Subordinated MLP units.
- . Senior Subordinated MLP Units valued at + 10% discount to Common Units.
- . "Inside" shareholders /(1) /exchange either into Senior Subordinated MLP Units or Subordinated Units plus the General Partnership Interest.
- . Senior Subordinated Units offered to "Insiders" will be capped at 3.5

million Petro shares in order to provide adequate coverage to Star Common Units.

- . Subordinated Units valued at + 20% discount to Common Units.
- . All Senior Subordinated and Subordinated Units convert to Common Units after 3 years of "Earn & Pay" of \$2.30 (i.e. increase the MQD on the Common Units).

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(1) Insiders for the purposes of this discussion are those individuals who own Class C and Class A common shares.  
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Star Gas Partners, L.P.  
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THE TRANSACTION

-----  
THE TRANSACTION INVOLVES TWO SEPARATE STAGES:  
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STAGE 2 -- THE RECAPITALIZATION  
-----

APPROXIMATELY \$320 MILLION OF PETRO DEBT AND PREFERRED STOCK ARE REFINANCED

- . Existing issues will be either redeemed, exchanged, defeased or tendered for, depending on issue.
- . Approximately \$140 million of new Star equity will be raised through the sale of Common Units.
- . Approximately \$125 million of new debt will be issued.

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STAR GAS PARTNERS, L.P.  
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THE TRANSACTION

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[GRAPH APPEARS HERE]

\* PETRO PUBLIC SHAREHOLDERS EXCHANGE FOR SENIOR SUBORDINATED; INSIDERS EXCHANGE FOR A COMBINATION OF SENIOR SUBORDINATED AND/OR SUBORDINATED + G.P. UNITS. THE MLP SELLS COMMON UNITS AND USES THE PROCEEDS TO RECAPITALIZE AND REFINANCE.  
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STAR GAS PARTNERS, L.P.  
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THE TRANSACTION

STAGE 1 -- THE EXCHANGE

CURRENT		CONSIDERATION RECEIVED	
PETRO SHAREHOLDER TYPE	SHARES (000'S)	TYPE OF MLP INTEREST	UNITS (000'S)
Holders of Class A Only	16,355	Senior Subordinated Units	2,464
Holders of Class A and C Shares			
Shares Permitted To Be Exchanged Into Senior Subordinated Units	3,500	Senior Subordinated Units	527
Shares To Be Exchanged Into Subordinated Units and GP Interest	5,904	Subordinated and General Partner Interest	1,296
Sub Total	9,404		
TOTAL	25,759	TOTAL	4,287

STAGE 2 -- THE RECAPITALIZATION

UNITS OUTSTANDING AT MLP AFTER RECAPITALIZATION (000'S)

Common Units

Currently Outstanding	3,832
Newly Issued (\$137.6 million)	6,116
Total	9,947
Senior Subordinated Units	2,991
Subordinated Units and GP Interest	1,296
TOTAL	14,234

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STAR GAS PARTNERS, L.P

PART IV

BENEFITS OF THE TRANSACTION

24

STAR GAS PARTNERS, L.P

BENEFITS OF THE TRANSACTION

AS A RESULT OF THE TRANSACTIONS, STAR HOLDERS WILL BENEFIT FROM THE FOLLOWING:

- . Increased earnings and distributions.

1997

ACTUAL		NORMALIZED		1998 (1)	
FROM	TO	FROM	TO	FROM	TO

Distributable Cash per unit	\$2.06	\$2.19	\$2.06	\$2.65	\$2.27	\$2.93
Distributions per unit	\$2.20	\$2.30	\$2.20	\$2.30	\$2.20	\$2.30

- . Increase MQD to \$2.30 per unit.
- . Higher total distribution coverage.

	1997					
	ACTUAL		NORMALIZED		1998 / (1) /	
	From	TO	FROM	TO	FROM	TO
Coverage on Common Units	1.6x	1.4x	1.6x	1.7x	1.7x	1.9x
Coverage on Total Units	0.9x	1.0x	0.9x	1.2x	1.0x	1.3x

- . Larger size equity market capitalization.
- . A vehicle for growth in otherwise stagnant market.

(1) Based on projected 1998 results. Assumes annually MQD of \$2.20

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Star Gas Partners, L.P.

BENEFITS OF THE TRANSACTION

CHANGE IN DISTRIBUTIONS OF SELECTED MLPS SINCE IPO / (1) /

[GRAPH APPEARS HERE]

\* INVESTORS HAVE REWARDED INCREASED DISTRIBUTIONS WITH ATTRACTIVE VALUATIONS.

(1) As of 1/23/98.

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Star Gas Partners, L.P.

BENEFITS OF THE TRANSACTION

A MERGER WITH PETRO WILL RESPOND TO SEVERAL IMPORTANT INVESTOR ISSUES

Q: How will the market value the mixed MLP?

A: Growth and ability to make distributions are the key considerations for valuing an MLP. The merger provides the size, business mix and flexibility that investors are seeking. Several diversified MLPs exist and perform favorably compared to their peers.

DIVERSIFIED MLPS

	DIVERSIFIED LINES OF BUSINESS	IMPLIED YIELD / (1) /	IMPLIED MARKET VALUE OF EQUITY (MILLIONS) / (1) /	LTM DISTRIBUTION COVERAGE	
				COMMON UNITS	TOTAL UNITS
Genesis Energy	Crude pipeline Crude marketing	10.2%	\$ 215.9	0.8x	0.6x
Kaneb Pipe Line	Products pipeline Storage terminals	7.7%	\$ 563.3	1.3	1.0
Kinder Morgan	Products pipeline Coal storage and transfer NGL fractionation Gas processing	6.0%	\$ 536.4	0.7	0.7
Leviathan Gas Pipeline	Gas pipeline Crude pipeline Oil & gas production	6.7%	\$ 745.9	2.0	1.5

\* APPROXIMATELY 45% OF PIPELINE MLPS ARE DIVERSIFIED AND HAVE COMPARABLE YIELDS RELATIVE TO PURE-PLAY MLPS.

(1) As of 1/23/98.

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Star Gas Partners, L.P.

#### BENEFITS OF THE TRANSACTION

#### INVESTOR ISSUES (CONT'D)

Q: The propane industry has low annual growth (1%-2%) versus the heating oil industry which is declining (2%-4%) each year. Why should Star enter an industry that experiences attrition?

A: While propane is a growth industry, there are several larger and better capitalized companies that are actively taking advantage of industry consolidation. As a result, average acquisition multiples have been bid up to 7x EBITDA or higher. On the other hand, Petro is the dominant player and leading consolidator in the heating oil market. As a result, Petro has averaged 10 acquisitions each year since 1992 at an average purchase multiple of approximately 4x EBITDA. As demonstrated below, an acquisition at a 4x EBITDA multiple is profitable even taking into account attrition:

#### ACQUISITION RATE OF RETURN

GROWTH RATE (ATTRITION)	EBITDA PURCHASE MULTIPLE	INTERNAL RATE OF RETURN (IRR)
(6.0%)	4.0x	15.6%
(4.0%)	4.0x	19.3%
(2.0%)	4.0x	22.3%
1.5%	7.0x	15.9%



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Star Gas Partners, L.P.  
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BENEFITS OF THE TRANSACTION

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INVESTOR ISSUES (CONT'D)

-----  
Q: What initiatives is Petro taking to reverse its high attrition?

A: Petro's new strategic focus includes:

- Attracting new customers through brand imaging
- Cross marketing to new and existing customers
- Improving customer service
- Creating segmented and unbundled pricing
- Create deeper customer relationships through marketing related services

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\* ALTHOUGH THE BENEFITS OF THESE INITIATIVES HAVE BEGUN TO BE REALIZED, THE IMPLIED VALUE HAS NOT YET BEEN FACTORED INTO PETRO'S STOCK PRICE. THESE IMPROVEMENTS WILL SIGNIFICANTLY BENEFIT THE COMBINED ENTITY.  
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Star Gas Partners, L.P.  
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BENEFITS OF THE TRANSACTION

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INVESTOR ISSUES (CONT'D)

-----  
Q: Why would Petro be interested in a merger with Star Gas?

A: Premium to market

- At \$3.15 per share, the exchange represents approximately a 20% premium to the market

Higher valuation multiples

- MLPs typically trade at 10-11x EBITDA

Enhanced growth potential due to greater access to capital

- Branding and internal marketing
- Improved productivity through capital investment
- Acquisitions

Lower overall cost of capital

- New debt at +/- 8% vs. 12% existing debt
- Equity capital with limited upside

Greater size and liquidity

- Implied equity market value quintuples to over \$325 million

Greater financial flexibility

- Extend maturities through refinancing
- Improved covenants due to investment grade rating

Star Gas Partners, L.P.

## BENEFITS OF THE TRANSACTION

## INVESTOR ISSUES (CONT'D)

Q: What evidence is there that Petro's recent efforts to reduce costs and manage attrition have been successful?

A:

## HEATING EQUIPMENT REPAIR AND MAINTENANCE

	12 MONTHS 1996	12 MONTHS 1997	IMPROVEMENT
Runouts (per 100 deliveries)	0.99	0.68	31.3%
Reworks	25.9%	24.9%	3.9%
Incompletes	5.8%	2.6%	55.2%
Not-At-Homes / (1) /	4.2%	2.1%	50.0%
Service Calls/8 Hours	5.41	5.24	(3.1)%
OIL DELIVERY			
Deliveries/8 Hours	22.2	23.9	7.7%
Gallons/Hour	569	607	6.7%

(1) Based on performance in the first six months of the year; 3Q and 4Q data is not available.

Star Gas Partners, L.P.

## PART V

## ECONOMICS OF THE TRANSACTION

Star Gas Partners, L.P.

## TRANSACTION ASSUMPTIONS

## PETROLEUM HEAT &amp; POWER

## Base Case

\$3.5 Million Maint. CapEx  
30-Year Weather

## Pessimistic Case

\$3.5 Million Maint. CapEx  
30-Year Weather

\$1.0 Million Annual Productivity Savings 5.0x Acquisition Multiple      \$1.0 Million Annual Productivity Savings 4.0x Acquisition Multiple

	5.0x Acquisition Multiple		4.0x Acquisition Multiple	
	Attrition	Acquisitions	Attrition	Acquisitions
1998	4.0%	\$50.0 Million	4.0%	\$20.0 Million
1999	3.0	50.0	4.0	20.0
2000	2.0	50.0	4.0	20.0
2001	2.0	50.0	4.0	20.0

STAR GAS PARTNERS

All Cases

\$5.0 Million in Acquisitions per Year at 7.0x EBITDA  
 2% Internal Growth  
 \$2.0 Million Internal Growth CapEx per Year  
 \$3.0 Million in Maintenance CapEx per Year

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Star Gas Partners, L.P.

ECONOMICS OF THE TRANSACTION

EFFECT OF TRANSACTION ON STAR UNITHOLDER DISTRIBUTIONS AND UNIT VALUE --  
 BASE CASE

CURRENT DISTRIBUTABLE CASH

	ACTUAL 1997	NORMALIZED 1997	1998	1999	2000	2001
Earned	\$ 2.06	\$ 2.06	\$ 2.27	\$ 2.43	\$ 2.57	\$ 2.72
Paid	2.20	2.20	2.20	2.20	2.30	2.40
Yield	9.5%	9.5%	9.5%	9.0%	8.5%	8.5%
Unit Value	\$23.16	\$23.16	\$23.16	\$24.44	\$27.06	\$28.24

PRO FORMA DISTRIBUTABLE CASH

	ACTUAL 1997	NORMALIZED 1997	1998	1999	2000	2001
Earned	\$ 2.19	\$ 2.65	\$ 2.93	\$ 3.17	\$ 3.54	\$ 3.90
Paid	2.20	2.30	2.30	2.40	2.60	2.80
Yield	9.5%	9.5%	9.0%	8.0%	7.5%	7.0%
Unit Value	\$23.16	\$24.21	\$25.56	\$30.00	\$34.67	\$40.00

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Star Gas Partners, L.P.

ECONOMICS OF THE TRANSACTION

EFFECT OF TRANSACTION ON STAR UNITHOLDER DISTRIBUTIONS AND UNIT VALUE --  
PESSIMISTIC CASE

CURRENT DISTRIBUTABLE CASH						
	ACTUAL 1997 / (1) /	NORMALIZED 1997 / (1) /	1998	1999	2000	2001
Earned	\$ 2.06	\$ 2.06	\$ 2.27	\$ 2.43	\$ 2.57	\$ 2.72
Paid	2.20	2.20	2.20	2.20	2.30	2.40
Yield	9.5%	9.5%	9.5%	9.0%	8.5%	8.5%
Unit Value	\$23.16	\$23.16	\$23.16	\$24.44	\$27.06	\$28.24

PRO FORMA DISTRIBUTABLE CASH						
	ACTUAL 1997 / (1) /	NORMALIZED 1997 / (1) /	1998	1999	2000	2001
Earned	\$ 2.19	\$ 2.65	\$ 2.74	\$ 2.80	\$ 2.89	\$ 2.93
Paid	2.20	2.30	2.30	2.30	2.35	2.45
Yield	9.5%	9.5%	9.5%	9.0%	8.5%	8.5%
Unit Value	\$23.16	\$24.21	\$24.21	\$25.56	\$27.65	\$28.82

(1) 1997 is pro forma for acquisitions.

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Star Gas Partners, L.P.

ECONOMICS OF THE TRANSACTION

EFFECT OF TRANSACTION ON STAR UNIT COVERAGE -- BASE CASE

CURRENT COVERAGE							
	ACTUAL 1997	NORMALIZED 1997	1998	1999	2000	2001	
Coverage on Common Units	1.6x	1.6x	1.7x	1.8x	1.9x	2.1x	
Coverage on Total Units	0.9	0.9	1.0	1.1	1.2	1.2	

PRO FORMA COVERAGE / (1) /							
	ACTUAL 1997	NORMALIZED 1997	1998	1999	2000	2001	
Coverage on Common Units	1.4x	1.7x	1.9x	2.1x	2.3x	2.6x	
Coverage on Total Units	1.0	1.2	1.3	1.4	1.6	1.8	

(1) Based on \$2.20 annual MQD.

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Star Gas Partners, L.P.

ECONOMICS OF THE TRANSACTION

EFFECT OF TRANSACTION ON STAR UNIT COVERAGE -- PESSIMISTIC CASE

CURRENT COVERAGE

	ACTUAL 1997	NORMALIZED 1997	1998	1999	2000	2001
Coverage on Common Units	1.6x	1.6x	1.7x	1.8x	1.9x	2.1x
Coverage on Total Units	0.9	0.9	1.0	1.1	1.2	1.2

PRO FORMA COVERAGE / (1) /

	ACTUAL 1997	NORMALIZED 1997	1998	1999	2000	2001
Coverage on Common Units	1.4x	1.7x	1.8x	1.8x	1.9x	1.9x
Coverage on Total Units	1.0	1.2	1.2	1.3	1.3	1.3

(1) Based on \$2.20 annual MQD.

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Star Gate Partners, L.P.

PART VI

COMPARABLE MLP ANALYSIS

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Star Gas Partners, L.P.

COMPARABLE MLP ANALYSIS

COMPARATIVE ANALYSIS OF SELECTED MLPS

(\$ in millions, except per share data)						
COMPANY	CLOSING	MARKET	IMPLIED	IMPLIED	INDICATED	IMPLIED
	23-JAN-98	VALUE OF	MARKET	MARKET	DISTRIBUTION	YIELD/ (3) /
		EQUITY	VALUE OF	MARKET	PER UNIT	
			EQUITY/ (1) /	CAPITALIZATION/ (2) /		
<b>Pipelines</b>						
Buckeye Partners/(4)/	\$57.94	\$ 774.1	\$ 781.9	\$1,005.7	\$4.20	7.2%
Kinder Morgan Energy Partners/(5)/	37.25	525.6	536.4	681.6	2.25	6.0
Kaneb Pipe Line Partners/(6)/		446.0	563.3	696.9		
Senior Preference Units	35.31				2.60	7.4
Preference Units	33.63				2.60	7.7
Lakehead Pipeline Partners	45.75	1,019.8	1,223.2	1,511.1	3.12	6.8
Leviathan Gas Pipeline Partners/(7)/	30.00	542.3	745.9	975.4	2.00	6.7
Northern Border Partners/(8)/	33.19	747.7	1,400.6	1,785.0	2.30	6.9
TEPPCO Partners/(9)/	54.88	795.7	816.1	1,120.8	3.40	6.2
PIPELINE MEAN					\$2.81	6.9%
PIPELINE MEDIAN					2.60	6.9
<b>Diversified</b>						
EOTT Energy Partners	\$18.63	\$ 186.3	\$ 357.9	\$ 460.1	\$1.90	10.2%
Genesis Energy	19.63	169.3	215.9	198.4	2.00	10.2
DIVERSIFIED MEAN					\$1.95	10.2%
DIVERSIFIED MEDIAN					1.95	10.2
<b>Propane</b>						
AmeriGas Partners	\$26.25	\$ 579.1	\$1,120.8	\$1,886.3	\$2.20	8.4%
Cornerstone Propane Partners	23.00	247.5	407.4	661.6	2.16	9.4
Ferrellgas Partners	22.13	325.3	706.5	1,246.3	2.00	9.0
Heritage Propane Partners	24.31	113.0	207.2	367.9	2.00	8.2
National Propane Partners	\$21.94	\$ 147.0	\$ 256.7	\$ 395.5	\$2.10	9.6
Star Gas Partners	23.50	90.0	149.3	238.3	2.20	9.4
Suburban Propane Partners	19.63	423.2	575.2	1,102.7	2.00	10.2
PROPANE MEAN					\$2.09	9.2%
PROPANE MEDIAN					2.10	9.4
<b>Timber</b>						
Crown Pacific Partners, L.P	\$25.94	\$ 553.3	\$ 717.4	\$1,134.0	\$2.15	8.3%
Plum Creek Timber, L.P./(10)/	32.31	1,496.8	1,995.8	2,637.8	2.20	6.8
U.S. Timberlands, L.P./(11)/	21.25	182.3	275.1	498.6	2.00	9.4
TIMBER MEAN					\$2.12	8.2%
TIMBER MEDIAN					2.15	8.3
<b>LTM DISTRIBUTABLE CASH FLOW/</b>						
COMPANY	INDICATED	INDICATED	LTD/MARKET	EBITDA/	MARKET CAP/	
	DISTRIBUTION	DISTRIBUTION	CAPITALIZATION	INTEREST EXP.	EBITDA	
	TO PUBLIC UNITS	TO TOTAL UNITS				
<b>Pipelines</b>						
Buckeye Partners/(4)/	0.8x	0.8x	18.8%	4.0x	11.7x	
Kinder Morgan Energy Partners/(5)/	0.7	0.7	19.2	3.1	17.2	
Kaneb Pipe Line Partners/(6)/			19.8	5.7	10.8	
Senior Preference Units	2.3	1.0				
Preference Units	1.3	1.0				
Lakehead Pipeline Partners	1.5	1.2	30.6	3.8	10.3	
Leviathan Gas Pipeline Partners/(7)	2.0	1.5	22.6	6.4	10.9	
Northern Border Partners/(8)/	1.3	1.0	24.1	4.0	11.5	
TEPPCO Partners/(9)/	1.4	1.4	27.6	3.5	9.9	
PIPELINE MEAN	1.4X	1.1X	23.2%	4.3X	11.8X	
PIPELINE MEDIAN	1.4	1.0	22.6	4.0	10.9	
<b>Diversified</b>						
EOTT Energy Partners	0.7x	0.4x	0.0%	4.3x	18.1x	
Genesis Energy	0.8	0.6	0.0	NM	12.0	
DIVERSIFIED MEAN	0.8X	0.5X	0.0%	4.3X	15.0X	
DIVERSIFIED MEDIAN	0.8	0.5	0.0	4.3	15.0	
<b>Propane</b>						
AmeriGas Partners	2.0x	1.0x	36.3%	2.6x	11.0x	
Cornerstone Propane Partners	0.7	0.5	38.1	2.1	16.8	
Ferrellgas Partners	1.8	0.8	39.5	2.4	11.3	
Heritage Propane Partners	1.5	0.8	44.0	2.3	12.4	
National Propane Partners	1.1	0.6	34.9	2.5	13.0	
Star Gas Partners	1.4	0.9	40.3	3.0	10.2	
Suburban Propane Partners	0.8	0.6	38.8	2.7	12.0	
PROPANE MEAN	1.3X	0.7X	38.8%	2.5X	12.4X	
PROPANE MEDIAN	1.4	0.8	38.8	2.5	12.0	
<b>Timber</b>						
Crown Pacific Partners, L.P	1.2x	0.9x	35.9%	2.9x	10.5x	
Plum Creek Timber, L.P./(10)/	1.8	1.3	28.2	4.2	10.3	
U.S. Timberlands, L.P./(11)/	NM	NM	45.1	1.2	17.3	
TIMBER MEAN	1.5X	1.1X	36.4%	2.7X	12.7X	
TIMBER MEDIAN	1.5	1.1	35.9	2.9	10.5	

- (1) Implied Market Value of Equity implies value of total equity based on value of public units.
- (2) Implied Market Capitalization equals Implied Market Value of Equity plus net debt and other long-term liabilities.
- (3) Based on most recent distribution declared on an annualized basis.
- (4) Indicated Distribution per Unit reflects an increased Quarterly

Distribution of \$1.05 as announced on October 23, 1997. The increased distribution is payable November 28, 1997, to unitholders of record on November 5, 1997.

- (5) Not pro forma for the announced merger with Santa Fe Pacific Pipeline. Indicated Distribution per Unit reflects an increased Quarterly Distribution of \$0.5625 as announced on January 15, 1998 and payable on February 17, 1998.
- (6) Indicated Distribution per Unit reflects an increased Quarterly Distribution of \$0.65 as announced on October 9, 1997. The increased distribution is payable November 14, 1997, to unitholders of record on October 31, 1997.
- (7) Indicated Distribution per Unit reflects an increased Quarterly Distribution of \$0.50 as announced on January 20, 1998. The increased distribution is payable February 13, 1998, to all holders of record of Preference Units and Common Units at the close of business on January 30, 1998.
- (8) Distributable Cash Flow is based upon income statement items adjusted for approximate 30% minority interest. Implied Market Value of Equity, Implied Market Capitalization and Market Cap/EBITDA are not adjusted. Indicated Distribution per Unit reflects an increased Quarterly Distribution of \$0.575 as announced on January 15, 1998. The increased distribution is payable February 13, 1998, to unitholders of record on January 30, 1998.
- (9) Indicated Distribution per Unit reflects an increased Quarterly Distribution of \$0.85 as announced on January 16, 1998. The increased distribution is payable February 6, 1998, to unitholders of record on January 30, 1998.
- (10) Implied Market Value of Equity and Implied Market Capitalization include market value of GP interest based on its share of distributions.
- (11) Pro forma for the Initial Public Offering 11/13/97, the Weyerhaeuser Acquisition, and for the refinancing of debt in connection with Ochoco Acquisition. Not pro forma for any Ochoco Acquisition revenue.

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Star Gas Partners, L. P.  
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EXHIBIT I

STEPS OF THE TRANSACTION AND TAX IMPLICATIONS

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Star Gas Partners, L. P.  
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STEPS OF THE TRANSACTION AND TAX IMPLICATIONS

-----  
Steps of the Transaction

- . STEP ONE: Star Gas Corp. merges into Petro. Petro obtains from Star Gas  
-----  
Corp. the GP units of MLP and OLP and MLP subordinated units. Petro transfers the GP units to an LLC. The subordinated units are designated Senior Subordinated Units.
- . STEP TWO: Petro transfers assets to MLP in exchange for additional  
-----  
Senior Subordinated Units so as to have a total number of Senior Subordinated Units equal in value to the value of the Petro Class A Common Stock held by the public.
- . STEP THREE: Petro exchanges all LLC shares for an equivalent value of  
-----

Class C shares held by Petro insiders.

- . STEP FOUR: The Petro insiders transfer their remaining Class A and Class  
-----  
C Stock to the MLP in exchange for Junior Subordinated Units.
  
- . STEP FIVE: OLP organized Newco. MLP transfers to OLP and OLP transfer to  
-----  
Newco, all Petro shares owned by the MLP, as acquired by MLP from the  
Petro insiders.
  
- . STEP SIX: Newco merges with and into Petro. Class A Shares owned by the  
-----  
public are changed into Senior Subordinated Units. Class A and Class C  
shares owned by Newco are canceled. Newco shares owned by OLP are  
changed into Class A Petro shares.

Corresponding Tax Implication

- . Tax free.
  
- . Tax free.
  
- . This triggers tax at Petro measured by the value of the LLC shares in  
excess of Petro's basis in them and tax at the Petro insider level  
measured by the value of the LLC shares in excess of their basis in the  
Petro shares surrendered.
  
- . Tax free.
  
- . Tax free.
  
- . This step is tax free to Newco and OLP. Petro will recognize gain equal  
to the value of the Senior Subordinated Units in excess of Petro's basis  
in them. The public shareholders will recognize gain (or loss) measured  
by the excess (or deficit) in value of the Senior Subordinated Units as  
compared to their basis in the Petro Class A Common Stock.



PRELIMINARY REPORT TO  
THE SPECIAL COMMITTEE OF GAS

A.G. EDWARDS & SONS, INC.  
INVESTMENT BANKING

April 28, 1998

TABLE OF CONTENTS

	Section -----
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Review of Events to Date.....	II
Summary of Transaction.....	III
Summary Observations.....	IV
Preliminary Report to the Special Committee.....	V

INTRODUCTION

TRANSACTION PROPOSAL    [\_]    During 1997, Gas ("Gas" or the "Company") and Oil ("Oil") discussed the idea of a possible business combination by and between Gas and Oil. The series of proposed transactions involved in such combination is referred to as the "Transaction".

A.G. EDWARDS' ENGAGEMENT    [\_]    A.G. Edwards & Sons, Inc. ("A.G. Edwards") has been engaged by the Special Committee (the "Special Committee") of the Board of Directors of Gas (the "Board") to act as its financial advisor with respect to the Transaction and to issue to the Board an opinion as to the fairness, from a financial point of view, to the common unitholders of Gas who are not affiliated with Oil (the "Common Unitholders"), of the Transaction (the "Fairness Opinion").

[\_]    The preparation of a fairness opinion is not susceptible to partial analyses or summary. In rendering its Fairness Opinion, A.G. Edwards will apply its judgment to a variety of complex analyses and assumptions. A.G. Edwards may give various analyses more or less weight than other analyses, and may deem various assumptions more or less probable than other assumptions. The assumptions made and the judgments applied by A.G. Edwards in rendering its opinion are not readily susceptible to description beyond that set forth in the written text of the Fairness Opinion itself.

INTRODUCTION  
(continued)

- AS PART OF ITS ENGAGEMENT, A.G. EDWARDS' ACTIVITIES INCLUDED, BUT WERE NOT LIMITED TO, THE FOLLOWING:
- A review of the preliminary structure of the Transaction (See Tab III -"Summary of Transaction");
  - A review of Gas' and Oil's historical financial statements and the financial projections of Gas and Oil (See Appendices A and B -"Overview of Oil and Gas," respectively);
  - A review of certain market data of Gas' Common Units and Oil's Common Stock (See Appendices A and B -"Overview of Oil and Gas," respectively);
  - An analysis of the pro forma financial statements of Gas giving effect to the Transaction (as proposed) (See Appendix C - "Pro Forma Ownership Analysis");
  - Conversations with PaineWebber regarding the nature and extent of development of the terms of the Transaction;
  - An investigation regarding current operations and future prospects of Gas and Oil, through interviews with members of Gas' and Oil's management, respectively (See Appendices A and B - "Overview of Oil and Gas," respectively);
  - A review of the industries in which Gas and Oil operate;
  - A review of the market data for stocks of public companies in the same or similar lines of business to Gas (See Appendix I - "Public Company Analysis");
  - Analyses of the Transaction using various valuation methodologies; and
  - Other analyses which it deemed necessary.

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INTRODUCTION  
(continued)

- NATURE OF INFORMATION REVIEWED AND PRESENTED
- A.G. Edwards relied upon and assumed, without independent verification, the accuracy and completeness of all financial and other information publicly available, or furnished to, or otherwise discussed with A.G. Edwards including financial statements and financial projections, as provided by management of Gas and Oil and Oil's financial advisor. With respect to financial projections and other information provided to or otherwise discussed with A.G. Edwards, A.G. Edwards assumed and was advised by the senior management of Gas and Oil, respectively, that such projections and other information were reasonably prepared on a basis that reflects the best currently available estimates and judgments of the senior management of Gas and Oil, respectively, as to the expected future financial performance of Gas and Oil, in each case on a stand-alone basis and after giving effect to the Transaction. A.G. Edwards was not engaged to, and did not, independently verify the information provided and performed no audit of assets or liabilities and no independent appraisal of assets or liabilities of either Gas or Oil. A.G. Edwards has relied upon the assurances of the management of Gas and Oil that they are not aware of any facts that would make such information inaccurate or misleading.
  - In performing its analyses, A.G. Edwards made numerous assumptions with respect to the propane distribution industry and the home heating oil distribution industry,

and general business and economic conditions which are beyond the control of Gas and Oil. The analyses performed by A.G. Edwards are not necessarily indicative of actual values or actual future results, which may be significantly more or less favorable than suggested by such analyses. Such analyses were prepared solely as part of A.G. Edwards' Preliminary Report to the Special Committee.

This presentation is for the private use of the Special Committee and may not be distributed to any other parties without A.G. Edwards' written permission.

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#### REVIEW OF EVENTS TO DATE

FEBRUARY 11  A.G. Edwards presents its qualifications to the Special Committee and its legal counsel.

MARCH 23  Special Committee engaged A.G. Edwards.

MARCH 23  A.G. Edwards met with members of Gas' and Oil's management and submitted preliminary data request list.

A.G. Edwards began due diligence with management and other representatives of Gas and Oil.

- Business
- Financial
- Accounting
- Other

MARCH 30  A.G. Edwards received data related to its preliminary data request list.

MARCH 30 - APRIL 27  A.G. Edwards continued the due diligence process with respect to Gas and Oil.

APRIL 28  Special Committee meeting to discuss the Transaction.

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#### SUMMARY OF TRANSACTION PRO FORMA GAS UNITS OUTSTANDING (IN THOUSANDS)

TO SIMPLIFY THE COMPLEXITY OF THE STEPS IN THE TRANSACTION, A.G. EDWARDS PREPARED A SUMMARY OF ITS UNDERSTANDING.  There are currently 6,355 Gas units outstanding comprised of 3,832 common units, 2,396 subordinated units and 127 general partner ("GP") units. The subordinated units and GP units are assets of Oil.

There are currently 26,563 shares of Oil common stock outstanding, comprised of public shareholders and "insiders." The public holds 17,160 Class A shares. The "insiders" hold 9,404 shares which include 6,795 Class A shares, 11 Class B shares and 2,598 Class C shares.

Each shareholder of Oil will receive a certain number of units in Gas such that the implied consideration paid for

each Oil share is \$3.15.

[\_] The publicly held 17,160 Class A shares will receive .1596 shares of newly created Senior Subordinated units (2,738 units in total) with an implied value of \$19.74/unit. This represents an implied purchase price of \$3.15/share for an implied total purchase price of \$54.1 million.

[\_] The "insiders" of Oil, who hold a total of 9,404 shares (comprised of A, B and C shares) will also receive \$3.15/share for a total of \$29.6 million. The consideration received by these shareholders will be funded by:

- (1) the distribution of existing units of Gas which are currently owned by Oil
  - [\_] all of the 127 GP units owned by Oil will be given as consideration at an implied value of \$21.28/unit, for a total of \$2.7 million.
  - [\_] 754 of the 2,396 Subordinated units owned by Oil will be given as consideration at an implied value of \$16.33/unit, for a total of \$12.3 million.
- (2) the distribution of newly-created units of Gas
  - [\_] to fund the remaining \$14.6 million of the \$29.6 million due to the Oil "insiders", Gas will issue 559 newly-created Senior Subordinated units and 168 newly-created GP units. The implied values for these new units are \$19.74 and \$21.28, respectively.

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Merger Premiums to Market Value Analysis  
 Mergers with Target Price Equal to or Less than \$5 per Share  
 Announced and Completed 1/1/96-10/9/98

Date Announced	Date Effective	Target Name	Target Business Description	Acquiror Name
01/10/96	06/26/96	American Resource Corp	Gold mining company	REA Gold Corp
01/18/96	08/23/96	AMSERV Healthcare Inc	Pvd temp nursing employment	Star Multi Care Services Inc
01/23/96	05/09/96	Portage Industries Corp	Mnfr extruded plastic sheets	Spartech Corp
02/05/96	09/30/96	Customedix Corp	Mnfr dental, medical products	CUS Acquisitions Inc
02/13/96	07/12/96	Medical Innovations Inc	Pvd home health care services	Horizon/CMS Healthcare Corp
02/15/96	04/29/96	LDI Corp	Computer equip leasing svcs	NationsBank Corp, Charlotte, NC
02/28/96	07/11/96	Salton/Maxim Housewares Inc	Mnfr electric housewares, fans	Windmere Corp
03/13/96	09/27/96	DeSoto Inc	Mnfr paints and detergents	Keystone Consolidated Inds Inc
04/16/96	05/31/96	CIS Technologies Inc	Manufacture computers	National Data Corp
04/22/96	06/04/96	Cornerstone Natural Gas Co	Natural gas distribution svcs	El Paso Field Svcs(El Paso)
05/03/96	03/17/98	Homeowners Group Inc	Real estate, insurance agency	Cross Country Group Inc
05/06/96	09/03/96	Transisco Industries Inc	Mnfr, service railroad equip	Trinity Industries Inc
05/07/96	09/03/96	NMR of America Inc	Pvd. medical equip leasing svcs	Medical Resources Inc
05/13/96	08/30/96	MDT Corp	Mnfr sterility assurance equip	Getinge Industries AB
05/15/96	09/10/96	Carlisle Plastics Inc	Mnfr, whl plastic prods, resins	Tyco International Ltd
06/03/96	01/09/97	Bio-Dental Technologies Corp	Provide dental research svcs	Zila Inc
06/10/96	07/22/96	Systeme Med Inc	Pvd medical services	Merck-Medco Managed Care Inc
06/11/96	09/03/96	Computer Identics Corp	Manufacture bar code scanners	Robotic Vision Systems Inc
06/17/96	10/07/96	Scanforms Inc	Mnfr business forms	Big Flower Press Holdings Inc
06/21/96	08/23/96	Computer Identics Corp	Information retrieval svcs	United Communications Group
06/24/96	12/05/96	MEM Co	Manufacture toiletries	Renaissance Cosmetics Inc
07/31/96	11/13/96	Calgene Inc	Own and operate greenhouse	Monsanto Co
08/13/96	02/27/97	LaTex Resources Inc	Oil and gas expln, prodn	Alliance Resources PLC
09/10/96	01/03/97	GreenStone Industries Corp	Manufacture stationery	Louisiana-Pacific Corp
09/11/96	03/04/97	Chempower Inc	Insulation, asbestos abatement	American Eco Corp
09/16/96	12/06/96	Proler International Corp	Whl scrap metals & metals	Schnitzer Steel Industries Inc
09/26/96	01/24/97	General Physics Corp	Provide training services	National Patent Development
10/02/96	12/27/96	Software Publishing Corp	Develop software	Allegro New Media
10/03/96	11/12/97	Pittencrieff Communications	Pvd radiotelephone commun svcs	Nextel Communications Inc
10/04/96	12/31/96	Pet Food Warehouse Inc	Own, op pet food stores	Petco Animal Supplies Inc
10/30/96	12/20/96	Pacific Rehab & Sports Med	Own, op rehab hospital	Horizon/CMS Healthcare Corp
11/05/96	03/14/97	Panatech Research & Development	Manufacture semiconductors	Harbour Group Ltd
11/25/96	02/28/97	American Studios Inc	Pvd photography services	PCA International Inc
12/06/96	03/18/97	MaxServ Inc (Sears Roebuck)	Pvd technical info support svc	Sears Roebuck & Co
12/09/96	02/28/97	Houston Biotechnology Inc	Mnfr monoclonal antibodies	Medarex Inc
01/24/97	07/02/97	INCSTAR Corp (Sorin Biomedical)	Mnfr diagnostic substances	American Standard Inc
01/28/97	05/21/97	Calgene Inc (Monsanto Co)	Own and operate greenhouse	Monsanto Co
01/30/97	08/12/97	AST Research Inc	Mnfr computers; dvlp software	Samsung electronic Co Ltd
02/07/97	08/01/97	MS Financial (MS Diversified)	Pvd financial credit services	Search Financial Services Inc
02/11/97	07/31/97	Serv-Tech Inc	Maintenance and cleaning svcs	Philip Environmental Inc
03/04/97	06/27/97	Audio King Corp	Own, op consumer electn stores	Ultimate electronic Inc
04/15/97	06/30/97	Kurzweil Applied Intelligence	Electronic computing equip	Lernout & Hauspic speech
04/30/97	07/25/97	Arden Industrial Products Inc	Whl fasteners	Park-Ohio Industries Inc
05/01/97	08/01/97	Cryenco Sciences Inc	Mnfr liquid gas storage tanks	Chart Industries Inc
05/08/97	09/10/97	Imex Medical Systems Inc	Mnfr fetal diagnostic instr	Nicolet Biomedical Inc
06/16/97	09/30/97	Frederick's of Hollywood, Inc	Women's clothing stores	Investor Group

06/24/97	07/25/97	Jillians Entertainment Corp	Own, op billiard clubs	JW Childs Equity Partners LP
07/23/97	12/02/97	Rudy's Restaurant Group	Own and operate restaurants	Benhana Inc
08/01/97	09/26/97	Community Care of America Inc	Own, op nursing homes	Integrated Health Services Inc
08/07/97	12/02/97	Magnetic Technologies Corp	Manufacture copiers, printers	SPS Technologies Inc
08/14/97	12/31/97	Allied Capital Advisers Inc	Investment advisory svcs	Allied Capital Lending Corp
09/02/97	12/03/97	Ground Round Restaurants	Own and operate restaurants	GRR Holdings LLC
09/04/97	12/30/97	Cinergi Pictures Entertainment	Pvd motion picture prodn svcs	Investor Group
09/26/97	09/26/97	Laclede Steel Co	Own, operate steel works	Birmingham Steel Corp
10/10/97	01/07/98	Puro Water Group Inc	Whl bottled water	United States Filter Corp
10/13/97	03/19/98	Integrated Brands Inc	Produce ice cream	Yogen Fuz World-Wide Inc
11/03/97	02/25/98	Individual Inc	Pvd on-line info retrieval svc	Desktop Data Inc
11/04/97	01/12/98	ComputerVision Corp	Mnfr computers, peripherals	Parametric Technology Corp
11/12/97	03/03/98	PureTec Corp	Manufacture plastic products	Tekni-Plex Inc
11/24/97	01/07/98	General Host Corp	Own, op specialty retail stores	Cypress Group LLC
12/02/97	03/17/98	Staadyn Inc	Mnfr electromedical equipment	Rehabicare Inc
12/12/97	02/13/98	Impact Systems Inc	Paper prodn control systems	Voith Sulzer Paper Technology
12/12/97	09/10/98	Timber Lodge Steakhouse Inc	Own, op restaurants	Santa Barbara Restaurant Group
12/15/97	02/24/98	MetroGolf Inc	Own, op golf courses	Family Golf Centers Inc
12/22/97	05/20/98	Artistic Greetings Inc	Mnfr personalized stationery	MDC Communications Corp

Date Announced	Date Effective	Target Name	Acquiror Business Description	Value of Transaction (\$ mil)	Enterprise Value (\$ mil)
01/10/96	06/26/96	American Resource Corp	Gold mining company	77.5	76.353
01/18/96	08/23/96	AMSERV Healthcare Inc	Pvd home health care services	9.2	7.895
01/23/96	05/09/96	Portage Industries Corp	Manufacture Plastic products	15.8	17,540
02/05/96	09/30/96	Customedix Corp	Investment company	3.6	15,103
02/13/96	07/12/96	Medical Innovations Inc	Pvd nursing care services	30.3	41,725
02/15/96	04/29/96	LDI Corp	Bank bldg co; pvd finl svcs	28.1	288,893
02/28/96	07/11/96	Salton/Maxim Housewares Inc	Mnfr personal care appliances	21.1	53,442
03/13/96	09/27/96	DeSoto Inc	Manufacture steel wire	36.1	40,529
04/16/96	05/31/96	CIS Technologies Inc	Pvd homeowner membership svcs	99.3	112,471
04/22/96	06/04/96	Cornerstone Natural Gas Co	Own, op diagnostic imaging ctrs	96.6	97,614
05/03/96	03/17/98	Homeowners Group Inc	Pvd homeowner membership svcs	11.4	14,968
05/06/96	09/03/96	Transisco Industries Inc	Mnfr transp equip,parts	44.7	51,126
05/07/96	09/03/96	NMR of America Inc	Own,op diagnostic imaging ctrs	40.4	57,369
05/13/96	08/30/96	MDT Corp	Mnfr sterilizing equipment	70.3	69,457
05/15/96	09/10/96	Carlisle Plastics Inc	Mnfr fire protection systems	122.4	273,282
06/03/96	01/09/97	Bio-Dental Technologies Corp	Mnfr,whl pharmaceuticals	40.3	48,477
06/10/96	07/22/96	Systemed Inc	Health insurance company	64.8	60,646
06/11/96	09/03/96	Computer Identics Corp	Mnfr 2-D,3-D vision-based sys	42.0	40,881
06/17/96	10/07/96	Scanforms Inc	Pvd advertising,marketing svcs	27.5	15,661
06/21/96	08/23/96	Computer Identics Corp	Publish newsletters	12.0	11,548
06/24/96	12/05/96	MEM Co	Investor group	38.2	29,577
07/31/96	11/13/96	Calgene Inc	Mnfr agro chems,manmade fibers	50.0	584,080
08/13/96	02/27/97	LaTex Resources Inc	Oil and gas exploration, prodn	27.1	44,759
09/10/96	01/03/97	GreenStone Industries Corp	Mnfr lumber,plywood,pulp	29.2	40,823
09/11/96	03/04/97	Chempower Inc	Pvd engineering services	50.0	36,189
09/16/96	12/06/96	Proler International Corp	Manufacture steel products	42.5	68,146
09/26/96	01/24/97	General Physics Corp	Mnfr contact lenses	26.1	70,360
10/02/96	12/27/96	Software Publishing Corp	Pvd software services	25.2	8,786
10/03/96	11/12/97	Pittencrieff Communications	Pvd cellular telephone svcs	158.4	159,860
10/04/96	12/31/96	Pet Food Warehouse Inc	Own and operate pet stores	60.7	55,986
10/30/96	12/20/96	Pacific Rehab & Sports Med	Pvd nursing care services	72.7	75,706
11/05/96	03/14/97	Panatech Research & Development	Mnfr steel cutting tools	29.2	26,218
11/25/96	02/28/97	American Studios Inc	Pvd photo processing services	66.3	67,650
12/06/96	03/18/97	MaxServ Inc (Sears Roebuck)	Mnfr steel Department stores; finl svcs	46.0	87,263
12/09/96	02/28/97	Houston Biotechnology Inc	Manufacture pharmaceuticals	8.6	8,700
01/24/97	07/02/97	INCSTAR Corp (Sorin Biomedical)	Transportation, building prod	106.3	102,865
01/28/97	05/21/97	Calgene Inc (Monsanto Co)	Mnfr agro chems, manmade fibers	242.6	567,548
01/30/97	08/12/97	AST Research Inc	Mnfr consumer electronics	495.8	558,108
02/07/97	08/01/97	MS Financial (MS Diversified)	Pvd business credit services	17.2	102,602
02/11/97	07/31/97	Serv-Tech Inc	Provide waste management svcs	73.4	54,956
03/04/97	06/27/97	Audio King Corp	Own, op radio, TV, electn stores	6.0	12,363
04/15/97	06/30/97	Kurzweil Applied Intelligence	Mnfr speech tech products	51.3	50,852
04/30/97	07/25/97	Arden Industrial Products Inc	Mnfr forged and machined parts	42.0	44,995
05/01/97	08/01/97	Cryenco Sciences Inc	Mnfr process control instmnts	19.2	27,904
05/08/97	09/10/97	Imex Medical Systems Inc	Investment company	9.3	10,238
06/16/97	09/30/97	Frederick's of Hollywood, Inc	Investor group	69.4	57,007
06/24/97	07/25/97	Jillians Entertainment Corp	Investment company	4.7	7,007
07/23/97	12/02/97	Rudy's Restaurant Group	Own and operate restaurants	18.8	18,936
08/01/97	09/26/97	Community Care of America Inc	Pvd specialty healthcare svcs	94.0	89,996
08/07/97	12/02/97	Magnetic Technologies Corp	Mnfr industrial fasteners	16.8	15,984
08/14/97	12/31/97	Allied Capital Advisers Inc	Closed-end mgmt investment co	49.5	44,111
09/02/97	12/03/97	Ground Round Restaurants	Investment company	17.5	56,945
09/04/97	12/30/97	Cinergi Pictures Entertainment	Investor group	16.3	59,794
09/26/97	09/26/97	Laclede Steel Co	Manufacture steel, steel prod	15.0	131,767
10/10/97	01/07/98	Puro Water Group Inc	Mnfr water treatment equip	25.7	30,186
10/13/97	03/19/98	Integrated Brands Inc	Produce frozen yogurt	46.8	51,274
11/03/97	02/25/98	Individual Inc	Pvd info retrieval svcs	86.8	79,390
11/04/97	01/12/98	ComputerVision Corp	Develop, wholesale software	250.3	460,128
11/12/97	03/03/98	PureTec Corp	Mnfr plastic	324.6	281,484
11/24/97	01/07/98	General Host Corp	Investment bank	326.2	278,128
12/02/97	03/17/98	Staadyn Inc	Mnfr electromedical equip	22.5	22,867
12/12/97	02/13/98	Impact Systems Inc	Provide paper tech dvlp svcs	28.6	28,467
12/12/97	09/10/98	Timber Lodge Steakhouse Inc	Own, op fast food restaurants	30.4	30,925
12/15/97	02/24/98	MetroGolf Inc	Own and operate golf courses	6.6	18,428
12/22/97	05/20/98	Artistic Greetings Inc	Provide marketing services	33.6	35,618

Date Announced	Date Effective	Target Name	Premium				
			1 Day Prior to Ann. Date	1 Week Prior to Ann. Date	4 Weeks Prior to Ann. Date	3 Months Prior to Ann. Date	1 Year Prior to Ann. Date
01/10/96	06/26/96	American Resource Corp	30.77	23.50	27.03		
01/18/96	08/23/96	AMSERV Healthcare Inc	14.56	27.29	20.59	(4.67)	20.42
01/23/96	05/09/96	Portage Industries Corp	46.67	78.98	78.98	134.67	193.33
02/05/96	09/30/96	Customedix Corp	22.58	26.67	5.56	19.00	(18.98)
02/13/96	07/12/96	Medical Innovations Inc	13.85	18.40	5.71	5.71	37.67
02/15/96	04/29/96	LDI Corp	31.20	21.48	49.09	26.15	5.81
02/28/96	07/11/96	Salton/Maxim Housewares Inc	(0.19)	12.84	3.81	1.65	(9.05)

03/13/96	09/27/96	DeSoto Inc	65.41	53.00	80.00	118.57	53.00
04/16/96	05/31/96	CIS Technologies Inc	50.50	30.16	30.16	(5.57)	33.78
04/22/96	06/04/96	Cornerstone Natural Gas Co	28.00	29.73	100.00	134.15	182.35
05/03/96	03/17/98	Homeowners Group Inc	22.07	26.77	93.88	135.43	17.71
05/06/96	09/03/96	Transcisco Industries Inc	15.56	36.84	28.40	57.58	271.43
05/07/96	09/03/96	NMR of America Inc	41.43	86.79	90.39	98.08	37.56
05/13/96	08/30/96	MDT Corp	12.82	22.22	4.76	15.79	(6.38)
05/15/96	09/10/96	Carlisle Plastics Inc	38.20	38.20	41.83	73.94	31.51
06/03/96	01/09/97	Bio-Dental Technologies Corp	64.99	43.28	109.42	194.49	65.09
06/10/96	07/22/96	Systemed Inc	(4.00)	4.35	9.09	(23.81)	(56.36)
06/11/96	09/03/96	Computer Identics Corp	63.11	54.53	54.53	72.71	19.84
06/17/96	10/07/96	Scanforms Inc	61.40	61.40	58.62	70.37	130.00
06/21/96	08/23/96	Computer Identics Corp	28.33	46.67	71.11	105.33	208.00
06/24/96	12/05/96	MEM Co	13.21	81.82	90.48	93.55	114.29
07/31/96	11/13/96	Calgene Inc	64.10	80.28	39.13	31.96	14.29
08/13/96	02/27/97	LaTex Resources Inc	181.14	202.77	181.14	228.00	107.16
09/10/96	01/03/97	GreenStone Industries Corp	33.33	52.73	58.49	42.37	50.00
09/11/96	03/04/97	Chempower Inc	48.06	48.06	45.88	50.30	65.33
09/16/96	12/06/96	Proler International Corp	132.26	125.00	148.28	33.33	9.09
09/26/96	01/24/97	General Physics Corp	16.57	31.61	36.00	23.64	45.71
10/02/96	12/27/96	Software Publishing Corp	14.86	10.90	60.80	(88.09)	
10/03/96	11/12/97	Pittencrieff Communications	8.95	14.40	30.74	(13.08)	29.14
10/04/96	12/31/96	Pet Food Warehouse Inc	22.93	26.00	48.24	48.24	57.50
10/30/96	12/20/96	Pacific Rehab & Sports Med	67.74	62.50	48.57	60.00	6.12
11/05/96	03/14/97	Panatech Research & Development	55.56	55.56	51.35		
11/25/96	02/28/97	American Studios Inc	90.48	110.53	166.67	(65.28)	(73.33)
12/06/96	03/18/97	MaxServ Inc (Sears Roebuck)	19.23	67.57	55.00	67.57	129.63
12/09/96	02/28/97	Houston Biotechnology Inc	52.00	62.13	52.00	(93.01)	(92.05)
01/24/97	07/02/97	INCSTAR Corp (Sorin Biomedical)	42.93	53.21	68.53		
01/28/97	05/21/97	Calgene Inc (Monsanto Co)	62.03	60.00	60.00	60.00	42.22
01/30/97	08/12/97	AST Research Inc	16.76	8.00	20.00	23.43	(31.43)
02/07/97	08/01/97	MS Financial (MS Diversified)	20.00	46.67	10.00	1.54	(70.67)
02/11/97	07/31/97	Serv-Tech Inc	32.00	60.00	88.57	129.57	12.34
03/04/97	06/27/97	Audio King Corp	60.00	68.00	68.00	68.00	(18.05)
04/15/97	06/30/97	Kurzweil Applied Intelligence	83.83	69.69	66.49	84.00	63.56
04/30/97	07/25/97	Arden Industrial Products Inc	41.18	50.00	37.14	20.00	26.32
05/01/97	08/01/97	Cryenco Sciences Inc	69.23	76.00	72.55	41.94	(26.67)
05/08/97	09/10/97	Imex Medical Systems Inc	7.90	2.76	2.76	(30.32)	(32.50)
06/16/97	09/30/97	Frederick's of Hollywood, Inc	48.85	44.47	25.95	93.75	85.07
06/24/97	07/25/97	Jillians Entertainment Corp	14.29	77.78	45.46	220.00	166.67
07/23/97	12/02/97	Rudy's Restaurant Group	50.94	70.21	72.04	60.00	5.26
08/01/97	09/26/97	Community Care of America Inc	23.08	18.52	88.24	68.42	(48.39)
08/07/97	12/02/97	Magnetic Technologies Corp	25.00	25.00	33.33	42.86	33.33
08/14/97	12/31/97	Allied Capital Advisers Inc	10.41	4.68	10.41	8.97	(28.00)
09/02/97	12/03/97	Ground Round Restaurants	10.00	10.00	(5.71)	14.78	(34.00)
09/04/97	12/30/97	Cinergi Pictures Entertainment	26.90	24.75	56.60	236.00	26.00
09/26/97	09/26/97	Laclede Steel Co	106.45	106.45	106.45	113.33	88.24
10/10/97	01/07/98	Puro Water Group Inc	33.95	47.69	44.00	44.00	
10/13/97	03/19/98	Integrated Brands Inc	69.94	106.35	167.50	501.33	381.07
11/03/97	02/25/98	Individual Inc	0.92	14.93	(7.02)	47.71	(6.00)
11/04/97	01/12/98	ComputerVision Corp	28.31	69.92	18.63	14.33	(55.09)
11/12/97	03/03/98	PureTec Corp	28.74	34.94	31.77	143.48	69.70
11/24/97	01/07/98	General Host Corp	60.00	62.96	79.59	51.72	77.69
12/02/97	03/17/98	Staadyn Inc	47.38	47.38	89.49	100.45	152.95
12/12/97	02/13/98	Impact Systems Inc	57.14	49.15	44.26	69.23	109.52
12/12/97	09/10/98	Timber Lodge Steakhouse Inc	74.13	74.13	81.19	94.32	139.43
12/15/97	02/24/98	MetroGolf Inc	20.00	20.00	(11.11)	(25.00)	(75.51)
12/22/97	05/20/98	Artistic Greetings Inc	28.45	47.10	52.00	47.10	21.60

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SUMMARY OF GAS UNITS OUTSTANDING  
PRE-FINANCING ASSUMPTIONS

Type of Units	Current	Distributed to Oil		Issued to Oil		Retired	Pro Forma
		Public	Insiders	Public	Insiders		
Common	3,832	-	-	-	-	-	3,832
Senior Subordinated	-	-	-	2,738	559	-	3,297
Subordinated	2,396	-	754	-	-	1,642	754
General Partner (a)	127	-	127	-	168	-	295
	6,355						8,178

(a) The number of GP units issued reflect the assumption of a 6,587 common unit equity offering to refinance certain of the assumed Oil debt. Hence, the number of GP units reflected in the pro forma column do not equal 2% of the pro forma outstanding units shown above but do equal exactly 2% of the pro forma units outstanding on a post financing basis.

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IMPLIED EQUITY VALUE OF OIL'S ASSETS  
(units in thousands, \$ in millions, except per unit amounts)

Event	Purchase Price of Oil's Equity		Purchase Price of Oil's Equity	
	Value of Securities Paid to Oil Shareholders		Equity Value of Oil's Heating Oil Assets	Value of Oil's GP and Subordinated Units in Star
Issuance of Senior Subordinated Units to Public Oil Shareholders	2,738 x \$19.74	\$54.1	\$54.1	-
Distribution of General Partner Unit to Inside Oil Shareholders	127 x \$21.28	\$2.7	-	\$2.7
Distribution of Subordinated Units to Inside Oil Shareholders	754 x \$16.33	\$12.3	-	\$12.3
Issuance of General Partner Units to Inside Oil Shareholders	168 x \$21.28	\$3.6	\$3.6	-
Issuance of Senior Subordinated Units to Inside Oil Shareholders	559 x \$19.74	\$11.0	\$11.0	-
Retire Subordinated Units				1,642 x \$16.33
			(\$26.8)	\$26.8
Total		\$83.7	\$41.8	\$41.8
		\$83.7	\$83.7	

Divided by 26.563 shares of Oil's Common stock = \$3.15 per share

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SUMMARY OBSERVATIONS

COMPARATIVE STOCK PRICE PERFORMANCE

[ ] A.G. Edwards has compared the historical prices of Gas' and Oil's common unit/stock to an index of selected companies. (See Appendix E - "Exchange Ratio Analysis.")

[ ] While Gas' unit price has remained relatively flat over the last two years, in line with the comparable index, Oil's stock price has declined significantly over this period.

COMPARATIVE STOCK PRICE PERFORMANCE

	Premium of Current Price to Price					
	Current Price (b)	2 Years Prior	1 Year Prior	180 Days Prior	60 Days Prior	30 Days Prior
Gas	21.94	5.1%	1.4%	-2.0%	-6.2%	-0.3%
Oil	1.63	-76.8%	-45.8%	-48.1%	-35.0%	-0.9%
Composite (a)	21.96	-2.2%	6.4%	-5.4%	-4.4%	1.3%

(a) Composite index includes the following companies: APU, CNO, HPG, EGP, NPL, SPH.  
(b) As of 4/22/98

SUMMARY OBSERVATIONS  
(continued)

PREMIUM PAID ANALYSIS

[\_] A.G. Edwards calculated the implied equity purchase price of Oil and compared the premium to Oil's current and historical prices. These premiums were compared to premiums paid in "Merger of Equals" transactions. (See Appendix D -"Premium Paid Analysis.")

	Mergers of Equals		
	Oil	Median	Adj. Mean (a)
Premium to stock price one day prior	93.8%	9.3%	10.1%
Premium to stock price one week prior	97.6%	10.0%	8.0%
Premium to stock price one month prior	101.6%	6.5%	6.5%

(a) Adjusted mean excludes highest and lowest data points.

SUMMARY OBSERVATIONS  
(continued)

EXCHANGE RATIO ANALYSIS

[\_] A.G. Edwards reviewed the historical prices of Gas' and Oil's common unit/stock and the implied exchange ratio and compared them to the proposed Exchange Ratio of 6.96x, which represents the proposed Oil price of \$3.15/share and Gas price of \$21.94/unit. (See Appendix E - "Exchange Ratio Analysis.")

[\_] Due to the price decline of Oil's common stock over the past year, the current exchange ratio, based upon the current unit/share prices of Gas and Oil (\$21.938 and \$1.625, respectively, as of April 22, 1998), represents a premium of 93.8% to the current market price of Oil.

[\_] Relative to current prices, the exchange ratio at \$3.15 is low, however, it is in line with the average prices of the companies' equity over the past two years.

[GRAPH APPEARS HERE]

SUMMARY OBSERVATIONS  
(continued)

TRANSACTION MULTIPLE ANALYSIS

[\_] A.G. Edwards calculated the implied



transaction multiple paid for Oil on a firm valuation basis, including costs and certain adjustments associated with the Transaction, and arrived at the following multiples:

EBITDA -----	Multiple -----
1997 Adjusted	9.1x
Adjusted 1998 Budget	10.2x
1999 Projected	7.6x

(See Appendix F - "Transaction Multiple Analysis.")

- [\_] A.G. Edwards calculated the implied transaction multiple paid for Oil's existing heating oil business, excluding the valuation attributable to consolidation opportunities, and arrived at the following multiples:

EBITDA -----	Multiple -----
1997 Adjusted	6.1x
Adjusted 1998 Budget	6.9x
1999 Projected	5.1x

(See Appendix F - "Transaction Multiple Analysis.")

- [\_] Oil has historically paid EBITDA multiples averaging 4.5x, with a range of 2.7x to 6.5x, for its acquisitions.
- [\_] Gas has historically paid EBITDA multiples averaging 7.0x, with a range of 5.1x to 7.3x, for its acquisitions.

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SUMMARY OBSERVATIONS  
(continued)

RELATIVE CONTRIBUTION ANALYSIS

- [\_] A.G. Edwards reviewed and compared the relative contribution of Gas and Oil to the pro forma combined equity based upon 1996, 1997, 1998E and 1999E EBITDA. (See Appendix G - "Relative Contribution Analysis") Other measures of relative contribution analysis were non-meaningful.
- [\_] For Gas' contribution of approximately 34% of the combined entity's EBITDA(a), it will receive approximately 37% of the implied firm value.

[GRAPHS APPEAR HERE]

---

(a) For purposes of its analysis, A.G. Edwards converted Oil's historical December 31st fiscal year-end to a September 30th fiscal year-end for comparison purposes. Oil's projections are based on a December 31st calendar year end. Other measures of relative contribution analysis are non-

- meaningful.
- (b) Includes only heating oil EBITDA for Oil.
  - (c) Firm value for all of Oil.
  - (d) Implied firm value of only Oil's heating oil assets.

Summary Observations  
(continued)

Accretion/Dilution Analysis

- [\_] A.G. Edwards reviewed the distributable cash flow per unit and the related accretion, common unit coverage and total unit coverage on a pro forma basis (See Appendix H - "Accretion/Dilution Analysis").
- [\_] For the purpose of this analysis, A.G. Edwards had PaineWebber run its pro forma financial model for six scenarios to determine the sensitivity of certain assumptions.

Base Case		
-----		
	4.1% Attrition	
Gas	\$0.01 Margin growth	
	-----	
	Stand-alone \$30.0mm at 4.75x Acquisitions	
	-----	
DCF per unit		
1998E (a)	\$1.270	\$1.570
1998N (b)	1.930	2.190
1999P	2.250	3.200
Accretion/Dilution		
1998E (a)		23.6%
1998N (b)		13.5%
1999P		42.2%
Common unit coverage		
1998E (a)	0.94x	0.99x
1998N (b)	1.42	1.38
1999P	1.66	1.93
Total unit coverage		
1998E (a)	0.58x	0.71x
1998N (b)	0.88	0.99
1999P	1.02	1.39

Sensitivity Cases					
-----					
	Attrition		Margin Growth		Acquisitions
	6.00%	2.00%	\$0.000	\$0.015	\$50mm at 5.75
	-----	-----	-----	-----	-----
DCF per unit					
1998E (a)	\$1.570	\$1.570	\$1.570	\$1.570	\$1.570
1998N (b)	2.190	2.190	2.190	2.190	2.190
1999P	3.080	3.330	2.910	3.350	3.480
Accretion/Dilution					
1998E (a)	23.6%	23.6%	23.6%	23.6%	23.6%
1998N (b)	13.5%	13.5%	13.5%	13.5%	13.5%
1999P	36.9%	48.0%	29.3%	48.9%	54.7%

Common Unit Coverage					
1998E (a)	0.99x	0.99x	0.99x	0.99x	0.99x
1998N (b)	1.38	1.38	1.38	1.38	1.38
1999P	1.86	2.01	1.76	2.02	2.10
Total Unit Coverage					
1998E (a)	0.71x	0.71x	0.71x	0.71x	0.71x
1998N (b)	0.99	0.99	0.99	0.99	0.99
1999P	1.34	1.45	1.26	1.45	1.51

-----  
High Case  
-----

4.1% Attrition  
\$0.015 Margin growth  
\$50mm at 5.75x Acquisitions

DCT per unit	
1998E (a)	\$1.570
1998N (b)	2.190
1999P	3.640
Accretion/Dilution	
1998E (a)	23.6%
1998N (b)	13.5%
1999P	61.8%
Common unit coverage	
1998E (a)	0.99x
1998N (b)	1.38
1999P	2.20
Total unit coverage	
1998E (a)	0.71x
1998N (b)	0.99
1999P	1.58

(a) 1998 estimate assumes no acquisitions for either company, and is adjusted to reflect actual results through 3/31/98 .

(b) 1998 budgeted.

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Summary Observations  
(continued)

Public Company Analysis

[\_] A.G. Edwards compared certain financial and market information of Gas on both a stand-alone and pro forma basis to that of certain public master limited partnerships (See Appendix I -- Public Company Analysis").

Public Comparable Companies (a)

	Gas	Pro forma Gas	Public Company Medians	Public Company Ranges
Yield	10.0%	10.5%	9.6%	8.5% to 10.6%
Firm value/LTM EBITDA	12.7x (b)	10.8x (b)	12.5x	9.8x to 16.7x
Firm value/1998 normalized EBITDA	8.7x (c)	7.9x (c)	11.5x	10.3x to 13.7x
Equity Market Cap/LTM DCF	18.0x (d)	14.0x (d)	15.7x	9.4x to 25.5x
Equity Market Cap/1998 normalized DCF	9.7x (e)	7.5x (e)	13.9x	11.6x to 16.9x
LTM common unit coverage	0.9x (f)	1.0x (f)	1.4x	0.6x to 1.5x
1998E common unit coverage	1.7x (g)	1.8x (g)	1.4x	0.9x to 1.9x

LTM total unit coverage	0.6x (h)	0.7x (h)	0.7x	0.4x to 1.0x
1998E total unit coverage	1.0x (i)	1.3x (i)	0.7x	0.7x to 1.0x

- (a) Public comparable companies include: APU, CNO, FGP, HPG, CNL and SPH
- (b) Firm value/adjusted 1998 budget EBITDA.
- (c) Firm value/1999 estimated EBITDA.
- (d) Equity market cap/adjusted 1998 budget EBITDA.
- (e) Equity market cap/1999 estimated DCF.
- (f) Adjusted 1998 budget.
- (g) 1999 estimates.
- (h) Adjusted 1998 budget.
- (i) 1999 estimates.

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Summary Observations  
(continued)

DISCOUNTED CASH  
FLOW ANALYSIS

[\_] A.G. Edwards calculated the implied present value of estimated unlevered free cash flows for Gas on both a stand-alone and pro forma basis (See Appendix J -- "Discounted Cash Flow Analysis").

[\_] Key assumptions used in the analysis were:

- Oil maintaining a flat 4.1% attrition rate; relatively no margin improvement; and completing \$30 million in acquisitions each year at a 4.75x EBITDA multiple.
- A 7.9% weighted average cost of capital for both cases. (See Appendix B, page 24 and Appendix K, page 57).
- A 10.2x terminal EBITDA multiple, representing the current year normalized EBITDA.

DISCOUNTED CASH FLOW

(\$ in thousands)	Present Value	Current Net Debt (a)	Net Present Value of Equity	Original Common units/ Total units (b)	Equity value to Original Common Units (c)
Pro Forma	\$970,827	(\$297,334)	\$673,493	26.0%	\$174,793
Gas Stand-alone	\$329,620	(\$102,956)	\$226,664	60.3%	\$136,669
					Increase in value to original common unit holders: \$ 38,124

- (a) Represent total projected debt less cash as of 9/30/98.
- (b) Total units include common, subordinated and GP units.
- (c) Current market value of common units is \$84,065.

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SUMMARY OBSERVATIONS  
(continued)

POTENTIAL  
QUALITATIVE  
ADVANTAGES AND  
DISADVANTAGES TO  
GAS UNITHOLDERS

Advantages -----	Disadvantages -----
. Geographic diversification	. Market perception of heating oil
. Product diversification	. Impact of attrition on growth
. Critical mass	. MQD reserves & coverage
-acquisition programs	. Institutional ownership
-economies of scale	. Potential for NYSE listing
-investor profile	
-cross marketing	
. Market liquidity	

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PRELIMINARY REPORT TO GAS' SPECIAL COMMITTEE

[\_] A.G. Edwards has initiated a full diligence review of Oil and has updated its earlier reviews of Gas, including: visits to corporate headquarters; meetings with senior operations and financial officers; review of financial statements, projections, documents and information; evaluation and revision of alternative modeling of the Transaction with Oil's financial advisor; visit to Long Island calling center and meeting with Oil's former consultant and now Vice President; meeting with A.G. Edwards' equity research analyst covering MLP's; and other relevant inquiries regarding operations, acquisitions, financings and other matters.

[\_] A.G. Edwards preliminary diligence and work has resulted in certain tentative conclusions and observations regarding Oil and Gas which differ from its original expectations and perceptions, including:

- the anemic heating season in first quarter of calendar 1998 had a greater adverse impact on Gas than on Oil;
- Oil has made strides to implement key portions of Oil's plan and the McKinsey report, including corporate identification, customer communications and implementation of a service culture, regionalization, cross marketing arrangements and rationalization of the management team;
- although the El Nino affect distorted the first quarter of 1998, Oil's attrition was moderated and its pricing strategy was enhanced; and
- Gas has demonstrated an ability to make propane acquisitions on a tuck-in and market expansion basis, and has already agreed to acquire a heating oil business.

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PRELIMINARY REPORT TO GAS' SPECIAL COMMITTEE  
(continued)

[\_] Although A.G. Edwards does not presently have an adequate basis to form any opinion regarding the Transaction, A.G. Edwards does recommend that the Special Committee and its advisors proceed with its

careful consideration and evaluation of the proposed Transaction.

- [\_] A.G. Edwards requests that Joel Swanson, Esq. and Baker & Botts, LLP consult with Oil's attorneys regarding the proposed resolution of the myriad of legal issues involving tax, partnership and corporate compliance and the timing of the documentation of the Transaction in terms of definitive agreements, proxy statements and the like.
- [\_] A.G. Edwards perceives Gas as taking appropriate steps to assure procedural fairness of the Transaction including the appointment of the Special Committee, the engagement of counsel and financial advisor and the approval of the Transaction by the majority of Unitholders. The Special Committee should consider whether Oil should be obligated to take parallel action to assure procedural fairness.

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PRELIMINARY REPORT TO GAS' SPECIAL COMMITTEE  
(continued)

- [\_] A.G. Edwards suggests that the Special Committee's consideration of substantive fairness to the Common Unitholders should include an evaluation by the Special Committee and its advisors of:
  - whether Gas' partnership agreement should be amended to raise the future required minimum quarterly distribution ("MQD") for common unitholders and, if so, by how much and for what period(s);
  - whether the \$3.15 exchange ratio should be lowered and, if so, by how much;
  - whether the definitive agreements should be drafted consistent with the PaineWebber models so that any excess funds expended by Oil for debt refinancings and the Transaction fees in general should automatically reduce the aggregate consideration paid by Gas for the acquisition of Oil by an equal amount;
  - whether cash balances should be set aside for (a) the funding of any unearned MQD to be paid to the new unitholders, (b) the funding of Gas' surplus balance to account for the addition of new outstanding units, and (c) the funding of any off-balance sheet liabilities, such as pension or tax;
  - whether cash payments should be required for the issuance of new general partner interests and, if so, by how much; and
  - such other issues suggested by the members of the Special Committee and its counsel.
- [\_] A.G. Edwards recommends that the Special Committee communicate suggested revisions of the Transaction to management of Oil for their consideration.

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Appendices to

PRELIMINARY REPORT TO  
THE SPECIAL COMMITTEE OF GAS

A.G. EDWARDS & SONS, INC.  
INVESTMENT BANKING

April 28, 1998

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OVERVIEW OF OIL

- [\_] Oil is the largest retail distributor of home heating oil in the United States, serving approximately 350,000 customers in the Northeast and Mid-Atlantic states, including the metropolitan areas of Baltimore, Boston, New York City and Washington, D.C.
- [\_] Since 1979 Oil has been the principal consolidator in the industry, having acquired 188 retail heating oil distributors. As a result of these acquisitions, heating oil volume sold has increased from 59.4 million gallons in 1980 to 410.3 million gallons in 1997.
- [\_] Despite Oil's size, its customer base represents only approximately 5% of the residential home heating oil customers in the Northeast, uniquely positioning the company to continue its strategy of growth through acquisitions.
- [\_] Oil's strongest competitive advantage is clearly its size, particularly in relation to its competitors. Oil's size provides it significant

opportunities not afforded to most of the industry's small, local, family-owned businesses. These opportunities include attracting and retaining a professional management team, accessing and maintaining the latest developments in computer and communications technology, and achieving significant operating and marketing efficiencies.

[\_] Oil's primary goals currently include: reducing operating costs and increasing profitability; reducing customer attrition through a focus on attracting new customers (better structured, upgraded sales force, brand image, cross marketing agreements) and retaining existing customers (improving service and having all employees function as salespeople); and, given the financial wherewithal, exploit its ability to further consolidate the home heating oil market.

Page 1

Overview of Oil  
 Summary Financial Analysis  
 (\$ in thousands, except per share data)

```

-----
State of Incorporation: Minnesota           Market Price (4/22/98):           $1.625
Headquarters:         Stamford, CT           52-Week High - Low:             $3.875 - 1.438
Auditors:             KPMG Peat Marwick LLP      Shares Outstanding:              26,563 (a)
Primary Exchange:     NASDAQ                   Most Recent Fiscal Year End:    12/31/97
Primary Area of Focus: Northeast and Mid-Atlantic U.S.
  
```

Selected Data

Year	Total Revenues	EBITDA (c)	Net Loss to Common	Loss per Share	Distributable Cash Flow (d)	DCF per Share	Acquisition CapEx.
1994	\$ 546,677	\$ 55,387	(\$7,776)	(\$0.36)	\$ 28,020	\$ 1.29	\$ 26,411
1995	609,507	56,753	(26,742)	(1.06)	14,461	0.57	26,438
1996	608,161	42,070	(30,704)	(1.20)	6,158	0.24	28,493
1997	548,141	36,010	(27,543)	(1.06)	842	0.03	16,252
Proj- 1998 (e)		38,500					
Proj- 1999 (e)		51,657					

BOOK CAPITALIZATION

	(12/31/97)
Total Debt (b)	\$ 331,004
Total Stockholders' Equity	(177,033)
TOTAL	\$ 153,971

ESTIMATED FIRM VALUE

Market Value of Total Debt (b)	\$ 314,473
Market Value of Common (f)	43,347
TOTAL	\$ 357,819

Less: Cash and Equivalents (g)	11,740
NET FIRM VALUE	\$ 346,079

MULTIPLE ANALYSIS

CURRENT

Net Firm Value/ 97A EBITDA:	9.6X
Net Firm Value/ 98E EBITDA:	9.0
Net Firm Value/ 99E EBITDA:	6.7

PROPOSED \$3.15 PRICE

Net Firm Value/ 97A EBITDA:	11.1X
Net Firm Value/ 98E EBITDA:	10.3
Net Firm Value/ 99E EBITDA:	7.7

- (a) Includes Class A, B and C shares.
- (b) Includes debt and redeemable and exchangeable preferred stock.
- (c) EBITDA is defined as gross profit less SG&A expenses and direct delivery expense.
- (d) Represents EBITDA less interest expense, maintenance capital expenditures, and cash taxes.



- (e) Source: management's projections; 1998 EBITDA is before acquisitions, adjusted for actual 1Q results. See pages 9 to 13.
- (f) Calculated based on (Class A + Class C\* market price) + [(Class B\* (\$17.50+\$0.2763)]
- (g) Includes balance in the cash collateral account which is required by the company's credit agreement.

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OVERVIEW OF OIL  
SELECTED FINANCIAL DATA  
(\$ IN THOUSANDS)

	HISTORICAL YEARS ENDED DECEMBER 31,							
	1993	%	1994 (a)	%	1995 (a)	%	1996	%
Net sales	\$538,526	100.0%	\$546,677	100.0%	\$609,507	100.0%	\$608,161	100.0%
% Growth			1.5%		11.5%		-0.2%	
Cost of sales	366,810	68.1%	\$362,981	66.4%	387,825	63.6%	427,388	03.3
Gross profit	171,717	31.9%	183,696	33.6%	221,682	36.4%	180,773	29.7%
SG&A expenses	93,379	17.3%	95,314	17.4%	128,295	21.0%	105,601	17.4%
Direct delivery expense	29,902	5.6%	32,995	6.0%	36,634	6.0%	33,102	5.4%
Restructuring charges	-	-	-	-	-	-	1,150	0.2%
Corporate identity expenses	-	-	-	-	-	-	2,659	0.4%
Pension curtailment expense	-	-	-	-	-	-	557	0.1%
Amortization of customer lists	23,183	4.3%	19,748	3.6%	20,527	3.4%	18,611	3.1%
Depreciation of plant and equipment	5,933	1.1%	6,469	1.2%	12,374	2.0%	6,574	1.1%
Amortization of deferred charges	5,548	1.0%	6,177	1.1%	6,142	1.0%	4,760	0.8%
Provision for supplemental benefits	264	0.0%	373	0.1%	1,407	0.2%	873	0.1%
Operating income (loss)	13,509	2.5%	22,619	4.1%	16,303	2.7%	6,886	1.1%
Interest expense, net	(20,508)	-3.8%	(23,766)	-4.3%	(38,792)	-6.4%	(32,412)	-5.3%
Other income (expense)	(165)	0.0%	109	0.0%	218	0.0%	1,842	0.3%
Loss before income taxes, equity interest and extraordinary item	(7,164)	-1.3%	(1,038)	-0.2%	(22,271)	-3.7%	(23,684)	-3.9%
Income taxes	400	0.1%	600	0.1%	500	0.1%	500	0.1%
Loss before equity interest and extraordinary item	(7,564)	-1.4%	(1,638)	-0.3%	(22,771)	-3.7%	(24,184)	-4.0%
Share of income (loss) of Gas	-	0.0%	(1,973)	-0.4%	728	0.1%	2,283	0.4%
Extraordinary item-loss on early extinguishment of debt	(867)	-0.2%	(655)	-0.1%	(1,436)	-0.2%	(6,414)	-1.1%
Net loss	(8,431)	-1.6%	(4,266)	-0.8%	(23,479)	-3.9%	(28,315)	-4.7%
Preferred stock dividends	(3,367)	-0.6%	(3,510)	-0.6%	(3,263)	-0.5%	(2,389)	-0.4%
Net loss to common	(\$11,798)	-2.2%	(\$7,776)	-1.4%	(\$26,742)	-4.4%	(\$30,704)	-5.0%
Net loss per share	(\$0.55)		(\$0.36)		(\$1.06)		(\$1.20)	
Weighted average shares outstanding (b)	21,538		21,745		25,309		25,581	
EBITDA (c)	\$48,437	9.0%	\$55,387	10.1%	\$56,753	9.3%	\$42,070	6.9%
Adjusted net loss to common	(10,931)	-2.0% (d)	(7,121)	-1.3% (e)	(25,306)	-4.2% (f)	(22,583)	-3.7% (g)
Adjusted net loss per share	(\$0.51)		(\$0.33)		(\$1.00)		(\$0.88)	
Acquisition capital expenditures	\$15,399		\$26,411		\$26,438		\$28,493	
Maintenance capital expenditures (i)	3,000		3,000		3,000		3,000	
EBITDA/total assets	18.9%		13.9%		15.9%		15.3%	
Distributable cash flow	24,528		28,020		14,461		6,158	

	1997	%
Net sales	\$548,141	100.0%
% Growth	-9.9%	
Cost of sales	379,748	69.3%
Gross profit	168,393	30.7%
SG&A expenses	102,377	18.7%
Direct delivery expense	30,006	5.5%
Restructuring charges	2,850	0.5%
Corporate identity expenses	4,136	0.8%
Pension curtailment expense	654	0.1%
Amortization of customer lists	17,903	3.3%
Depreciation of plant and equipment	7,204	1.3%
Amortization of deferred charges	4,639	0.8%
Provision for supplemental benefits	565	0.1%
Operating income (loss)	(1,941)	4.0%
Interest expense, net	(31,668)	-5.8%
Other income (expense)	11,445	2.1%
Loss before income taxes, equity		

interest and extraordinary item	(22,164)	-4.0%
Income taxes	500	0.1%
-----		
Loss before equity interest and extraordinary item	(22,664)	-4.1%
Share of income (loss) of Gas	(235)	0.0%
-----		
Extraordinary item-loss on early extinguishment of debt	-	
-----		
Net loss	(22,899)	-4.2%
Preferred stock dividends	(4,644)	-0.8%
-----		
Net loss to common	(\$27,543)	-5.0%
=====		
Net loss per share	(\$1.06)	
=====		
Weighted average shares outstanding(b)	26,039	
EBITDA(c)	\$36,010	6.6%
Adjusted net loss to common	(35,439)	-6.5%(b)
Adjusted net loss per share	(\$1.36)	
=====		
Acquisition capital expenditures	\$16,252	
Maintenance capital expenditures(i)	3,000	
EBITDA/total assets	14.5%	
Distributable cash flow	842	

- (a) Gas operations consolidated into OIL.  
(b) Weighted shares do not include Class B shares.  
(c) Calculated as gross profit minus SG&A expense and direct delivery expense.  
(d) Excludes \$867 for early extinguishment of debt.  
(e) Excludes \$655 for early extinguishment of debt.  
(f) Excludes \$1,436 for early extinguishment of debt.  
(g) Excludes \$6,414 for early extinguishment of debt.  
(h) Excludes \$11,400 gals on sale of TLC.  
(i) Management's estimates.

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OVERVIEW OF OIL  
MARKET PRICE ANALYSIS

PRICE AND VOLUME  
12/15/95 - 4/22/98

[GRAPH APPEARS HERE]

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OVERVIEW OF OIL  
CLASS A COMMON STOCK TRADING HISTORY - VOLUME DISTRIBUTION  
1995 - 1998 (a)

Price Per Share	1995		1996		1997		1998 (a)	
	Volume	%	Volume	%	Volume	%	Volume	%
Greater Than \$9,400								
9.200	9,400	600	100.00%					
9.000	9,200	0	99.99%					
8.800	9,000	49,200	99.99%					
8.600	8,800	6,800	99.41%					
8.400	8,600	67,500	99.33%					
8.200	8,400	289,100	98.54%					
8.000	8,200	161,500	95.13%	1,600	100.00%			
7.800	8,000	873,500	93.22%	47,400	99.96%			
7.600	7,800	245,800	82.92%	236,200	98.87%			
7.400	7,600	193,300	80.02%	185,000	93.44%			
7.200	7,400	1,154,800	77.74%	822,300	89.19%			
7.000	7,200	5,190,500	64.12%	1,507,100	70.28%			
6.800	7,000	246,000	2.90%	815,300	35.63%			
6.600	6,800			498,500	16.88%			
6.400	6,600			129,300	5.42%	417,300	100.00%	
6.200	6,400			37,600	2.45%	526,900	96.34%	
6.000	6,200			44,100	1.58%	417,700	91.72%	
5.800	6,000			24,700	0.57%	110,200	88.06%	
5.600	5,800					868,000	87.09%	

	5.400	5.600		143,300	79.48%		
	5.200	5.400		92,600	78.22%		
	5.000	5.200		940,500	77.41%		
	4.800	5.000		142,200	69.16%		
	4.600	4.800		20,200	67.92%		
	4.400	4.600		13,900	67.74%		
	4.200	4.400		-	67.62%		
	4.000	4.200		-	67.62%		
	3.800	4.000		117,100	67.62%		
	3.600	3.800		370,600	66.59%		
	3.400	3.600		250,900	63.34%		
	3.200	3.400		1,236,200	61.14%		
PROPOSED EXCHANGE PRICE	3.000	3.200		1,652,500	50.30%		
	2.800	3.000		2,785,300	35.1%	130,000	100.00%
	2.600	2.800		788,500	11.39%	249,100	96.12%
	2.400	2.600		430,100	4.47%	270,800	88.69%
	2.200	2.400		79,800	0.70%	1,044,100	80.61%
	2.000	2.200				357,500	49.45%
	1.800	2.000				311,500	38.78%
CURRENT PRICE	1.600	1.800				277,900	29.48%
	1.400	1.600				710,000	21.19%
	Less Than	\$1.400					
Total Stock for Period			8,478,600	4,349,500	11,403,800	3,350,900	
Cumulative % of Total Traded			30.74%	15.77%	41.34%	12.15%	
% Traded of Current Stock Out (b)			35.39%	18.16%	47.61%	13.99%	
% Traded of Current Float (c)			70.15%	35.99%	94.36%	27.73%	
Wtd. Average Stock Price			\$7.31	\$7.07	\$3.90	\$2.09	

		1995 - 1998 (a)		
Price Per Share		Volume	%	
Greater Than	\$9,400			
9.200	9,400	600	100.00%	
9.000	9,200	-	100.00%	
8.800	9,000	49,200	100.00%	
8.600	8,800	6,800	99.82%	
8.400	8,600	67,500	99.79%	
8.200	8,400	289,100	99.55%	
8.000	8,200	163,100	98.50%	
7.800	8,000	920,900	97.91%	
7.600	7,800	482,000	94.57%	
7.400	7,600	378,300	92.82%	
7.200	7,400	1,977,100	91.45%	
7.000	7,200	6,697,600	84.29%	
6.800	7,000	1,061,700	60.00%	
6.600	6,800	498,500	56.15%	
6.400	6,600	546,600	54.35%	
6.200	6,400	564,500	52.37%	
6.000	6,200	461,800	50.32%	
5.800	6,000	134,900	48.64%	
5.600	5,800	868,000	48.16%	
5.400	5,600	143,300	45.01%	
5.200	5,400	92,600	44.49%	
5.000	5,200	940,500	44.15%	
4.800	5,000	142,200	40.74%	
4.600	4,800	20,200	40.23%	
4.400	4,600	13,900	40.15%	
4.200	4,400	-	40.10%	
4.000	4,200	-	40.10%	
3.800	4,000	117,100	40.10%	
3.600	3,800	370,600	39.68%	
3.400	3,600	250,900	38.34%	
3.200	3,400	1,236,200	37.43%	
PROPOSED EXCHANGE PRICE	3.000	3.200	1,652,500	32.94%
	2.800	3.000	2,915,300	26.95%
	2.600	2.800	1,037,600	16.38%
	2.400	2.600	700,900	12.62%
	2.200	2.400	1,123,900	10.08%
	2.000	2.200	357,500	6.01%
	1,800	2,000	311,500	4.71%
CURRENT PRICE	1,600	1,800	277,000	3.58%
	1,400	1,600	710,000	2.57%
	Less Than	\$1,400		
Total Stock for Period			27,582,800	
Cumulative % of Total Traded			100.00%	
% Traded of Current Stock Out (b)			115.15%	
% Traded of Current Float (c)			228.23%	
Wtd. Average Stock Price			\$5.13	

(a) Through April 22, 1998.

(b) Based on 23,954,560 Class A shares outstanding

(c) Based on 12,085,729 Class A shares by institutional and retail public holders.

SHAREHOLDER ANALYSIS (a)

Institutions (b)	Class A Shrs. Held	% Of Total	% Of Total Voting Power
Dimensional Fund Adv.	621,000	2.6%	1.2%
CNA Financial Group	410,900	1.7%	0.8%
Barclays Bank plc	353,178	1.5%	0.7%
Deltec Asset Mgmt.	250,810	1.0%	0.5%
Frank Russell Company	236,386	1.0%	0.5%
Wellington Management	224,905	0.9%	0.5%
Vanguard Group	215,500	0.9%	0.4%
Fleming Overseas	202,611	0.8%	0.4%
Bear, Stearns & Co.	167,231	0.7%	0.3%
Fidelity Management	118,700	0.5%	0.2%
Mellon Bank	115,243	0.5%	0.2%
Northern Trust	85,611	0.4%	0.2%
ANB Investment Mgmt.	51,100	0.2%	0.1%
Prudential Insurance	47,300	0.2%	0.1%
World Asset Management	23,937	0.1%	0.0%
IBM Retirement Funds	16,300	0.1%	0.0%
Miss Pub-Dom Eq	4,600	0.0%	0.0%
DLJ Corp.	3,086	0.0%	0.0%
Beck, Mack & Oliver	3,000	0.0%	0.0%
Legg Mason	2,000	0.0%	0.0%
All Institutions (c)	3,153,398	13.2%	6.3%

Directors And Officers (C)	Title	Class A		Class C	
		Shrs. Held	% Of Total	Shrs. Held	% Of Total
Audrey L. Sevin	Director and Secretary of Oil and Gas	1,876,863	7.8%	477,716	18.4%
Irik P. Sevin	Chairman, CEO and Director of Oil	740,438	3.1%	201,641	7.8%
Phillip Ean Cohen	Director of Oil	679,262	2.8%	113,423	4.4%
Thomas J. Edelman	Director of Oil and Gas	653,312	2.7%	129,019	5.0%
Vincent De Palma	VP and GM of New York Region	5,000	0.0%	-	0.0%
Hanseatic Corporation (d) (e)		1,777,279	7.4%	298,717	11.5%
Tortosa (d)		-	0.0%	298,717	11.5%
Wolfgang Traber (e)	Director of Oil and Gas	-	0.0%	9,038	0.3%
Paul Biddelman (e)	Director of Oil and Gas	2,386	0.0%	-	0.0%
Total Directors & Officers Holdings		5,734,540	23.9%	1,528,271	58.8%

5% Beneficial Owners	Class A		Class C	
	Shrs. Held	% Of Total	Shrs. Held	% Of Total
Schneider Capital	4,388,920	18.3%	-	0.0%
Richard O'Connell	1,128,745	4.7%	302,461	11.6%
Barcel Corporation	616,626	2.6%	151,231	5.8%
Total 5% Beneficial Holdings	6,134,291	25.6%	453,692	17.5%

Directors And Officers (C)	Total	
	Voting Power	% Of Total Voting Power
Audrey L. Sevin	6,654,023	13.3%
Irik P. Sevin	2,756,848	5.5%
Phillip Ean Cohen	1,813,492	3.6%
Thomas J. Edelman	1,943,502	3.9%
Vincent De Palma	5,000	0.0%
Hanseatic Corporation (d) (e)	4,764,449	9.5%
Tortosa (d)	2,987,170	6.0%
Wolfgang Traber (e)	90,380	0.2%
Paul Biddelman (e)	2,386	0.0%
Total Directors & Officers Holdings	21,017,250	42.1%

5% Beneficial Owners	Total	
	Voting Power	% Of Total Voting Power
Schneider Capital	4,388,920	8.8%
Richard O'Connell	4,153,355	8.3%
Barcel Corporation	2,128,936	4.3%
Total 5% Beneficial Holdings	10,671,211	21.4%

Summary	Class A		Class C		Total	
	Shrs. Held	% Of Total	Shrs. Held	% Of Total	Voting Power	% Of Total Voting Power
Insider Holdings						
Directors and Officers as a Group	5,734,540	23.9%	1,528,271	58.8%	21,017,250	42.1%
5% Beneficial Owners	6,134,291	25.6%	453,692	17.5%	10,671,211	21.4%
	11,868,831	49.5%	1,981,963	76.3%	31,688,461	63.5%
Public Holdings						
Institutional	3,153,398	13.2%			3,153,398	6.3%
Retail	8,932,331 (f)	37.3%			8,932,331	17.9%
	12,085,729	50.5%			12,085,729	24.2%
Other Holdings			615,556	23.7%	6,155,560	12.3%

			615,556	23.7%	6,155,560	12.3%
Total	23,954,560	100.0%	2,597,519	100.0%	49,929,750	100.0%

- (a) Based on shares outstanding, most recently available data as of 4/23/98 and does not include options to purchase and Class B shares.
- (b) Source: Vickers Stock Research Corporation, Bloomberg and Oil's Proxy.
- (c) Does not include 5% beneficial ownership institutions.
- (d) Hanseatic Corporation holds shared voting power in Tortosa.
- (e) Mr. Traber and Mr. Biddelman are executive officers of Hanseatic Corporation.
- (f) AGE has 29,412 Class A shares in its system.

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OVERVIEW OF OIL  
RESEARCH COVERAGE

WHILE OIL HAD DECENT	RESEARCH COVERAGE	DATE PUBLISHED	ESTIMATES UPDATED
COVERAGE IN 1996, THERE HAVE NOT BEEN ANY REPORTS PUBLISHED RECENTLY.	Published Research Reports		
	Bear Stearns	9/5/96	10/18/96
	DLJ	8/2/96	--
	PaineWebber	7/16/96	11/11/97
	Additional Research		
	Jefferies - Hold		
	EARNINGS ESTIMATES	NUMBER OF ESTIMATES	MEAN 1998
	IBES	1	\$0.70
	Nelson	1	\$0.70
			MEAN 1999
			NA
			NA

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OVERVIEW OF OIL  
DISCOUNTED CASH FLOW ANALYSIS  
WEIGHTED AVERAGE COST OF CAPITAL DERIVATION  
(\$ IN MILLIONS)

Comparable Company	Levered Beta (a)	Total Market Val. Debt (Bk = Mkt)	Unit Price at (4/22/98)	Total Units Ont. (Mh)	Implied Market Value of Equity	Total Debt/Equity	Total Debt as % of Total Capital	Un-levered Beta
AmeriGas Partners, L.P.	0.48	\$777.8	\$25.938	41.9	\$1,108.6	70.2%	41.2%	0.282
Cornerstone Propane Partners, L.P.	0.40	235.8	22.688	19.7	455.7	51.7%	34.1%	0.264
Ferrellgas Partners, L.P.	0.38	537.2	20.875	31.3	666.6	80.6%	44.6%	0.210
Heritage Propane Partners, L.P.	0.43	176.9	23.125	8.4	197.8	89.4%	47.2%	0.227
National Propane Partners, L.P.	0.34	147.4	20.313	11.2	232.9	63.3%	38.8%	0.208
Star Gas Partners, L.P.	0.33	96.0	21.938	6.2	139.4	68.9%	40.8%	0.195
Suburban Propane Partners, L.P.	0.36	428.2	18.813	28.7	551.4	77.6%	43.7%	0.203
Comparable group's average unlevered beta:			0.23					
Oil's debt-to-equity ratio:			725.5%					
Oil's debt as a percent of total capital:			87.9%					
Comparable group's beta relevered for Oil's capital structure:			1.874					
Oil's capitalization - at market								
Total debt (b)	\$314.5	87.9%					\$314.5	87.9%
Common equity	43.3	12.1%					43.3	12.1%
	\$357.8	100.0%					\$357.8	100.0%

Derivation of Weighted Average Cost of Capital:

Market Risk Premium Range (e)

Oil's theoretical levered beta(d):	1.874	11.3%	12.3%	13.3%
Assumed % of equity in Oil's capital structure:	21.1%			
Risk-free rate of return(c):	5.7%			
Oil's cost of equity range (at various market risk premiums):		26.9%	28.7%	30.6%
		====	====	====
Oil's assumed tax rate:	0.0%			
Assumed % of debt in capital structure(b):	87.9%			
Oil's estimated cost of debt(f):	11.2%			
Oil's estimated after-tax cost of debt:	11.2%	11.2%	11.2%	11.2%
		====	====	====
Oil's weighted average cost of capital range(g):		13.1%	13.3%	13.6%
		====	====	====

- - - - -
- (a) Source: Bloomberg. (143 week (maximum weekly time period allowed, or the number of weeks available, which may be less than 143) adjusted beta relative to the S&P 500 index.
- (b) Includes preferred stock; not net of cash.
- (c) Ten-year Treasury rate on April 22, 1998.
- (d) Bloomberg's reported beta for Oil is .63.
- (e) Ibbotson Associates 1997. Total returns for small company stocks of 17.7% minus the risk-free rate.
- (f) Based on Oil's current debt structure.
- (g) Calculation based upon use of the Capital Asset Pricing Model (CAPM).

OVERVIEW OF OIL

EBITDA RECONCILIATION: 1997 (a)

		OIL
		---
1997 Actual EBITDA		\$36,010
NORMALIZING ADJUSTMENTS:		
Weather was 3.8% warmer than 30-year normal		
3.8% of 1997 budgeted retail gallons	13,482 gallons	
Gross profit margin	\$0.4545	
Delivery and garage cost savings	(\$0.0814)	
	-----	
Net impact per gallon	\$0.3731	
\$ impact		5,030
Insurance reserve		2,000
		-----
1997 Adjusted EBITDA		\$43,040
		=====

- - - - -
- (a) Management's assumptions.

OVERVIEW OF OIL

EBITDA RECONCILIATION: 1997 - 1998 (a)

(continued)

		OIL
		---
1997 Adjusted EBITDA		\$43,040
Volume Adjustments for 1998		
Sale of TLC Division in 1997	(16,926) gallons	
Attrition in 1998 (4.1%)	(17,375)	
1997 Acquisitions	9,828	
	-----	
	(24,473) gallons	
	@	
	\$0.1700/gallon (b)	(4,159)
Gross Profit Margin Increase	\$0.006 per gallon on 395,086 gallons (c)	2,371
Inflation		(3,662)
Operating Cost Reductions (d)		5,850
		-----
1998 EBITDA Budget		\$43,440
		=====

- 
- (a) Management's assumptions.
  - (b) Represents the average gross profit per gallon (\$.4700 per gallon) offset by \$.30 per gallon reduction in operating expenses.
  - (c) Actual gross profit margin increase achieved in first quarter of 1998 was \$5.9 million (156 million gallons @ \$0.037/gallon).
  - (d) Represents already accomplished reductions in branch, regional and corporate expenses in excess of normal indexing related to volume reductions as well as 1% productivity improvements.

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OVERVIEW OF OIL  
EBITDA RECONCILIATION: 1998 (a)  
(continued)

		OIL
		---
1998 EBITDA Budget		\$43,440
Normalized Acquisition Growth		
\$30,000 of acquisitions at 4.75x multiple	6,315	
	-----	
1998 EBITDA Normalized		\$49,755
		=====
1998 EBITDA Budget		\$43,440
Actual Differential between first three months of Fiscal 1998 vs. Budget		(9,318)
Revised margin improvement and cost savings estimates based on first three months of Fiscal 1998 vs. Budget.		4,378
		-----
Adjusted 1998 EBITDA Budget		\$38,500
		=====

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(a) Management's assumptions.

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OVERVIEW OF OIL  
EBITDA RECONCILIATION: 1998-1999 (a)  
(continued)

-----	
	OIL
	---
1998 EBITDA Normalized	\$49,755
Internal Attrition (4.1%) and other adjustments	(4,413)
Normalized Acquisition Growth \$30,000 of acquisitions at 4.75x multiple	6,315
	-----
1999 Projection	\$51,657
	=====

-----  
(a) Management's assumptions.

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OVERVIEW OF OIL  
EBITDA SUMMARY

-----	
	OIL
	---
1997 Actual	\$36,010
1997 Adjusted	43,040
1998 Budget	\$43,440
1998 Normalized	49,755
Adjusted 1998 Budget	\$38,500
1999E	\$51,657

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OVERVIEW OF OIL  
ACQUISITION HISTORY

Date Acquired	Company	Purchase Price	EBITDA	EBITDA Multiple	Acquired Gallonage	Cost per Gallon
-----	-----	-----	-----	-----	-----	-----
1/26/93	Houck Service	\$ 663.9	\$ 245.0	2.7x	807.2	\$0.823
1/28/93	Harris and Gans	1,607.9	475.0	3.4x	2,599.6	0.619
5/28/93	Goodrich	2,397.7	672.0	3.6x	4,156.0	0.577
6/4/93	Warren	2,965.0	712.0	4.2x	14,448.3	0.205
6/23/93	Savin	1,655.4	403.0	4.1x	2,769.0	0.598
6/25/93	Baylis and Baylis	989.3	251.0	3.9x	1,224.7	0.808
7/28/93	Agway	1,660.6	315.0	5.3x	2,708.5	0.613



9/28/93	Garden State	1,015.2	312.0	3.3x	1,408.0	0.721
9/29/93	Essex	866.3	234.0	3.7x	2,649.4	0.327
1993 Totals		\$ 13,821	\$ 3,619	3.8x	32,771	\$0.422
1/7/94	Petrilla Oil	\$ 189.5	\$ 53.4	3.5x	329.0	\$0.576
3/8/94	Rettig	1,813.0	466.0	3.9x	4,930.0	0.368
6/30/94	Deblois Oil	15,374.6	2,909.0	5.3x	19,869.0	0.774
7/26/94	Herbert Fuel	5,133.0	882.0	5.8x	6,103.0	0.841
7/28/94	Trico Fuel	3,126.3	930.0	3.4x	4,091.0	0.764
9/1/94	Sickley	1,261.4	355.0	3.6x	1,702.0	0.741
9/13/94	Sinkler	4,880.0	948.0	5.1x	7,433.0	0.657
12/1/94	Ryan	2,954.3	528.0	5.6x	4,804.0	0.615
12/2/94	Fowler	182.8	37.4	4.9x	354.0	0.516
1994 Totals		\$ 34,915	\$ 7,109	4.9x	49,615	\$0.704
3/30/95	Reliable Oil	\$ 6,065.6	\$1,183.0	5.1x	10,102.2	\$0.600
5/24/95	Rosetta (Waldman)	3,413.2	684.0	5.0x	5,153.6	0.662
5/24/95	Rosetta (Price)	789.4	153.0	5.2x	1,309.5	0.603
7/27/95	Slocum	643.8	198.0	3.3x	742.6	0.867
8/23/95	Contex	1,856.8	448.0	4.1x	2,503.2	0.742
8/31/95	Rackliffe	546.2	139.0	3.9x	904.0	0.604
9/1/95	A-One	5,184.2	1,164.0	4.5x	5,900.0	0.879
9/11/95	Reading Merchants	4,260.0	656.0	6.5x	3,613.0	1.179
10/25/95	Franklin Fuel	293.5	76.0	3.9x	445.0	0.660
11/17/95	Home Fuel	2,158.9	430.0	5.0x	6,072.3	0.356
12/19/95	Texaco	3,854.8	1,071.0	3.6x	5,845.1	0.659
1995 Totals		\$ 29,066	\$ 6,202	4.7x	42,590	\$0.682

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OVERVIEW OF OIL  
ACQUISITION HISTORY  
(continued)

Date Acquired	Company	Purchase Price	EBITDA	EBITDA Multiple	Acquired Gallonage	Cost per Gallon
1/11/96	Garrison	\$ 5,242.5	\$1,154.0	4.5x	6,017.0	\$0.871
1/19/96	Cibro	4,367.6	1,087.0	4.0x	6,200.0	0.704
2/1/96	Seaman	7,133.7	1,552.0	4.6x	7,522.0	0.948
4/1/96	McDowell	2,723.5	669.0	4.1x	2,675.0	1.018
9/11/96	Flynn	1,038.0	232.0	4.5x	1,316.0	0.789
9/24/96	Farren	263.6	69.0	3.8x	481.0	0.548
10/18/96	Bergen	3,202.5	718.0	4.5x	5,933.0	0.540
10/18/96	Hightstown	233.5	62.0	3.8x	500.0	0.467
10/31/96	Hy-Test	813.4	177.0	4.6x	1,468.0	0.554
12/18/96	Dexter	331.9	99.0	3.4x	796.0	0.417
12/26/96	Sherman	492.5	103.0	4.8x	564.0	0.873
12/27/96	Malco	369.2	97.0	3.8x	988.0	0.374
12/30/96	Grasso	422.9	116.0	3.6x	1,212.0	0.349
1996 Totals		\$ 26,635	\$ 6,135	4.3x	35,672	\$0.747
1/15/97	Oils Inc	\$ 747.6	\$ 188.0	4.0x	1,189.0	\$0.629
4/14/97	Mugullian Fuel	2,801.9	638.0	4.4x	3,000.0	0.934
5/14/97	Alderfer Heating	401.1	111.0	3.6x	787.0	0.510
6/26/97	Bellomo	1,488.8	443.0	3.4x	1,657.0	0.898
7/10/97	Good	521.4	117.0	4.5x	1,200.0	0.434
8/29/97	Oil Burner	2,633.1	603.0	4.4x	3,500.0	0.752
9/10/97	Romary	2,252.5	545.0	4.1x	2,348.0	0.959
9/29/97	T. W. Perry	1,619.3	439.0	3.7x	2,118.0	0.765
10/1/97	MiliBrook	527.5	112.0	4.7x	908.0	0.581
11/24/97	Shreve	1,457.0	300.0	4.9x	2,425.0	0.601
12/18/97	Genovese	1,010.8	281.0	3.6x	-	-
1997 Totals		\$ 15,461	\$ 3,777	4.1x	19,132	\$0.808
5 Year Totals		\$ 119,898	\$ 26,842	4.5x	\$179,780	\$0.667

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OVERVIEW OF OIL  
MARGIN ANALYSIS  
(VOLUME IN GALLONS; GALLONS AND \$ IN THOUSANDS, EXCEPT MARGINS)

	Fiscal Years Ended December 31,				
	1993	1994	1995	1996	1997
	-----	-----	-----	-----	-----
RETAIL (b)					
Volume	355,347	360,207	343,759	375,121	338,478
Margin	\$ 0.4883	\$ 0.5030	\$ 0.5027	\$ 0.4993	\$ 0.5196
Gross profit	\$173,501	\$181,202	\$172,811	\$187,290	\$175,867
COMMERCIAL					
Volume	81,515	79,514	75,476	81,020	71,813
Margin	\$ 0.2301	\$ 0.2416	\$ 0.2458	\$ 0.2471	\$ 0.2452
Gross profit	\$ 18,755	\$ 19,214	\$ 18,554	\$ 20,018	\$ 17,607
PROPANE					
Volume	6,625	7,435	5,538	-	-
Margin	\$ 0.5352	\$ 0.5730	\$ 0.5805	\$ 0.0000	\$ 0.0000
Gross profit	\$ 3,546	\$ 4,260	\$ 3,215	-	-
OTHER PETROLEUM PRODUCTS					
Volume	36,406	35,709	31,228	32,026	29,855
Margin	\$ 0.1424	\$ 0.1417	\$ 0.1481	\$ 0.1401	\$ 0.1424
Gross profit	\$ 5,183	\$ 5,061	\$ 4,624	\$ 4,487	\$ 4,251
TOTAL PETROLEUM PRODUCTS					
Volume	479,893	482,865	456,001	488,167	440,146
Margin	\$ 0.4188	\$ 0.4344	\$ 0.4368	\$ 0.4339	\$ 0.4492
Gross profit	\$200,985	\$209,737	\$199,204	\$211,795	\$197,725
DISCOUNTS	\$ 1,294	\$ 1,200	\$ 944	\$ 1,084	\$ 802
Net service loss	(\$34,243)	(\$37,941)	(\$33,822)	(\$37,386)	(\$35,184)
Net installation income	3,681	4,944	4,364	5,280	5,050
Gross profit (loss)	(\$30,562)	(\$32,997)	(\$29,458)	(\$32,106)	(\$30,134)
Gas Gross Profit	-	\$ 5,756	\$ 50,992	-	-
Total Gross Profit	\$171,717	\$183,696	\$221,682	\$180,773	\$168,393

	Projected Years Ended December 31, (a)				
	1998	1999	2000	2001	2002
	-----	-----	-----	-----	-----
RETAIL (b)					
Volume	362,070	376,560	390,457	403,784	416,564
Margin	\$ 0.5220	\$ 0.5220	\$ 0.5220	\$ 0.5220	\$ 0.5220
Gross profit	\$189,001	\$196,564	\$203,819	\$210,775	\$217,446
COMMERCIAL					
Volume	71,547	75,948	80,168	84,215	88,096
Margin	\$ 0.2502	\$ 0.2502	\$ 0.2502	\$ 0.2502	\$ 0.2502
Gross profit	\$ 17,901	\$ 19,002	\$ 20,058	\$ 21,071	\$ 22,042
PROPANE					
Volume	-	-	-	-	-
Margin	\$ 0.0000	\$ 0.0000	\$ 0.0000	\$ 0.0000	\$ 0.0000
Gross profit	-	-	-	-	-
OTHER PETROLEUM PRODUCTS					
Volume	29,038	27,847	26,706	25,611	24,561
Margin	\$ 0.1379	\$ 0.1379	\$ 0.1379	\$ 0.1379	\$ 0.1379
Gross profit	\$ 4,004	\$ 3,840	\$ 3,683	\$ 3,532	\$ 3,387
TOTAL PETROLEUM PRODUCTS					
Volume	462,655	480,355	497,331	513,610	529,221
Margin	\$ 0.4559	\$ 0.4568	\$ 0.4576	\$ 0.4583	\$ 0.4589
Gross profit	\$210,906	\$219,407	\$227,559	\$235,378	\$242,875
DISCOUNTS	\$ 841	-	-	-	-
Net service loss	(33,135)	(\$34,526)	(\$35,803)	(\$36,972)	(\$38,038)
Net installation income	5,627	6,610	7,612	8,632	9,668
Gross profit (loss)	(\$27,508)	(\$27,916)	(\$28,191)	(\$28,340)	(\$28,370)
Gas Gross Profit	-	-	-	-	-
Total Gross Profit	\$ 184,239	\$191,491	\$199,368	\$207,037	\$214,505

(a) Assumes 4.1% steady attrition, 0% margin improvement, and \$30 million in acquisitions at 4.25 multiple.

(b) Includes protected ????? volumes

OVERVIEW OF OIL  
ATTRITION ANALYSIS

Year	Average Accounts		Absolute Account Losses		Loss Rate		Gains		Net Attrition Rate	
	Total	Base Business, excl. Acquisitions	Total	Base Business, excl. Acquisitions	Total	Base	Accounts	%	Total	Base Business
1993	391,454	352,576	70,127	56,459	17.9%	16.0%	47,090	12.0%	-5.9%	-4.0%
1994	386,235	354,786	57,442	46,386	14.9%	13.1%	35,380	9.2%	-5.7%	-3.9%
1995	381,842	344,342	59,550	46,366	15.6%	13.5%	34,516	9.0%	-6.6%	-4.5%
1996	386,398	354,471	60,084	48,860	15.5%	13.8%	39,192	10.1%	-5.4%	-3.7%
1997	366,421	342,738	60,907	52,581	16.6%	15.3%	39,561	10.8%	-5.8%	-4.5%
Mean	382,470	349,783	61,622	50,130	16.1%	14.3%	39,148	10.2%	-5.9%	-4.1%

OVERVIEW OF GAS  
SUMMARY FINANCIAL ANALYSIS  
(\$ in thousands, except per unit data)

State of Incorporation:	Delaware	Market Price (4/22/98):	\$21,938
Headquarters:	Stanford, CT	52- Week High-Low	\$24,750 - 19,000
Auditors:	KPMG Peat Marwick LLP	Common, Sub, And GP Units Outstanding:	6,355
Primary Exchange:	NASDAQ	Most Recent Fiscal Year End:	9/30/97
Primary Area of Focus:	Midwest, Northeast US		

Selected Data

Year	Total Revenues	EDITDA (a)	Net Income	Earnings Per Unit	Distributable Cash Flow	Distributable CF/Unit	CapEx.
1996	\$119,634	\$19,870	\$2,593	\$0.49	\$10,361	\$1.97	\$5,332
1997	135,159	19,703	1,972	0.37	9,612	1.82	5,279
Proj. 1998 (b)	121,024	18,279	(1,321)	(0.21)	7,737	1.22	4,551
Proj. 1999 (b)	156,296	26,730	3,691	0.54	14,317	2.09	5,071

Book Capitalization

(12/31/97)

Total Debt	\$ 96,600
Total Partners' Capital	71,883
Total	\$ 167,883

Estimated Firm Value

Total Debt	\$ 96,000
Implied Market Val. of Equity (c)	139,411
Total	\$ 235,411

Less: Cash and Equivalents	3,452
Net Firm Value	\$ 231,959

Multiple Analysis

Net Firm Value/97A EDITDA:	11.8x
Net Firm Value/98E EDITDA:	12.7
Net Firm Value/99E EDITDA:	8.7
1997A Common Unit coverage	1.5x
1998E Common Unit coverage	0.9
1999E Common Unit coverage	1.5

1997A Total Distribution coverage	0.8x
1999E Total Distribution coverage	0.6
1999E Total Distribution coverage	1.0

- (a) EBITDA is defined as gross profit less operating expenses.  
(b) Source: management's projections; 1998 EBITDA is before acquisitions, adjusted for actual 1Q results. See pages 25 to 26.  
(c) Implied equity value equals common, subordinated, and GP units, multiplied by the market price of common units.

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OVERVIEW OF GAS  
SELECTED FINANCIAL DATA  
(\$ in thousands)

	Historical Years Ended September 30,					
	1996		1997		1997 (a)	
	\$	%	\$	%	\$	%
Sales	\$119,634	100.0%	\$135,159	100.0%	\$149,766	100.0%
% Growth	17.0%		13.0%		25.2%	(c)
Cost of sales	58,557	48.9%	72,211	53.4%	80,370	53.7%
Gross profit	61,077	51.1%	62,948	46.6%	69,396	46.3%
Operating expenses	41,207	34.4%	43,245	32.0% (d)	46,408	31.0%
Net (loss) on sales of assets	(260)	-0.2%	(295)	-0.2%	(265)	-0.2%
Depreciation and amortization	9,808	8.2%	10,405	7.7%	11,495	7.7%
Operating income	9,802	8.2%	9,003	6.7%	11,228	7.5%
Interest expense, net	7,124	6.0%	6,966	5.2%	7,766	5.2%
Income (loss) before income taxes	2,678	2.2%	2,037	1.5%	3,462	2.3%
Income taxes	85	0.1%	25	0.0%	25	0.0%
General Partners' interest	-	0.0%	40	0.0%	69	0.0%
Net income	\$ 2,593	2.2%	\$ 1,972	1.5%	\$ 3,368	2.2%
Net income per limited partner unit	\$ 0.49		\$ 0.37		\$ 0.54	
Weighted average L.P. units outstanding	5,271		5,271		6,228	
EBITDA (e)	\$ 19,870	16.6%	\$ 19,703	14.6%	\$ 22,988	15.3%
Capital expenditures	\$ 5,332		\$ 5,279		\$ 5,579	
Maintenance capital expenditures	2,300		3,100		3,400	
Distributable cash flow	10,361		9,612		11,797	
Distributable cash flow per unit	\$ 1.97		\$ 1.82		\$ 1.89	
Common distribution coverage	1.8x		1.5x		1.4x	
Total distribution coverage	0.9x		0.8x		0.8x	
EBITDA/total assets	12.7%		13.4%		12.8%	
Net income / partners' capital	4.2%		3.8%		4.7%	

	Projected Years Ending September 30,			
	1998 (b)		1999 (b)	
	\$	%	\$	%
Sales	\$121,024	100.0%	\$156,296	100.0%
% Growth	-19.2%		29.1%	
Cost of sales	58,041	48.0%	77,391	49.5%
Gross profit	62,983	52.0%	78,905	50.5%
Operating expenses	44,704	36.9%	52,175	33.4%
Net (loss) on sales of assets	-	0.0%	-	0.0%
Depreciation and amortization	11,768	9.7%	13,900	8.9%
Operating income	6,511	5.4%	12,830	8.2%
Interest expense, net	7,807	6.5%	9,114	5.8%
Income (loss) before income taxes	(1,296)	-1.1%	3,716	2.4%
Income taxes	25	0.0%	25	0.0%
General Partners' interest	-	0.0%	-	0.0%
Net income	(\$ 1,321)	-1.1%	\$ 3,691	2.4%
Net income per limited partner unit	(\$ 0.21)		\$ 0.54	
Weighted average L.P. units outstanding	6,355		6,840	
EBITDA (e)	\$ 18,279	15.1%	\$ 26,730	17.1%
Capital expenditures	\$ 4,551		\$ 5,071	
Maintenance capital expenditures	2,710		3,274	
Distributable cash flow	7,737		14,317	
Distributable cash flow per unit	\$ 1.22		\$ 2.09	
Common distribution coverage	0.9x		1.5x	

Total distribution coverage	0.6x	1.0x
EBITDA/total assets	10.4%	15.1%
Net income / partners'capital	-2.1%	6.8%

- (a) Proforma for December 16, 1997 common unit offering and the acquisition of Pearl Gas Co.
- (b) Projected figures per Management.
- (c) Growth over 1996.
- (d) Includes \$350 in special project expenses.
- (e) Excludes loss from sale of assets.

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OVERVIEW OF GAS  
MARKET PRICE ANALYSIS

PRICE AND VOLUME  
12/15/95 - 4/22/98

[CHART APPEARS HERE]

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OVERVIEW OF GAS  
COMMON UNIT TRADING HISTORY - VOLUME DISTRIBUTION  
1995-1998 (A)

	Dec. 15-31 1995		1996		1997		1998 (a)	
	Volume	%	Volume	%	Volume	%	Volume	%
Greater than \$24.600								
24.400 24.600			32,400	100.00%				
24.200 24.400			55,300	99.34%	26,000	100.00%	75,500	100.00%
24.000 24.200			27,200	98.20%	25,800	99.24%	-	96.47%
23.800 24.000			436,500	97.65%	38,400	98.49%	-	96.47%
23.600 23.800			119,200	88.71%	3,000	97.37%	131,200	96.47%
23.400 23.600			79,500	86.27%	56,900	97.28%	85,600	90.32%
23.200 23.400			105,000	84.64%	194,500	95.62%	173,700	86.31%
23.000 23.200			396,900	82.49%	148,000	89.94%	51,400	78.18%
22.800 23.000			229,200	74.36%	102,100	85.62%	36,200	75.77%
22.600 22.800			96,100	69.67%	184,500	82.64%	42,700	74.08%
22.400 22.600			273,800	67.70%	145,500	77.26%	148,600	72.08%
22.200 22.400	33,400	100.00%	430,500	62.09%	128,000	73.01%	603,100	65.12%
22.000 22.200	762,000	95.80%	510,900	53.28%	217,500	69.27%	205,600	36.89%
Current Price	21.800 22.000		400,400	42.82%	411,600	62.92%	299,800	27.26%
21.600 21.800			422,600	34.62%	302,200	50.91%	155,300	13.22%
21.400 21.600			259,400	25.96%	290,200	42.09%	127,100	5.95%
21.200 21.400			214,300	20.65%	372,800	33.62%		
21.000 21.200			388,000	16.26%	499,100	22.74%		
20.800 21.000			110,900	8.32%	108,000	8.17%		
20.600 20.800			137,500	6.05%	34,300	5.01%		
20.400 20.600			41,900	3.23%	16,000	4.01%		
20.200 20.400			62,800	2.38%	46,500	3.55%		
20.000 20.200			53,200	1.09%	22,000	2.19%		
19.800 20.000					24,400	1.55%		
19.600 19.800					28,600	0.83%		
Less Than \$19.600								
Total Units for Period	795,400		4,883,500		3,425,900		2,135,800	
Cumulative % of Total Traded		7.08%		43.45%		30.48%		19.00%
% Traded of Current Units Out. (b)		20.76%		127.45%		89.41%		55.74%
Wtd. Average Unit Price	\$22.11		\$22.25		\$21.89		\$22.47	

  

	1995-1998 (a)	
	Volume	%
Greater than \$24.600		
24.400 24.600	32,400	100.00%
24.200 24.400	156,800	99.71%
24.000 24.200	53,000	98.32%
23.800 24.000	474,900	97.85%
23.600 23.800	253,400	93.62%
23.400 23.600	222,000	91.37%
23.200 23.400	473,200	89.39%
23.000 23.200	596,300	85.18%
22.800 23.000	367,500	79.88%
22.600 22.800	323,300	76.61%

	22.400	22.600	567,900	73.73%
	22.200	22.400	1,195,000	68.68%
	22.000	22.200	1,696,000	58.05%
Current Price	21.800	22.000	1,111,800	42.96%
	21.600	21.800	880,100	33.07%
	21.400	21.600	676,700	25.24%
	21.200	21.400	587,100	19.22%
	21.000	21.200	887,100	14.00%
	20.800	21.000	218,900	6.10%
	20.600	20.800	171,800	4.16%
	20.400	20.600	57,900	2.63%
	20.200	20.400	109,300	2.11%
	20.000	20.200	75,200	1.14%
	19.800	20.000	24,400	0.47%
	19.600	19.800	28,600	0.25%
	Less Than	\$19.600		
Total Units for Period			11,240,600	
Cumulative % of Total Traded				100.00%
% Traded of Current Units Out. (b)				293.36%
Wtd. Average Unit Price			\$22.17	

- (a) Through April 22, 1998.  
(b) Based on 3,831,727 common units outstanding.

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OVERVIEW OF GAS  
UNITHOLDER ANALYSIS (a)

INSTITUTIONS (b)	COMMON UNITS HELD	% OF TOTAL
Bear, Stearns & Co.	47,700	1.2%
PaineWebber Group	38,750	1.0%
Graver Bokhof	28,400	0.7%
DLJ Corp.	24,331	0.6%
Orion Capital Corp.	16,000	0.4%
Advest Group, Inc.	10,900	0.3%
CIBC Oppenheimer	1,000	0.0%
Legg Mason Wood Walker	500	0.0%
U.S. Trust Co. NY	500	0.0%
Cullen/Frost Bankers	300	0.0%
All Institutions	168,381	4.4%

DIRECTORS AND OFFICERS	TITLE	COMMON UNITS HELD	% OF TOTAL	SUBORDINATED UNITS HELD	% OF TOTAL
Wolfgang Traber	Gas Director and Oil Director	10,400	0.3%	-	0.0%
Richard F. Ambury	V.P. of Finance	525	0.0%	-	0.0%
Total Directors & Officers Holdings		10,925	0.3%	-	0.0%
General Partner		Common Units Held	% of Total	Subordinated Units Held	% of Total
OIL		60,727	1.6%	2,396,078	100.0%

INSIDER HOLDINGS	Common Units	% of Total	Subordinated Units	% of total
Directors and Officers as a Group	10,925	0.3%	-	0.0%
General Partner	60,727	1.6%	2,396,078	100.0%
	71,652	1.9%	2,396,078	100.0%
PUBLIC HOLDINGS				
Institutional	168,381	4.4%		
Retail	3,591,694 (c)	93.7%		
	3,760,075	98.1%		
TOTAL UNITS OUTSTANDING	3,831,727	100.0%	2,396,078	100.0%

- (a) Based on units outstanding and most recently available data as of 4/23/98.  
(b) Source: Vickers Stock Research Corporation and Bloomberg.  
(c) AGE has 226,060 Common Units in its system.

OVERVIEW OF GAS  
RESEARCH COVERAGE

Gas has ongoing research coverage by two firms.	Research Coverage	Date Published	Estimates Updated	
	Published Research Reports			
	A.G. Edwards - Buy	1/5/98		4/8/98
	PaineWebber - Attractive	12/30/97		2/5/98
	Lehman	2/7/96		11/4/96
	Earnings Estimates	Number of Estimates	Mean 1998	Mean 1999
	IBES	2	\$0.82	\$0.85
	Nelson	2	\$0.52	\$0.88
	Zacks	2	\$0.48	\$0.88

OVERVIEW OF GAS  
DISCOUNTED CASH FLOW ANALYSIS  
WEIGHTED AVERAGE COST OF CAPITAL DERIVATION  
(\$ IN MILLIONS)

Comparable Company	Levered Beta (a)	Total Market Val. Debt (Bk = Mkt)	Unit Price at (4/22/98)	Total Units Out. (Mil)	Implied Market Value of Equity	Total Debt/ Total Equity	Total Debt as % of Total Capital	Un-Levered Beta
AmeriGas Partners, L.P.	0.48	\$777.8	\$ 25.938	41.9	\$1,108.6	70.2%	41.2%	0.282
Cornerstone Propane Partners, L.P.	0.40	235.8	22.688	19.7	455.7	51.7%	34.1%	0.264
Ferrellgas Partners, L.P.	0.38	537.2	20.875	31.3	666.6	80.6%	44.6%	0.210
Heritage Propane Partners, L.P.	0.43	176.9	23.125	8.4	197.8	89.4%	47.2%	0.227
National Propane Partners, L.P.	0.34	147.4	20.313	11.2	232.9	63.3%	38.8%	0.208
Star Gas Partners, L.P.	0.33	96.0	21.938	6.2	139.4	68.9%	40.8%	0.195
Suburban Propane Partners, L.P.	0.36	428.2	18.813	28.7	551.4	77.6%	43.7%	0.203

Comparable group's average unlevered beta:	0.23	Gas' capitalization - at market (b)	
Gas' debt - to - equity ratio (b):	68.9%	Total debt	\$ 96.0 40.8%
		Common equity	139.4 59.2%
Gas' debt as a percent of total capital (b):	40.8%		-----
			\$235.4 100.0%
Comparable group's beta relevered for Gas' capital structure:	0.329		-----
	=====		

DERIVATION OF WEIGHTED AVERAGE COST OF CAPITAL:

		MARKET RISK PREMIUM RANGE (d)		
		11.3%	12.3%	13.3%
Gas' theoretical levered beta:	0.329			
Assumed % of equity in Gas' Capital structure (b):	59.2%			
Risk - free rate of return (c):	5.7%			
Gas' cost of equity range (at various market risk premiums):		9.4%	9.7%	10.1%
		=====	=====	=====
Gas' assumed tax rate:	35.0%			
Assumed % of debt in capital structure (b):	40.8%			
Gas' estimated cost of debt (e):	7.9%			
Gas' estimated after - tax cost of debt:	5.2%	5.2%	5.2%	5.2%
		-----	-----	-----
Gas' weighted average cost of capital range (f):		7.7%	7.9%	8.1%
		-----	-----	-----

- (a) Source: Bloomberg. 143 week (maximum weekly time period allowed, or the number of weeks available, which may be less than 143) adjusted beta relative to the S&P 500 index.
- (b) Market value of debt is assumed to be equal to the book value; debt is not net of cash.
- (c) Ten - year Treasury rate on April 22, 1998.
- (d) Ibbotson Associates 1997. Total returns for small company stocks of 17.7% minus the risk-free rate.
- (e) Based on Gas' current debt structure.

OVERVIEW OF GAS  
EBITDA RECONCILIATION: 1997 (a)  
(\$ IN THOUSANDS)

	GAS ---
1997 Actual EBITDA	\$19,703 (b)
NORMALIZING ADJUSTMENTS:	
Weather	
Residential - 1,125 gallons @ 0.7106 margin	799
Commercial - 277 gallons @ 0.4459 margin	124
Margin	
Residential - 50,832 gallons @ (0.7106 - 0.6995)	(564)
Commercial - 19,864 gallons @ (0.4454 - 0.4348)	(220)
Wholesale - 38,404 gallons @ (0.0975 - 0.0675)	(1,152)
Compensation	(56)
Elimination of strategic expense	902 (c)
Pearl Gas EBITDA	3,012
Pearl Gas acquisition adjustments	273 (d)
	-----
1997 Adjusted EBITDA	\$22,821 =====

- 
- (a) Management's assumptions.
  - (b) Not pro forma for Pearl Gas acquisition.
  - (c) Certain expenses including the exploration of strategic alternatives by Morgan Stanley.
  - (d) Certain cost savings, primarily salary and benefit expenses of certain selling shareholders.

OVERVIEW OF GAS  
EBITDA RECONCILIATION: 1997-1999 (a)  
(\$ IN THOUSANDS)  
(continued)

	GAS ---
1998 EBITDA Budget	\$22,781
Actual Differential between first six months of Fiscal 1998 vs. Budget	(4,502) -----
Adjusted 1998 EBITDA Budget	\$18,279 =====
1998 EBITDA Budget	\$22,781
Internal Growth of 1.7%	379
Acquisition Growth	
\$20 million of acquisitions at 7x multiple completed on 9/30/98	2,857
\$10 million of acquisitions at 7x multiple	



1999 EBITDA Projection

\$26,730

(a) Management's assumptions.

OVERVIEW OF GAS  
ACQUISITION HISTORY  
(\$ IN THOUSANDS)

DATE ACQUIRED	COMPANY	PURCHASE PRICE	EBITDA	EBITDA MULTIPLE	ACQUIRED GALLONAGE	COST PER GALLON
6/15/94	Loveland	\$ 700.0	\$ 127.0	5.5x	433.0	\$1.616
11/24/94	Baystate	1,450.0	209.0	6.9x	768.7	\$1.886
9/12/95	Debolt	950.0	151.0	6.3x	852.3	\$1.115
3/22/96	Bob While L.P. Gas/ Mitchell Bottle Gas	1,500.0	263.0	5.7x	897.7	\$1.671
7/22/96	Fuzzy Moore	850.0	147.0	5.8x	454.3	\$1.871
10/22/97	Pearl Gas Co.	24,126.0	3,288.0	7.3x	14,000.0	\$1.723
2/20/98	Tri-County Gas	550.0	108.0	5.1x	319.7	\$1.720
4 YEAR TOTALS		\$ 30,126	\$ 4,293	7.0x	17,726	\$1.700
Pending	Como	15,500.0	2,450.0	6.3x		
Pending	Tioga	4,100.0	625.0	6.6x		

OVERVIEW OF GAS  
MARGIN ANALYSIS  
(VOLUME IN GALLONS; GALLONS AND \$ IN THOUSANDS, EXCEPT MARGINS)

	FISCAL YEARS ENDED SEPTEMBER 30,					
	1993	1994	1995	1996	1997 Stand alone	1997 Pro Forma Weather
Residential						
Volume	44,590	48,430	45,235	54,336	49,707	50,832
Margin	\$ 0.6902	\$ 0.6861	\$ 0.6677	\$ 0.6592	\$ 0.7106	\$ 0.7106
Gross profit	\$ 30,777	\$ 33,228	\$ 30,203	\$ 35,818	\$ 35,322	\$ 36,121
Commercial						
Volume	17,617	19,875	18,831	21,194	19,587	19,864
Margin	\$ 0.4614	\$ 0.4611	\$ 0.4271	\$ 0.4202	\$ 0.4459	\$ 0.4459
Gross profit	\$ 8,129	\$ 9,164	\$ 8,043	\$ 8,906	\$ 8,734	\$ 8,858
Agriculture						
Volume	23,291	16,053	15,080	12,567	17,338	17,338
Margin	\$ 0.2349	\$ 0.2630	\$ 0.2357	\$ 0.2556	\$ 0.2694	\$ 0.2694
Gross profit	\$ 5,471	\$ 4,222	\$ 3,554	\$ 3,212	\$ 4,671	\$ 4,671
Motor fuel & Other						
Volume	7,581	8,060	8,056	8,197	8,024	8,024
Margin	\$ 0.4922	\$ 0.5359	\$ 0.5271	\$ 0.5215	\$ 0.5765	\$ 0.5765
Gross profit	\$ 3,731	\$ 4,319	\$ 4,246	\$ 4,275	\$ 4,626	\$ 4,626
Wholesale						
Volume	51,493	45,318	38,941	39,025	38,404	38,404
Margin	\$ 0.0619	\$ 0.0680	\$ 0.0568	\$ 0.0704	\$ 0.0975	\$ 0.0975

Gross profit	\$ 3,189	\$ 3,082	\$ 2,212	\$ 2,747	\$ 3,743	\$ 3,743
Total Propane						
Volume	144,572	137,736	126,143	135,319	133,060	134,462
Margin	\$ 0.3548	\$ 0.3922	\$ 0.3826	\$ 0.4061	\$ 0.4291	\$ 0.4315
Total propane gross profit	\$ 51,297	\$ 54,015	\$ 48,258	\$ 54,958	\$ 57,096	\$ 58,019
Appliances/other						
Revenue	\$ 9,237	\$ 9,454	\$ 7,536	\$ 8,269	\$ 8,043	\$ 8,043
Cost	3,232	3,187	1,935	2,150	2,191	2,191
Gross profit	\$ 6,005	\$ 6,267	\$ 5,601	\$ 6,119	\$ 5,852	\$ 5,852
TOTAL GROSS PROFIT	\$ 57,302	\$ 60,282	\$ 53,859	\$ 61,077	\$ 62,948	\$ 63,871

	FISCAL YEARS ENDED SEPTEMBER 30,		
	1997	1998	1998
	Pro Forma Pearl and Weather	Budget	Adjusted for actual
Residential			
Volume	62,630	63,614	56,037
Margin	\$ 0.6554	\$ 0.6436	\$ 0.6585
Gross profit	\$ 41,049	\$ 40,945	\$ 36,898
Commercial			
Volume	20,936	20,521	19,126
Margin	\$ 0.4399	\$ 0.4278	\$ 0.4431
Gross profit	\$ 9,209	\$ 8,779	\$ 8,474
Agriculture			
Volume	18,275	16,615	18,224
Margin	\$ 0.2678	\$ 0.2633	\$ 0.2537
Gross profit	\$ 4,895	\$ 4,375	\$ 4,624
Motor fuel & other			
Volume	8,391	8,381	8,298
Margin	\$ 0.5926	\$ 0.5845	\$ 0.5924
Gross profit	\$ 4,973	\$ 4,899	\$ 4,916
Wholesale			
Volume	38,532	40,597	32,474
Margin	\$ 0.0972	\$ 0.0674	\$ 0.0604
Gross profit	\$ 3,744	\$ 2,738	\$ 1,961
Total propane			
Volume	148,764	149,728	134,159
Margin	\$ 0.4293	\$ 0.4123	\$ 0.4239
Total propane gross profit	\$ 63,870	\$ 61,735	\$ 56,874
Appliances/other			
Revenue	\$ 8,760	\$ 8,694	\$ 8,509
Cost	2,303	2,298	2,399
Gross profit	\$ 6,457	\$ 6,396	\$ 6,110
TOTAL GROSS PROFIT	\$ 70,327	\$ 68,130	\$ 62,983

PRO FORMA OWNERSHIP ANALYSIS  
GAS  
CURRENT OWNERSHIP AND ORGANIZATION

[CHART APPEARS HERE]

PRO FORMA OWNERSHIP ANALYSIS  
EFFECTIVE OWNERSHIP OF GAS - CURRENT

CURRENTLY, THE DIRECTORS  
AND OFFICERS OF OIL  
EFFECTIVELY CONTROL 100%  
OF OIL (IN TERMS OF  
VOTING RIGHTS), 100% OF  
GAS' GP INTEREST, AND  
CONTROL 39% OF GAS'  
LIMITED PARTNERSHIP UNITS.

[CHART APPEARS HERE]

SUMMARY OF TRANSACTION  
 PRO FORMA GAS UNITS OUTSTANDING  
 (IN THOUSANDS)

TO SIMPLIFY THE  
 COMPLEXITY OF THE STEPS  
 IN THE TRANSACTION,  
 A.G. EDWARDS PREPARED  
 A SUMMARY OF ITS  
 UNDERSTANDING.

- [\_] There are currently 6,355 Gas units outstanding comprised of 3,832 common units, 2,396 subordinated units and 127 general partner ("GP") units. The subordinated units and GP units are assets of Oil.
- [\_] There are currently 26,563 shares of Oil common stock outstanding, comprised of public shareholders and "insiders." The public holds 17,160 Class A shares. The "insiders" hold 9,404 shares which include 6,795 Class A shares, 11 Class B shares and 2,598 Class C shares.
- [\_] Each shareholder of Oil will receive a certain number of units in Gas such that the implied consideration paid for each Oil share is \$3.15.
- [\_] The publicly held 17,160 Class A shares will receive .1596 shares of newly created Senior Subordinated units (2,738 units in total) with an implied value of \$19.74/unit. This represents an implied purchase price of \$3.15/share for an implied total purchase price of \$54.1 million.
- [\_] The "insiders" of Oil, who hold a total of 9,404 shares (comprised of A, B and C shares) will also receive \$3.15/share for a total of \$29.6 million. The consideration received by these shareholders will be funded by:
  - (1) the distribution of existing units of Gas which are currently owned by Oil
    - [\_] all of the 127 GP units owned by Oil will be given as consideration at an implied value of \$21.28/unit, for a total of \$2.7 million.
    - [\_] 754 of the 2,396 Subordinated units owned by Oil will be given as consideration at an implied value of \$16.33/unit, for a total of \$12.3 million.
  - (2) the distribution of newly-created units of Gas
    - [\_] to fund the remaining \$14.6 million of the \$29.6 million due to the Oil "insiders", Gas will issue 559 newly-created Senior Subordinated units and 168 newly-created GP units. The implied values for these new units are \$19.74 and \$21.28, respectively.

(IN THOUSANDS)  
(continued)

[\_] Of the 2,396 Subordinated units and 127 GP units owned by Oil, only 1,642 Subordinated units will not have been used as consideration paid to the "inside" Oil shareholders. Hence, these 1,642 Subordinated units will be retired by Gas. A.G. Edwards has assumed that the implied value of these units are \$16.33/unit for a total retired value of approximately \$26.8 million.

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SUMMARY OF GAS UNITS OUTSTANDING  
PRE-FINANCING ASSUMPTIONS

Type of Units	Current	Distributed to Oil		Issued to Oil		Retired	Pro Forma
		Public	Insiders	Public	Insiders		
Common	3,832	-	-	-	-	-	3,832
Senior Subordinated	-	-	-	2,738	559	-	3,297
Subordinated	2,396	-	754	-	-	1,642	754
General Partner (a)	127	-	127	-	168	-	295
	6,355						8,178

(a) The number of GP units issued reflect the assumption of a 6,587 common unit equity offering to refinance certain of the assumed Oil debt. Hence, the number of GP units reflected in the pro forma column do not equal 2% of the pro forma outstanding units shown above but do equal exactly 2% of the pro forma units outstanding on a post financing basis.

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EQUITY PURCHASE PRICE CALCULATION  
IMPLIED EQUITY VALUE OF OIL'S ASSETS  
(units in thousands, \$ in millions, except per unit amounts)

Event	Purchase Price of Oil's Equity		Purchase Price of Oil's Equity	
	Value of Securities Paid of Oil Shareholders		Equity Value of Oil's Heating Oil Assets	Value of Oil's GP and Subordinated Units in Star
Issuance of Senior Subordinated Units to Public Oil Shareholders	2,738 x \$19.74	\$54.1	\$54.1	-
Distribution of General Partner Units to Inside Oil Shareholders	127 x \$21.28	\$2.7	-	\$2.7
Distribution of Subordinated Units of Inside Oil Shareholders	754 x \$16.33	\$12.3	-	\$12.3
Issuance of General Partner Units to Inside Oil Shareholders	168 x \$21.28	\$3.6	\$3.6	-

Issuance of Senior Subordinated Units to Inside Oil Shareholders	559 x \$19.74		
	\$11.0	\$11.0	-
Retire Subordinated Units			1,642 x \$16.33
		(\$26.8)	\$26.8
		\$41.8	\$41.8
Total	\$83.7		\$83.7
Divided by 26,563 shares of Oil's Common Stock=	\$3.15 per share		

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PREMIUM PAID ANALYSIS

STOCK PRICE PREMIUM ANALYSIS (a)	Dollars in thousands	Notes
Equity purchase price of Oil	\$83,673	\$3.15 share price x 26,563 shares.
Premium to stock price one day prior	93.8%	\$1.625 close on April 22, 1998.
Premium to stock price one month prior	101.6%	
Premium to stock price three months prior	26.0%	
Premium to stock price six months prior	0.8%	
PURCHASE PRICE		
Equity purchase price of heating oil assets	\$ 41,847	See appendix F, page 40.
Debt assumption value (b)	349,587	
Aggregate purchase price of heating oil assets	\$391,434	
MULTIPLES		
		Notes
		Multiples
1997 Revenue	\$548,141	0.71 x As a multiple of aggregate transaction value.
1997 EBITDA (c)	36,010	10.87 As a multiple of aggregate transaction value.
1997 EBIT (d)	6,264	62.49 As a multiple of aggregate transaction value.
1997 Net loss to common shares (d)	(\$19,338)	NM As a multiple of equity value.
Equity (e)	(117,033)	NM As a multiple of equity value.
1997 Adjusted EBITDA (c)	43,040	9.09 x As a multiple of aggregate transaction value.
1998 EBITDA budget (c)	43,440	9.01 As a multiple of aggregate transaction value.
Adj. 1998 EBITDA budget (c)	38,500	10.17 As a multiple of aggregate transaction value.
1999P EBITDA (c)	51,657	7.58 As a multiple of aggregate transaction value.

- (a) Updated through April 22, 1998.
- (b) Includes cost of debt at assumed redemption value, preferred stock at assumed redemption value, transaction fees, and certain off-balance sheet liabilities, net of excess cash. See appendix F, page 40.
- (c) Calculated as gross profit minus SG&A expense and direct delivery expense. See appendix D, pages 9 through 13.
- (d) Excludes restructuring charge, pension curtailment expense, provision for supplemental benefits and corporate identity expenses.
- (e) As of 12/31/97.

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MERGERS OF EQUALS PREMIUM ANALYSIS (a)  
\$100 MILLION AND GREATER  
1/1/94 - 4/22/98

Date Ann'd	Date Effective	Target Name	Acquiror Name	Value of Transaction (\$ mil)	Exchange Ratio	Exchange Ratio 1 Day Prior	Exchange Ratio 1 Week Prior
---------------	-------------------	-------------	---------------	-------------------------------------	-------------------	-------------------------------------	--------------------------------------

12/23/97	03/27/98	United Meridian Corp	Ocean Energy Inc	1,331.7	0.556	0.645	0.565
09/02/97	12/19/97	Doubletree Corp	Promus Hotel Corp	2,207.6	1.081	1.288	1.133
08/25/97	12/17/97	Mosinee Paper Corp	Wausau Paper Mills Co	497.1	1.400	1.211	1.238
07/10/97	12/31/97	Reading & Bates Corp	Falcon Drilling Co	2,587.0	0.590	0.506	0.485
06/30/97	12/23/97	Rykoff-Sexton Inc	JP Foodservice Inc	1,404.3	0.840	0.652	0.668
05/27/97	12/18/97	HFS Inc	CUC International Inc	11,342.9	2.403	2.268	2.443
05/12/97	09/09/97	Smith's Food & Drug Centers	Fred Meyer(Kohlberg Kravis)	2,018.0	1.050	0.955	0.878
05/06/97	07/22/97	BW/IP Inc	Durco International Inc	530.7	0.697	0.737	0.657
10/01/96	04/01/97	Health Systems International	Foundation Health Corp	1,277.4	0.769	0.838	0.770
08/02/96	11/07/96	Colonial Data Technologies	US Order Inc	186.5	1.000	0.792	0.800
07/18/96	02/12/97	ROC Communities Inc	Chateau Properties Inc	288.6	1.042	0.984	1.040
04/22/96	08/15/97	NYNEX Corp	Bell Atlantic Corp	21,345.5	0.768	0.815	0.835
06/13/95	10/27/95	First Financial Management	First Data Corp	5,757.5	1.586	1.349	1.300
03/02/95	06/28/95	Abbey Healthcare Group Inc.	Homedco Group Inc.	658.7	0.700	0.641	0.664
08/30/94	03/15/95	Lockheed Corp	Martin Marietta Corp	5,204.1	1.630	1.368	1.321

Date Annc'd	Date Effective	Target Name	Acquiror Name	Exchange Ratio 4 Weeks Prior	Acq/Target Equity Mkt Cap	Acq/Target Total Mkt Cap	Premium Exchange 1 Day Prior
12/23/97	03/27/98	United Meridian Corp	Ocean Energy Inc	0.557	0.97	1.13	-13.9%
09/02/97	12/19/97	Doubletree Corp	Promus Hotel Corp	1.153	1.13	0.96	-16.1%
08/25/97	12/17/97	Mosinee Paper Corp	Wausau Paper Mills Co	1.419	1.94	1.88	15.6%
07/10/97	12/31/97	Reading & Bates Corp	Falcon Drilling Co	0.535	2.26	2.12	16.5%
06/30/97	12/23/97	Rykoff-Sexton Inc	JP Foodservice Inc	0.671	1.19	0.82	28.9%
05/27/97	12/18/97	HFS Inc	CUC International Inc	2.765	1.06	0.89	5.9%
05/12/97	09/09/97	Smith's Food & Drug Centers	Fred Meyer(Kohlberg Kravis)	0.891	1.92	0.89	9.9%
05/06/97	07/22/97	BWAP Inc	Durco International Inc	0.714	1.47	1.32	5.4%
10/01/96	04/01/97	Health Systems International	Foundation Health Corp	0.824	1.58	1.28	8.2%
08/02/96	11/07/96	Colonial Data Technologies	US Order Inc	0.990	1.28	1.46	26.3%
07/18/96	02/12/97	ROC Communities Inc	Chateau Properties Inc	1.039	0.47	0.76	5.9%
04/22/96	08/15/97	NYNEX Corp	Bell Atlantic Corp	0.790	1.20	1.04	5.8%
06/13/95	10/27/95	First Financial Management	First Data Corp	1.263	1.39	1.39	17.5%
03/02/95	06/28/95	Abbey Healthcare Group Inc.	Homedco Group Inc.	0.658	1.59	1.24	9.3%
08/30/94	03/15/95	Lockheed Corp	Martin Marietta Corp	1.360	1.16	1.17	19.2%

Date Annc'd	Date Effective	Target Name	Acquiror Name	Premium Exchange 1 Week Prior	Premium Exchange 4 Weeks Prior
12/23/97	03/27/98	United Meridian Corp	Ocean Energy Inc	-1.7%	-0.2%
09/02/97	12/19/97	Doubletree Corp	Promus Hotel Corp	-4.6%	-6.2%
08/25/97	12/17/97	Mosinee Paper Corp	Wausau Paper Mills Co	13.1%	-1.3%
07/10/97	12/31/97	Reading & Bates Corp	Falcon Drilling Co	21.6%	10.3%
06/30/97	12/23/97	Rykoff-Sexton Inc	JP Foodservice Inc	25.7%	25.1%
05/27/97	12/18/97	HFS Inc	CUC International Inc	-1.6%	-13.1%
05/12/97	09/09/97	Smith's Food & Drug Centers	Fred Meyer(Kohlberg Kravis)	19.6%	17.9%
05/06/97	07/22/97	BWAP Inc	Durco International Inc	-6.2%	2.4%
10/01/96	04/01/97	Health Systems International	Foundation Health Corp	0.1%	6.6%
08/02/96	11/07/96	Colonial Data Technologies	US Order Inc	25.0%	1.0%
07/18/96	02/12/97	ROC Communities Inc	Chateau Properties Inc	0.2%	0.2%
04/22/96	08/15/97	NYNEX Corp	Bell Atlantic Corp	8.0%	2.8%
06/13/95	10/27/95	First Financial Management	First Data Corp	22.0%	25.6%
03/02/95	06/28/95	Abbey Healthcare Group Inc.	Homedco Group Inc.	5.5%	6.4%
08/30/94	03/15/95	Lockheed Corp	Martin Marietta Corp	23.4%	19.9%

	Premium Exchange 1 Day Prior	Premium Exchange 1 Week Prior	Premium Exchange 4 Weeks Prior
MEAN	9.6%	10.0%	6.5%
MEDIAN	9.3%	8.0%	2.8%
ADJ. MEAN (B)	10.1%	10.0%	6.5%

(a) "Merger of Equals" is defined as a merger of two companies of similar market cap size. It does not imply any similarity of business between the target and acquiror, nor does it imply any change of control of either company post-merger. Excludes financial institutions.

(b) Adjusted Mean excludes highest and lowest data points

Source: Securities Data Company, Inc. and Bloomberg

- (a) "Merger of Equals" is defined as a merger of two companies of similar market cap size. It does not imply any similarity of business between the target and acquiror, nor does it imply any change of control of either company post-merger. Excludes financial institutions.

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Exchange Ratio Analysis

Relative to current prices, the exchange ratio at \$3.15 is low, however, it is in line with the average prices of the companies' equity over the past two years.

Gas Unit Price/Oil Stock Price  
12/15/95 - 4/22/98

[Chart appears here]

Factset: Daily

- (a) Represents the current price of Gas divided by the current price of Oil.
- (b) Represents the current price of Gas divided by the proposed \$3.15 price per share of Oil.
- (c) Represents Gas' average price for the period divided by Oil's average price for the period.

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Exchange Ratio Analysis  
Comparative Stock Price Performance

While Gas' unit price has remained relatively flat, Oil's stock price has declined significantly in the past year.

Indexed Stock Price Performance  
12/15/95 - 4/22/98

[Chart appears here]

Premium of Current Price to Price

	Current Price (b)	2 Years Prior	1 Year Prior	180 Days Prior	60 Days Prior	30 Days Prior
Gas	21.94	5.1%	1.4%	-2.0%	-6.2%	-0.3%
Oil	1.63	-76.8%	-45.8%	-48.1%	-35.0%	0.9%
Composite (a)	21.96	-2.2%	6.4%	-5.4%	-4.4%	1.3%

(a) Composite index includes the following companies: APU, CNO, HPG, FGP, NPL, SPH.

(b) As of 4/22/98

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TRANSACTION MULTIPLE ANALYSIS  
FIRM VALUATION

---

Equity Purchase Price of Heating Oil Assets	\$ 41,847,360
+ Cost of Debt at Redemption Value	290,992,000
+ Cost of Preferred stock at Redemption Value	34,375,000

+ Transaction Fees		17,743,000	
+ Off-Balance Sheet Pension and Tax Liability		8,500,000	349,587,000
- Excess Cash			
Oil's cash balance at 9/30/98	13,005,000		
Required cash on hand	(500,000)		
"Unearned MQD" (a)	(2,497,025)		
Additional Surplus (b)	(7,984,975)	2,023,000	
Firm Value		----- \$ 391,434,360 =====	

- (a) Comprised of total new units multiplied by the quarterly distribution payable immediately following the transaction of \$0.575 plus the original units multiplied by the incremental distribution required by the higher distribution of \$0.025, all divided by two for the assumption of a mid-quarter closing.
- (b) Assumes an additional Surplus of \$0.95 per new unit is set aside.

TRANSACTION MULTIPLE ANALYSIS  
TRANSACTION MULTIPLES FOR FIRM VALUATION

=====			
EBITDA			
Purchase Price	Year	Amount	Multiple Paid
-----	-----	-----	-----
\$391,434,360	1997 Adjusted	\$43,040,000	9.1x
\$391,434,360	Adjusted 1998 Budget	\$38,500,000	10.2x
\$391,434,360	1999 Projected	\$51,657,000	7.6x

TRANSACTION MULTIPLE ANALYSIS  
DISTRIBUTION OF VALUE

-----			
OIL			
1997 Adjusted EBITDA	EBITDA Multiple	Purchase Price	
-----	-----	-----	
\$43,040,000	9.1x	\$391,434,360	

ABILITY TO FURTHER CONSOLIDATE HEATING OIL INDUSTRY

CORE BUSINESS

EBITDA	Acquisition Multiple	Purchase Price	EBITDA Decline Rate	
-----	-----	-----		
\$6,315,789	4.75x	\$ 30,000,000	7.75% (a)	\$ 43,040,000
			7.85% (b)	7.75% (a)
				7.85% (b)
Decline Rate			7.75% (a)	
WACC			7.85% (b)	
Perpetuity		\$ 40,477,946		
Purchase Price		\$ 30,000,000		
		-----		



Net Present Value of the Heating Oil Acq.	\$ 10,477,946		
Value in perpetuity of Ability to Consolidate Heating Oil Industry	\$133,425,382	Value Of Core Business	\$275,843,712
Implied Total Valuation	\$409,269,094		
% of Valuation attributable to core business			67.4%
% of Valuation attributable to consolidation opportunities			32.6%

- (a) A.G. Edwards' estimate of the decline rate of EBITDA based on a 4.1% attrition rate.
- (b) See page 57.

TRANSACTION MULTIPLE ANALYSIS  
TRANSACTION MULTIPLES FOR EXISTING HEATING OIL BUSINESS

Revised	EBITDA		
Purchase Price (a)	Year	Amount	Multiple Paid
\$263,823,260	1997 Adjusted	\$43,040,000	6.1x
\$263,823,260	Adjusted 1998 Budget	\$38,500,000	6.9x
\$263,823,260	1999 Projected	\$51,657,000	5.1x

- (a) Represents A.G. Edwards' estimate of the portion of the \$391 million price being paid for Oil's heating oil business that can be attributable to its core business. Calculation: \$391 million x 67.4%. See page 42.

RELATIVE CONTRIBUTION ANALYSIS (a)  
(\$ IN THOUSANDS)

Gas' EBITDA  
Contribution

96-97	35.4%	[CHART APPEARS HERE]
98-99	33.3%	
96-99	34.3%	

For Gas' contribution of approximately 34% of the combined entity's EBITDA, it will receive approximately 37% of the implied firm value.

IMPLIED FIRM VALUE  
APRIL 22, 1998  
  
IMPLIED FIRM VALUE (TRANSACTION)  
APRIL 22, 1998

[CHART APPEARS HERE]

- (a) For purposes of its analysis, A.G. Edwards converted Oil's historical December 31st fiscal year-end to a September 30th fiscal year-end for comparison purposes. Oil's projections are based on a December 31st calendar year end. Other measures of relative contribution analysis are non-meaningful.
- (b) Includes only heating oil EBITDA for Oil.

- (c) Firm value for all of Oil.
- (d) Implied firm value of only Oil's heating oil assets.

ACCRETION/DILUTION ANALYSIS  
 VARIATIONS IN ATTRITION RATES, MARGIN GROWTH RATES, AND ACQUISITION ASSUMPTIONS

	Gas		4.1% Attrition \$0.01 Margin growth		Attrition		Margin Growth	
	Stand-alone	\$30.0mm at 4.75x Acquisitions	6.00%	2.00%	\$0.000	\$0.015		
DCF per unit								
1998E (a)	\$1.270	\$1.570	\$1.570	\$1.570	\$1.570	\$1.570	\$1.570	\$1.570
1998N (b)	1.930	2.190	2.190	2.190	2.190	2.190	2.190	2.190
1999P	2.250	3.200	3.080	3.330	2.910	3.350		
Accretion/Dilution								
1998E (a)		23.6%	23.6%	23.6%	23.6%	23.6%	23.6%	23.6%
1998N (b)		13.5%	13.5%	13.5%	13.5%	13.5%	13.5%	13.5%
1999P		42.2%	36.9%	48.0%	29.3%	48.9%		
Common unit coverage								
1998E (a)	0.94x	0.99x	0.99x	0.99x	0.99x	0.99x	0.99x	0.99x
1998N (b)	1.42	1.38	1.38	1.38	1.38	1.38	1.38	1.38
1999P	1.66	1.93	1.86	2.01	1.76	2.02		
Total unit coverage								
1998E (a)	0.58x	0.71x	0.71x	0.71x	0.71x	0.71x	0.71x	0.71x
1998N (b)	0.88	0.99	0.99	0.99	0.99	0.99	0.99	0.99
1999P	1.02	1.39	1.34	1.45	1.26	1.45		

  

	Acquisitions		4.1% Attrition \$0.015 Margin growth	
	\$50mm at 5.75x	\$50.0mm at 5.75x Acquisitions		
DCF per unit				
1998E (a)	\$1.570	\$1.570		
1998N (b)	2.190	2.190		
1999P	3.480	3.640		
Accretion/Dilution				
1998E (a)	23.6%	23.6%		
1998N (b)	13.5%	13.5%		
1999P	54.7%	61.8%		
Common unit coverage				
1998E (a)	0.99x	0.99x		
1998N (b)	1.38	1.38		
1999P	2.10	2.20		
Total unit coverage				
1998E (a)	0.71x	0.71x		
1998N (b)	0.99	0.99		
1999P	1.51	1.58		

(a) 1998 estimate assumes no acquisitions for either company, and is adjusted to reflect actual results through 3/31/98.  
 (b) 1998 budgeted.

PUBLIC COMPANY ANALYSIS

[\_] A.G. Edwards compared certain financial and market information of Gas on a historical and pro forma basis to that of certain public master limited partnerships which A.G. Edwards deemed relevant for the purposes of this analysis. A.G. Edwards reviewed the trading multiples from a total of 6 public propane master limited partnerships.

- [\_] The selected propane master limited partnerships are as follows:
- AmeriGas Partners, L.P.
  - Cornerstone Propane Partners, L.P.
  - Ferrellgas Partners, L.P.
  - Heritage Propane Partners, L.P.
  - National Propane Partners, L.P.
  - Suburban Propane Partners, L.P.

[\_] No company used in the analysis is identical to Gas.

PUBLIC COMPARABLE COMPANIES (A)

	GAS	PRO FORMA GAS	PUBLIC COMPANY MEDIANS	PUBLIC COMPANY RANGES
Yield	10.0%	10.5%	9.6%	8.5% to 10.6%
Firm value/LTM EBITDA	12.7x (b)	10.8x (b)	12.5x	9.8x to 16.7x
Firm value/1998 normalized EBITDA	8.7x (c)	7.9x (c)	11.5x	10.3x to 13.7x
Equity Market Cap/LTM DCF	18.0x (d)	14.0x (d)	15.7x	9.4x to 25.5x
Equity Market Cap/1998 normalized DCF	9.7x (e)	7.5x (e)	13.9x	11.6x to 16.9x
LTM common unit coverage	0.9x (f)	1.0x (f)	1.4x	0.6x to 1.5x
1998E common unit coverage	1.7x (g)	1.8x (g)	1.4x	0.9x to 1.9x
LTM total unit coverage	0.6x (h)	0.7x (h)	0.7x	0.4x to 1.0x
1998E total unit coverage	1.0x (i)	1.3x (i)	0.7x	0.7x to 1.0x

- (a) Public comparable companies include: APU, CNO, FGP, HPG, CNL and SPH. (f) Adjusted 1998 budget.  
(b) Firm value/adjusted 1998 budget EBITDA. (g) 1999 estimates.  
(c) Firm value/1999 estimated EBITDA. (h) Adjusted 1998 budget.  
(d) Equity market cap/adjusted 1998 budget EBITDA. (i) 1999 estimates.  
(e) Equity market cap/1999 estimated DCF.

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PUBLIC COMPANY ANALYSIS  
(\$ IN MILLIONS, EXCEPT PER UNIT DATA)

Company	Ticker	Closing Price On (4/22/98)	Implied Market Value Of Equity	Implied Firm Value	Distribution Per Unit	Yield	Common Units/ Total Units
Gas	(a)	\$21.938	\$ 139.4	\$ 232.0	\$ 2.20	10.0%	60.3%
AmeriGas Partners, L.P.	APU	25.938	1,108.6	1,867.2	2.20	8.5%	52.8%
Cornerstone Propane Partners, L.P.	(d) CNO	22.688	455.7	671.7	2.16	9.5%	66.5%
Ferrellgas Partners, L.P.	(e) FGP	20.875	666.6	1,192.3	2.00	9.6%	47.0%
Heritage Propane Partners, L.P.	HPG	23.125	197.8	371.8	2.00	8.6%	55.8%
National Propane Partners, L.P.	NPL	20.313	232.9	375.6	2.10	10.3%	59.6%
Suburban Propane Partners, L.P.	(f) SPH	18.813	551.4	942.0	2.00	10.6%	75.1%
Mean						9.5%	59.5%
Median						9.6%	57.7%
PRO FORMA		\$ 21.938	\$ 323.9 (g)	\$ 621.2 (h)	\$ 2.30	10.5%	70.6%

Company		LTM Distributable Cash Flow/		FY98E DCF/Unit	FY98E Distributable Cash Flow/	
		Distribution To Common Units	Distribution To Total Units		Distribution To Common Units	Distribution To Total Units
Gas	(a)	0.9x (b)	0.6x (b)	\$2.25 (c)	1.7x (c)	1.0x (c)
AmeriGas Partners, L.P.		1.5x	0.8x	2.14	1.9x	1.0x
Cornerstone Propane Partners, L.P.	(d)	0.6x	0.4x	1.47	1.1x	0.7x
Ferrellgas Partners, L.P.	(e)	1.4x	0.7x	1.34	1.4x	0.7x
Heritage Propane Partners, L.P.		1.3x	0.8x	2.01	1.8x	1.0x
National Propane Partners, L.P.		0.9x	0.5x	1.60	1.3x	0.8x
Suburban Propane Partners, L.P.	(f)	1.4x	1.0x	1.41	0.9x	0.7x
Mean		1.2x	0.7x		1.4x	0.8x
Median		1.4x	0.7x		1.4x	0.7x
PRO FORMA		1.0x (b)	0.7x	2.91 (c)	1.8x (c)	1.3x (c)

1998 estimates per A.G. Edwards' research, except for Gas, Oil, and Pro Forma. Implied Firm Value equals common, subordinated and GP units, multiplied by the market price of common units plus debt, less cash.

- (a) Pro forma for the Pearl Gas acquisition and the common unit offering. Fiscal 1997 maintenance capital expenditure used as LTM figure.  
(b) For Gas and Pro forma only, LTM DCF figures are adjusted 1998 budget, DCF estimates.  
(c) For Gas and Pro forma only, FY98E DCF figures are 1999 DCF estimates.  
(d) Financial information pro forma for common unit offering. Maintenance capital expenditures assumed to be 8% of EBITDA due to lack of disclosure.

- (e) Maintenance capital expenditure assumed to be 8% of EBITDA due to lack of disclosure.
- (f) Financial figures exclude \$5.1 million gain from sale of minority interest.
- (g) 14,764 units at \$21.9375.
- (h) \$323.3 in equity plus \$308.316 pro forma debt (see page 56), less \$10.982 cash.

PUBLIC COMPANY ANALYSIS

	Long Term Debt/ Firm Value	LTM EBITDA/ Int. Exp.	Firm Value/ LTM EBITDA	Firm Value/ 1998E EBITDA	Equity Market Cap/ LTM DCF	Equity Market Cap/ 1998E DCF
Gas	41.4%	2.3x (a)	12.7x (a)	8.7x (b)	18.0x (c)	9.7x (d)
Amerigas Partners, L.P.	37.3%	2.2x	12.6x	12.1x	15.5x	14.1x
Cornerstone Propane Partners, L.P.	35.1%	2.1x	16.7x	13.7x	25.5x	16.9x
Ferrellgas Partners, L.P.	41.5%	2.1x	12.5x	12.0x	15.8x	15.9x
Heritage Propane Partners, L.P.	46.0%	2.6x	10.9x	10.6x	15.7x	11.6x
National Propane Partners, L.P.	36.8%	3.2x	16.3x	11.0x	18.0x	13.0x
Suburban Propane Partners, L.P.	45.5%	2.9x	9.8x	10.3x	9.4x	13.6x
Mean	40.4%	2.5x	13.1x	11.6x	16.6x	14.2x
Median	39.4%	2.4x	12.5x	11.5x	15.7x	13.9x
Pro Forma	49.6%	2.1x (a)	10.8x (a)	7.9x (b)	14.0x (c)	7.5x (d)

EBITDA is defined as net income (loss) before extraordinary items plus interest, income taxes, depreciation and amortization, impairment expense, and other non-recurring and non-operating items.

- (a) For Gas and Pro Forma only, LTM EBITDA figures are adjusted 1998 budget estimates.
- (b) For Gas and Pro Forma only, 1998E EBITDA figures are 1999 estimates.
- (c) For Gas and Pro Forma only, LTM DCF figures are adjusted 1998 budget DCF estimates.
- (d) For Gas and Pro Forma only, 1998E DCF figures are 1999 DCF estimates.

PUBLIC COMPANY DESCRIPTIONS

AMERIGAS PARTNERS, LP.

AmeriGas Partners operates the largest retail propane distribution business in the U.S., serving approximately 968,000 residential, commercial, industrial, agricultural, and motor-fuel customers in 45 states. AmeriGas Partners also sells propane-related supplies and equipment, including home appliances. The company owns or leases a fleet of about 385 transport trucks, 680 railroad tank cars, and 2,300 bobtail and rack trucks. It also owns or leases propane-storage facilities in Arizona and Rhode Island. AmeriGas Propane, a wholly owned subsidiary of UGI Corp., owns 58% of AmeriGas Partners.

[GRAPH APPEARS HERE]

CORNERSTONE PROPANE PARTNERS, L.P.

Cornerstone Propane Partners, L.P. distributes propane for residential, commercial, industrial, agricultural and other retail uses; markets and distributes propane and natural gas liquids; services propane heating systems and appliances; and sells propane-related supplies, appliances and other equipment. It is the fifth largest retail marketer of propane in the U.S. in terms of volume. The partnership's operations are concentrated in the east coast, south-central and

west coast regions of the U.S.

[GRAPH APPEARS HERE]

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PUBLIC COMPANY DESCRIPTIONS  
(continued)

FERRELLGAS PARTNERS, L.P.

Ferrellgas is the second largest U.S. distributor of propane serving more than 800,000 residential and commercial customers. The company also engages in propane/natural gas trading, wholesale propane marketing, and chemical feedstock marketing. It markets its products primarily in the Midwest, the Great Lakes area, and the Southeast. With a delivery fleet of approximately 4,000 vehicles, Ferrellgas sells almost 700 million gallons of fuel annually to its retail customers, which represents about 8% of all retail propane bought in the U.S. The company has acquired more than 100 companies in 11 years.

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HERITAGE PROPANE PARTNERS, LP.

Heritage Propane Partners distributes propane to more than 220,000 residential, commercial, industrial, and agricultural customers. The propane is used primarily for heating, drying, cooking, as fuel for engines, as a cutting gas for mining operations, and for curing tobacco. The company's retail operations distribute propane to customers in 23 states in the western, southeastern, and northeastern U.S. The company also distributes wholesale propane and sells, installs, and repairs propane-related equipment. Heritage has acquired 40 retail propane operations since 1989, bringing annual propane sales to over 125 million gallons.

[GRAPH APPEARS HERE]

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PUBLIC COMPANY DESCRIPTIONS  
(continued)

NATIONAL PROPANE PARTNERS, L.P.

National Propane L.P. markets propane on a retail basis to residential, commercial, industrial and agricultural customers and dealers in 25 states; and also sells propane-related supplies and equipment, including home and commercial appliances. It is the sixth largest retail marketer of propane in the U.S. in terms of volume, supplying approximately 250,000 active retail and wholesale customers in 25 states through 166 service centers located in 24 states. Operations are concentrated in the Midwest, Northeast, Southeast and Southwest regions of the U.S.

[GRAPH APPEARS HERE]

SUBURBAN PROPANE PARTNERS, L.P.

Suburban Propane Partners markets and distributes propane to residential, commercial, industrial and agricultural customers through a retail distribution network consisting of 352 district locations in 41 states. The company, the third

largest retail marketer of propane in the U.S., serves over 730,000 active customers primarily located in the east and west coast regions of the country. Suburban Propane also sells, installs and services equipment related to its propane distribution business, including heating and cooking appliances and, at some locations, propane fuel systems.

[GRAPH APPEARS HERE]

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DISCOUNTED CASH FLOW ANALYSIS  
GAS - STAND ALONE  
(\$ IN THOUSANDS)

INCOME STATEMENT SUMMARY (a):	1998	1999	2000	2001	2002	Terminal
EBITDA	18,279	26,730	28,541	30,361	32,188	
% increase		46.2%	6.8%	6.4%	6.0%	
Net income	(1,321)	3,691	3,554	3,779	4,198	
CASH FLOW SUMMARY:						
After-tax EBI		12,805	13,582	14,527	15,474	
Depreciation and amortization		13,900	14,934	15,809	16,689	
Maintenance capital expenditures		(3,274)	(3,395)	(3,694)	(3,816)	
Working capital increases		(500)	(500)	(500)	(500)	
Net operating cash flow (free cash flow)		22,931	24,621	26,142	27,847	
Weighted average cost of capital (b)	7.9%					
Terminal EBITDA multiple (c)	10.2x					
Discount factor (d)		0.9629	0.8927	0.8276	0.7673	0.7388
Terminal value (e)						\$328,318
Present value	\$329,620	\$22,079	\$21,979	\$21,635	\$21,367	\$242,560
Current net debt (f)	(\$102,956)					
Net present value of equity	\$226,664					
Common units/Total units (g)	60.3%					
Equity value to common units (h)	\$136,669					

- (a) Based on management projections.  
(b) Based on comparable companies' WACC. See Weighted Average Cost of Capital analysis.  
(c) Gas' current firm value of \$232.0 million/\$22.781 million normalized 1998 EBITDA = 10.2x, which represents a multiple of current year normalized EBITDA.  
(d) Discount factor calculated using half-year convention.  
(e) Terminal value calculated using EBITDA multiple.  
(f) Represents total projected debt less cash as of 9/30/98.  
(g) Total units include common, subordinated and GP units.  
(h) Current market value of common units is 3,832 units \* \$21.938 unit price = \$84,065

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DISCOUNTED CASH FLOW ANALYSIS  
GAS - PRO FORMA PAINWEBBER MODEL (a)

(\$ IN THOUSANDS)

INCOME STATEMENT SUMMARY (b):	1998	1999	2000	2001	2002	Terminal
EBITDA	57,629	78,887	83,412	87,919	92,408	
% increase		36.9%	5.7%	5.4%	5.1%	
Net income	(11,497)	4,970	2,830	3,156	5,021	
CASH FLOW SUMMARY:						
After-tax EBI		33,584	33,532	34,781	35,995	
Depreciation and amortization		44,778	49,354	52,613	55,888	
Maintenance capital expenditures		(6,774)	(6,895)	(7,194)	(7,316)	
Working capital increases (c)		8,982	(1,000)	(1,000)	(1,000)	
Net operating cash flow (free cash flow)		80,570	74,991	79,200	83,567	
Weighted average cost of capital (d)		7.9%				
Terminal EBITDA multiple (e)		10.2x				
Discount factor (f)		0.9629	0.8928	0.8278	0.7675	0.7390
Terminal value (g)						\$942,562
Present value	\$970,827	\$77,581	\$66,952	\$65,561	\$64,139	\$696,595
Less net debt (h)	(\$297,334)					
Net present value of equity	\$673,493					
Original common units/Total units (i)	26.0%					
Equity value to common units (j)	\$174,793					

- (a) Scenario assumes 4.1% steady attrition, 0% margin improvement, and \$30 million in acquisitions at 4.75 multiple.
- (b) Based on management projections.
- (c) A.G Edwards' assumption.
- (d) Based on comparable companies' WACC. See Weighted Average Cost of Capital analysis.
- (e) Gas' current firm value of \$232.0 million/\$22.781 million normalized 1998 EBITDA = 10.2x, which represents a multiple of current year normalized EBITDA.
- (f) Terminal value calculated using half-year convention.
- (g) Discount factor calculated using EBITDA multiple.
- (h) Represents total proforma projected debt less cash as of 9/30/98.
- (i) Total units include common, newly issued common, senior subordinated, subordinated and GP units.
- (j) Current market value of common units is 3,832 units \* \$21,938 unit price=\$84,065

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### Capital Structure Analysis

Oil  
(\$ in millions)

	12/31/97 Book Value	Coupon	4/22/98 Market Price	Market Value
Debt:				
Credit Agreement				
Working Capital facility	\$3.000	7.75%	NA	\$3.0
Acquisition facility	0.000	7.75%	NA	0.0
Notes payable				
Notes payable for fuel oil dealer purchases, etc.	16.798	8.0%-10.0%	NA	16.8
11.85%, 12.17%, 12.18% Senior Notes	60.000	11.96%	NA	60.0
14.1% Subordinated and Senior	8.300	14.10%	NA	8.3
10.125% Subordinated	50.000	10.13%	92.13%	46.1
9.375% Subordinated Debentures	75.000	9.38%	87.00%	65.3
12.25% Subordinated Debentures	81.250	12.25%	96.50%	78.4
Total Debt	\$294.348			\$277.8
Effective Cost of Debt				11.0%
Preferred Stock:				
Redeemable preferred stock	\$8.334	14.34%	NA	8.3
12.875% Exchangeable preferred stock	30.000	12.88%	NA	30.0
Adjustment to balance sheet	(1.678)		NA	(1.7)

Total Preferred Stock	\$36.7		\$36.7
Effective Cost of Preferred Stock			13.2%
Total Debt and Preferred Stock	\$331.0		\$314.5
Effective Cost of Debt and Preferred Stock			11.2%

	12/31/97 Shares Out.	4/22/98 Market Price	Market Value
Equity:			
Common stock			
Class A	23,954,560	\$1.625	\$38.9
Class B	11,228	17.776 (a)	0.2
Class C	2,597,519	NA (b)	4.2
Total Equity			\$43.3
Effective Cost of Equity			28.7%
Total Capitalization			\$357.8
WACC			13.3%
Less: Cash			11.7
Net Capitalization			\$346.1

	% of Ownership	Net Market Value of Gas	Market Value of Interest
Less:			
Interest in Gas	40.7%	\$231.959	\$94.3
Total Value of Oil Without Interest in Gas			\$263.5

- (a) Class B market price is calculated as:  $\$17.50 + \$0.2763$ .  
(b) Market price is assumed to equal that of the Class A shares, since the Class C shares do not trade.

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Capital Structure Analysis  
Gas  
(\$ in millions)

	12/31/97 Book Value	Coupon	4/22/98 Market Price	Market Value
DEBT:				
Credit Agreement				
Working Capital facility	\$ 0.000	None	Not applicable	Not applicable
Acquisition facility	0.000	None	Not applicable	Not applicable
Notes payable				
8.04% First Mortgage Notes	85.000	8.04%	NA	\$85.0
7.17% First Mortgage Notes (a)	11.000	7.17%	NA	11.0
Total Debt				\$96.0
Effective Cost Of Debt				7.9%
After-tax Cost Of Debt				5.2%

	12/31/97 Shares Out.	4/22/98 Market Price	Market Value
EQUITY:			
Common units	3,831,727	\$21.938	\$ 84.1
Subordinated units	2,396,078	NA (b)	52.6
General Partner			2.8 (c)
Total Equity			\$139.4
Effective cost of equity			9.7%
Total Capitalization			\$235.4
WACC			7.9%
Less: Cash			\$ 3.5
Net Capitalization			\$232.0

- (a) The 7.17% First Mortgage Notes were placed 1/26/98; proceeds were used to repay the acquisition facility.  
(b) Market price assumed to equal common units.  
(c) Implied 2% general partner interest.



Capital Structure Analysis  
 Gas - Pro Forma as of 9/30/98  
 (\$ In Thousands)

	Gas	Oil	Adjustments	Pro Forma Gas
<b>Debt:</b>				
8.04% First Mortgage Notes	\$85,000	\$0	\$0	\$85,000
8.25% WC Revolver	7,457	-	-	7,457
7.17% First Mortgage Notes	11,000	-	-	11,000
11.96% Senior Notes	-	60,000	(60,000)	-
14.10% Senior Notes	-	3,100	(3,100)	-
14.10% Subordinated Notes	-	3,100	(3,100)	-
10.13% Sub Notes & Sr Notes	-	50,000	(50,000)	-
9.38% Sub Notes & Sr Notes	-	75,000	(75,000)	-
12.25% Sub Notes & Sr Notes	-	81,250	(81,250)	-
8.00% Existing Acq Notes Payable	-	13,859	-	13,859
8.46% Exchange Debt	-	-	66,000	66,000
8.50% New Debt	-	-	125,000	125,000
<b>Total Debt</b>	<b>\$103,457</b>	<b>\$286,309</b>	<b>(\$81,450)</b>	<b>\$308,316</b>
Weighted average cost of Debt				8.3%
<b>Preferred Stock:</b>				
14.33% Preferred Stock	\$0	\$4,167	(\$4,167)	\$0
12.88% Preferred Stock	-	30,000	(30,000)	-
<b>Common Equity</b>	<b>\$56,368</b>	<b>\$210,015</b>	<b>\$123,378</b>	<b>(\$30,268)</b>

Discounted Cash Flow Analysis  
 Pro Forma Weighted Average Cost Of Capital Derivation  
 (\$ in millions)

Comparable Company	Levered Beta (a)	Total Market Val. Debt (BK = Mkt)	Unit Price at (4/22/98)	Total Units Out. (Mil)	Implied Market Value of Equity	Total Debt/Total Equity	Total Debt as % Of Total Capital	Un-levered Beta
AmeriGas Partners, L.P.	0.52	\$ 777.8	\$ 25.938	41.9	\$1,108.6	70.2%	41.2%	0.306
Cornerstone Propane Partners, L.P.	0.41	235.8	22.688	19.7	455.7	51.7%	34.1%	0.270
Ferrellgas Partners, L.P.	0.39	537.2	20.875	31.3	666.6	80.6%	44.6%	0.216
Heritage Propane Partners, L.P.	0.44	176.9	23.125	8.4	197.8	89.4%	47.2%	0.232
National Propane Partners, L.P.	0.34	147.4	20.313	11.2	232.9	63.3%	38.8%	0.208
Star Gas Partners, L.P.	0.34	96.0	21.938	6.2	139.4	68.9%	40.8%	0.201
Suburban Propane Partners, L.P.	0.38	428.2	18.813	28.7	551.4	77.6%	43.7%	0.214

Comparable group's average unlevered beta: 0.23  
 Pro forma debt - to - equity ratio (b): 95.2%  
 Pro forma debt as a percent of total capital (b): 48.8%  
 Comparable group's beta relevered for Pro forma capital structure: 0.368  
 =====

Pro forma capitalization - at market (b)	\$308.3	48.8%
Total debt	323.9	51.2%
Common Equity	\$632.2	100.00%

DERIVATION OF WEIGHTED AVERAGE COST OF CAPITAL :

		Market Risk Premium Range (d)		
		11.3%	12.3%	13.3%
Pro forma theoretical levered beta:	0.368			
Assumed % of equity in Pro forma capital structure (b):	51.2%			
Risk - free rate of return (c):	5.7%			
Pro forma cost of equity range (at various market risk premiums):		9.8%	10.2%	10.6%
Pro forma assumed tax rate:	35.0%			
Assumed % of debt in capital structure (b):	48.8%			
Pro forma estimated cost of debt (e):	8.3%			
Pro forma estimated after - tax cost of debt:	5.4%	5.4%	5.4%	5.4%
Pro forma weighted average cost of capital range (f):		7.7%	7.9%	8.0%

- (a) Source: Bloomberg. 143 week (maximum weekly time period allowed, or the number of weeks available, which may be less than 143) adjusted beta relative to the S&P 500 index.
- (b) Market value of long-term debt is assumed to be equal to the book value.
- (c) Ten - year Treasury rate on April 22, 1998.
- (d) Ibbotson Associates 1997. Total returns for small company stocks of 17.7% minus the risk-free rate.
- (e) Based on Pro forma current debt structure.
- (f) Calculation based upon use of the Capital Asset Pricing Model (CAPM).

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COMPARISON OF CAPITAL STRUCTURES AND COSTS OF CAPITAL  
(\$ IN MILLIONS)

	AMERIGAS PARTNERS, L.P.		CORNERSTONE PROPANE Partners, L.P.		FERRELLGAS PARTNERS, L.P.	
	Capital	Cost	Capital	Cost	Capital	Cost
DEBT:						
Working capital/Revolving credit facility	\$ 28.0	6.44%	\$ 24.2	7.76%	\$ 84.6	8.40%
Acquisition facility	37.0	6.32%				
Term loan					50.0	8.40%
Senior Notes	100.0	10.13%	220.0	7.53%	200.0	10.00%
					160.0	9.38%
First Mortgage Notes						
Series A	222.8	10.53%				
Series B	211.6	10.07%				
Series C	110.0	8.83%				
Purchase contract obligations			12.0	7.50%		
Notes payable on noncompete agreements					14.6	6.05%
Other, including capital leases	9.4	NA				
TOTAL DEBT PER MOST RECENT 10K	718.7		256.2		509.1	
TOTAL DEBT 12/31/97	777.8	9.56%	235.8	7.55%	537.2	9.27%
MINORITY INTEREST	\$ 5.1		\$ 0.0		\$ 2.0	
EQUITY:						
TOTAL EQUITY	\$1,108.6	9.75%	\$455.7	9.41%	\$ 666.6	9.93%
TOTAL CAPITALIZATION	\$1,891.6	8.29%	\$691.5	7.88%	\$1,205.8	8.19%
Less: Cash	24.4		19.8		13.5	
NET CAPITALIZATION	\$1,867.2		\$671.7		\$1,192.3	
FINANCIAL RATIOS:						
Bank debt/total debt	8.36%		10.26%		25.05%	
Total debt/total cap	41.12%		34.10%		44.55%	
Common/total units	52.77%		66.48%		46.97%	

	HERITAGE PROPANE Partners, L.P.		NATIONAL PROPANE Partners, L.P.		SUBURBAN PROPANE Partners, L.P.	
	Capital	Cost	Capital	Cost	Capital	Cost
DEBT:						
Working capital/Revolving credit facility	\$ 12.3	7.59%	\$ 8.5	7.95%	\$ 0.0	
Acquisition facility	25.0	7.38%	12.0	7.35%	\$ 0.0	
Term loan						
Senior Notes	120.0	8.55%			425.0	7.54%
					3.5	8.00%
First Mortgage Notes			125.0	8.54%		
Series A						
Series B						
Series C						
Purchase contract obligations						
Notes payable on noncompete agreements	3.3	8.00%	1.9	8.00%		

Other, including capital leases	1.0					
TOTAL DEBT PER MOST RECENT 10K	161.5		147.4		428.5	
TOTAL DEBT 12/31/97	176.9	8.23%	147.4	8.40%	428.2	7.54%
MINORITY INTEREST	\$ 0.0		\$ 0.0		\$ 0.0	
EQUITY:						
TOTAL EQUITY	\$197.8	10.10%	\$ 232.9	9.62%	\$551.4	9.88%
TOTAL CAPITALIZATION	\$374.6	7.86%	\$ 380.2	8.01%	\$979.6	7.71%
Less: Cash	2.8		4.6		37.6	
NET CAPITALIZATION	\$371.8		\$ 375.6		\$942.0	
FINANCIAL RATIOS:						
Bank debt/total debt	21.06%		13.91%		0.00%	
Total debt/total cap	47.21%		38.76%		43.71%	
Common/total units	55.82%		59.65%		75.06%	

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AMERIGAS PARTNERS, L.P.  
DISCOUNTED CASH FLOW ANALYSIS  
WEIGHTED AVERAGE COST OF CAPITAL DERIVATION  
(\$ in millions)

Comparable Company	Levered Beta (a)	Total Market Val. Debt (Bk = Mkt)	Unit Price at (4/22/98)	Total Units Out. (Mil)	Implied Market Value of Equity	Total Debt/Total Equity	Total Debt as % of Total Capital	Un-Levered Beta
AmeriGas Partners, L.P.	0.48	\$777.8	\$ 25.938	41.9	\$1,108.6	70.2%	41.2%	0.282
Cornerstone Propane Partners, L.P.	0.40	235.8	22.688	19.7	455.7	51.7%	34.1%	0.264
Ferrellgas Partners, L.P.	0.38	537.2	20.875	31.3	666.6	80.6%	44.6%	0.210
Heritage Propane Partners, L.P.	0.43	176.9	23.125	8.4	197.8	89.4%	47.2%	0.227
National Propane Partners, L.P.	0.34	147.4	20.313	11.2	232.9	63.3%	38.8%	0.208
Star Gas Partners, L.P.	0.33	96.0	21.938	6.2	139.4	68.9%	40.8%	0.195
Suburban Propane Partners, L.P.	0.36	428.2	18.813	28.7	551.4	77.6%	43.7%	0.203
Comparable group's average unlevered beta:	0.23							
AmeriGas' debt-to-equity ratio (b):	70.2%							
AmeriGas' debt as a percent of total capital (b):	41.2%							
Comparable group's beta relevered for AmeriGas' capital structure:	0.331							
	=====							
							\$777.8	41.2%
							1,108.6	58.8%
							-----	-----
							\$1,886.5	100.0%
							-----	-----

Derivation Of Weighted Average Cost Of Capital :	Market Risk Premium Range (d)			
AmeriGas' theoretical levered beta:	0.331	11.3%	12.3%	13.3%
Assumed % of equity in AmeriGas' capital structure (b):	58.8%			
Risk-free rate of return (c):	5.7%			
AmeriGas' cost of equity range (at various market risk premiums):		9.4%	9.7%	10.1%
AmeriGas' assumed tax rate:	35.0%	=====	=====	=====
Assumed % of debt in capital structure (b):	41.2%			
AmeriGas' estimated cost of debt (e):	9.6%			
AmeriGas' estimated after-tax cost of debt:	6.2%	6.2%	6.2%	6.2%
AmeriGas' weighted average cost of capital range (f):		8.1%	8.3%	8.5%
		-----	-----	-----

- (a) Source: Bloomberg. 143 week (maximum weekly time period allowed, or the number of weeks available, which may be less than 143) adjusted beta relative to the S&P 500 index.
- (b) Market value of long-term debt is assumed to be equal to the book value.
- (c) Ten-year Treasury rate on April 22, 1998.
- (d) Ibbotson Associates 1997. Total returns for small company stocks of 17.7% minus the risk-free rate.
- (e) Based on AmeriGas' current debt structure.
- (f) Calculation based upon use of the Capital Asset Pricing Model (CAPM).

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CORNERSTONE PROPANE PARTNERS, L.P.  
DISCOUNTED CASH FLOW ANALYSIS  
WEIGHTED AVERAGE COST OF CAPITAL DERIVATION  
(\$ IN MILLIONS)

Comparable Company	Levered Beta (a)	Total Market Val. Debt (Bk = Mkt)	Unit Price at (4/22/98)	Total Units Out. (Mil)	Implied Market Value of Equity	Total Debt/Equity	Total Debt as % of Total Capital	Unlevered Beta
AmeriGas Partners, L.P.	0.48	\$777.8	\$25.938	41.9	\$1,108.6	70.2%	41.2%	0.282
Cornerstone Propane Partners, L.P.	0.40	235.8	22.688	19.7	455.7	51.7%	34.1%	0.264
Ferrellgas Partners, L.P.	0.38	537.2	20.875	31.3	666.6	80.6%	44.6%	0.210
Heritage Propane Partners, L.P.	0.43	176.9	23.125	8.4	197.8	89.4%	47.2%	0.227
National Propane Partners, L.P.	0.34	147.4	20.313	11.2	232.9	63.3%	38.8%	0.208
Star Gas Partners, L.P.	0.33	96.0	21.938	6.2	139.4	68.9%	40.8%	0.195
Suburban Propane Partners, L.P.	0.36	428.2	18.813	28.7	551.4	77.6%	43.7%	0.203

Comparable group's average unlevered beta:		0.23	Cornerstone's capitalization - at market (b)	
Cornerstone's debt - to - equity ratio (b):		51.7%	Total debt	\$235.8 34.1%
Cornerstone's debt as a percent of total capital (b):		34.1%	Common equity	455.7 65.9%
Comparable group's beta relevered for Cornerstone's capital structure:		0.303		\$691.5 100.0%

DERIVATION OF WEIGHTED AVERAGE COST OF CAPITAL:		Market Risk Premium Range (d)		
		11.3%	12.3%	13.3%
Cornerstone's theoretical levered beta:	0.303			
Assumed % of equity in Cornerstone's capital structure (b):	65.9%			
Risk - free rate of return (c):	5.7%			
Cornerstone's cost of equity range (at various market risk premiums):		9.1%	9.4%	9.7%
Cornerstone's assumed tax rate:	35.0%	====	====	====
Assumed % of debt in capital structure (b):	34.1%			
Cornerstone's estimated cost of debt (e):	7.6%			
Cornerstone's estimated after - tax cost of debt:	4.9%	4.9%	4.9%	4.9%
Cornerstone's weighted average cost of capital range (f):		7.7%	7.9%	8.1%

- (a) Source: Bloomberg. 143 week (maximum weekly time period allowed, or the number of weeks available, which may be less than 143) adjusted beta relative to the S&P 500 index.
- (b) Market value of long-term debt is assumed to be equal to the book value.
- (c) Ten - year Treasury rate on April 22, 1998.
- (d) Ibbotson Associates 1997. Total returns for small company stocks of 17.7% minus the risk-free rate.
- (e) Based on Cornerstone's current debt structure.
- (f) Calculation based upon use of the Capital Asset Pricing Model (CAPM).

Ferrellgas Partners, L.P.  
Discounted Cash Flow Analysis  
Weighted Average Cost of Capital Derivation  
(\$ in millions)

Comparable Company	Levered Beta (a)	Total Market Val. Debt (Bk = Mkt)	Unit Price at (4/22/98)	Total Units Out. (Mil)	Implied Market Value of Equity	Total Debt/Equity	Total Debt as % of Total Capital	Un-Levered Beta
AmeriGas Partners, L.P.	0.48	\$ 777.8	\$25.938	41.9	\$1,108.6	70.2%	41.2%	0.282
Cornerstone Propane Partners, L.P.	0.40	235.8	22.688	19.7	455.7	51.7%	34.1%	0.264
Ferrellgas Partners, L.P.	0.38	537.2	20.875	31.3	666.6	80.6%	44.6%	0.210
Heritage Propane Partners, L.P.	0.43	176.9	23.125	8.4	197.8	89.4%	47.2%	0.227
National Propane Partners, L.P.	0.34	147.4	20.313	11.2	232.9	63.3%	38.8%	0.208
Star Gas Partners, L.P.	0.33	96.0	21.938	6.2	139.4	68.9%	40.8%	0.195
Suburban Propane Partners, L.P.	0.36	428.2	18.813	28.7	551.4	77.6%	43.7%	0.203

Comparable group's average unlevered beta:		0.23	Ferrellgas' capitalization - at Market (b)	
Ferrellgas' debt - to - equity ratio (b):		80.6%	Total debt	\$537.2 44.6%
Ferrellgas' debt as a percent of total capital (b):		44.6%	Common equity	666.6 55.4%
Comparable group's beta relevered for Ferrell gas' capital structure:		0.346		\$1,203.8 100.0%

Derivation Of Weighted Average Cost Of Capital :		Market Risk Premium Range (d)		
		11.3%	12.3%	13.3%
Ferrellgas' theoretical levered beta:	0.346			

Assumed % of equity in Ferrell gas' capital structure (b):	55.4%			
Risk - free rate of return (c):	5.7%			
Ferrellgas' cost of equity range (at various market risk premiums):		9.6%	9.9%	10.3%
Ferrellgas' assumed tax rate:	35.0%	====	====	====
Assumed % of debt in capital structure (b):	44.6%			
Ferrellgas' estimated cost of debt (e):	9.3%			
Ferrellgas' estimated after - tax cost of debt:	6.0%	6.0%	6.0%	6.0%
Ferrellgas' weighted average cost of capital range (f):		8.0%	8.2%	8.4%

- (a) Source: Bloomberg. 143 week (maximum weekly time period allowed, or the number of weeks available, which may be less than 143) adjusted beta relative to the S&P 500 index.
- (b) Market value of long-term debt is assumed to be equal to the book value.
- (c) Ten - year Treasury rate on April 22, 1998.
- (d) Ibbotson Associates 1997. Total returns for small company stocks of 17.7% minus the risk-free rate.
- (e) Based on Ferrellgas' current debt structure. 61
- (f) Calculation based upon use of the Capital Asset Pricing Model (CAPM).

HERITAGE PROPANE PARTNERS, L.P.  
DISCOUNTED CASH FLOW ANALYSIS  
WEIGHTED AVERAGE COST OF CAPITAL DERIVATION  
(\$ IN MILLIONS)

Comparable Company	Levered Beta (a)	Total Market Val. Debt (Bk = Mkt)	Unit Price at (4/22/98)	Total Units Out. (Mil)	Implied Market Value of Equity	Total Debt/ Total Equity	Total Debt as % of Total Capital	Un-Levered Beta
AmeriGas Partners, L.P.	0.48	\$777.8	\$25.938	41.9	\$1,108.6	70.2%	41.2%	0.282
Cornerstone Propane Partners, L.P.	0.40	235.8	22.688	19.7	455.7	51.7%	34.1%	0.264
Ferrellgas Partners, L.P.	0.38	537.2	20.875	31.3	666.6	80.6%	44.6%	0.210
Heritage Propane Partners, L.P.	0.43	176.9	23.125	8.4	197.8	89.4%	47.2%	0.227
National Propane Partners, L.P.	0.34	147.4	20.313	11.2	232.9	63.3%	38.8%	0.208
Star Gas Partners, L.P.	0.33	96.0	21.938	6.2	139.4	68.9%	40.8%	0.195
Suburban Propane Partners, L.P.	0.36	428.2	18.813	28.7	551.4	77.6%	43.7%	0.203

Comparable group's average unlevered beta:	0.23	Heritage's Capitalization - at market (b)	
Heritage's debt - to - equity ratio(b):	89.4%	Total debt	\$176.9 47.2%
		Common Equity	197.8 52.8%
Heritage's debt as a percent of total capital (b):	47.2%		\$374.6 100.0%
Comparable group's beta relevered for Heritage's capital structure:	0.359		

DERIVATION OF WEIGHTED AVERAGE COST OF CAPITAL :		MARKET RISK PREMIUM RANGE (d)		
		11.3%	12.3%	13.3%
Heritage's theoretical levered beta:	0.359			
Assumed % of equity in Heritage's capital structure (b):	52.8%			
Risk - free rate of return (c):	5.7%			
Heritage's cost of equity range (at various market risk premiums):		9.7%	10.1%	10.5%
Heritage's assumed tax rate:	35.0%	====	====	====
Assumed % of debt in capital structure (b):	47.2%			
Heritage's estimated cost of debt (e):	8.2%			
Heritage's estimated after - tax cost of debt:	5.4%	5.4%	5.4%	5.4%
Heritage's weighted average cost of capital range (f):		7.7%	7.9%	8.0%

- (a) Source: Bloomberg. 143 week (maximum weekly time period allowed, or the number of weeks available, which may be less than 143) adjusted beta relative to the S&P 500 index.
- (b) Market value of long-term debt is assumed to be equal to the book value.
- (c) Ten - year Treasury rate on April 22, 1998.

- (d) Ibbotson Associates 1997. Total returns for small company stocks of 17.7% minus the risk-free rate.
- (e) Based on Heritage's current debt structure.
- (f) Calculation based upon use of the Capital Asset Pricing Model (CAPM).

National Propane Partners, L.P.  
 Discounted Cash Flow Analysis  
 Weighted Average Cost of Capital Derivation  
 (\$ in millions)

Comparable Company	Levered Beta (a)	Total Market Val. Debt (Bk = Mkt)	Unit Price at (4/22/98)	Total Units Out. (Mil)	Implied Market Value of Equity	Total Debt/Equity	Total Debt as % of Total Capital	Un-levered Beta
AmeriGas Partners, L.P.	0.48	\$777.8	\$ 25.938	41.9	\$1,108.6	70.2%	41.2%	0.282
Cornerstone Propane Partners, L.P.	0.40	235.8	22.688	19.7	455.7	51.7%	34.1%	0.264
Ferrellgas Partners, L.P.	0.38	537.2	20.875	31.3	666.6	80.6%	44.6%	0.210
Heritage Propane Partners, L.P.	0.43	176.9	23.125	8.4	197.8	89.4%	47.2%	0.227
National Propane Partners, L.P.	0.34	147.4	20.313	11.2	232.9	63.3%	38.8%	0.208
Star Gas Partners, L.P.	0.33	96.0	21.938	6.2	139.4	68.9%	40.8%	0.195
Suburban Propane Partners, L.P.	0.36	428.2	18.813	28.7	551.4	77.6%	43.7%	0.203

Comparable group's average unlevered beta:	0.23	National's capitalization - at market (b)	
National's debt - to - equity ratio (b):	63.3%	Total debt	\$147.4 38.8%
		Common equity	232.9 61.2
National's debt as a percent of total capital (b):	38.8%		\$380.2 100.0%
Comparable group's beta relevered for National's capital structure:	0.320		

Derivation of Weighted Average Cost of Capital:

		Market Risk Premium Range (d)		
		11.3%	12.3%	13.3%
National's theoretical levered beta:	0.320			
Assumed % of equity in National's capital structure (b):	61.2%			
Risk - free rate of return (c):	5.7%			
National's cost of equity range (at various market risk premiums):		9.3%	9.6%	9.9%
		===	===	===
National's assumed tax rate:	35.0%			
Assumed % of debt in capital structure (b):	38.8%			
National's estimated cost of debt (e):	8.4%			
National's estimated after - tax cost of debt:	5.5%	5.5%	5.5%	5.5%
National's weighted average cost of capital range (f):		7.8%	8.0%	8.2%

- (a) Source: Bloomberg. 143 week (maximum weekly time period allowed, or the number of weeks available, which may be less than 143) adjusted beta relative to the S&P 500 index.
- (b) Market value of long-term debt is assumed to be equal to the book value.
- (c) Ten - year Treasury rate on April 22, 1998.
- (d) Ibbotson Associates 1997. Total returns for small company stocks of 17.7% minus the risk-free rate.
- (e) Based on National's current debt structure.
- (f) Calculation based upon use of the Capital Asset Pricing Model (CAPM).

SUBURBAN PROPANE PARTNERS, L.P.  
 DISCOUNTED CASH FLOW ANALYSIS  
 WEIGHTED AVERAGE COST OF CAPITAL DERIVATION  
 (\$ IN MILLIONS)

COMPARABLE COMPANY	LEVERED BETA (A)	MARKET VAL. DEBT (BK = MKT)	UNIT PRICE AT (4/22/98)	TOTAL UNITS OUT. (IL)	MARKET VALUE OF EQUITY	DEBT/TOTAL EQUITY	DEBT AS % OF TOTAL CAPITAL	UN-LEVERED BETA
AmeriGas Partners, L.P.	0.48	\$777.8	\$ 25.938	41.9	\$1,108.6	70.2%	41.2%	0.282
Cornerstone Propane Partners, L.P.	0.40	235.8	22.688	19.7	455.7	51.7%	34.1%	0.264
Ferrellgas Partners, L.P.	0.38	537.2	20.875	31.3	666.6	80.6%	44.6%	0.210
Heritage Propane Partners, L.P.	0.43	176.9	23.125	8.4	197.8	89.4%	47.2%	0.227
National Propane Partners, L.P.	0.34	147.4	20.313	11.2	232.9	63.3%	38.8%	0.208
Star Gas Partners, L.P.	0.33	96.0	21.938	6.2	139.4	68.9%	40.8%	0.195
Suburban Propane Partners, L.P.	0.36	428.2	18.813	28.7	551.4	77.6%	43.7%	0.203

Comparable group's average unlevered beta:	0.23	Suburban's capitalization - at market (d)	
Suburban's debt - to - equity ratio (b):	77.6%	Total debt	\$428.2 43.7%
Suburban's debt as a percent of total capital (b):	43.7%	Common equity	551.4 56.3%
			-----
			\$979.6 100.0%

Comparable group's beta relevered for Suburban's capital structure: 0.342  
=====

DERIVATION OF WEIGHTED AVERAGE COST OF CAPITAL :	MARKET RISK PREMIUM RANGE (d)		
	11.3%	12.3%	13.3%
Suburban's theoretical levered beta:	0.342		
Assumed % of equity in Suburban's capital structure (b):	56.3%		
Risk - free rate of return (c):	5.7%		
Suburban's cost of equity range (at various market risk premiums):	9.5%	9.9%	10.2%
	====	====	=====
Suburban's assumed tax rate:	35.0%		
Assumed % of debt in capital structure (b):	43.7%		
Suburban's estimated cost of debt (e):	7.5%		
Suburban's estimated after - tax cost of debt:	4.9%	4.9%	4.9%
Suburban's weighted average cost of capital range (f):	7.5%	7.7%	7.9%

- (a) Source: Bloomberg. 143 week (maximum weekly time period allowed, or the number of weeks available, which may be less than 143) adjusted beta relative to the S&P 500 index.
- (b) Market value of long-term debt is assumed to be equal to the book value.
- (c) Ten - year Treasury rate on April 22, 1998.
- (d) Ibbotson Associates 1997. Total returns for small company stocks of 17.7% minus the risk-free rate.
- (e) Based on Suburban's current debt structure.
- (f) Calculation based upon use of the Capital Asset Pricing Model (CAPM).

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PROJECT HEAT

Transaction Summary and Assumptions  
(in thousands except per share and per unit data)

Scenario III: Worst Case

EQUITY RESTRUCTURING

CALCULATION OF SUB GP UNITS OFFERED

	Petro		
	Public	Insiders	
Securities Offered	Sr Sub	Sub & GP	Value of Sub/GP Units to be
Incentive Rights	76%	24%	To be Coverial \$18,597
Value Offered	\$ 3.15	\$ 3.15	Less: Value of GP 6,284
Current Market	\$ 1.63	\$ 1.63	-----
Premium in Market	93.8%	98.6%	12,313
Required Yeld w/out PV of Incentive Rights	11.5%	14.0%	Remaider at \$16.33 754
Value of Security w/out PV of Incent. Rights	\$ 19.13	\$ 15.71	
Assumed Value of Incentive Rights	\$ 0.61	\$ 0.61	
Value of Security Offered	\$ 19.74	\$ 16.33	PRESENT VALUE OF INCENTIVE RIGHTS
Security Offered per Share	0.16	0.19	Discount Rate 25%
Total Shares	17,160	9,404	PV of Cash Flows 1997-2005 1,478
Insiders to Receive Sr.Sub	3,500	(3,500)	PV of Terminal Value 4x 1,189
Shares to be Converted	20,660	5,904	-----
Units Offered	3,296	754	Total PV of Incentive Rights 2,667
Current Sub/GP		0	Value of Incentive Rights
Value of GP/Unit		\$ 21.28	per Ut \$ 0.61

DEBT RESTRUCTURING

Projected

Privates	12/31/97	Strategy	Price
	Principal		
11.96% Sr Notes	60,000	Exchange	110.0%
14.10% Sr Notes	3,100	Neg.Tender	110.0%
14.10% Sub Notes	3,100	Neg.Tender	110.0%
14.33% Pfd Stock	4,167	Neg.Tender	105.0%
Publics:			
10.13% Sub Notes & Sr Notes	50,000	Neg.Tender	100.0%
9.38% Sub Notes & Sr Notes	75,000	Tender	100.0%
12.25% Sub Notes & Sr Notes	81,250	Tender	105.0%
12.88% Pfd Stock	30,000	Tender	100.0%

#### FINANCING SUMMARY

	Amount	Rate	Unit Price
New Common Raised	\$145,728		\$ 22.13
New Debt Raised	125,000	8.50%	

#### UNITS OUTSTANDING

	Current		Pro Forma	
	Units	%	Units	%
Existing Common	3,832	60.3%	3,832	26.0%
New Common	0	0.0%	6,587	44.6%
Common to Petro Shareholders	0	0.0%	0	0.0%
Sr Sub to Petro Shareholders	0	0.0%	3,296	22.3%
Existing Sub	2,396	37.7%	754	5.1%
Implied GP	127	2.0%	295	2.0%
<b>Total Units</b>	<b>6,355</b>	<b>100.0%</b>	<b>14,764</b>	<b>100.0%</b>

#### SUMMARY CASH FLOW AND COVERAGE ANALYSIS

(\$ on per Unit data)

	Estimated	Normalized	Projected			
			1998	1999	2000	2001
<b>STAR STAND ALONE</b>						
EBITDA	\$18,629	\$ 22,781	\$26,730	\$ 28,541	\$ 30,361	\$ 32,188
Interest Expense	(7,807)	(7,807)	(9,114)	(10,028)	(10,748)	(11,276)
Maintenance CapEx	(2,710)	(2,710)	(3,274)	(3,395)	(3,694)	(3,816)
Taxes	(25)	(25)	(25)	(25)	(25)	(25)
<b>Distributable Cash Flow</b>	<b>\$ 8,087</b>	<b>\$ 12,239</b>	<b>\$14,317</b>	<b>\$ 15,093</b>	<b>\$ 15,894</b>	<b>\$ 17,071</b>
DCF per common Unit	\$ 2.11	\$ 3.19	\$ 3.74	\$ 3.94	\$ 4.15	\$ 4.46
DCF/Common Unit MQD	0.94 x	1.42 x	1.66 x	1.75 x	1.85 x	1.98
DCF per Total Unit	\$ 1.27	\$ 1.93	\$ 2.25	\$ 2.38	\$ 2.50	\$ 2.69
DCF/Total MQD	0.58 x	0.88 x	1.02 x	1.08 x	1.14 x	1.22
Indicated Distribution per Common Unit	\$ 2.20	\$ 2.20	\$ 2.20	\$ 2.20	\$ 2.20	\$ 2.20
<b>Star Pro Forma</b>						
EBITDA						
Star	\$18,629	\$ 22,781	\$26,730	\$ 28,541	\$ 30,361	\$ 32,188
Petro	38,500	43,440	51,657	54,371	57,058	59,720
Synergies	500	500	500	500	500	500
<b>Total</b>	<b>57,629</b>	<b>66,721</b>	<b>78,887</b>	<b>\$ 83,412</b>	<b>87,919</b>	<b>92,408</b>
Interest Expense	(27,697)	(27,697)	(28,649)	(30,737)	(31,660)	(31,009)
Maintenance CapEx	(6,210)	(6,210)	(6,774)	(6,895)	(7,194)	(7,316)
Taxes	(525)	(525)	(525)	(525)	(525)	(525)
<b>Distributable Cash Flow</b>	<b>\$23,197</b>	<b>\$ 32,289</b>	<b>\$42,939</b>	<b>\$ 45,255</b>	<b>\$ 48,540</b>	<b>\$ 53,558</b>
DCF per Common Unit	\$ 2.23	\$ 3.10	\$ 4.12	\$ 4.34	\$ 4.66	\$ 5.14
DCF per Total Unit	1.57	2.19	2.91	3.07	3.29	3.63
Indicated Distribution per Common Unit	\$ 2.20	\$ 2.20	\$ 2.30	\$ 2.40	\$ 2.60	\$ 2.80
<b>Pro Forma Coverage Ratios</b>						
MQD Coverage						
Common Unit	0.99 x	1.38 x	1.84 x	1.93 x	2.08 x	2.29 x
Senior Subordinated Unit	0.75	1.05	1.39	1.47	1.58	1.74
Total Unit	0.71	0.99	1.32	1.39	1.49	1.65
<b>Indicated Distribution Coverage</b>						
Common Unit	0.99 x	1.38 x	1.76 x	1.77 x	1.76 x	1.80 x
Senior Subordinated Units	0.75	1.05	1.33	1.35	1.33	1.37
Total Unit	0.71	0.99	1.26	1.28	1.26	1.30
<b>Aceration/Dilution</b>						



DCF per Unit - Star Stand Alone	\$ 1.27	\$ 1.93	\$ 2.25	\$ 2.38	\$ 2.50	\$ 2.69
DCF per Unit - Pro Forma	1.57	2.19	2.91	3.07	3.29	3.63
Pro Forma Credit Analysis						
EBITDA Interest	2.08 x	2.41 x	2.75 x	2.71 x	2.78 x	2.98 x
LT Debt/EBITDA	5.22	4.51	4.17	4.32	4.01	3.71

PROJECT

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TRANSACTION SUMMARY AND ASSUMPTIONS

(in thousands except per share and per unit)

OPERATING ASSUMPTIONS

	Petro	Star
	-----	-----
Normalized Maintenance CapEx	\$3,500	\$2,710
Maintenance CapEx Life	15 yrs	15 yrs
Growth CapEx Life	15 yrs	15 yrs
Life of Existing Depreciation	15 yrs	15 yrs
Interest Income Rate	3.5%	3.5%
Marginal Tax Percent	30.0%	33.0%
Deferred Tax Percent		0.0%
Minimum Cash Balance		\$1,000
Initial Incremental Cash Req'd for Distributions		\$5,000
Consolidation Savings		\$500
Annual Bank Fees	\$692	\$94
Current Stock Price	\$1.63	\$22.13

ACQUISITION ASSUMPTIONS

Petro	Multiple	1998	1999	2000	2001	2002
-----	-----	-----	-----	-----	-----	-----
Amount	4.75x	\$15,000	\$30,000	\$30,000	\$30,000	\$30,000
Timing		End	Mid	Mid	Mid	Mid
% EBITDA		0.0%	50.0%	50.0%	50.0%	50.0%
% Attrition	4.1%					
Star						
Amount	7.00x	\$20,000	\$10,000	\$10,000	\$10,000	\$10,000
Timing		End	Mid	Mid	Mid	Mid
% EBITDA		0.0%	50.0%	50.0%	50.0%	50.0%
Amount	7.00x		\$5,000			
Timing			Reg			
% EBITDA			100.0%			

NEW SECURITY ASSUMPTIONS

New MLP Equity		New Star Debt		Advisory Fees	
-----	-----	-----	-----	-----	-----
Gross Proceeds	\$145,728	Gross Proceeds	\$125,000	Fairness Opinion	\$1,000
Common Units to Public	6,587	Gross Spread %	1.0%	Financial Advisory	\$2,500
Gross Spread %	5.0%	Gross Spread \$	\$ 1,250	Debt Tender Fee	0.26%
Gross Spread \$	\$ 7,286	Coupon	8.50%		\$ 507
Offering Price/Share	\$ 22.13				
(current market price)					

EXCHANGE ASSUMPTIONS

Shareholders of:	Dividend	Gets New Units of:		
		Common	5x Sub	Sub
Public Class A Shares	17,160 \$0.30	-	2,738	-
Insider Class A Shares	6,795 \$0.30	-	-	754
Insider Class B Shares	11 \$0.30	-	2	-
Insider Class C Shares	2,598 \$0.30	-	556	-
	26,563	-	3,296	754

TRANSACTION COSTS SUMMARY

SOURCES AND USES OF FUNDS

New MLP Equity	\$ 7,286	Sources	\$ 2,023	Uses:	
New Star Debt	1,250	Excess Cash on Hand	125,000	Repay Debt Principal	\$212,450
Fairness Opinion	1,000	New Star Debt	145,728	Redeem Preferred	34,167
Financial Advisory	2,500	New MLP Equity	0	Premium on Redemption/ Exchange/Defeasance	4,891
Solicitation Fees on Exchange of Outsider Petro Debt	507	Cash Balance		Transaction Fees	17,743
Exchange of 11.96% Notes	300			Prefunding of Liabilities	3,500
Legal Fees	1,000				
Printing	2,500				
Accounting Fees	250				
Other:					
Environmental	350				
Rating Agencies	100				
Roadshow	200				
Asset Appraisal	250				
Solicitation expenses	100				
Other Bank Fees	150				
	\$17,743				

TRANSACTION SUMMARY AND ASSUMPTION

(in thousands except per share and per unit data)

Scenario III: Worst Case

RECAPITALIZATION ASSUMPTIONS

Petro Instruments:	(D)efease (T)ender (R)edeem (E)xchange	Principal as of	Maturity Period		Coupon/ Dividend	Sinking Fund Payment	
			m/d	yr		Payment	Year Start
11.96% Sr Notes	e	\$ 60,000 v	1-Oct	0	11.960%	\$ 0	0
14.10% Sr Notes	t	3,100 v	15-Jan	2001	14.100%	1,050	1997
14.10% Sub Notes	t	3,100 v	15-Jan	2001	14.100%	1,050	1997
10.13% Sub Notes & Sr Notes	t	50,000 v	1-Apr	2003	10.110%	-	
9.38% Sub Notes & Sr Notes	t	75,000 v	1-Feb	2006	9.375%	-	
12.25% Sub Notes & Sr Notes	t	81,250 v	1-Feb	2005	12.250%	-	
8.00% Acq. & Other Notes Payable	n	13,859 v		0	8.000%	-	0
8.25% Existing Credit Facility	n	0 v		1998	8.250%	-	
0.00% Other Notes	n	0 v	NA	NA	0.000%	0	NA
		\$286,309					
Pfrd Stock:							
14.33% Pfd Stock	t	4,167 v	1-Aug	1999	14.330%	4,167	1997
12.88% Pfd Stock	t	30,000 v	15-Feb	2009	12.875%	0	
0.00%	n	0			0.000%		
		\$ 34,167					
Total Petro		\$320,476					
Star Instruments:							
8.04% 1st Mortgage Notes	n	85,000 v	NA	NA	8.040%	-	0
8.25% WC Revolver	n	0	NA	NA	8.250%	-	NA
7.50% Acquisition Facility	n	0 v	NA	NA	7.500%	-	NA
8.50% New Debt	n	125,000 v	NA	NA	8.500%	0	NA
7.17% Pearl Notes	n	11,000	NA	NA	7.170%	0	NA
		\$210,000					

Total Combined

\$530,476

	% Red/ Exchanged	Red/Exchg Price	Defeasance Price	Red/Exchg/Defeasance		Exchanged	
				Value	Premium	Int Rate	Security Type
<b>Petro Instruments:</b>							
11.96% Sr Notes	100.0%	110.0%		\$66,000	\$ 0	8.5%	Sr Notes
14.10% Sr Notes	100.0%	110.0%		3,410	310		Sr Notes
14.10% Sub Notes	100.0%	110.0%		3,410	310		Sub Notes
10.13% Sub Notes & Sr Notes	100.0%	100.0%	106.2%	50,000	-		Sub Notes & Sr Notes
9.38% Sub Notes & Sr Notes	100.0%	100.0%	108.2%	75,000	-		Sub Notes & Sr Notes
12.25% Sub Notes & Sr Notes	100.0%	105.0%	116.2%	85,313	4,063		Sub Notes & Sr Notes
8.00% Acq. & Other Notes Payable	0.0%	100.0%		-	-		Acq. & Other Notes Payable
8.25% Existing Credit Facility	0.0%	100.0%		-	-		Existing Credit Facility
0.00% Other Notes	0.0%	0.0%		-	-	11.0%	Other Notes
					\$ 4,683		
<b>Pfrd Stock:</b>							
14.33% Pfd Stock	100.0%	105.0%		4,375	208		Pfd Stock
12.88% Pfd Stock	100.0%	100.0%		30,000	-		Pfd Stock
0.00%				-	-		
					\$ 208		
Total Petro					\$ 4,891		
<b>Star Instruments:</b>							
8.04% 1st Mortgage Notes	0.0%	0.0%		-	-		1st Mortgage Notes
8.25% WC Revolver	0.0%	0.0%		-	-		WC Revolver
7.50% Acquisition Facility	0.0%	0.0%		-	-		Acquisition Facility
8.50% New Debt	0.0%	0.0%		-	-		New Debt
7.17% Pearl Notes	0.0%	0.0%		-	-		Pearl Notes
					\$ 0		
Total Combined					\$ 4,891		

Star Stand Alone Distribution Assumptions

	Marginal Interest In:		
	Distribution	Public	GP
Minimum Quarterly Distribution	\$2.20	98%	2%
First Target Distribution	\$2.42	98%	2%
Second Target Distribution	\$2.84	85%	15%
Third Target Distribution	\$3.70	75%	25%
Thereafter	NM	50%	50%
Target Distribution Level	\$2.20		
Annual Distribution Increase	\$0.00		

Standard Distribution Structure ("S")  
or Target ("T")

t

	Marginal Interest In				Incentive Rights	
	Distribution	Public	GP	Incen. Rt.	GP	Sr. Sub.
Minimum Quarterly Distribution	\$2.20	98%	2%	0%	24%	76%
First Target Distribution	\$2.42	98%	2%	0%	24%	76%
Second Target Distribution	\$2.84	85%	2%	13%	24%	76%
Third Target Distribution	\$3.70	75%	2%	23%	24%	76%
Thereafter	NM	50%	2%	48%	24%	76%
	1998	1999	2000	2001	2002	Thereafter
Annual Indicated Distribution Increase	\$0.00	\$0.10	\$0.10	\$0.20	\$0.20	\$0.05
Target Indicated Distribution Level	\$2.20	\$2.30	\$2.40	\$2.60	\$2.80	

Standard Distribution Structure ("S")  
or Target ("T")

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## PROJECT HEAT

## PRO FORMA OPENING BALANCE SHEET

(in thousands except per share and per unit data)

SCENARIO III: WORST CASE

OPENING BALANCE SHEET	STAR GAS			PETRO		
	12/31/97	ADJUSTMENTS	9/30/98	12/31/97	ADJUSTMENTS	9/30/98
<b>Assets:</b>						
Cash	\$ 3,452	(\$ 2,951)	\$ 501	\$ 2,390	\$10,615	\$ 13,005
Other Current Assets	18,537	(3,142)	15,395	102,734	(43,030)	59,704
Total Current Assets	21,989		15,895	105,124		72,709
PP&E and Intangibles, Net	108,809	(3,995)	104,814	124,804	-	107,763
Investments in Unconsolidated Affiliates	-	-	-	7,535	(7,122)	413
Other Assets	48,653	(2,115)	46,338	10,385	(19)	10,364
Total Assets	179,451		167,248	247,846		191,269
<b>Liabilities:</b>						
Current Liabilities	11,514	(4,143)	7,371	92,688	-	70,110
8.25% Existing Credit Facility	-	7,457	7,457	21,500	(21,500)	-
Long Term Debt	96,000	-	96,000	278,378	7,931	286,309
Total Preferred Stock	-	-	-	34,167	-	34,167
Other Liabilities	54	(3)	51	10,745	(47)	10,698
Total Liabilities	107,568		110,879	437,478		401,284
Common Shareholder's/Partner's Equity	71,883	(15,515)	56,368	(189,632)	(20,383)	(210,015)
Total Liabilities and Equity	\$179,451		\$167,248	\$247,846		\$191,269
check	-		-	-		-

	MERGER ADJUSTMENTS	PRO FORMA STAR GAS 9/30/98
<b>ASSETS:</b>		
Cash	(\$ 2,023)	\$ 10,982
Other Current Assets	-	75,099
Total Current Assets	(2,023)	86,081
PP&E and Intangibles, Net	-	212,597
Investments in Unconsolidated Affiliates	(413)	-
Other Assets	-	56,902
Total Assets	(2,436)	355,580
<b>LIABILITIES:</b>		
Current Liabilities	-	77,481
8.25% Existing Credit Facility	-	7,437
Long Term Debt	(81,450)	300,859
Total Preferred Stock	(34,167)	-
Other Liabilities	(10,698)	51
Total Liabilities	(126,315)	385,848
Common Shareholder's/Partner's Equity	123,378	(30,268)
Total Liabilities and Equity	(\$ 2,937)	\$355,580
check	-	-

PRO FORMA CAPITAL STRUCTURE	STAR GAS			PETRO		
	12/31/97	ADJUSTMENTS	9/30/98	12/31/97	ADJUSTMENTS	9/30/98
<b>Debt:</b>						
8.04% 1st Mortgage Notes	\$ 85,000		\$ 85,000	\$ 0	\$ 0	\$ 0
8.25% WC Revolver	-	7,437	7,457	-	-	-
7.50% Acquisition Facility	-	-	-	-	-	-
7.17% Pearl Notes	11,000		11,000	-	-	-
11.96% Sr Notes	-		-	60,000	-	60,000
14.10% Sr Notes	-		-	4,150	(1,050)	3,100
14.10% Sub Notes	-		-	4,150	(1,050)	3,100

10.13% Sub Notes & Sr Notes	-	-	50,000	-	50,000
9.38% Sub Notes & Sr Notes	-	-	75,000	-	75,000
12.25% Sub Notes & Sr Notes	-	-	81,250	-	81,250
0.00% Other Notes	-	-	0	-	0
8.00% Arg. & Other Notes Payable	-	-	16,798	(2,939)	13,859
8.25% Existing Credit Facility	-	-	0	-	0
8.46% Exchanged Debt	-	-	-	-	-
8.50% New Debt	-	-	-	-	-
Total Debt	96,000	103,457	291,348		286,309
Preferred Stock:					
14.33% Pfd Stock	-	-	4,167	-	4,167
12.88% Pfd Stock	-	-	30,000	-	30,000
Total Preferred	-	-	34,167		34,167
Common Shareholder's/Partner's Equity	71,883	56,368	(189,632)	(20,383)	(210,015)
Total Capital	\$167,883	\$159,825	\$135,883		\$110,461

	MERGER ADJUSTMENTS	PRO FORMA STAR GAS 9/30/98		
Debt:				
8.04% 1st Mortgage Notes	\$ 0	\$ 85,000		
8.25% WC Revolver	-	7,457		
7.50% Acquisition Facility	-	-		
7.17% Pearl Notes	-	11,000		
11.96% Sr Notes	(60,000)	-		
14.10% Sr Notes	(3,100)	-		
14.10% Sub Notes	(3,100)	-		
10.13% Sub Notes & Sr Notes	(50,000)	-		
9.38% Sub Notes & Sr Notes	(75,000)	-		
12.25% Sub Notes & Sr Notes	(81,250)	-		
0.00% Other Notes	-	-		
8.00% Arg. & Other Notes Payable	-	13,859		
8.25% Existing Credit Facility	-	-		
8.46% Exchanged Debt	66,000	66,000		
8.50% New Debt	125,000	125,000		
Total Debt	(81,450)	308,316	(123,543.00)	
Preferred Stock:				
14.33% Pfd Stock	(4,167)	-		
12.88% Pfd Stock	(30,000)	-		
Total Preferred	(34,167)	-		
Common Shareholder's/Partner's Equity	123,378	(30,268)		
Total Capital		\$278,048		

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PROJECT HEAT

(In thousands except per share and per unit data)

STAR GAS STAND ALONE INCOME STATEMENT	SCENARIO III: WORST CASE								
	Estimated Normalized		Projected						
	1998	1998	1999	2000	2001	2002	2003	2004	2005
EBITDA	\$18,629	\$22,781	\$26,730	\$28,541	\$30,361	\$32,188	\$34,125	\$36,178	\$38,356
Depreciation and Amortization	11,629	11,629	12,768	15,111	16,137	17,178	18,229	19,291	20,364
EBIT	7,000	11,152	13,962	13,430	14,224	15,010	15,896	16,887	17,992
Interest Expense	(7,807)	(7,807)	(9,114)	(10,028)	(10,748)	(11,276)	(9,858)	(10,217)	(10,452)
Interest Income	18	18	35	35	35	35	35	35	35
Other Income	-	-	-	-	-	-	-	-	-
Income Before Taxes	(789)	3,363	4,883	3,437	3,511	3,769	6,073	6,705	7,575
Current Income Taxes	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(25)
Deferred Income Taxes	-	-	-	-	-	-	-	-	-
Net Income Available To Common	(\$814)	\$3,338	\$4,858	\$3,412	\$3,486	\$3,744	\$6,048	\$6,680	\$7,550

STAR GAS STAND ALONE UNITS OUTSTANDING

Common Units									
Beginning Balance	3,832	3,832	3,832	4,317	4,317	4,517	4,717	4,717	4,717
Issuance	0	0	485	0	200	200	0	0	0

Buyback	0	0	0	0	0	0	0	0	0
Ending Balance	3,832	3,832	4,317	4,317	4,517	4,717	4,717	4,717	4,717
Subordinated Units									
Beginning Balance	2,396	2,396	2,396	2,396	2,396	2,396	2,396	2,396	2,396
Issuance	0	0	0	0	0	0	0	0	0
Buyback	0	0	0	0	0	0	0	0	0
Ending Balance	2,396	2,396	2,396	2,396	2,396	2,396	2,396	2,396	2,396
GP Implied Units									
Beginning Balance	127	127	127	127	127	127	127	127	127
Issuance	0	0	0	0	0	0	0	0	0
Buyback	0	0	0	0	0	0	0	0	0
Ending Balance	127	127	127	127	127	127	127	127	127
Total Units	6,355	6,355	6,840	6,840	7,040	7,240	7,240	7,240	7,240

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## PROJECT HEAT

(in thousands except per share and per unit data)

	Scenario III: Worst Case Estimated			Projected					
	1998	1999	2000	2001	2002	2003	2004	2005	
STAR GAS STAND ALONE BALANCE SHEET									
Assets:									
Cash	\$ 501	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	
Other Current Assets	15,395	18,600	19,317	20,037	20,760	21,526	22,339	23,200	
Total Current Assets	15,895	19,600	20,317	21,037	21,760	22,526	23,339	24,200	
PP&E and Intangibles, Net	104,814	112,117	112,225	111,632	110,148	107,768	104,484	100,291	
Other Assets	46,538	46,538	46,538	46,538	46,538	46,538	46,538	46,538	
Total Assets	167,248	178,255	179,080	179,207	178,446	176,832	174,361	171,029	
Liabilities:									
Current Liabilities	7,371	10,576	11,293	12,013	12,736	13,502	14,315	15,176	
Total Debt	103,457	109,651	120,328	125,805	130,133	135,685	139,702	141,910	
Other Liabilities	51	51	51	51	51	51	51	51	
Total Liabilities	110,879	120,279	131,672	137,869	142,920	149,239	154,068	157,167	
Partner's Equity	56,368	57,976	47,407	41,338	35,526	27,593	20,293	13,862	
Total Liabilities and Equity	\$167,248	\$178,255	\$179,080	\$179,207	\$178,446	\$176,832	\$174,361	\$171,029	
Check	-	-	-	-	-	-	-	-	
STAR GAS STAND ALONE CASH FLOW STATEMENT									
Net Income	\$ 4,858	\$ 3,412	\$ 3,486	\$ 3,744	\$ 6,048	\$ 6,680	\$ 7,550		
Depreciation and Amortization	12,768	15,111	16,137	17,178	18,229	19,291	20,364		
Deferred Taxes	-	-	-	-	-	-	-		
Other Income	-	-	-	-	-	-	-		
Other Asset/Liabilities	-	-	-	-	-	-	-		
Change in Working Capital	-	(0)	-	(0)	(0)	0	(0)	(0)	
Cash from Operations	17,626	18,523	19,623	20,922	24,277	25,971	27,914		
Maintenance CapEx	(3,274)	(3,395)	(3,694)	(3,816)	(3,942)	(4,072)	(4,206)		
Internal Growth CapEx	(1,797)	(1,824)	(1,850)	(1,878)	(1,906)	(1,935)	(1,965)		
External Growth CapEx	(15,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)		
Cash from Investments	(20,071)	(15,219)	(15,544)	(15,694)	(15,848)	(16,007)	(16,171)		
Acquisition Borrowing	16,797	11,824	11,850	11,878	11,906	11,935	11,965		
Remaining Distributions to Repay Debt	(336)	(1,112)	(1,913)	(3,090)	(6,319)	(7,884)	(9,692)		
Amortization of Mortgage Notes	-	-	-	-	-	-	-		
Borrowing to Repay Existing Debt	-	-	-	-	-	-	-		
Borrowing for Changes in WC	0	-	0	0	(0)	0	0		
Borrowing to Pay Full MQD	-	-	-	-	-	-	-		
Change in Equity Distributions	10,731	-	4,425	4,425	-	-	-		
(13,981)	(13,981)	(13,981)	(13,981)	(13,981)	(13,981)	(13,981)	(13,981)		
Cash from Financing	13,211	(3,269)	381	(768)	(8,393)	(9,929)	(11,708)		
Net Cash Flow	10,766	35	4,460	4,460	35	35	35		
Initial Cash Balance	501	1,000	1,000	1,000	1,000	1,000	1,000		
Cash Available for Paydown of WC Revolver and Acq. Facility	11,266	1,035	5,460	5,460	1,035	1,035	1,035		
Minimum Cash Balance	1,000	1,000	1,000	1,000	1,000	1,000	1,000		
Borrowing/(Paydown) on WC Revolver and Acq. Facility	(10,266)	(35)	(4,460)	(4,460)	(35)	(35)	(35)		

Net Change in Cash	499	-	-	-	-	-	-
Ending Cash Balance	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000

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PROJECT HEAT

(In thousands except per share and per unit data)

		Scenario III: Worst Case		Projected				
		Estimated	Normalized					
		1998	1998	1999	2000	2001	2002	2003
Star Gas Stand Alone EBITDA Calculation (see Tab 3; cases)								
EBITDA Growth Rate			Year 1 22.3%	Year 2 1.7%	Year 3 1.7%	Year 4 1.7%	Year 5 1.7%	Year 6 1.7%
Base EBITDA:	Timing							
	End 1998							
	Mid 1999							
	Mid 2000							
	Mid 2001							
	Mid 2002							
	Mid 2003							
	Mid 2004							
	Mid 2005							
Total EBITDA		\$18,629	\$22,781	\$26,730	\$28,541	\$30,361	\$32,188	\$34,125

Star Gas Stand Alone Depreciation Calculation

Existing Depreciation		\$11,629	\$11,629	\$11,629	\$11,629	\$11,629	\$11,629	\$ 11,629
Maintenance CapEx:	1998	2,710	\$0	\$0	\$ 181	\$ 181	\$ 181	\$ 181
Annual Growth: 3.3%	1999	3,274		109	218	218	218	218
	2000	3,395			113	226	226	226
	2001	3,694				123	246	246
	2002	3,816					127	254
	2003	3,942						131
	2004	4,072						
	2005	4,206						
Internal Growth CapEx:	1998	1,841	-	-	123	123	123	123
Annual Growth: 1.5%	1999	1,797		60	120	120	120	120
	2000	1,824			61	122	122	122
	2001	1,850				63	123	123
	2002	1,878					63	125
	2003	1,906						64
	2004	1,935						
	2005	1,965						
External Growth CapEx:	1998	20,000	-	-	-	1,333	1,333	1,333
Annual Growth 0.0%	1999	15,000		667	1,000	1,000	1,000	1,000
	2000	10,000			333	667	667	667
	2001	10,000				333	667	667
	2002	10,000					333	667
	2003	10,000						333
	2004	10,000						
	2005	10,000						
Total Depreciation		\$11,629	\$11,629	\$12,768	\$15,111	\$16,137	\$17,178	\$ 18,229

PROJECT HEAT

(In thousands except per share and per unit data)

		Scenario III: Worst Case		Projected	
		Estimated	Normalized		
				2004	2005
Star Gas Stand Alone EBITDA Calculation (see Tab 3; cases)					
EBITDA Growth Rate				Year 7 1.7%	Year 8 1.7%
Base EBITDA:	Timing				
	End 1998				
	Mid 1999				
	Mid 2000				
	Mid 2001				
	Mid 2002				
	Mid 2003				
	Mid 2004				
	Mid 2005				
Total EBITDA				\$36,178	\$38,356
Star Gas Stand Alone Depreciation Calculation					
Building Depreciation				\$11,629	\$11,629
Maintenance CapEx:	1998	2,710		\$ 181	\$ 181

Annual Growth: 3.3%	1999	3,274	218	218
	2000	3,395	226	226
	2001	3,694	246	246
	2002	3,816	254	254
	2003	3,942	263	263
	2004	4,072	136	271
	2005	4,206		140
Internal Growth CapEx:	1998	1,841	123	123
Annual Growth: 1.5%	1999	1,797	120	120
	2000	1,824	122	122
	2001	1,850	123	123
	2002	1,878	125	125
	2003	1,906	127	127
	2004	1,935	65	129
	2005	1,965		65
External Growth CapEx:	1998	20,000	1,333	1,333
Annual Growth 0.0%	1999	15,000	1,000	1,000
	2000	10,000	667	667
	2001	10,000	667	667
	2002	10,000	667	667
	2003	10,000	667	667
	2004	10,000	333	667
	2005	10,000		333
Total Depreciation			=====	=====
			\$19,291	\$20,364

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Project Heat

Star Gas Stand Alone Debt Schedule

(In thousands except per share and per unit share)

Scenario III: Worst Case

		Estimated	Normalized	Projected					
				1998	1998	1999	2000	2001	2002
				-----	-----	-----	-----	-----	-----
8.04% 1st Mortgage Notes									
Beginning Balance		\$85,000	\$85,000	\$85,000	\$85,000	\$85,000	\$85,000		
Borrowing		0	0	0	0	0	0		
Amortization		0	0	0	0	0	0		
Ending Balance		85,000	85,000	85,000	85,000	85,000	85,000		
Interest Payment	8.04%	6,834	6,134	6,834	6,834	6,834	6,834		
Make-Whole Payment		0	0	0	0	0	0		
7.17% Pearl Notes									
Beginning Balance		\$0	\$0	\$11,000	\$11,000	\$11,000	\$11,000		
Borrowing		11,000	11,000	0	0	0	0		
Amortization		0	0	0	0	0	0		
Ending Balance		11,000	11,000	11,000	11,000	11,000	11,000		
Interest Payment	7.17%	613	613	789	789	789	789		
% of year Pearl Notes Outstanding	77.7%	77.7%	77.7%	0	0	0	0		
8.25% WC Revolver									
Beginning Balance		-	-	\$7,457	\$7,457	\$7,457	\$7,457		
Borrowing for Change in WC		-	-	0	0	0	0		
Borrowing to Pay Full MQD		5,894	1,742	-	-	-	-		
Borrowing/(Payment)		1,563	5,715	0	0	0	0		
Ending Balance		7,457	7,457	7,457	7,457	7,457	7,457		
Effective Avg WC Balance		3,729	3,729	3,729	3,729	3,729	3,729		
Interest Payment	8.25%	308	308	308	308	308	308		
7.50% Acquisition Facility									
Beginning Balance		-	-	\$0	\$ 6,194	\$16,871	\$22,348		
External Acquisitions		20,000	20,000	10,000	10,000	10,000	10,000		
External Acquisitions at Beginning of 1999		-	-	5,000	-	-	-		
Internal Acquisitions		1,841	1,841	1,797	1,824	1,850	1,878		
Borrowings to Repay Existing Debt		-	-	-	-	-	-		
Payment		-	-	(10,266)	(35)	(4,460)	(4,460)		
Remaining Distributions to Repay Debt		-	-	(336)	(1,112)	(1,913)	(3,090)		
Ending Balance		0	0	6,194	16,871	22,348	26,676		
Interest Payment	7.50%	69	69	420	865	1,471	1,838		
Total Debt									
Beginning Balance		\$85,000	\$85,000	\$103,457	\$109,651	\$120,328	\$125,805		
Amortization of Mortgage Notes		-	-	-	-	-	-		
Borrowing for Pearl Notes		11,000	11,000	-	-	-	-		
Borrowing for Changes in WC		-	-	0	-	0	0		
Borrowing to Pay Full MQD		5,894	1,742	-	-	-	-		
Acquisition Borrowing		21,841	21,841	16,797	11,824	11,850	11,878		
Borrowing to Repay Existing Debt		-	-	-	-	-	-		
Remaining Distributions to Repay Debt		-	-	(336)	(1,112)	(1,913)	(3,090)		
Borrowing/(Payment) on WC Revolver and Acq. Facility		1,563	5,715	(10,266)	(35)	(4,460)	(4,460)		
Ending Balance		\$125,298	\$125,298	\$109,651	\$120,328	\$125,805	\$130,133		
Interest Expense									
Interest Expense		\$7,824	\$7,824	\$8,350	\$8,795	\$9,401	\$9,769		
Bank Fee		94	94	94	94	94	94		





Total Units Outstanding	6,355	6,355	6,355	6,355	6,355	6,355	6,355
Distribution Levels							
MQD	\$ 2.20	\$ 2.20	\$ 2.20	\$ 2.20	\$ 2.20	\$ 2.20	\$ 2.20
First Target	\$ 2.42	\$ 2.42	\$ 2.42	\$ 2.42	\$ 2.42	\$ 2.42	\$ 2.42
Second Target	\$ 2.84	\$ 2.84	\$ 2.84	\$ 2.84	\$ 2.84	\$ 2.84	\$ 2.84
Third Target	\$ 3.70	\$ 3.70	\$ 3.70	\$ 3.70	\$ 3.70	\$ 3.70	\$ 3.70
Indicated Cash Distribution	\$ 2.20	\$ 2.20	\$ 2.20	\$ 2.20	\$ 2.20	\$ 2.20	\$ 2.20
Distribution of MQD							
Cash Available	8,087	12,239	14,317	15,093	15,394	17,071	20,300
Cash Borrowed to Pay Full MQD	5,894	1,742	0	0	0	0	0
Allocation to:							
Common Units	8,430	8,430	8,430	8,430	8,430	8,430	8,430
Subordinated Units	5,271	5,271	5,271	5,271	5,271	5,271	5,271
General Partner Interest	280	280	280	280	280	280	280
First Target Distribution							
Cash Available	0	0	336	1,112	1,913	3,090	6,319
Cash Required for Target Distribution	0	0	1,398	1,398	1,398	1,398	1,398
Cash Required for Indicated Distribution	0	0	0	0	0	0	0
Actual Cash Distributed	0	0	0	0	0	0	0
Allocation to:							
Common Units	0	0	0	0	0	0	0
Subordinated Units	0	0	0	0	0	0	0
General Partner Interest	0	0	0	0	0	0	0
Second Target Distribution							
Cash Available	0	0	0	0	0	0	0
Cash Required for Target Distribution	0	0	0	0	0	0	0
Cash Required for Indicated Distribution	0	0	0	0	0	0	0
Actual Cash Distributed	0	0	0	0	0	0	0
Allocation to:							
Common Units	0	0	0	0	0	0	0
Subordinated Units	0	0	0	0	0	0	0
General Partner Interest	0	0	0	0	0	0	0
Incentive Distribution	0	0	0	0	0	0	0
Third Target Distribution							
Cash Available	0	0	0	0	0	0	0
Cash Required for Target Distribution	0	0	0	0	0	0	0
Cash Required for Indicated Distribution	0	0	0	0	0	0	0
Actual Cash Distributed	0	0	0	0	0	0	0
Allocation to:							
Common Units	0	0	0	0	0	0	0
Subordinated Units	0	0	0	0	0	0	0
General Partner Interest	0	0	0	0	0	0	0
Incentive Distribution	0	0	0	0	0	0	0

Assumes Revised Target Distribution Structure	Projected	
	2004	2005
Distributable Cash		
Cash from Operations	\$25,971	\$27,914
Maintenance CapEx	(4,072)	(4,206)
Other	(35)	(35)
Total MLP Distributable Cash Flow	21,864	23,673
Distributable Cash Flow/Unit	\$3.44	\$ 3.73
Structure		
Common Unit Ending Balance	3,832	3,832
Subordinated Units	2,396	2,396
General Partner Interest limit Equivalent	127	127
Total Units Outstanding	6,355	6,355
Distribution Levels		
MQD	\$ 2.20	\$ 2.20
First Target	\$ 2.42	\$ 2.42
Second Target	\$ 2.84	\$ 2.84
Third Target	\$ 3.70	\$ 3.70
Indicated Cash Distribution	\$ 2.20	\$ 2.20
Distribution of MQD		
Cash Available	21,864	23,673
Cash Borrowed to Pay Full MQD	0	0
Allocation to:		
Common Units	8,430	8,430
Subordinated Units	5,271	5,271
General Partner Interest	280	280
First Target Distribution		
Cash Available	7,884	9,692
Cash Required for Target Distribution	1,398	1,398
Cash Required for Indicated Distribution	0	0
Actual Cash Distributed	0	0
Allocation to:		
Common Units	0	0
Subordinated Units	0	0
General Partner Interest	0	0

Second Target Distribution		
-----		
Cash Available	0	0
Cash Required for Target Distribution	0	0
Cash Required for Indicated Distribution	0	0
Actual Cash Distributed	0	0
Allocation to:		
Common Units	0	0
Subordinated Units	0	0
General Partner Interest	0	0
Incentive Distribution	0	0
Third Target Distribution		
-----		
Cash Available	0	0
Cash Required for Target Distribution	0	0
Cash Required for Indicated Distribution	0	0
Actual Cash Distributed	0	0
Allocation to:		
Common Units	0	0
Subordinated Units	0	0
General Partner Interest	0	0
Incentive Distribution	0	0

PROJECT HEAT

STAR GAS STAND ALONE SCHEDULE OF ACTUAL DISTRIBUTIONS (CONT'D) SCENARIO III: WORST CASE

(in thousands except per share and per unit data)

	ESTIMATED	NORMALIZED	PROJECTED						
	1998	1998	1999	2000	2001	2002	2003	2004	2005
-----									
Remaining Distribution									
-----									
Cash Available	0	0	0	0	0	0	0	0	0
Allocation to:									
Common Units	0	0	0	0	0	0	0	0	0
Subordinated Units	0	0	0	0	0	0	0	0	0
General Partner Interest	0	0	0	0	0	0	0	0	0
Incentive Distribution	0	0	0	0	0	0	0	0	0
Repay Indebtedness	0	0	336	1,112	1,913	3,090	6,319	7,884	9,692
Total Distributions									
-----									
Common Units	8,430	8,430	8,430	8,430	8,430	8,430	8,430	8,430	8,430
Subordinated Units	5,271	5,271	5,271	5,271	5,271	5,271	5,271	5,271	5,271
General Partner Interest	280	280	280	280	280	280	280	280	280
Incentive Distributions	0	0	0	0	0	0	0	0	0
-----									
Total Distributions	\$13,981	\$13,981	\$13,981	\$13,981	\$13,981	\$13,981	\$13,981	\$13,981	\$13,981
-----									
Total Distributions Per Unit									
-----									
Common Unit	\$2.20	\$2.20	\$2.20	\$2.20	\$2.20	\$2.20	\$2.20	\$2.20	\$2.20
Subordinated Unit	2.20	2.20	2.20	2.20	2.20	2.20	2.20	2.20	2.20
GP Unit	2.20	2.20	2.20	2.20	2.20	2.20	2.20	2.20	2.20

PROJECT HEAT

(in thousands except per share and per unit data) Scenario III: Worst Case

	Estimated	Normalized	Projected							
			1998	1998	1999	2000	2001	2002	2003	2004
-----										
Petro EBITDA Calculation										
-----										
EBITDA Growth Rate										
-----										
Year 1    Year 2    Year 3    Year 4    Year 5    Year 6    Year 7    Year 8										
(4.1)%    (4.1)%    (4.1)%    (4.1)%    (4.1)%    (4.1)%    (4.1)%    (4.1)%										
-----										
Base EBITDA:										
Acquisitions:										
Timing										
End 1998 \$15,000										
Mid 1999 30,000										
Mid 2000 30,000										
Mid 2001 30,000										
Mid 2002 30,000										
Mid 2003 30,000										
Mid 2004 30,000										
Mid 2005 30,000										
-----										
Total EBITDA	\$38,500	\$43,440	\$51,657	\$54,371	\$57,058	\$59,720	\$62,506	\$65,422	\$68,475	
-----										



Ending Balance	754	754	754	754	754	754	754	754	754
GP Implied Units									
Beginning Balance		295	295	295	295	295	295	295	295
Issuance		-	-	-	-	-	-	-	-
Buyback		-	-	-	-	-	-	-	-
Ending Balance	295	295	295	295	295	295	295	295	295
Total	14,764	14,764	14,764	14,764	14,764	14,764	14,764	14,764	14,764

PaineWebber Incorporated

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For Discussion Purposes Only

Project Heat

(in thousands except per share and per unit data)

Star Pro Forma Balance Sheet

Scenario III: Worst Case

	Estimated 1998	Projected						
		1999	2000	2001	2002	2003	2004	2005
<b>Assets:</b>								
Cash	\$ 10,982	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000
Other Current Assets	75,099	103,680	109,763	115,823	121,858	128,209	134,890	141,921
Total Current Assets	86,081	104,680	110,763	116,823	122,858	129,209	135,890	142,921
PP&E and Intangibles, Net	212,597	221,390	220,754	217,185	210,491	200,667	187,707	171,604
Other Assets	56,902	56,902	56,902	56,902	56,902	56,902	56,902	56,902
Total Assets	355,580	382,972	388,420	390,910	390,252	386,778	380,499	371,427
<b>Liabilities:</b>								
Current Liabilities	77,481	106,062	112,146	118,205	124,240	130,591	137,272	144,303
8.25% Existing Credit Facility	7,457	7,457	7,457	47,422	87,387	127,352	167,317	207,282
Total LT Debt	300,859	328,657	360,624	352,726	343,243	329,181	310,029	257,894
Other Liabilities	51	51	51	51	51	51	51	51
Total Liabilities	385,848	442,227	480,278	518,405	554,922	587,175	614,669	609,530
Preferred Stock	-	-	-	-	-	-	-	-
Common Shareholder's Equity	(30,268)	(59,255)	(91,858)	(127,494)	(164,669)	(200,397)	(234,170)	(238,103)
Total Liabilities and Equity	\$355,580	\$382,972	\$388,420	\$390,910	\$390,252	\$386,778	\$380,499	\$371,427
Check	-	-	-	(0)	0	(0)	0	(0)

Star Pro Forma Cash Flow Statement

Net Income	\$ 4,970	\$ 2,830	\$ 3,156	\$ 5,021	\$ 7,342	\$ 10,262	\$ 41,066
Depreciation and Amortization	44,778	49,354	52,613	55,888	59,173	62,468	65,774
Deferred Taxes	-	-	-	-	-	-	-
Other Assets/Liabilities	-	-	-	-	-	-	-
Change in Non-Cash Working Capital	-	-	-	-	-	0	-
Cash from Operations	49,748	52,185	55,769	60,909	66,515	72,730	106,840
Maintenance CapEx	(6,774)	(6,895)	(7,194)	(7,316)	(7,442)	(7,572)	(7,706)
Internal Growth CapEx	(1,797)	(1,824)	(1,850)	(1,878)	(1,906)	(1,935)	(1,965)
External Growth CapEx	(45,000)	(40,000)	(40,000)	(40,000)	(40,000)	(40,000)	(40,000)
Cash from Investments	(53,571)	(48,719)	(49,044)	(49,194)	(49,348)	(49,507)	(49,671)
Acquisition Borrowing	46,797	46,824	1,850	1,878	1,906	1,935	1,965
Remaining Distributions to Repay Debt	(8,982)	(9,822)	(9,748)	(11,362)	(15,968)	(21,088)	(54,099)
Amortization of Existing Debt	(5,478)	(8,141)	(60)	(60)	(120)	-	-
Borrowing to Repay Existing Debt	5,478	8,141	60	60	120	-	-
Borrowing for Changes in WC	-	-	-	-	-	(0)	-
Change in Common Equity Distributions	(33,957)	(35,433)	(38,792)	(42,196)	(43,070)	(44,035)	(44,999)
Cash from Financing	3,858	1,569	(46,690)	(51,680)	(57,132)	(63,188)	(97,134)
Net Cash Flow	35	5,035	(39,965)	(39,965)	(39,965)	(39,965)	(39,965)
Initial Cash Balance	10,982	1,000	1,000	1,000	1,000	1,000	1,000
Cash Available for Paydown on WC Revolver and Acq. Facility	11,017	6,035	(38,965)	(38,965)	(38,965)	(38,965)	(38,965)
Minimum Cash Balance	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Borrowing/(Paydown) on WC Revolver and Acq. Facility	(10,017)	(5,035)	39,965	39,965	39,965	39,965	39,965
Ending Cash Balance	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Net Change in Cash	(\$9,982)	\$0	(\$0)	\$0	(\$0)	\$0	(\$0)

Project Heat

(in thousands except per share and per unit data)

Star Pro Forma Income Statement

		Estimated Normalized		Projected						
		1998	1998	1999	2000	2001	2002	2003	2004	2005
Scenario III: Worst Case										
8.04% 1st Mortgage Notes										
Beginning Balance		\$85,000	\$85,000	\$85,000	\$85,000	\$85,000	\$85,000	\$85,000	\$85,000	\$85,000
Borrowing		-	-	-	-	-	-	-	-	-
Amortization		-	-	-	-	-	-	-	-	-
Ending Balance		85,000	85,000	85,000	85,000	85,000	85,000	85,000	85,000	85,000
Interest Payment	8.04%	6,834	6,834	6,834	6,834	6,834	6,834	6,834	6,834	6,834
7.17% Pearl Notes										
Beginning Balance		11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000
Borrowing		-	-	-	-	-	-	-	-	-
Amortization		-	-	-	-	-	-	-	-	-
Ending Balance		11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000
Interest Payment	7.17%	789	789	789	789	789	789	789	789	789
0.00% Other Notes										
Beginning Balance		-	-	-	-	-	-	-	-	-
Borrowing		-	-	-	-	-	-	-	-	-
Amortization		-	-	-	-	-	-	-	-	-
Ending Balance		-	-	-	-	-	-	-	-	-
Interest Payment	0.00%	-	-	-	-	-	-	-	-	-
8.50% New Debt										
Beginning Balance		125,000	125,000	125,000	130,478	138,619	138,679	138,739	138,859	138,859
Borrowing		-	-	5,478	8,141	60	120	120	-	-
Amortization		-	-	-	-	-	-	-	-	-
Ending Balance		125,000	125,000	130,478	138,619	138,679	138,739	138,859	138,859	138,859
Interest Payment	8.50%	10,625	10,625	10,858	11,437	11,785	11,790	11,798	11,803	11,803
Exchange of 8.46% Senior Notes										
Beginning Balance		-	-	66,000	66,000	66,000	66,000	66,000	66,000	66,000
Borrowing		66,000	66,000	-	-	-	-	-	-	-
Amortization		-	-	-	-	-	-	-	-	-
Ending Balance		66,000	66,000	66,000	66,000	66,000	66,000	66,000	66,000	66,000
Interest Payment	8.46%	5,584	5,584	5,584	5,584	5,584	5,584	5,584	5,584	5,584
8.00% Acq. & Other Notes Payable										
Beginning Balance		16,798	16,798	13,859	8,381	240	180	120	-	-
Borrowing		-	-	-	-	-	-	-	-	-
Amortization		(2,939)	(2,939)	(5,478)	(8,141)	(60)	(60)	(120)	-	-
Ending Balance		13,859	13,859	8,381	240	180	120	-	-	-
Interest Payment	8.00%	1,226	1,226	890	345	17	12	5	-	-
8.25% WC Revolver										
Beginning Balance		-	-	7,457	7,457	7,457	47,422	87,387	127,352	167,317
Borrowing for Change in WC		-	-	-	-	-	-	-	(0)	-
Borrowing/ (Payment)		-	-	-	-	39,965	39,965	39,965	39,965	39,965
Ending Balance		-	7,457	7,457	7,457	47,422	87,387	127,352	167,317	207,282
Effective Avg WC Balance		23,600	23,600	21,500	21,500	21,500	21,500	21,500	21,500	21,500
Interest Payment	8.25%	1,947	1,947	1,774	1,774	1,774	1,774	1,774	1,774	1,774
7.50% Acquisition Facility										
Beginning Balance		-	-	-	27,798	59,765	51,867	42,384	28,322	9,170
External Acquisitions		-	-	40,000	45,000	-	-	-	-	-
External Acquisitions at Beginning of 1999		-	-	5,000	-	-	-	-	-	-
Internal Acquisitions		-	-	1,797	1,824	1,850	1,878	1,906	1,935	1,965
Payment		-	-	(10,017)	(5,035)	-	-	-	-	-
Remaining Distributions to Repay Debt		-	-	(8,982)	(9,822)	(9,748)	(11,362)	(15,968)	(21,088)	(54,099)
Ending Balance		-	-	27,798	59,765	51,867	42,384	28,322	9,170	(42,965)
Interest Payment	7.50%	\$0	\$0	\$1,230	\$3,284	\$4,186	\$3,534	\$2,651	\$1,406	(\$1,267)

PROJECT HEAT

(in thousands except per share and per unit data)

Scenario III Worst Case Estimated Normalized Projected



Indicated Distribution	0	0	1,476	2,953	5,905	8,858	9,596	10,335	11,073
Actual Cash Distributed	0	0	1,476	2,953	3,248	3,248	3,248	3,248	3,248
Allocation to:									
Common Units	0	0	1,042	2,084	2,292	2,292	2,292	2,292	2,292
SR Subordinated Units	0	0	330	659	725	725	725	725	725
Subordinated Units	0	0	75	151	166	166	166	166	166
General Partner Interest	0	0	30	59	65	65	65	65	65
Total Distributions to:									
Common Units	0	0	1,042	2,084	2,292	2,292	2,292	2,292	2,292
SR Subordinated Units	0	0	330	659	725	725	725	725	725
Subordinated Units	0	0	75	151	166	166	166	166	166
General Partner Interest	0	0	30	59	65	65	65	65	65

PaineWebber Incorporated

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For Discussion Purposes Only

## Project Heat

(In thousands except per share and per unit data)

	Estimated		Projected						
	1998	Normalized 1998	1999	2000	2001	2002	2003	2004	2005
Star Gas Pro Forma Schedule of Actual Distributions (cont'd) Scenario III: Worst Case									
-----									
Second Target Distribution									
-----									
Cash Available	0	0	0	0	12,812	17,830	23,310	29,395	63,370
Cash Required for Target Distribution	0	0	0	0	7,149	7,149	7,149	7,149	7,149
Cash Required for Indicated Distribution	0	0	0	0	3,064	6,468	7,319	8,170	9,022
Actual Cash Distributed	0	0	0	0	3,064	6,468	7,149	7,149	7,149
Allocation to:									
Common Units	0	0	0	0	1,875	3,959	4,376	4,376	4,376
Sr. Subordinated Units	0	0	0	0	593	1,252	1,384	1,384	1,384
Subordinated Units	0	0	0	0	136	287	317	317	317
General Partner Interest	0	0	0	0	61	129	143	143	143
Incentive Right	0	0	0	0	398	841	929	929	929
Incentive Right to GP Interest	0	0	0	0	96	203	224	224	224
Incentive Right to Sr. Sub Units	0	0	0	0	302	638	705	705	705
Total Distributions to:									
Common Units	0	0	0	0	1,875	3,959	4,376	4,376	4,376
Sr. Subordinated Units	0	0	0	0	895	1,890	2,089	2,089	2,089
Subordinated Units	0	0	0	0	136	287	317	317	317
General Partner Interest	0	0	0	0	157	332	367	367	367
-----									
Third Target Distribution									
-----									
Cash Available	0	0	0	0	0	0	16,161	22,245	56,221
Cash Required for Target Distribution	0	0	0	0	0	0	16,591	16,591	16,591
Cash Required for Indicated Distribution	0	0	0	0	0	0	193	1,157	2,122
Actual Cash Distribution	0	0	0	0	0	0	193	1,157	2,122
Allocation to:									
Common Units	0	0	0	0	0	0	104	625	1,146
Sr. Subordinated Units	0	0	0	0	0	0	33	198	363
Subordinated Units	0	0	0	0	0	0	8	45	83
General Partner Interest	0	0	0	0	0	0	4	23	42
Incentive Right	0	0	0	0	0	0	44	266	488
Incentive Right to GP Interest	0	0	0	0	0	0	11	64	118
Incentive Right to Sr. Sub Units	0	0	0	0	0	0	34	202	370
Total Distribution to:									
Common Units	0	0	0	0	0	0	104	625	1,146
Sr. Subordinated Units	0	0	0	0	0	0	67	400	733
Subordinated Units	0	0	0	0	0	0	8	45	83
General Partner Interest	0	0	0	0	0	0	15	87	160
-----									
Remaining Distribution									
-----									
Cash Available	0	0	0	0	0	0	0	0	0
Cash Required for Indicated Distribution	0	0	0	0	0	0	0	0	0
Actual Cash Distributed	0	0	0	0	0	0	0	0	0
Allocation to:									
Common Units	0	0	0	0	0	0	0	0	0
Sr. Subordinated Units	0	0	0	0	0	0	0	0	0
Subordinated Units	0	0	0	0	0	0	0	0	0
General Partner Interest	0	0	0	0	0	0	0	0	0
Incentive Right	0	0	0	0	0	0	0	0	0
Incentive Right to GP Interest	0	0	0	0	0	0	0	0	0
Incentive Right to Sr. Sub Units	0	0	0	0	0	0	0	0	0
Repay Indebtedness	0	0	8,982	9,822	9,748	11,362	15,968	21,088	54,099
Total Distributions to:									
Common Units	0	0	0	0	0	0	0	0	0
Sr. Subordinated Units	0	0	0	0	0	0	0	0	0
Subordinated Units	0	0	0	0	0	0	0	0	0
General Partner Interest	0	0	0	0	0	0	0	0	0



(in thousands except per share and per unit data)

STAR GAS PRO FORMA SCHEDULE OF ACTUAL DISTRIBUTIONS (CONT'D) Scenario III: Worst Case

	Estimated	Normalized	Projected				
	1998	1998	1999	2000	2001	2002	2003
<b>Total Distributions</b>							
Common Units	\$ 22,733	\$ 22,920	\$ 23,962	\$ 25,004	\$ 27,088	\$ 29,171	\$ 29,692
S R Subordinated Units	0	7,251	7,581	7,910	8,872	9,867	10,132
Subordinated Units	0	1,472	1,734	1,810	1,961	2,112	2,149
General Partner Interest	464	646	679	709	872	1,047	1,097
<b>Total Distributions</b>	<b>\$ 23,197</b>	<b>\$ 32,289</b>	<b>\$ 33,957</b>	<b>\$ 35,433</b>	<b>\$ 38,792</b>	<b>\$ 42,196</b>	<b>\$ 43,070</b>

**Total Distributions Per Unit**

Common Units	\$ 2.18	\$ 2.20	\$ 2.30	\$ 2.40	\$ 2.60	\$ 2.80	\$ 2.85
S R Subordinated Units	0.00	2.20	2.30	2.40	2.69	2.99	3.07
Subordinated & GP Units	0.44	2.02	2.30	2.40	2.70	3.01	3.09

**Total Incentive Distributions**

NPV

To GP Interest	\$ 357	\$ 0	\$ 0	\$ 0	\$ 96	\$ 203	\$ 235
To Sr. Sub Units	1,121	-	-	-	302	638	739
<b>Sub-Total</b>	<b>1,478</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>398</b>	<b>841</b>	<b>974</b>
Present Value of Terminal Value	1,189	-	-	-	-	-	-
<b>Total</b>	<b>\$2,667</b>						

2004 2005

**Total Distributions**

Common Units	\$ 30,213	\$ 30,734
S R Subordinated Units	10,465	10,798
Subordinated Units	2,187	2,225
General Partner Interest	1,169	1,242
<b>Total Distributions</b>	<b>\$ 44,035</b>	<b>\$ 44,999</b>

**Total Distributions Per Unit**

Common Units	\$ 2.90	\$ 2.95
S R Subordinated Units	3.18	3.28
Subordinated & GP Units	3.20	3.30

**Total Incentive Distributions**

To GP Interest	\$ 289	\$ 342
To Sr. Sub Units	907	1,075
<b>Sub-Total</b>	<b>1,196</b>	<b>1,417</b>
Present Value of Terminal Value	-	5,670
<b>Total</b>		

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**Project Heat**

**Transaction Summary and Assumptions**

(In thousands except per share and per unit data)

Scenario I: Base Case

**EQUITY RESTRUCTURING**

**CALCULATION OF SUB/GP UNITS OFFERED**

	Petro			
	Public	Insiders		
Securities Offered	Sr Sub	Sub & GP	Value of Sub/GP Units to be	
Incentive Rights	76%	24%	To Be Converted	\$18,597
Value Offered	\$3.15	\$3.15	Less: Value of GP	6,284
Current Market	\$1.63	\$1.63		12,313
Premium to Market	93.8%	93.8%	Remainder at \$16.33	754
Required Yield w/out PV of Incent. Rights	11.5%	14.0%		
Value of Security w/out PV of Incent. Rights	\$19.13	\$15.71		
Assumed Value of Incentive Rights	\$0.61	\$0.61		
Value of Security Offered	\$19.74	\$16.33	PRESENT VALUE OF INCENTIVE RIGHTS	
Security Offered per Share	0.16	0.19	Discount Rate	25%
Total Shares	17,160	9,404	PV of Cash Flows 1997-2005	1,478
Insiders to Receive Sr. Sub.	3,500	(3,500)	PV of Terminal Value 4x	1,189
Shares to Be Converted	20,660	5,904	Total PV of Incentive Rights	2,667
Units Offered	3,296	754	Value of Incentive Rights per Unit	\$0.61
Current Sub/GP		0		
Value of GP/Unit		\$21.28		

DEBT RESTRUCTURING

Privates:	Projected 12/31/97	Strategy	Price
	Principal		
11.96% Sr Notes	60,000	Exchange	110.0%
14.10% Sr Notes	3,100	Neg. Tender	110.0%
14.10% Sub Notes	3,100	Neg. Tender	110.0%
14.33% Pfd Stock	4,167	Neg. Tender	105.0%
Publics:			
10.13% Sub Notes & Sr Notes	50,000	Neg. Tender	100.0%
9.38% Sub Notes & Sr Notes	75,000	Tender	100.0%
12.25% Sub Notes & Sr Notes	81,250	Tender	105.0%
12.88% Pfd Stock	30,000	Tender	100.0%

FINANCING SUMMARY

	Amount	Rate	Unit Price
New Common Raised	\$145,728		\$22.13
New Debt Raised	125,000	8.50%	

UNITS OUTSTANDING

Privates:	Current		Pro Forma	
	Units	%	Units	%
Existing Common	3,832	60.3%	3,832	26.0%
New Common	0	0.0%	6,587	44.6%
Common to Petro Shareholders	0	0.0%	0	0.0%
Sr Sub to Petro Shareholders	0	0.0%	3,296	22.3%
Existing Sub	2,396	37.7%	754	5.1%
Implied GP	127	2.0%	295	2.0%
Total Units	6,355	100.0%	14,764	100.0%

SUMMARY CASH FLOW AND COVERAGE ANALYSIS

(\$ on per Unit basis)

	Estimated	Normalized	Projected			
	1998	1998	1999	2000	2001	2002
Star Stand Alone						
EBITDA	\$18,629	\$22,781	\$26,730	\$28,541	\$30,361	\$32,188
Interest Expense	(7,807)	(7,807)	(9,114)	(10,028)	(10,748)	(11,276)
Maintenance CapEx	(2,710)	(2,710)	(3,274)	(3,395)	(3,694)	(3,816)
Taxes	(25)	(25)	(25)	(25)	(25)	(25)
Distributable Cash Flow	\$8,087	\$12,239	\$14,317	\$15,093	\$15,894	\$17,071

DCF per Common Unit	\$2.11	\$3.19	\$3.74	\$3.94	\$4.15	\$4.46
DCF / Common unit MQD	0.94 x	1.42 x	1.66 x	1.75 x	1.85 x	1.98 x
DCF per Total Unit	\$1.27	\$1.93	\$2.25	\$2.38	\$2.50	\$2.69
DCF / Total MQD	0.58 x	0.88 x	1.02 x	1.08 x	1.14 x	1.22 x
Indicated Distribution per Common Unit	\$2.20	\$2.20	\$2.20	\$2.20	\$2.20	\$2.20
Star Pro Forma						
EBITDA						
Star	\$18,629	\$22,781	\$26,730	\$28,541	\$30,361	\$32,188
Petro	38,500	43,440	55,798	62,665	69,509	76,324
Synergies	500	500	500	500	500	500
Total	57,629	66,721	83,028	91,706	100,370	109,012
Interest Expense	(27,697)	(27,697)	(28,488)	(30,079)	(30,142)	(28,240)
Maintenance CapEx	(6,210)	(6,210)	(6,774)	(6,895)	(7,194)	(7,316)
Taxes	(525)	(525)	(525)	(525)	(525)	(525)
Distributable Cash Flow	\$23,197	\$32,289	\$47,241	\$54,207	\$62,509	\$72,931
DCF per Common Unit	\$2.23	\$3.10	\$4.53	\$5.20	\$6.00	\$7.00
DCF per Total Unit	1.57	2.19	3.20	3.67	4.23	4.94
Indicated Distribution per Common Unit	\$2.20	\$2.20	\$2.30	\$2.40	\$2.60	\$2.80
Pro Forma Coverage Ratios						
MQD Coverage						
Common Unit	0.99 x	1.38 x	2.02 x	2.32 x	2.67 x	3.12 x
Senior Subordinated Unit	0.75	1.05	1.53	1.76	2.03	2.37
Total Unit	0.71	0.99	1.45	1.67	1.92	2.25
Indicated Distribution Coverage						
Common Unit	0.99 x	1.38 x	1.93 x	2.12 x	2.26 x	2.45 x
Senior Subordinated Unit	0.75	1.05	1.47	1.61	1.72	1.86
Total Unit	0.71	0.99	1.39	1.53	1.63	1.76
Accretion/Dilution						
DCF per Unit - Star Stand Alone	\$1.27	\$1.93	\$2.25	\$2.38	\$2.50	\$2.69
DCF per Unit - Pro Forma	1.57	2.19	3.20	3.67	4.23	4.94
Pro Forma Credit Analysis						
EBITDA/Interest	2.08 x	2.41 x	2.91 x	3.05 x	3.33 x	3.86 x
LT Debt/EBITDA	5.22	4.51	3.91	3.79	3.24	2.72

PaineWebber Incorporated

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For Discussion Purposes Only

PROJECT HEAT

Transaction Summary and Assumptions

(in thousands except per share and per unit data) Scenario I: Base Case

OPERATING ASSUMPTIONS

ACQUISITION ASSUMPTIONS

	Petro	Star	Petro	Multiple	1998	1999	2000	2001	2002
Normalized Maintenance CapEx	\$3,500	\$2,710	Amount	4.75x	\$15,000	\$30,000	\$30,000	\$30,000	\$30,000
Maintenance CapEx Life	15 yrs	15 yrs	Timing		End	Mid	Mid	Mid	Mid
Growth CapEx Life	15 yrs	15 yrs	%EBITDA		0.0%	50.0%	50.0%	50.0%	50.0%
Life of Existing Depreciation	15 yrs	15 yrs	%Attrition	4.1%					
Interest Income Rate	3.5%	3.5%	Star						
Marginal Tax Rate	33.0%	33.0%	Amount	7.00x	\$20,000	\$10,000	\$10,000	\$10,000	\$10,000
Deferred Tax Percent		0.0%	Timing		End	Mid	Mid	Mid	Mid
Minimum Cash Balance		\$1,000	%EBITDA		0.0%	50.0%	50.0%	50.0%	50.0%
Initial Incremental Cash Req'd for Distributions		\$5,000	Amount	7.00x	\$5,000				
Consolidation Savings		\$500	Timing		Beg				
Annual Bank Fees	\$692	\$94	%EBITDA		100.0%				
Current Stock Price	\$1.63	\$22.13							

NEW SECURITY ASSUMPTIONS

New MLP Equity

Gross Proceeds	\$145,728
Common Units to Public	6,587
Gross Spread %	5.0%
Gross Spread \$	\$7,286
Offering Price/Share	\$22.13

New Star Debt

Gross Proceeds	\$125,000
Gross Spread %	1.0%
Gross Spread \$	\$1,250
Coupon	8.50%

Advisory Fees

Fairness Opinion	\$1,000
Financial Advisory	\$2,500
Debt Tender Fee	0.26%
	\$507

(current market price)

EXCHANGE ASSUMPTIONS

Shareholders of:	Dividend	Gets New Units of:			
		Common	Sr Sub	Sub	
Public Class A Shares	17,160	\$0.30	-	2,738	-
Insider Class A Shares	6,795	\$0.30	-	-	754
Insider Class B Shares	11	\$0.30	-	2	-
Insider Class C Shares	2,598	\$0.30	-	556	-
	26,563		-	3,296	754

TRANSACTION COSTS SUMMARY

New MLP Equity	\$7,286
New Star Debt	1,250
Fairness Opinion	1,000
Financial Advisory	2,500
Solicitation Fees on Exchange of Outsider Petro Debt	507
Exchange of 11.96% Notes	300
Legal Fees	2,500
Printing	1,000
Accounting Fees	250
Other:	
Environmental	350
Rating Agencies	100
Roadshow	200
Asset Appraisal	250
Solicitation expenses	100
Other Bank Fees	150
	-----
	\$17,743
	-----

SOURCES AND USES OF FUNDS

Sources:		Uses:	
Excess Cash on Hand	\$2,023	Repay Debt Principal	\$212,450
New Star Debt	125,000	Redeem Preferred	34,167
New MLP Equity	145,728	Premium on Redemption/	
Cash Balance	0	Exchange/Defeasance	4,891
		Transaction Fees	17,743
		Prefunding of Liabilities	3,500
	-----		-----
	\$272,751		\$272,751
	-----		-----

PaineWebber Incorporated

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TRANSACTION SUMMARY AND ASSUMPTIONS

(In thousands except per share and per unit data)

Scenario I: Base Case

RECAPITALIZATION ASSUMPTIONS

Petro Instruments:	(D)efease (T)ender (R)edeem (E)xchange (N)othing	Principal as of 9/30/98	Maturity Period		Coupon/ Dividend	Sinking Fund Payment		
			m/d	yr		Payment	Year Start	
11.96% Sr Notes	e	\$ 60,000	v	1-Oct	0	11.960%	\$0	0
14.10% Sr Notes	t	3,100	v	15-Jan	2001	14.100%	1,050	1997
14.10% Sub Notes	t	3,100	v	15-Jan	2001	14.100%	1,050	1997
10.13% Sub Notes & Sr Notes	t	50,000	v	1-Apr	2003	10.130%	-	
9.38% Sub Notes & Sr Notes	t	75,000	v	1-Feb	2006	9.375%	-	
12.25% Sub Notes & Sr Notes	t	81,250	v	1-Feb	2005	12.250%	-	
8.00% Acq. & Other Notes Payable	n	13,859	v		0	8.000%	-	0
8.25% Existing Credit Facility	n	0	v		1998	8.250%	-	
0.00% Other Notes	n	0	v	NA	NA	0.000%	0	NA
		-----						
		\$286,309						
Pfrd. Stock:								
14.33% Pfd Stock	t	4,167	v	1-Aug	1999	14.330%	4,167	1997
12.88% Pfd Stock	t	30,000	v	15-Feb	2009	12.875%	0	
0.00%	n	0				0.000%	0	
		-----						
		\$ 34,167						
		-----						
Total Petro		\$320,476						
Star Instruments:								
8.04% 1st Mortgage Notes	n	85,000	v	NA	NA	8.040%	-	0
8.25% WC Revolver	n	0		NA	NA	8.250%	-	NA
7.50% Acquisition Facility	n	0	v	NA	NA	7.500%	-	NA
8.50% New Debt	n	125,000	v	NA	NA	8.500%	0	NA
7.17% Pearl Notes	n	11,000		NA	NA	7.170%	0	NA

	----- \$210,000 -----
Total Combined	\$530,476

Petro Instruments:	% Red/ Exchanged	Red/Exchg Price	Defeasance Price	Red/Exchg/Defeasance		Exchanged Int Rate	Security Type
				Value	Premium		
11.96% Sr Notes	100.0%	110.0%		\$66,000	\$0	8.5%	Sr Notes
14.10% Sr Notes	100.0%	110.0%		3,410	310		Sr Notes
14.10% Sub Notes	100.0%	110.0%		3,410	310		Sub Notes
10.13% Sub Notes & Sr Notes	100.0%	100.0%	106.2%	50,000	-		Sub Notes & Sr Notes
9.38% Sub Notes & Sr Notes	100.0%	100.0%	108.2%	75,000	-		Sub Notes & Sr Notes
12.25% Sub Notes & Sr Notes	100.0%	105.0%	116.2%	85,313	4,063		Sub Notes & Sr Notes
8.00% Acq. & Other Notes Payable	0.0%	100.0%		-	-		Acq. & Other Notes Payable
8.25% Existing Credit Facility	0.0%	100.0%		-	-		Existing Credit Facility
0.00% Other Notes	0.0%	0.0%		-	-	11.0%	Other Notes
						----- \$4,683 -----	
Pfrd. Stock:							
14.33% Pfd Stock	100.0%	105.0%		4,375	208		Pfd Stock
12.88% Pfd Stock	100.0%	100.0%		30,000	-		Pfd Stock
0.00%				-	-		
		----- \$ 34,167 -----			----- \$208 -----		
Total Petro						----- \$4,891 -----	
Star Instruments:							
8.04% 1st Mortgage Notes	0.0%	0.0%		-	-		1st Mortgage Notes
8.25% WC Revolver	0.0%	0.0%		-	-		WC Revolver
7.50% Acquisition Facility	0.0%	0.0%		-	-		Acquisition Facility
8.50% New Debt	0.0%	0.0%		-	-		New Debt
7.17% Pearl Notes	0.0%	0.0%		-	-		Pearl Notes
						----- \$0 -----	
Total Combined						----- \$4,891 -----	

Star Stand Alone Distribution Assumptions

	Distribution	Marginal Interest In	
		Public	GP
Minimum Quarterly Distribution	\$2.20	98%	2%
First Target Distribution	\$2.42	98%	2%
Second Target Distribution/(1)/	\$2.84	85%	15%
Third Target Distribution/(1)/	\$3.70	75%	25%
Thereafter	NM	50%	50%
Target Distribution Level	\$2.20		
Annual Distribution Increase	\$0.00		

Standard Distribution Structure ("S") or Target ("T") t

	Distribution	Marginal Interest In			Incentive Rights	
		Public	GP	Incen. Rt.	GP	Sr. Sub.
Minimum Quarterly Distribution	\$2.20	98%	2%	0%	24%	76%
First Target Distribution	\$2.42	98%	2%	0%	24%	76%
Second Target Distribution/(1)/	\$2.84	85%	2%	13%	24%	76%
Third Target Distribution/(1)/	\$3.70	75%	2%	23%	24%	76%
Thereafter	NM	50%	2%	48%	24%	76%
	1998	1999	2000	2001	2002	Thereafter
Annual Indicated Dist. Increase	\$0.00	\$0.10	\$0.10	\$0.20	\$0.20	\$0.05
Target Indicated Dist. Level	\$2.20	\$2.30	\$2.40	\$2.60	\$2.80	

Standard Distribution Structure ("S") or Target ("T") t

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PaineWebber Incorporated

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PROJECT HEAT

PRO FORMA OPENING BALANCE SHEET

(in thousands except per share and per unit data)

Scenario I: Base Case

OPENING BALANCE SHEET	STAR GAS			PETRO		
	12/31/97	ADJUSTMENTS	9/30/98	12/31/97	ADJUSTMENTS	9/30/98
<b>Assets:</b>						
Cash	\$ 3,452	(\$ 2,951)	\$ 501	\$ 2,390	\$10,615	\$ 13,005
Other Current Assets	18,537	(3,142)	15,395	102,734	(43,030)	59,704
Total Current Assets	21,989		15,895	105,124		72,709
PP&E and Intangibles, Net	108,809	(3,995)	104,814	124,804	-	107,783
Investments in Unconsolidated Affiliates	-	-	-	7,535	(7,122)	413
Other Assets	48,653	(2,115)	46,538	10,383	(19)	10,364
Total Assets	179,451		167,248	247,846		191,269
<b>Liabilities:</b>						
Current Liabilities	11,514	(4,143)	7,371	92,688	-	70,110
8.25% Existing Credit Facility	-	7,457	7,457	21,500	(21,500)	-
Long Term Debt	96,000	-	96,000	278,378	7,931	286,309
Total Preferred Stock	-	-	-	34,167	-	34,167
Other Liabilities	54	(3)	51	10,745	(47)	10,698
Total Liabilities	107,568		110,879	437,478		401,284
Common Shareholder's/Partner's Equity	71,883	(15,515)	56,368	(189,632)	(20,383)	(210,015)
Total Liabilities and Equity	\$179,451		\$167,248	\$247,846		\$191,269
check	-		-	-		-

ASSETS:	MERGER	PRO FORMA
	ADJUSTMENTS	STAR GAS
		9/30/98
Cash	(\$ 2,023)	\$ 10,982
Order Current Assets	-	75,099
Total Current Assets	(2,023)	86,081
PP&B and Intangibles, Net	-	212,597
Investments in Unconsolidated Affiliates	(413)	-
Other Assets	-	56,902
Total Assets	(2,436)	355,580
<b>LIABILITIES:</b>		
Current Liabilities	-	77,481
8.25% Existing Credit Facility	-	7,457
Long Term Debt	(81,450)	300,859
Total Preferred Stock	(34,167)	-
Other Liabilities	(10,698)	51
Total Liabilities	(126,315)	385,848
Commerce Shareholder's/Partner's Equity	123,378	(30,268)
Total Liabilities and Equity	(\$ 2,937)	\$355,580

PRO FORMA CAPITAL STRUCTURE	STAR GAS			PETRO		
	12/31/97	ADJUSTMENTS	9/30/98	12/31/97	ADJUSTMENTS	9/30/98
Debt:						
8.04% 1st Mortgage Notes	\$ 85,000		\$ 85,000	\$ 0	\$ 0	\$ 0
8.25% WC Revolver	-	7,457	7,457	-	-	-
7.50% Acquisition Facility	-		-	-	-	-
7.17% Pearl Notes	11,000		11,000	-	-	-
11.96% Sr Notes	-		-	60,000	-	60,000
14.10% Sr Notes	-		-	4,150	(1,050)	3,100
14.10% Sub Notes	-		-	4,150	(1,050)	3,100
10.13% Sub Notes & Sr Notes	-		-	50,000	-	50,000
9.38% Sub Notes & Sr Notes	-		-	75,000	-	75,000
12.25% Sub Notes & Sr Notes	-		-	81,250	-	81,250
0.00% Other Notes	-		-	0	-	0
8.00% Acq. & Other Notes Payable	-		-	16,798	(2,939)	13,859
8.25% Existing Credit Facility	-		-	0	-	0
8.46% Exchanged Debt	-		-	-	-	-
8.50% New Debt	-		-	-	-	-
Total Debt	96,000		103,457	291,348		286,309
Preferred Stock:						
14.33% Pfd Stock	-		-	4,167	-	4,167
12.88% Pfd Stock	-		-	30,000	-	30,000
Total Preferred	-		-	34,167		34,167
Common Shareholder's/Partner's Equity	71,883		56,368	(189,632)	(20,383)	(210,015)
Total Capital	\$167,883		\$159,825	\$135,883		\$110,461

	MERGER ADJUSTMENTS	PRO FORMA STAR GAS 9/30/98	
Debt:			
8.04% 1st Mortgage Notes	\$ 0	\$ 85,000	
8.25% WC Revolver	-	7,457	
7.50% Acquisition Facility	-	-	
7.17% Pearl Notes	-	11,000	
11.96% Sr Notes	(60,000)	-	
14.10% Sr Notes	(3,100)	-	
14.10% Sub Notes	(3,100)	-	
10.13% Sub Notes & Sr Notes	(50,000)	-	
9.38% Sub Notes & Sr Notes	(75,000)	-	
12.25% Sub Notes & Sr Notes	(81,250)	-	
0.00% Other Notes	-	-	
8.00% Acq. & Other Notes Payable	-	13,859	
8.25% Existing Credit Facility	-	-	
8.46% Exchanged Debt	66,000	66,000	
8.50% New Debt	125,000	125,000	
Total Debt	(81,450)	308,316	(123,543,00)
Preferred Stock:			
14.33% Pfd Stock	(4,167)	-	
12.88% Pf\ Stock	(30,000)	-	
Total Preferred	(34,167)	-	
Common Shareholder's/Partner's Equity	123,378	(30,268)	
Total Capital		\$278,048	

## PROJECT HEAT

(in thousands except per share and per unit data)

Scenario 1: Base Case

## STAR GAS STAND ALONE INCOME STATEMENT

Estimated Normalized Projected

	1998	1998	1999	2000	2001	2002	2003	2004	2005
EBITDA	\$ 18,629	\$ 22,781	\$ 26,730	\$ 28,541	\$ 30,361	\$ 32,188	\$ 34,125	\$ 36,178	\$ 38,356
Depreciation and Amortization	11,629	11,629	12,768	15,111	16,137	17,178	17,229	19,291	20,364
EBIT	7,000	11,152	13,962	13,430	14,224	15,010	15,896	16,887	17,992
Interest Response	(7,807)	(7,807)	(9,114)	(10,028)	(10,748)	(11,276)	(9,858)	(10,217)	(10,452)
Interest Income	18	18	35	35	35	35	35	35	35
Other Income	-	-	-	-	-	-	-	-	-
Income Before Taxes	(789)	3,363	4,883	3,437	3,511	3,769	6,073	6,705	7,575
Current Income Taxes	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(25)
Deferred Income Taxes	-	-	-	-	-	-	-	-	-
Net Income Available to Common	(\$814)	\$ 3,338	\$ 4,858	\$ 3,412	\$ 3,486	\$ 3,744	\$ 6,048	\$ 6,680	\$ 7,550
STAR GAS STAND ALONE UNITS									
Outstanding									
Common Units									
Beginning Balance	3,832	3,832	3,832	4,317	4,317	4,517	4,717	4,717	4,717
Insurance	0	0	485	0	200	200	0	0	0
Buyback	0	0	0	0	0	0	0	0	0
Ending Balance	3,832	3,832	4,317	4,317	4,517	4,717	4,717	4,717	4,717
Subordinated Units									
Beginning Balance	2,396	2,396	2,396	2,396	2,396	2,396	2,396	2,396	2,396
Insurance	0	0	0	0	0	0	0	0	0
Buyback	0	0	0	0	0	0	0	0	0
Ending Balance	2,396	2,396	2,396	2,396	2,396	2,396	2,396	2,396	2,396
GP Implied Units									
Beginning Balance	127	127	127	127	127	127	127	127	127
Insurance	0	0	0	0	0	0	0	0	0
Buyback	0	0	0	0	0	0	0	0	0
Ending Balance	127	127	127	127	127	127	127	127	127
Total Units	6,355	6,355	6,840	6,840	7,040	7,240	7,240	7,240	7,240

PaineWebber Incorporated

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PROJECT HEAT

(in thousands except per share and per unit data)

	Scenario 1: Base Case	Estimated		Projected					
		1998	1999	2000	2001	2002	2003	2004	2005
STAR GAS STAND ALONE BALANCE SHEET									
Assets:									
Cash		\$ 501	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000
Other Current Assets		15,395	18,600	19,317	20,037	20,760	21,526	22,339	23,200
Total Current Assets		15,895	19,600	20,317	21,037	21,760	22,526	23,339	24,200
PP&E and Intangibles, Net		104,814	112,117	112,225	111,632	110,148	107,768	104,484	100,291
Other Assets		46,538	46,538	46,538	46,538	46,538	46,538	46,538	46,538
Total Assets		167,248	178,255	179,080	179,207	178,446	176,832	174,361	171,029
Liabilities:									
Current Liabilities		7,371	10,576	11,293	12,013	12,736	13,502	14,315	15,176
Total Debt		103,457	109,651	120,328	125,205	130,133	135,685	139,702	141,910
Other Liabilities		51	51	51	51	51	51	51	51
Total Liabilities		110,879	120,279	131,672	137,869	142,920	149,239	154,068	157,167
Partner's Equity		56,368	57,976	47,407	41,338	35,526	27,593	20,293	13,862
Total Liabilities and Equity		\$ 167,248	\$178,255	\$179,082	\$179,207	\$178,446	\$176,832	\$174,361	\$171,029
Check		-	-	-	-	-	-	-	-

STAR GAS STAND ALONE CASH FLOW STATEMENT

Net Income		\$ 4,858	\$ 3,412	\$ 3,486	\$ 3,744	\$ 6,048	\$ 6,680	\$ 7,550
Depreciation and Amortization		12,768	15,111	16,137	17,178	18,229	19,291	20,364
Deferred Taxes		-	-	-	-	-	-	-
Other Income		-	-	-	-	-	-	-
Other Asset/Liabilities		-	-	-	-	-	-	-
Change in Working Capital		(0)	-	(0)	(0)	0	(0)	(0)





Total Depreciation:                    \$11,629    \$11,629    \$12,768    \$15,111    \$16,137    \$17,178    \$18,229    \$19,291    \$20,364  
 =====

Project Heat

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 Star Gas Stand Alone Debt Schedule  
 (in thousands except per share and per unit data)

	Scenario I: Base Case		Projected						
	Estimated 1998	Normalized 1998	1999	2000	2001	2002	2003	2004	2005
8.04% 1st Mortgage Notes									
Beginning Balance	\$85,000	\$85,000	\$85,000	\$85,000	\$85,000	\$85,000	\$85,000	\$85,000	\$85,000
Borrowing	0	0	0	0	0	0	0	0	0
Amortization	0	0	0	0	0	0	0	0	0
Ending Balance	85,000	85,000	85,000	85,000	85,000	85,000	85,000	85,000	85,000
Interest Payment	8.04%	6,834	6,834	6,834	6,834	6,834	6,834	6,834	6,834
Make-Whole Payment		0	0	0	0	0	0	0	0
7.17% Pearl Notes									
Beginning Balance	\$0	\$0	\$11,000	\$11,000	\$11,000	\$11,000	\$11,000	\$11,000	\$11,000
Borrowing	11,000	11,000	0	0	0	0	0	0	0
Amortization	0	0	0	0	0	0	0	0	0
Ending Balance	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000
Interest Payment	7.17%	613	613	789	789	789	789	789	789
% of year Pearl Notes Outstanding		77.7%	77.7%	0	0	0	0	0	0
8.25% WC Revolver									
Beginning Balance	-	-	\$7,457	\$7,457	\$7,457	\$7,457	\$7,457	\$7,457	\$7,457
Borrowing for Change in WC	-	-	0	-	0	0	(0)	0	0
Borrowing for Pay Full MQD	5,894	1,742	-	-	-	-	-	-	-
Borrowing/(Payment)	1,563	5,715	0	0	0	0	0	0	0
Ending Balance	7,457	7,457	7,457	7,457	7,457	7,457	7,457	7,457	7,457
Effective Avg WC Balance	3,729	3,729	3,729	3,729	3,729	3,729	3,729	3,729	3,729
Interest Payment	8.25%	308	308	308	308	308	308	308	308
7.50% Acquisition Facility									
Beginning Balance	-	-	\$0	\$6,194	\$16,871	\$22,348	\$26,676	\$32,228	\$36,245
External Acquisitions	20,000	20,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
External Acquisitions at Beginning of 1999	-	-	5,000	-	-	-	-	-	-
Internal Acquisitions	1,841	1,841	1,797	1,824	1,850	1,878	1,906	1,935	1,965
Borrowings to Repay Existing Debt	-	-	-	-	-	-	-	-	-
Payment	-	-	(10,266)	(35)	(4,460)	(4,460)	(35)	(35)	(35)
Remaining Distributions to Repay Debt	-	-	(366)	(1,112)	(1,913)	(3,090)	(6,319)	(7,884)	(9,692)
Ending Balance	0	0	6,194	16,871	22,348	26,676	32,228	36,245	38,483
Interest Payment	7.50%	69	69	420	865	1,471	1,838	2,193	2,427
Total Debt									
Beginning Balance	\$85,000	\$85,000	\$103,457	\$109,651	\$120,328	\$125,805	\$130,133	\$135,685	\$139,702
Amortization of Mortgage Notes	-	-	-	-	-	-	-	-	-
Borrowing for Pearl Notes	11,000	11,000	-	-	-	-	-	-	-
Borrowing for Changes in WC	-	-	0	-	0	0	(0)	0	0
Borrowing to Pay Full MQD	5,894	1,742	-	-	-	-	-	-	-
Acquisition Borrowing	21,841	21,841	16,797	11,824	11,850	11,878	11,906	11,935	11,965
Borrowing to Repay Existing Debt	-	-	-	-	-	-	-	-	-
Remaining Distributions to Repay Debt	-	-	(366)	(1,112)	(1,913)	(3,090)	(6,319)	(7,884)	(9,692)
Borrowing/(Payment) on WC Revolver and Acq. Facility	1,563	5,715	(10,266)	(35)	(4,460)	(4,460)	(35)	(35)	(35)
Ending Balance	\$125,298	\$125,298	\$109,651	\$120,328	\$125,805	\$130,133	\$135,685	\$139,702	\$141,940
Interest Expense									
Interest Expense	\$7,824	\$7,824	\$8,350	\$8,795	\$9,401	\$9,769	\$9,764	\$10,123	\$10,358
Bank Fee	94	94	94	94	94	94	94	94	94
Total Interest Payment	\$7,807	\$7,807	\$9,114	\$10,028	\$10,748	\$11,276	\$9,858	\$10,217	\$10,452

\*\*\* Total Interest Numbers are hard input per A.G. Edwards' request.\*\*\*

Project Heat

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 Star Gas Stand Alone Schedule of Actual Distributions                    Scenario I: Base Case  
 (in thousands except per share and per unit data)

Assumes Revised Target Distribution Structure	Estimated 1998	Normalized 1998	Projected						
			1999	2000	2001	2002	2003	2004	2005
Distributable Cash									
Cash from Operations	\$10,815	\$14,967	\$17,626	\$18,523	\$19,623	\$20,922	\$24,277	\$25,971	\$27,914
Maintenance CapEx	(2,710)	(2,710)	(3,274)	(3,395)	(3,694)	(3,816)	(3,942)	(4,072)	(4,206)
Other	(18)	(18)	(35)	(35)	(35)	(35)	(35)	(35)	(35)
<b>Total MLP Distributable Cash Flow</b>	<b>8,087</b>	<b>12,239</b>	<b>14,317</b>	<b>15,093</b>	<b>15,894</b>	<b>17,071</b>	<b>20,300</b>	<b>21,864</b>	<b>23,673</b>
Distributable Cash Flow/Unit	\$ 1.27	\$ 1.93	\$ 2.25	\$ 2.38	\$ 2.50	\$ 2.69	\$ 3.19	\$ 3.44	\$ 3.73
Structure									
Common Unit Ending Balance	3,832	3,832	3,832	3,832	3,832	3,832	3,832	3,832	3,832
Subordinated Units	2,396	2,396	2,396	2,396	2,396	2,396	2,396	2,396	2,396
General Partner Interest Unit Equivalent	127	127	127	127	127	127	127	127	127
<b>Total Units Outstanding</b>	<b>6,355</b>	<b>6,355</b>	<b>6,355</b>	<b>6,355</b>	<b>6,355</b>	<b>6,355</b>	<b>6,355</b>	<b>6,355</b>	<b>6,355</b>
Distribution Levels									
MQD	\$ 2.20	\$ 2.20	\$ 2.20	\$ 2.20	\$ 2.20	\$ 2.20	\$ 2.20	\$ 2.20	\$ 2.20
First Target	\$ 2.42	\$ 2.42	\$ 2.42	\$ 2.42	\$ 2.42	\$ 2.42	\$ 2.42	\$ 2.42	\$ 2.42
Second Target	\$ 2.84	\$ 2.84	\$ 2.84	\$ 2.84	\$ 2.84	\$ 2.84	\$ 2.84	\$ 2.84	\$ 2.84
Third Target	\$ 3.70	\$ 3.70	\$ 3.70	\$ 3.70	\$ 3.70	\$ 3.70	\$ 3.70	\$ 3.70	\$ 3.70
Indicated Cash Distribution	\$ 2.20	\$ 2.20	\$ 2.20	\$ 2.20	\$ 2.20	\$ 2.20	\$ 2.20	\$ 2.20	\$ 2.20
Distribution of MQD									
Cash Available	8,087	12,239	14,317	15,093	15,894	17,071	20,300	21,864	23,673
Cash Borrowed to Pay Full MQD	5,894	1,742	0	0	0	0	0	0	0
Allocation to:									
Common Units	8,430	8,430	8,430	8,430	8,430	8,430	8,430	8,430	8,430
Subordinated Units	5,271	5,271	5,271#	5,271#	5,271	5,271#	5,271#	5,271	5,271
General Partner Interest	280	280	280#	280#	280	280#	280#	280	280
First Target Distribution									
Cash Available	0	0	336	1,112	1,913	3,090	6,319	7,884	9,692
Cash Required for Target Distribution	0	0	1,398	1,398	1,398	1,398	1,398	1,398	1,398
Cash Required for Indicated Distribution	0	0	0	0	0	0	0	0	0
Actual Cash Distributed	0	0	0	0	0	0	0	0	0
Allocation to:									
Common Units	0	0	0	0	0	0	0	0	0
Subordinated Units	0	0	0	0	0	0	0	0	0
General Partner Interest	0	0	0	0	0	0	0	0	0
Second Target Distribution									
Cash Available	0	0	0	0	0	0	0	0	0
Cash Required for Target Distribution	0	0	0	0	0	0	0	0	0
Cash Required for Indicated Distribution	0	0	0	0	0	0	0	0	0
Actual Cash Distributed	0	0	0	0	0	0	0	0	0
Allocation to:									
Common Units	0	0	0	0	0	0	0	0	0
Subordinated Units	0	0	0	0	0	0	0	0	0
General Partner Interest	0	0	0	0	0	0	0	0	0
Incentive Distribution	0	0	0	0	0	0	0	0	0
Third Target Distribution									
Cash Available	0	0	0	0	0	0	0	0	0
Cash Required for Target Distribution	0	0	0	0	0	0	0	0	0
Cash Required for Indicated Distribution	0	0	0	0	0	0	0	0	0
Actual Cash Distributed	0	0	0	0	0	0	0	0	0
Allocation to:									
Common Units	0	0	0	0	0	0	0	0	0
Subordinated Units	0	0	0	0	0	0	0	0	0
General Partner Interest	0	0	0	0	0	0	0	0	0
Incentive Distribution	0	0	0	0	0	0	0	0	0

PaineWebber Incorporated

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PROJECT HEAT

STAR GAS STAND ALONE SCHEDULE OF ACTUAL DISTRIBUTIONS (CONT'D)

SCENARIO I: BASE CASE

(in thousands except per share and per unit data)

ESTIMATED	NORMALIZED	PROJECTED							
		1998	1998	1999	2000	2001	2002	2003	2004

Remaining Distribution

Cash Available	0	0	0	0	0	0	0	0	0
Allocation to:									
Common Units	0	0	0	0	0	0	0	0	0
Subordinated Units	0	0	0	0	0	0	0	0	0
General Partner Interest	0	0	0	0	0	0	0	0	0
Incentive Distribution	0	0	0	0	0	0	0	0	0
Repay Indebtedness	0	0	336	1,112	1,913	3,090	6,319	7,884	9,692
Total Distributions									
-----									
Common Units	8,430	8,430	8,430	8,430	8,430	8,430	8,430	8,430	8,430
Subordinated Units	5,271	5,271	5,271	5,271	5,271	5,271	5,271	5,271	5,271
General Partner Interest	280	280	280	280	280	280	280	280	280
Incentive Distribution	0	0	0	0	0	0	0	0	0
Total Distribution	\$13,981	\$13,981	\$13,981	\$13,981	\$13,981	\$13,981	\$13,981	\$13,981	\$13,981
-----									
Total Distributions Per Unit									
-----									
Common Unit	\$2.20	\$2.20	\$2.20	\$2.20	\$2.20	\$2.20	\$2.20	\$2.20	\$2.20
Subordinated Unit	2.20	2.20	2.20	2.20	2.20	2.20	2.20	2.20	2.20
GP Unit	2.20	2.20	2.20	2.20	2.20	2.20	2.20	2.20	2.20

PaineWebber Incorporated

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### Project Heat

(in thousands except per share and per unit data)

Scenario I: Base Case		Projected								
Estimated		Normalized	1999	2000	2001	2002	2003	2004	2005	
1998		1998								
-----		-----	-----	-----	-----	-----	-----	-----	-----	
Petro EBITDA Calculation										
-----										
EBITDA Growth Rate		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	
		(4.1)%	(4.1)%	(4.1)%	(4.1)%	(4.1)%	(4.1)%	(4.1)%	(4.1)%	
-----										
Base EBITDA Timing										
Acquisitions:	End 1998	\$15,000								
	Mid 1999	30,000								
	Mid 2000	30,000								
	Mid 2001	30,000								
	Mid 2002	30,000								
	Mid 2003	30,000								
	Mid 2004	30,000								
	Mid 2005	30,000								
Total EBITDA		\$38,500	\$43,440	\$55,798	\$62,665	\$69,509	\$76,324	\$83,807	\$92,024	\$101,047
-----										
Petro Depreciation Calculation										
-----										
Existing Depreciation		\$29,660	\$29,660	\$29,660	\$29,660	\$29,660	\$29,660	\$29,660	\$29,660	
Maintenance CapEx:	1998	\$3,500	-	-	\$233	\$233	\$233	\$233	\$233	\$233
Annual Growth: 0.0%	1999	3,500	-	117	233	233	233	233	233	233
	2000	3,500		117	233	233	233	233	233	
	2001	3,500			117	233	233	233	233	
	2002	3,500				117	233	233	233	
	2003	3,500					117	233	233	
	2004	3,500						117	233	
	2005	3,500							117	
Internal Growth CapEx:	1998	\$0	-	-	-	-	-	-	-	-
Annual Growth: 0.0%	1999	0	-	-	-	-	-	-	-	-
	2000	0		-	-	-	-	-	-	
	2001	0			-	-	-	-	-	
	2002	0				-	-	-	-	
	2003	0					-	-	-	
	2004	0						-	-	
	2005	0							-	
External Growth CapEx:	1998	\$15,000	-	-	1,000	1,000	1,000	1,000	1,000	1,000
Annual Growth: 0.0%	1999	30,000		1,000	2,000	2,000	2,000	2,000	2,000	2,000
	2000	30,000			1,000	2,000	2,000	2,000	2,000	
	2001	30,000				1,000	2,000	2,000	2,000	
	2002	30,000					1,000	2,000	2,000	
	2003	30,000						1,000	2,000	
	2004	30,000							1,000	
	2005	30,000								
Total Depreciation:		\$29,660	\$29,660	\$32,010	\$34,243	\$36,477	\$38,710	\$40,943	\$43,177	\$45,410
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PaineWebber Incorporated

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For Discussion Purposes Only

Project Heat

(in thousands except per share and per unit data)

Scenario I: Base Case

STAR PRO FORMA INCOME STATEMENT

	Estimated 1998	Normalized 1998	Projected						
			1999	2000	2001	2002	2003	2004	2005
Combined EBITDA	\$57,129	\$66,221	\$82,528	\$91,206	\$99,870	\$108,512	\$117,932	\$128,202	\$139,402
Consolidated Savings	500	500	500	500	500	500	500	500	500
Pro Forma EBITDA	57,629	66,721	83,028	91,706	100,370	109,012	118,432	128,702	139,902
Depreciation and Amortization	41,289	41,289	44,778	49,354	52,613	55,888	59,173	62,468	65,774
EBIT	16,340	25,432	38,250	42,352	47,757	53,124	59,260	66,235	74,128
Interest Expense	(27,697)	(27,697)	(28,488)	(30,079)	(30,142)	(28,240)	(25,665)	(22,206)	-
Interest Income	384	384	35	35	35	35	35	35	35
Other Income	-	-	-	-	-	-	-	-	-
EBT	(10,972)	(1,880)	9,797	12,308	17,650	24,919	33,629	44,063	74,163
Current Income Taxes	(525)	(525)	(525)	(525)	(525)	(525)	(525)	(525)	(525)
Deferred Income Taxes	-	-	-	-	-	-	-	-	-
Net Income Available to Common	(\$11,497)	(\$2,405)	\$9,272	\$11,783	\$17,125	\$24,394	\$33,104	\$43,538	\$73,638
STAR PRO FORMA UNITS OUTSTANDING									
Common Units									
Beginning Balance		10,418	10,418	10,418	10,418	10,418	10,418	10,418	10,418
Issuance		-	-	-	-	-	-	-	-
Buyback		-	-	-	-	-	-	-	-
Ending Balance	10,418	10,418	10,418	10,418	10,418	10,418	10,418	10,418	10,418
SR Subordinated Units									
Beginning Balance		3,296	3,296	3,296	3,296	3,296	3,296	3,296	3,296
Issuance		-	-	-	-	-	-	-	-
Buyback		-	-	-	-	-	-	-	-
Ending Balance	3,296	3,296	3,296	3,296	3,296	3,296	3,296	3,296	3,296
Subordinated Units									
Beginning Balance		754	754	754	754	754	754	754	754
Issuance		-	-	-	-	-	-	-	-
Buyback		-	-	-	-	-	-	-	-
Ending Balance	754	754	754	754	754	754	754	754	754
GP Implied Units									
Beginning Balance		295	295	295	295	295	295	295	295
Issuance		-	-	-	-	-	-	-	-
Buyback		-	-	-	-	-	-	-	-
Ending Balance	295	295	295	295	295	295	295	295	295
Total	14,764	14,764	14,764	14,764	14,764	14,764	14,764	14,764	14,764

PaineWebber Incorporated

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For Discussion Purposes Only

Project Heat

(in thousands except per share and per unit data)

Star Pro Forma Balance Sheet

Scenario I: Base Case

	Estimated 1998	Projected						
		1999	2000	2001	2002	2003	2004	2005
Assets:								
Cash	\$ 10,982	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000
Other Current Assets	75,099	109,247	120,915	132,563	144,182	156,847	170,655	185,713
Total Current Assets	86,081	110,247	121,915	133,563	145,182	157,847	171,655	186,713
PP&E and Intangibles, Net	212,597	221,390	220,754	217,185	210,491	200,667	187,707	171,604
Other Assets	56,902	56,902	56,902	56,902	56,902	56,902	56,902	56,902
Total Assets	355,580	388,539	399,571	407,651	412,576	415,417	416,265	415,219

Liabilities:								
Current Liabilities	77,481	111,629	123,297	134,945	146,564	159,229	173,038	188,095
8.25% Existing Credit Facility	7,457	7,457	7,457	47,422	87,387	127,352	167,317	207,282
Total LT Debt	300,859	324,355	347,369	325,503	296,647	256,824	204,395	119,688
Other Liabilities	51	51	51	51	51	51	51	51
Total Liabilities	385,848	443,492	478,174	507,921	530,649	543,456	544,801	515,117
Preferred Stock	-	-	-	-	-	-	-	-
Common Shareholder's Equity	(30,268)	(54,953)	(78,603)	(100,271)	(118,074)	(128,040)	(128,536)	(99,987)
Total Liabilities and Equity	\$355,580	\$388,539	\$399,571	\$407,651	\$412,576	\$415,417	\$416,265	\$415,219
Check	-	-	-	-	-	-	-	-

Star Pro Forma Cash Flow Statement								
Net Income	\$ 9,272	\$ 11,783	\$ 17,125	\$ 24,394	\$ 33,104	\$ 43,538	\$ 73,638	
Depreciation and Amortization	44,778	49,354	52,613	55,888	59,173	62,468	65,774	
Deferred Taxes	-	-	-	-	-	-	-	
Other Assets/Liabilities	-	-	-	-	-	-	-	
Change in Non-Cash Working Capital	-	-	0	-	-	-	-	
Cash from Operations	54,050	61,137	69,738	80,282	92,277	106,006	139,412	
Maintenance CapEx	(6,774)	(6,895)	(7,194)	(7,316)	(7,442)	(7,572)	(7,706)	
Internal Growth CapEx	(1,797)	(1,824)	(1,850)	(1,878)	(1,906)	(1,935)	(1,965)	
External Growth CapEx	(45,000)	(40,000)	(40,000)	(40,000)	(40,000)	(40,000)	(40,000)	
Cash from Investments	(53,571)	(48,719)	(49,044)	(49,194)	(49,348)	(49,507)	(49,671)	
Acquisition Borrowing	46,797	46,824	1,850	1,878	1,906	1,935	1,965	
Remaining Distributions to Repay Debt	(13,284)	(18,774)	(23,717)	(30,734)	(41,729)	(54,364)	(86,671)	
Amortization of Existing Debt	(5,478)	(8,141)	(60)	(60)	(120)	-	-	
Borrowing to Repay Existing Debt	5,478	8,141	60	60	120	-	-	
Borrowing for Changes in WC	-	-	-	-	-	(0)	-	
Change in Common Equity	-	-	-	-	-	-	-	
Distributions	(33,957)	(35,433)	(38,792)	(42,196)	(43,070)	(44,035)	(44,999)	
Cash from Financing	(444)	(7,383)	(60,659)	(71,053)	(82,893)	(96,464)	(129,706)	
Net Cash Flow	35	5,035	(39,965)	(39,965)	(39,965)	(39,965)	(39,965)	
Initial Cash Balance	10,982	1,000	1,000	1,000	1,000	1,000	1,000	
Cash Available for Paydown on WC Revolver and Acq. Facility	11,017	6,035	(38,965)	(38,965)	(38,965)	(38,965)	(38,965)	
Minimum Cash Balance	1,000	1,000	1,000	1,000	1,000	1,000	1,000	
Borrowing/(Paydown) on WC Revolver and Acq. Facility	(10,017)	(5,035)	39,965	39,965	39,965	39,965	39,965	
Ending Cash Balance	1,000	1,000	1,000	1,000	1,000	1,000	1,000	
Net Change in Cash	(\$9,982)	\$0	(\$0)	\$0	(\$0)	\$0	(\$0)	

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Project Heat

(in thousands except per share and per unit data)

Star Pro Forma Debt Schedule	Estimated	Normalized	Projected							
			1998	1998	1999	2000	2001	2002	2003	2004
Scenario I: Base Case										
8.04% 1st Mortgage Notes										
Beginning Balance	\$85,000	\$85,000	\$85,000	\$85,000	\$85,000	\$85,000	\$85,000	\$85,000	\$85,000	\$85,000
Borrowing	-	-	-	-	-	-	-	-	-	-
Amortization	-	-	-	-	-	-	-	-	-	-
Ending Balance	85,000	85,000	85,000	85,000	85,000	85,000	85,000	85,000	85,000	85,000
Interest Payment 8.04%	6,834	6,834	6,834	6,834	6,834	6,834	6,834	6,834	6,834	6,834
7.17% Pearl Notes										
Beginning Balance	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000
Borrowing	-	-	-	-	-	-	-	-	-	-
Amortization	-	-	-	-	-	-	-	-	-	-
Ending Balance	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000
Interest Payment 7.17%	789	789	789	789	789	789	789	789	789	789
0.00% Other Notes										
Beginning Balance	-	-	-	-	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-	-	-	-
Amortization	-	-	-	-	-	-	-	-	-	-
Ending Balance	-	-	-	-	-	-	-	-	-	-
Interest Payment 0.00%	-	-	-	-	-	-	-	-	-	-
8.50% New Debt										
Beginning Balance	125,000	125,000	125,000	130,478	138,619	138,679	138,739	138,859	138,859	138,859

Borrowing	-	-	5,478	8,141	60	60	120	-	-
Amortization	-	-	-	-	-	-	-	-	-
Ending Balance	125,000	125,000	130,478	138,619	138,679	138,739	138,859	138,859	138,859
Interest Payment	8.50%	10,625	10,625	10,858	11,437	11,785	11,790	11,798	11,803
Exchange of 8.46% Senior Notes									
Beginning Balance	-	-	66,000	66,000	66,000	66,000	66,000	66,000	66,000
Borrowing	66,000	66,000	-	-	-	-	-	-	-
Amortization	-	-	-	-	-	-	-	-	-
Ending Balance	66,000	66,000	66,000	66,000	66,000	66,000	66,000	66,000	66,000
Interest Payment	8.46%	5,584	5,584	5,584	5,584	5,584	5,584	5,584	5,584
8.00% Acq. & Other Notes Payable									
Beginning Balance	16,798	16,798	13,859	8,381	240	180	120	-	-
Borrowing	-	-	-	-	-	-	-	-	-
Amortization	(2,939)	(2,939)	(5,478)	(8,141)	(60)	(60)	(120)	-	-
Ending Balance	13,859	13,859	8,381	240	180	120	-	-	-
Interest Payment	8.00%	1,226	1,226	890	345	17	12	5	-
8.25% WC Revolver									
Beginning Balance	-	-	7,457	7,457	7,457	47,422	87,387	127,352	167,317
Borrowing for Change in WC	-	-	-	-	(0)	-	-	-	-
Borrowing/(Payment)	-	-	-	-	39,965	39,965	39,965	39,965	39,965
Ending Balance	-	7,457	7,457	7,457	47,422	87,387	127,352	167,317	207,282
Effective Avg WC Balance	23,600	23,600	21,500	21,500	21,500	21,500	21,500	21,500	21,500
Interest Payment	8.25%	1,947	1,947	1,774	1,774	1,774	1,774	1,774	1,774
7.50% Acquisition Facility									
Beginning Balance	-	-	-	23,496	46,510	24,644	(4,212)	(44,035)	(96,464)
External Acquisitions	-	-	40,000	45,000	-	-	-	-	-
External Acquisitions at Beginning of 1999	-	-	5,000	-	-	-	-	-	-
Internal Acquisitions	-	-	1,797	1,824	1,850	1,878	1,906	1,935	1,965
Payment	-	-	(10,017)	(5,035)	-	-	-	-	-
Remaining Distributions to Repay Debt	-	-	(13,284)	(18,774)	(23,717)	(30,734)	(41,729)	(54,364)	(86,671)
Ending Balance	-	-	23,496	46,510	26,644	(4,212)	(44,035)	(96,464)	(181,171)
Interest Payment	7.50%	\$0	\$0	\$1,069	\$2,625	\$766	(\$1,809)	(\$5,269)	(\$10,411)

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For Discussion Purposes Only

PROJECT HEAT

(in thousands except per share and per unit data)

Scenario 1: Base Case

STAR PRO FORMA DEBT SCHEDULE (CONT'D)	Estimated Normalized		Projected				
	1998	1998	1999	2000	2001	2002	2003
Total Pro Forma Debt							
Beginning Balance	\$237,798	\$237,798	308,316	\$331,812	\$354,826	\$372,925	\$384,034
Amortization of Existing Debt	(2,939)	(2,939)	(5,478)	(8,141)	(60)	(60)	(120)
Borrowing for Changes in WC	-	-	-	(0)	-	-	-
Acquisition Borrowing	-	-	46,797	46,824	1,850	1,878	1,906
Borrowing to Repay Existing Debt	-	-	5,478	8,141	60	60	120
Remaining Distributions to Repay Debt	-	-	(13,284)	(18,774)	(23,717)	(30,734)	(41,729)
Borrowing/(Payment) on WC Revolver and Acq. Facility	-	-	(10,017)	(5,035)	39,965	39,965	39,965
Ending Balance	234,859	234,859	331,812	354,826	372,925	384,034	384,176
Interest Expense	27,005	27,005	27,796	29,387	29,450	27,548	24,973
Chase Fees	692	692	692	692	692	692	692
Total Interest Payment	27,697	27,697	28,488	30,079	30,142	28,240	25,665

PROJECT HEAT

(in thousands except per share and per unit data)

Scenario 1: Base Case

STAR PRO FORMA DEBT SCHEDULE (CONT'D)	Projected	
	2004	2005

Total Pro Forma Debt		
Beginning Balance	\$384,176	\$371,712
Amortization of Existing Debt	-	-
Borrowing for Changes in WC	-	-
Acquisition Borrowing	1,935	1,965
Borrowing to Repay Existing Debt	-	-
Renaming Distributions to Repay Debt	(54,364)	(86,671)
Borrowing/(Payment) on WC Revolver and Acq. Facility	39,965	39,965
	-----	-----
Ending Balance	371,712	326,970
Interest Expense	21,514	16,372
Chase Fees	692	692
	-----	-----
Total Interest Payment	\$22,206	\$17,064
	=====	=====

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Project Heat

(in thousands except per share and per unit data)

Scenario I: Base Case

STAR PRO FORMA DISTRIBUTION SCHEDULE OF ACTUAL DISTRIBUTIONS

	Estimated	Normalized	Projected								
			1998	1998	1999	2000	2001	2002	2003	2004	2005
Distributable Cash											
Cash from Operations (excl chg in WC)	\$29,792	\$38,884	\$54,050	\$61,137	\$69,738	\$80,282	\$92,277	\$106,006	\$139,412		
Maintenance CapEx	(6,210)	(6,210)	(6,774)	(6,895)	(7,194)	(7,316)	(7,442)	(7,572)	(7,706)		
Other	(384)	(384)	(35)	(35)	(35)	(35)	(35)	(35)	(35)		
Total MLP Distributable Cash Flow	23,197	32,289	47,241	54,207	62,509	72,931	84,800	98,399	131,671		
Distributable Cash Flow/Unit	\$1.57	\$2.19	\$3.20	\$3.67	\$4.23	\$4.94	\$5.74	\$6.66	\$8.92		
Structure											
Common Unit Ending Balance	10,418	10,418	10,418	10,418	10,418	10,418	10,418	10,418	10,418		
SR Subordinated Units	3,296	3,296	3,296	3,296	3,296	3,296	3,296	3,296	3,296		
Subordinated Units	754	754	754	754	754	754	754	754	754		
General Partner Interest Unit Equivalent	295	295	295	295	295	295	295	295	295		
Total Units Outstanding	14,764	14,764	14,764	14,764	14,764	14,764	14,764	14,764	14,764		
Distribution Levels	\$2.20	\$2.20	\$2.20	\$2.20	\$2.20	\$2.20	\$2.20	\$2.20	\$2.20		
MQD	\$2.20	\$2.20	\$2.20	\$2.20	\$2.20	\$2.20	\$2.20	\$2.20	\$2.20		
First Target	\$2.42	\$2.42	\$2.42	\$2.42	\$2.42	\$2.42	\$2.42	\$2.42	\$2.42		
Second Target	\$2.84	\$2.84	\$2.84	\$2.84	\$2.84	\$2.84	\$2.84	\$2.84	\$2.84		
Third Target	\$3.70	\$3.70	\$3.70	\$3.70	\$3.70	\$3.70	\$3.70	\$3.70	\$3.70		
Indicated Cash Distribution	\$2.20	\$2.20	\$2.30	\$2.40	\$2.60	\$2.80	\$2.85	\$2.90	\$2.95		
Distribution of MQD											
Cash Available	23,197	32,289	47,241	54,207	62,509	72,931	84,800	98,399	131,671		
Allocation to:											
Common Units	22,733	22,920	22,920	22,920	22,920	22,920	22,920	22,920	22,920		
SR Subordinated Units	0	7,251	7,251	7,251	7,251	7,251	7,251	7,251	7,251		
Subordinated Units	0	1,472	1,659	1,659	1,659	1,659	1,659	1,659	1,659		
General Partner Interest	464	646	650	650	650	650	650	650	650		
First Target Distribution											
Cash Available	0	0	14,761	21,727	30,028	40,450	52,319	65,919	99,190		
Cash Required for Target Distribution	0	0	3,248	3,248	3,248	3,248	3,248	3,248	3,248		
Cash Required for Indicated Distribution	0	0	1,476	2,953	5,905	8,858	9,596	10,335	11,073		
Actual Cash Distributed	0	0	1,476	2,953	3,248	3,248	3,248	3,248	3,248		
Allocation to:											
Common Units	0	0	1,042	2,084	2,292	2,292	2,292	2,292	2,292		
SR Subordinated Units	0	0	330	659	725	725	725	725	725		
Subordinated Units	0	0	75	151	166	166	166	166	166		
General Partner Interest	0	0	30	59	65	65	65	65	65		
Total Distribution to:											
Common Units	0	0	1,042	2,084	2,292	2,292	2,292	2,292	2,292		
SR Subordinated Units	0	0	330	659	725	725	725	725	725		
Subordinated Units	0	0	75	151	166	166	166	166	166		
General Partner Interest	0	0	30	59	65	65	65	65	65		



Project Heat

(in thousands except per share and per unit data)

Scenario I: Base Case

STAR PRO FORMA DISTRIBUTION SCHEDULE OF ACTUAL DISTRIBUTIONS (cont'd)

	Estimated 1998	Normalized 1998	Projected						
			1999	2000	2001	2002	2003	2004	2005
<b>Second Target Distribution</b>									
Cash Available	0	0	0	0	26,780	37,202	49,071	62,671	95,942
Cash Required for Target Distribution	0	0	0	0	7,149	7,149	7,149	7,149	7,149
Cash Required for Indicated Distribution	0	0	0	0	3,064	6,468	7,319	8,170	9,022
Actual Cash Distributed	0	0	0	0	3,064	6,468	7,149	7,149	7,149
<b>Allocation to:</b>									
Common Units	0	0	0	0	1,875	3,959	4,376	4,376	4,376
SR Subordinated Units	0	0	0	0	593	1,252	1,384	1,384	1,384
Subordinated Units	0	0	0	0	136	287	317	317	317
General Partner Interest	0	0	0	0	61	129	143	143	143
Incentive Right	0	0	0	0	398	841	929	929	929
Incentive Right to GP Interest	0	0	0	0	96	203	224	224	224
Incentive Right to Sr. Sub Units	0	0	0	0	302	638	705	705	705
<b>Total Distribution to:</b>									
Common Units	0	0	0	0	1,875	3,959	4,376	4,376	4,376
SR Subordinated Units	0	0	0	0	895	1,890	2,089	2,089	2,089
Subordinated Units	0	0	0	0	136	287	317	317	317
General Partner Interest	0	0	0	0	157	332	367	367	367
<b>Third Target Distribution</b>									
Cash Available	0	0	0	0	0	0	41,922	55,522	88,793
Cash Required for Target Distribution	0	0	0	0	0	0	16,591	16,591	16,591
Cash Required for Indicated Distribution	0	0	0	0	0	0	193	1,157	2,122
Actual Cash Distributed	0	0	0	0	0	0	193	1,157	2,122
<b>Allocation to:</b>									
Common Units	0	0	0	0	0	0	104	625	1,146
Sr. Subordinated Units	0	0	0	0	0	0	33	198	363
Subordinated Units	0	0	0	0	0	0	8	45	83
General Partner Interest	0	0	0	0	0	0	4	23	42
Incentive Right	0	0	0	0	0	0	44	266	488
Incentive Right to GP Interest	0	0	0	0	0	0	11	64	118
Incentive Right to Sr. Sub Units	0	0	0	0	0	0	34	202	370
<b>Total Distribution to:</b>									
Common Units	0	0	0	0	0	0	104	625	1,146
Sr. Subordinated Units	0	0	0	0	0	0	67	400	733
Subordinated Units	0	0	0	0	0	0	8	45	83
General Partner Interest	0	0	0	0	0	0	15	87	160
<b>Remaining Distribution</b>									
Cash Available	0	0	0	0	0	0	0	0	0
Cash Required for Indicated Distribution	0	0	0	0	0	0	0	0	0
Actual Cash Distributed	0	0	0	0	0	0	0	0	0
<b>Allocation to:</b>									
Common Units	0	0	0	0	0	0	0	0	0
Sr. Subordinated Units	0	0	0	0	0	0	0	0	0
Subordinated Units	0	0	0	0	0	0	0	0	0
General Partner Interest	0	0	0	0	0	0	0	0	0
Incentive Right	0	0	0	0	0	0	0	0	0
Incentive Right to GP Interest	0	0	0	0	0	0	0	0	0
Incentive Right to Sr. Sub Units	0	0	0	0	0	0	0	0	0
Repay Indebtedness	0	0	13,284	18,774	23,717	30,734	41,729	54,364	86,671
<b>Total Distribution to:</b>									
Common Units	0	0	0	0	0	0	0	0	0
Sr. Subordinated Units	0	0	0	0	0	0	0	0	0
Subordinated Units	0	0	0	0	0	0	0	0	0
General Partner Interest	0	0	0	0	0	0	0	0	0

PROJECT HEAT

(in thousands except per share and per unit data)

STAR GAS PRO FORMA SCHEDULE OF ACTUAL DISTRIBUTIONS (cont'd) Scenario I: Base Case

	Estimated	Normalized	Projected						
	1998	1998	1999	2000	2001	2002	2003	2004	2005
<b>Total Distributions</b>									
-----									
Common Units	\$ 22,733	\$ 22,910	\$ 23,962	\$ 25,004	\$ 27,088	\$ 29,171	\$ 29,692	\$ 30,213	\$ 30,734
SR Subordinated Units	0	7,251	7,581	7,910	8,872	9,867	10,132	10,465	10,798
Subordinated Units	0	1,472	1,734	1,810	1,961	2,112	2,149	2,187	2,225
General Partner Interest	464	646	679	709	872	1,047	1,097	1,169	1,242
<b>Total Distributions</b>	<b>\$ 23,197</b>	<b>\$ 32,289</b>	<b>\$ 32,957</b>	<b>\$ 35,433</b>	<b>\$ 38,792</b>	<b>\$ 42,196</b>	<b>\$ 43,070</b>	<b>\$ 44,035</b>	<b>\$ 44,999</b>
=====									
<b>Total Distributions Per Units</b>									
-----									
Common Units	\$ 2.18	\$ 2.20	\$ 2.30	\$ 2.40	\$ 2.60	\$ 2.80	\$ 2.85	\$ 2.90	\$ 2.95
SR Subordinated Units	0.00	2.20	2.30	2.40	2.69	2.99	3.07	3.18	3.28
Subordinated & GP Units	0.44	2.02	2.30	2.40	2.70	3.01	3.09	3.20	3.30
<b>Total Incentive Distributions NPV</b>									
-----									
To GP Interest	\$ 357	\$ 0	\$ 0	\$ 0	\$ 96	\$ 203	\$ 235	\$ 289	\$ 342
To Sr. Sub Units	1,121	-	-	-	302	638	739	907	1,075
<b>Sub-Total</b>	<b>1,478</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>398</b>	<b>841</b>	<b>974</b>	<b>1,196</b>	<b>1,417</b>
Present Value of Terminal Value	1,189	-	-	-	-	-	-	-	5,670
<b>Total</b>	<b>\$ 2,667</b>								

PRELIMINARY STATUS REPORT  
BOARD OF DIRECTORS  
STAR GAS PARTNERS, L.P.

Petro management and its advisors have been working on a proposed transaction between Petro and Star for over a year. Star Committee has engaged Baker & Botts, LLP as its counsel and A.G. Edwards & Sons, Inc. as its financial advisor. After one month of preliminary due diligence and review, the Committee and its advisors better understand and appreciate the complexity of the proposed transaction and the amount of hard work and creativity dedicated to this proposal.

During the past year, both parties have experienced management changes and adverse weather conditions. During this period, Petro has suspended its common dividends and its publicly held common shares have traded down. Star's publicly held common units have traded flat to slightly up, but Star has made distributions to its common unitholders and its subordinated unitholders (that is, Petro) even though such distributions exceeded distributable cash flow (that is, Star returned capital). The Star Committee notes that Petro's capital constraints have effectively eliminated its historic acquisition program while Star has demonstrated a far more viable acquisition program.

In light of these and other significant changes in relative performance, market conditions and strategic rationale for the proposed transaction, the Star Committee (after considering the preliminary report of A.G. Edwards and consulting with counsel), proposes a re-examination, restructuring and repricing of the proposed transaction between Petro and Star.

Subject to further diligence and assuming no material adverse changes in the parties or in market conditions, the Star Committee proposes:

- (A) Star Partnership Agreement. Appropriate steps should be initiated  
-----  
to amend the Star Partnership Agreement as of the closing date  
(assumed to be September 30, 1998) in order to:
- (A-1) raise the future required minimum quarterly distribution ("MQD") for common unitholders from \$2.20 per annum to \$2.30 per annum;
  - (A-2) authorize a new class of senior subordinated units which shall be junior to all present and future common units, but senior to the present subordinated units; and
  - (A-3) prohibit the payment of any future distributions to senior subordinated unitholders and to subordinated unitholders except from net distributable cash
- flow available for such period after first paying MQD to the common unitholders for such period plus any cumulative common unit arrearages.
- (B) Definitive Transaction Agreement. A draft of the definitive  
-----  
transaction agreement should be prepared by Petro for Star Committee's careful consideration (and for future submission to the Board of Directors and common unitholders of Star and to the Board of Directors and shareholders of Petro for approval) setting forth the following steps:
- (B-1) At closing of the Transaction, Star shall be obligated to pay to Petro or assume from Petro a "Maximum Aggregate Consideration" of [\$390 million] consisting of (A) the total consideration paid to Petro's common shareholders calculated at [26,563,000] Petro common shares at [\$ \_\_\_\_\_] per share; (B) the principal amount of Petro's total debt and preferred stock outstanding just prior to closing and any refinancing of such debt or preferred stock; and (C) any premiums paid above and beyond the principal amount of such debt and preferred stock to redeem, exchange, defease or otherwise cancel these liabilities. In addition, the distributions made to the Petro common

shareholders and the refinancing of any assumed debt or preferred stock may not result in more than [10,300,000] common units outstanding at closing and must result in at least [\$125 million] of new debt carrying an interest rate of no greater than [8.50%] having been closed prior to, or simultaneous with, the closing of this Transaction.

- (B-2) Prior to the closing of the Transaction, in return for the Maximum Aggregate Consideration defined in (B-1), Petro shall represent, warrant and agree that:
- (A) Petro shall set up appropriate reserves and fund the following:
- (1) off-balance sheet pension liabilities of [\$5 million],
  - (2) off-balance sheet tax liabilities relating to Pearl of [\$3.5 million],
  - (3) surplus cash available for distributions equal to [\$1.10] per new common unit issued,
  - (4) all of the Transaction costs, including the gross spread on Star's new MLP equity and debt; financial advisory fees and fairness opinions for Petro and Star; legal, accounting and printing fees for Petro and Star; all exchange and solicitation fees related to the retirement or redemption of Petro's debt and preferred stock; all appraisals and environmental reports; all rating agencies and bank fees; and all other out-of-pocket costs and expenses associated with the Transaction, and
  - (5) any "Unearned MQD" monies that Petro wishes to have available for payment to senior subordinated or subordinated unitholders following the closing of the Transaction.
- (B) Petro shall have no borrowed money debt of any kind outstanding other than any such amounts included in (B-1);
- (C) Petro shall have no preferred stock of any kind outstanding other than any such amounts included in (B-1);
- (D) Petro shall have transferred to Star a minimum of [2,000,000] of its subordinated units free and clear for cancellation;
- (E) Petro shall have a minimum balance of cash of [\$500,000], a positive working capital balance (subject to further due diligence), and a total common shareholders' deficit on its balance sheet of no greater than [\$\_\_\_\_\_million], all as of the closing.
- (B-3) In the event Petro is unable or unwilling to represent and warrant each of the matters set forth in (B-2), then the Maximum Aggregate Consideration set forth in (B-1) shall be reduced on a dollar-for-dollar basis.

Round II  
Appendices to

Preliminary Report to  
The Special Committee of Gas

Analyses Performed at \$2.00 Per Share

A. G. Edwards & Sons, Inc.  
INVESTMENT BANKING

May 4, 1998

Overview of Oil  
EBITDA Reconciliation: 1997 //(a)//

---

	Oil
	---
1997 Actual EBITDA	\$36,010
NORMALIZING ADJUSTMENTS:	
Weather was 3.8% warmer than 30-year normal	
3.8% of 1997 budgeted retail gallons	13,482 gallons
Gross profit margin	\$0.4545
Delivery and garage cost savings	(\$0.0814)
	-----
Net impact per gallon	\$0.3731
\$ impact	5,030
Insurance reserve	2,000
	-----
1997 Adjusted EBITDA	\$43,040
	=====

---

(a) Management's assumptions.

Page 1

Overview of Oil  
EBITDA Reconciliation: 1997-1998 (a)  
(continued)

Oil  
---

1997 Adjusted EBITDA \$43,040

Volume Adjustments for 1998

Sale of TLC Division in 1997	(16,926) gallons	
Attrition in 1998 (4.1%)	(17,375)	
1997 Acquisitions	9,828	
	-----	
	(24,473) gallons	
	@	
	\$0.1700/gallon (b)	(4,159)
Gross Profit Margin Increase	\$0.006 per gallon on 395,086 gallons (c)	2,371
Inflation		(3,662)
Operating Cost Reductions (d)		5,850
		-----
1998 EBITDA Budget		\$43,440
		=====

- 
- (a) Management's assumptions.
  - (b) Represents the average gross profit per gallon (\$.4700 per gallon) offset by \$.30 per gallon reduction in operating expenses.
  - (c) Actual gross profit margin increase achieved in first quarter of 1998 was \$5.9 million (156 million gallons @ \$0.037/gallon).
  - (d) Represents already accomplished reductions in branch, regional and corporate expenses in excess of normal indexing related to volume reductions as well as 1% productivity improvements.

Page 2

Overview of Oil  
EBITDA Reconciliation: 1998 (a)  
(continued)

	Oil	
	---	
1998 EBITDA Budget		\$43,440
Actual Differential between first three months of Fiscal 1998 vs. Budget		(9,318)
Revised margin improvement and cost savings estimates based on first three months of Fiscal 1998 vs. Budget.		4,318
		-----
Adjusted 1998 EBITDA Budget		\$38,440
		=====

- 
- (a) Management's assumptions.

Page 3

OVERVIEW OF OIL  
EBITDA RECONCILIATION: 1998-1999 (a)  
(continued)

OIL  
---

1998 EBITDA Budget	\$43,440
Internal Attrition (4.1%) and other adjustments	(3,897)
Acquisition Growth	
\$30,000 of acquisitions at 4.75x multiple	6,315
	-----
1999 Projection	\$45,858
	=====

-----  
(a) Management's assumptions.

Page 4

OVERVIEW OF OIL  
EBITDA SUMMARY

	OIL
	---
1997 Actual	\$36,010
1997 Adjusted	43,040
1998 Budget	\$43,440
Adjusted 1998 Budget	\$38,440
1999E	\$45,858

-----  
Page 5

OVERVIEW OF GAS  
EBITDA RECONCILIATION: 1997 (a)  
(\$ in thousands)

	GAS
	---
1997 Actual EBITDA	\$19,703 (b)
NORMALIZING ADJUSTMENTS:	
Weather	
Residential - 1,125 gallons @ 0.7106 margin	799
Commercial - 277 gallons @ 0.4459 margin	124
Margin	
Residential - 50,832 gallons @ (0.7106-0.6995)	(564)
Commercial - 19,864 gallons @ (0.4454-0.4348)	(220)
Wholesale - 38,404 gallons @ (0.0975-0.0675)	(1,152)
Compensation	(56)
Elimination of strategic expense	902 (c)
Pearl Gas EBITDA	3,012
Pearl Gas acquisition adjustments	273 (d)

1997 Adjusted EBITDA

-----  
\$22,821  
=====

- 
- (a) Management's assumptions.
  - (b) Not pro forma for Pearl Gas acquisition.
  - (c) Certain expenses including the exploration of strategic alternatives by Morgan Stanley.
  - (d) Certain cost savings, primarily salary and benefit expenses of certain selling shareholders.

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OVERVIEW OF GAS

EBITDA RECONCILIATION: 1997-1999 (a)

(\$ IN THOUSANDS)

(continued)

-----

	GAS
	---
1998 EBITDA Budget	\$22,781
Actual Differential between first six months of Fiscal 1998 vs. Budget	(4,502)
	-----
Adjusted 1998 EBITDA Budget	\$18,279
	=====
1998 EBITDA Budget	\$22,781
Internal Growth of 1.7%	379
Acquisition Growth	
\$20 million of acquisitions at 7x multiple completed on 9/30/98	2,857
\$10 million of acquisitions at 7x multiple completed on 4/1/99	713
	-----
1999 EBITDA Projection	\$26,730
	=====

- 
- (a) Management's assumptions.

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Summary of Transaction

Pro Forma Gas Units Outstanding  
(in thousands)

To simplify the complexity of the steps in the Transaction, A.G. Edwards prepared a summary of its understanding.

[\_] There are currently 6,355 Gas units outstanding comprised of 3,832 common units, 2,396 subordinated units and 127 general partner ("GP") units. The subordinated units and GP units are assets of Oil.



[\_] There are currently 26,563 shares of Oil common stock outstanding, comprised of public shareholders and "insiders." The public holds 17,160 Class A shares. The "insiders" hold 9,404 shares which include 6,795 Class A shares, 11 Class B shares and 2,598 Class C shares.

[\_] Each shareholder of Oil will receive a certain number of units in Gas such that the implied consideration paid for each Oil share is \$2.00.

[\_] The publicly held 17,160 Class A shares will receive .1000 shares of newly created senior subordinated units (1,716 units in total) with an implied value of \$20.00/unit. This represents an implied purchase price of \$2.00/share for an implied total purchase price of \$34.3 million.

[\_] The "insiders" of Oil, who hold a total of 9,404 shares (comprised of A, B and C shares) will also receive \$2.00/share for a total of \$18.8 million. The consideration received by these shareholders will be funded by:

- (1) the distribution of existing units of Gas which are currently owned by Oil
  - [\_] all of the 127 GP units owned by Oil will be given as consideration at an implied value of \$21.62/unit, for a total of \$2.7 million.
  - [\_] 373 of the 2,396 subordinated units owned by Oil will be given as consideration at an implied value of \$16.58/unit, for a total of \$6.2 million.
- (2) the distribution of newly-created units of Gas
  - [\_] to fund the remaining \$9.9 million of the \$18.8 million due to the Oil "insiders", Gas will issue 350 newly-created senior subordinated units and 133 newly-created GP units. The implied values for these new units are \$20.00 and \$21.62, respectively.

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Summary of Transaction  
 Pro Forma Gas Units Outstanding  
 (in thousands)  
 (continued)

[\_] Of the 2,396 Subordinated units and 127 GP units owned by Oil, only 2,023 subordinated units will not have been used as consideration paid to the "inside" Oil shareholders. Hence, these 2,023 subordinated units will be retired by Gas. A.G. Edwards has assumed that the implied value of these units are \$16.58/unit for a total retired value of approximately \$33.5 million.

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Summary of Gas Units Outstanding  
 Pre-Financing Assumptions

Type of Units	Current	Distributed to Oil		Issued to Oil		Retired	Pro Forma
		Public	Insiders	Public	Insiders		
Common	3,832	-	-	-	-	-	3,832
Senior Subordinated	-	-	-	1,716	350	-	2,066
Subordinated	2,396	-	373	-	-	(2,023)	373
General Partner (a)	127	-	127	-	133	-	260
	6,355						6,531

(a) The number of GP units issued reflect the assumption of a 6,461 common unit equity offering to refinance certain of the assumed Oil debt. Hence, the number of GP units reflected in the pro forma column do not equal 2% of the pro forma outstanding units shown above but do equal exactly 2% of the pro forma units outstanding on a post financing basis.

EQUITY PURCHASE PRICE CALCULATION  
 IMPLIED EQUITY VALUE OF OIL'S ASSETS  
 (units in thousands, \$ in millions, except per unit amounts)

Event	Purchase Price of Oil's Equity		Purchase Price of Oil's Equity	
	Value of Securities Paid to Oil Shareholders	Equity Value of Oil's Heating Oil Assets	Value of Oil's GP and Subordinated Units in Star	
Issuance of Senior Subordinated Units to Public Oil Shareholders	1,716 x \$20.00 ----- \$34.4	\$34.3	-	
Distribution of General Partner Units to Inside Oil Shareholders	127 x \$21.62 ----- \$2.7	-	\$2.7	
Distribution of Subordinated Units to Inside Oil Shareholders	373 x \$16.58 ----- \$6.2	-	\$6.2	
Issuance of General Partner Units to Inside Oil Shareholders	133 x \$21.62 ----- \$2.9	\$2.9	-	
Issuance of Senior Subordinated Units to Inside Oil Shareholders	350 x \$20.00 ----- \$7.0	\$7.0	-	
Retire Subordinated Units		(\$33.5)	2,023 x \$16.58 ----- \$33.5	
		\$10.7	\$42.5	
Total	\$53.1	\$53.1		

Divided by 26,563 shares of Oil's Common stock= \$2.00 per share

PREMIUM PAID ANALYSIS

Stock Price Premium Analysis	Dollars in thousands	Notes
Equity purchase price of Oil	\$53,126	\$2.00 share price x 26,563 shares.
Premium to stock price one day prior	23.1%	\$1.625 close on April 22, 1998.
Premium to stock price one month prior	28.0%	
Premium to stock price three months prior	-20.0%	
Premium to stock price six months prior	-36.0%	
Purchase Price		
Equity purchase price of heating oil assets	\$ 10,657	See page 11.
Debt assumption value (b)	338,223	
Aggregate purchase price of heating oil assets	\$348,880 =====	
Multiples		
1997 Revenue	\$548,141	0.6 x As a multiple of aggregate transaction value.
1997 EBITDA (c)	36,010	9.7 As a multiple of aggregate transaction value.

1997 EBIT (d)	6,264	55.7	As a multiple of aggregate transaction value.
1997 Net loss to common shares (d)	(\$ 19,338)	NM	As a multiple of equity value.
Equity (e)	(177,033)	NM	As a multiple of equity value.
1997 Adjusted EBITDA (c)	43,040	8.1 x	As a multiple of aggregate transaction value.
1998 EBITDA budget (c)	43,440	8.0	As a multiple of aggregate transaction value.
Adj. 1998 EBITDA budget (c)	38,440	9.1	As a multiple of aggregate transaction value.
1999P EBITDA (c)	45,858	7.6	As a multiple of aggregate transaction value.

=====

- (a) Updated through April 22, 1998.  
(b) Includes cost of debt at assumed redemption value, preferred stock at assumed redemption value, transaction fees, and certain off-balance sheet liabilities, net of excess cash. See page 13.  
(c) Calculated as gross profit minus SG&A expense and direct delivery expense.  
(d) Excludes restructuring charge, pension curtailment expense, provision for supplemental benefits and corporate identity expenses.  
(e) As of 12/31/97.

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Transaction Multiple Analysis  
Firm Valuation

Equity Purchase Price of Heating Oil Assets		\$ 10,656,580	
+ Cost of Debt at Redemption Value		290,992,000	-----
+ Cost of Preferred stock at Redemption Value		34,375,000	
+ Transaction Fees		19,104,000	
+ Off-Balance Sheet Pension and Tax Liability		8,500,000	----- 338,223,100
- Excess Cash			
Oil's cash balance at 9/30/98(a)	22,355,000		
Required cash on hand	(500,000)		
Additional Surplus (b)	(7,107,100)	14,747,900	-----
Firm Value		\$348,879,680	=====

- (a) Includes cash collateral of \$9,350,000.  
(b) Assumes an Additional Surplus of \$1.10 per new common unit issued is funded by Oil.

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Transaction Multiple Analysis  
Transaction Multiples for Firm Valuation

	EBITDA		
Purchase Price	Year	Amount	Multiple Paid
-----	-----	-----	-----

\$348,879,680	1997 Adjusted	\$43,040,000	8.1x
\$348,879,680	Adjusted 1998 Budget	\$38,440,000	9.1x
\$348,879,680	1999 Projected	\$45,858,000	7.6x

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Transaction Multiple Analysis  
Distribution of Value

OIL

1997 Adjusted EBITDA	EBITDA Multiple	Purchase Price
\$43,040,000	8.1x	\$348,879,680

Ability to Further Consolidate Heating Oil Industry			Core Business	
EBITDA	Acquisition Multiple	Purchase Price	EBITDA EBITDA Decline Rate	\$43,040,000 7.75% (a)
\$6,315,789	4.75x	\$30,000,000	WACC	7.78% (b)
Decline Rate				
WACC				
Perpetuity		\$40,663,681		
Purchase Price		\$30,000,000		
Net Present Value of the Heating Oil Acq.		\$10,663,681		
Value in perpetuity of Ability to Consolidate Heating Oil Industry		\$137,034,135	Value of Core Business	\$277,109,433

Implied Total Valuation	\$414,143,568
% of Valuation attributable to core business	66.9%
% of Valuation attributable to consolidation opportunities	33.1%

- (a) A.G. Edwards' estimate of the decline rate of EBITDA based on a 4.1% attribution rate.  
(b) See page 25.

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Transaction Multiple Analysis  
Transaction Multiples for Existing Heating Oil Business

Revised	EBITDA		
Purchased Price (a)	Year	Amount	Multiple Paid
\$233,440,425	1997 Adjusted	\$43,040,000	5.4x
\$233,440,425	Adjusted 1998 Budget	\$38,440,000	6.1x
\$233,440,425	1999 Projected	\$45,858,000	5.1x

(a) Represents A.G Edwards' estimate of the portion of the \$348.9 million price being paid for Oil's heating oil business that can be attributable to its core business. Calculation: \$348.9 million x 66.9%. See page 15.

Relative Contribution Analysis (a)  
(\$ in thousands)

Gas' EBIDTA Contribution

96-97	35.4%	
		[CHARTS APPEARS HERE]
98-99	38.4%	
96-99	35.1%	

For Gas' contribution of approximately 35% of the combined entity's EBITDA, it will receive approximately 40% of the implied firm value.

- (a) For purposes of its analysis, A.G. Edwards converted Oil's historical December 31st fiscal year-end to a September 30th fiscal year-end for comparison purposes. Oil's projections are based on a December 31st calendar year end. Other measures of relative contribution analysis are non-meaningful.
- (b) Includes only heating oil EBITDA for Oil.
- (c) Firm value for all of Oil.
- (d) Implied firm value of only Oil's heating oil assets.

ACCRETION/DILUTION ANALYSIS  
VARIATIONS IN MARGIN GROWTH RATES AND ACQUISITION ASSUMPTIONS

	4.1% ATTRITION GAS \$0.00 MARGIN GROWTH STAND-ALONE \$30.0MM AT 4.75X ACQUISITIONS		4.1% ATTRITION \$0.00 MARGIN GROWTH \$30.0MM AT 5.25X ACQUISITIONS		4.1% ATTRITION \$0.005 MARGIN GROWTH \$30.0MM AT 4.75X ACQUISITIONS	
DCF PER UNIT						
1998E (a)	\$1.220	\$1.770	\$1.770		\$1.770	
1998N (b)	1.930	2.500	2.500		2.500	
1999P	2.090	2.780	2.740		2.940	
ACCRETION/DILUTION						
1998E (a)		45.1%	45.1%		45.1%	
1998N (b)		29.5%	29.5%		29.5%	
1999P		33.0%	31.1%		40.7%	
COMMON UNIT COVERAGE						
1998E (a)	0.90x	1.00x	1.00x		1.00x	
1998N (b)	1.42	1.41	1.41		1.41	
1999P	1.48	1.50	1.47		1.58	
TOTAL UNIT COVERAGE						
1998E (a)	0.55x	0.81x	0.81x		0.81x	
1998N (b)	0.88	1.14	1.14		1.14	
1999P	0.95	1.21	1.19		1.28	
LEVERAGED UNIT COVERAGE (C)						
1998E (a)	0.94x	1.00x	1.00x		1.00x	
1998N (b)	1.21	1.18	1.18		1.18	
1999P	1.24	1.22	1.21		1.26	

4.1% ATTRITION  
\$0.005 MARGIN GROWTH  
\$30.0MM AT 5.25X ACQUISITIONS  
-----

DCF PER UNIT	
1998E (a)	\$1.770
1998N (b)	2.500
1999P	2.890

ACCRETION/DILUTION	
1998E (a)	45.1%
1998N (b)	29.5%
1999P	38.3%
COMMON UNIT	
COVERAGE	
1998E (a)	1.00x
1998N (b)	1.41
1999P	1.55
TOTAL UNIT	
COVERAGE	
1998E (a)	0.81x
1998N (b)	1.14
1999P	1.26
LEVERAGED UNIT	
COVERAGE (C)	
1998E (a)	1.00x
1998N (b)	1.18
1999P	1.25

- - - - -

- (a) 1998 estimate assumes no acquisitions for either company, and is adjusted to reflect actual results through 3/31/98.  
(b) 1998 budgeted.  
(c) Defined as  $(DCF+Int)/[(GP\ units + common\ units)*MQD + Int]$

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PUBLIC COMPANY ANALYSIS

[\_] A.G. Edwards compared certain financial and market information of Gas on a historical and pro forma basis to that of certain public master limited partnerships which A.G. Edwards deemed relevant for the purposes of this analysis. A.G. Edwards reviewed the trading multiples from a total of 6 public propane master limited partnerships.

[\_] The selected propane master limited partnerships are as follows:

- AmeriGas Partners, L.P.
- Cornerstone Propane Partners, L.P.
- Ferrellgas Partners, L.P.
- Heritage Propane Partners, L.P.
- National Propane Partners, L.P.
- Suburban Propane Partners, L.P.

[\_] No company used in the analysis is identical to Gas.

PUBLIC COMPARABLE COMPANIES (a)

	GAS	PRO FORMA GAS	PUBLIC COMPANY MEDIANS	PUBLIC COMPANY RANGES
Yield	10.0%	10.5%	9.6%	8.5% to 10.6%
Firm value/LTM EBITDA	12.7x (b)	10.2x (b)	12.5x	9.8x to 16.7x
Firm value/1998 normalized EBITDA	8.7x (c)	8.0x (c)	11.5x	10.3x to 13.7x
Equity Market Cap/LTM DCF	18.0x (d)	12.4x (d)	15.7x	9.4x to 25.5x
Equity Market Cap/1998 normalized DCF	9.7x (e)	7.9x (e)	13.9x	11.6x to 16.9x
LTM common unit coverage	0.9x (f)	1.0x (f)	1.4x	0.6x to 1.5x
1998E common unit coverage	1.5x (g)	1.5x (g)	1.4x	0.9x to 1.9x
LTM total unit coverage	0.6x (f)	0.8x (f)	0.7x	0.4x to 1.0x
1998E total unit coverage	1.0x (g)	1.2x (g)	0.7x	0.7x to 1.0x
1998E leveraged unit coverage	1.2x (g) (h)	1.2x (g) (h)	1.1x	0.9x to 1.3x

- (a) Public comparable companies include: APU, CNO, PGP, HPG, CNL and SPH.  
(b) Firm value/adjusted 1998 budget EBITDA.  
(c) Firm value/1999 estimated EBITDA.  
(d) Equity market cap/adjusted 1998 budget EBITDA.  
(e) Equity market cap/1999 estimated DCF.  
(f) Adjusted 1998 budget.  
(g) 1999 estimates.  
(h) Defined as  $(DCF + interest)/((GP\ units + common\ units)*MQD + interest)$ .

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PUBLIC COMPANY ANALYSIS  
(\$ IN MILLIONS, EXCEPT PER UNIT DATA)

Company	Ticker	Closing Price on (4/22/98)	Implied Market Value of Equity	Implied Firm Value	Distribution per Unit	Yield
Gas	(a)	\$21.938	\$ 139.4	\$ 232.0	\$2.20	10.0%
AmeriGas Partners, L.P.	APU	25.938	1,108.6	1,867.2	2.20	8.5%
Cornerstone Propane Partners, L.P.	(d) CNO	22.688	455.7	671.7	2.16	9.5%
Ferrellgas Partners, L.P.	(e) FGP	20.875	666.6	1,192.3	2.00	9.6%
Heritage Propane Partners, L.P.	HPG	23.125	197.8	371.8	2.00	8.6%
National Propane Partners, L.P.	NPL	20.313	232.9	375.6	2.10	10.3%
Suburban Propane Partners, L.P.	(f) SPH	18.813	551.4	942.0	2.00	10.6%
Mean						9.5%
Median						9.6%

Pro Forma \$21.938 \$ 285.0 (g) \$ 583.8 (h) \$2.30 10.5%

Company	Ticker	Common Units/ Total Units	LTM Distributable Cash Flow/		FY98E DCF/unit
			Distribution to Common Units	Distribution to Total Units	
Gas	(a)	60.3%	0.9x (b)	0.6x (b)	\$ 2.09 (c)
AmeriGas Partners, L.P.	APU	52.8%	1.5x	0.8x	2.14
Cornerstone Propane Partners, L.P.	(d) CNO	66.5%	0.6x	0.4x	1.47
Ferrellgas Partners, L.P.	(e) FGP	47.0%	1.4x	0.7x	1.34
Heritage Propane Partners, L.P.	HPG	55.8%	1.3x	0.8x	2.01
National Propane Partners, L.P.	NPL	59.6%	0.9x	0.5x	1.60
Suburban Propane Partners, L.P.	(f) SPH	75.1%	1.4x	1.0x	1.41
Mean		59.5%	1.2x	0.7x	
Median		57.7%	1.4x	0.7x	

Pro Forma 79.2% 1.0x (b) 0.8x (b) 2.78 (c)

Company	Ticker	FY98E Distributable Cash Flow /	
		Distribution to Common Units	Distribution to Total Units
Gas	(a)	1.5x (c)	1.0x (c)
AmeriGas Partners, L.P.	APU	1.9x	1.0x
Cornerstone Propane Partners, L.P.	(d) CNO	1.1x	0.7x
Ferrell gas Partners, L.P.	(e) FGP	1.4x	0.7x
Heritage Propane Partners, L.P.	HPG	1.8x	1.0x
National Propane Partners, L.P.	NPL	1.3x	0.8x
Suburban Propane Partners, L.P.	(f) SPH	0.9x	0.7x
Mean		1.4x	0.8x
Median		1.4x	0.7x

Pro Forma 1.5x (c) 1.2x (c)

1998 estimates per A.G. Edwards' research, except for Gas, Oil and Pro Forma. Implied Firm Value equals common, subordinated and GP units, multiplied by the market price of common units plus debt, less cash.

- (a) Pro forma for the Pearl Gas acquisition and the common unit offering. Fiscal 1997 maintenance capital expenditure used as LTM figure.
- (b) For Gas and Pro forma only, LTM DCF figures are adjusted 1998 budget DCF estimates.
- (c) For Gas and Pro forma only, FY98E DCF figures are 1999 DCF estimates.
- (d) Financial information pro forma for common unit offering. Maintenance capital expenditures assumed to be 8% of EBITDA due to lack of disclosure.
- (e) Maintenance capital expenditures assumed to be 8% of EBITDA due to lack of disclosure.
- (f) Financial figures exclude \$5.1 million gain from sale of minority interest.
- (g) 12.992 units @ \$21.9375.
- (h) \$285.0 in equity plus \$308.316 pro forma debt (see page 24), less \$10.839 cash and \$9.350 in cash collateral.

## PUBLIC COMPANY ANALYSIS

	LTM LEVERAGED UNIT COVERAGE (A)	1998E LEVERAGED UNIT COVERAGE (A)	LONG TERM DEBT/ FIRM VALUE	LTM EBITDA/ INT. EXP.	FIRM VALUE/ LTM EBITDA	FIRM VALUE/ 1998E EBITDA	EQUITY MARKET CAP/ LTM DCF	EQUITY MARKET CAP/ 1998E DCF
GAS	0.9x (b)	1.2x (c)	41.4%	2.3x (d)	12.7x (d)	8.7x (e)	18.0x (f)	9.7x (g)
AmeriGas Partners, L.P. Cornerstone Propane Partners, L.P.	1.2x	1.3x	37.3%	2.2x	12.6x	12.1x	15.5x	14.1x
Ferrellgas Partners, L.P.	0.8x	1.0x	35.1%	2.1x	16.7x	13.7x	25.5x	16.9x
Heritage Propane Partners, L.P.	1.2x	1.1x	41.5%	2.1x	12.5x	12.0x	15.8x	15.9x
National Propane Partners, L.P.	1.1x	1.3x	46.0%	2.6x	10.9x	10.6x	15.7x	11.6x
Suburban Propane Partners, L.P.	0.9x	1.1x	36.8%	3.2x	16.3x	11.0x	18.0x	13.0x
Partners, L.P.	1.2x	0.9x	45.5%	2.9x	9.8x	10.3x	9.4x	13.6x
MEAN	1.1x	1.1x	40.4%	2.5x	13.1x	11.6x	16.6x	14.2x
MEDIAN	1.1x	1.1x	39.4%	2.4x	12.5x	11.5x	15.7x	13.9x
PRO FORMA	1.0x (b)	1.2x (c)	54.6%	2.1x (d)	10.2x (d)	8.0x (e)	12.4x	7.9x (g)

EBITDA is defined as net income (loss) before extraordinary items plus interest, income taxes, depreciation and amortization, impairment expense, and other non-recurring and non-operating items.

- (a) Defined as (DCF + interest)/(((GP units + common units)\*MQD) + interest).  
 (b) For Gas and Pro forma only, LTM leveraged unit coverage figures use adjusted 1998 budget estimates.  
 (c) For Gas and Pro forma only, 1998E leveraged unit coverage figures use 1999 estimates.  
 (d) For Gas and Pro forma only, LTM EBITDA figures are adjusted 1998 budget estimates.  
 (e) For Gas and Pro forma only, 1998E EBITDA figures are 1999 estimates.  
 (f) For Gas and Pro forma only, LTM DCF figures are adjusted 1998 budget DCF estimates.  
 (g) For Gas and Pro forma only, 1998E DCF figures are 1999 DCF estimates.

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## DISCOUNTED CASH FLOW ANALYSIS

GAS--STAND ALONE

(\$ IN THOUSANDS)

## INCOME STATEMENT SUMMARY

(a) :	1998	1999	2000	2001	2002	TERMINAL
EBITDA	18,279	26,730	28,541	30,361	32,188	
% increase		46.2%	6.8%	6.4%	6.0%	
Net income	(1,182)	3,733	3,621	3,695	3,953	
CASH FLOW SUMMARY:						
After-tax EBI		12,847	13,649	14,443	15,229	
Depreciation and amortization		13,858	14,868	15,893	16,934	
Maintenance capital expenditures		(3,274)	(3,395)	(3,694)	(3,816)	
Working capital increases		(500)	(500)	(500)	(500)	
Net operating cash flow (free cash flow)		22,931	24,622	26,142	27,847	
WEIGHTED AVERAGE COST OF CAPITAL (b)		7.9%				
TERMINAL EBITDA MULTIPLE (c)		10.2x				



Discount factor (d)	-----	0.9629	0.8927	0.8276	0.7673	0.7388
Terminal value (e)						\$328,318
Present value	\$329,621	\$22,079	\$21,980	\$21,635	\$21,367	\$242,560
Current net debt (f)	\$(113,629)					
Net present value of equity	\$ 215,992					
Common units/Total units (g)	60.3%					
Equity value to common units (h)	\$ 130,234					

- 
- (a) Based on management projections.  
(b) Based on comparable companies' WACC.  
(c) Gas' current firm value of \$232.0 million/\$22.781 million normalized 1998 EBITDA = 10.2x, which represents a multiple of current year normalized EBITDA.  
(d) Discount factor calculated using half-year convention.  
(e) Terminal value calculated using EBITDA multiple.  
(f) Represents total projected debt less cash as of 9/30/98.  
(g) Total units include common, subordinated and GP units.  
(h) Current market value of common units is 3,832 units \*\$21.938 unit price = \$84,065

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DISCOUNTED CASH FLOW ANALYSIS  
GAS--PRO FORMA PAINWEBBER MODEL (a)  
(\$ IN THOUSANDS)

	1998	1999	2000	2001	2002	TERMINAL
	-----	-----	-----	-----	-----	-----
INCOME STATEMENT SUMMARY (b):						
EBITDA	57,219	73,088	77,832	82,549	87,242	
% increase		27.7%	6.5%	6.1%	5.7%	
Net income	(12,056)	(5,514)	(8,750)	(12,482)	(16,325)	
CASH FLOW SUMMARY:						
After-tax EBI		23,954	22,825	21,649	20,427	
Depreciation and amortization		48,609	54,482	60,375	66,290	
Maintenance capital expenditures		(6,915)	(7,109)	(7,482)	(7,680)	
Working capital increases (c)		8,839	(1,000)	1,000	(1,000)	
Net operating cash flow (free cash flow)		74,487	69,198	73,542	78,037	
WEIGHTED AVERAGE COST OF CAPITAL (d) 7.8%						
TERMINAL EBITDA MULTIPLE (e) 10.2x						
Discount factor (f)		0.9632	0.8937	0.8292	0.7693	0.7410
Terminal value (g)						\$889,868
PRESENT VALUE	\$ 913,993	\$71,748	\$61,841	\$60,978	\$60,033	\$659,393
Less net debt (h)	\$(298,800)					
NET PRESENT VALUE OF EQUITY	\$ 615,193					

Original common  
units/Total units (i) 29.5%  
-----  
EQUITY VALUE TO COMMON  
UNITS (j) \$ 181,439  
=====

- -----
- (a) Scenario assumes 4.1% steady attrition, 0% margin improvement, and \$30 million in acquisitions at 4.75 multiple.
  - (b) Based on management projections.
  - (c) A.G. Edwards' assumption.
  - (d) Based on comparable companies' WACC.
  - (e) Gas' current firm value of \$232.0 million/\$22.781 million normalized 1998 EBITDA = 10.2x, which represents a multiple of current year normalized EBITDA.
  - (f) Discount factor calculated using half-year convention.
  - (g) Terminal value calculated using EBITDA multiple.
  - (h) Represents total pro forma projected debt less cash and cash collateral as of 9/30/98.
  - (i) Total units include common, newly issued common, senior subordinated, subordinated and GP units.
  - (j) Current market value of common units is 3,832 units \* \$21.938 unit price = \$84,065.

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CAPITAL STRUCTURE ANALYSIS  
GAS -- PRO FORMA AS OF 9/30/98  
(\$ IN THOUSANDS)

	GAS	OIL	ADJUSTMENTS	PRO FORMA GAS
	-----	-----	-----	-----
DEBT:				
8.04% First Mortgage Notes	\$ 85,000	\$ 0	\$ 0	\$ 85,000
7.25% WC Revolver	7,457	-	-	7,457
7.25% Acquisition Facility	10,673	-	-	10,673
7.17% First Mortgage Notes	11,000	-	-	11,000
11.96% Senior Notes	-	60,000	(60,000)	-
14.10% Senior Notes	-	3,100	(3,100)	-
14.10% Subordinated Notes	-	3,100	(3,100)	-
10.13% Sub Notes & Sr Notes	-	50,000	(50,000)	-
9.38% Sub Notes & Sr Notes	-	75,000	(75,000)	-
12.25% Sub Notes & Sr Notes	-	81,250	(81,250)	-
8.00% Existing Acq Notes Payable	-	13,859	-	13,859
8.46% Exchange Debt	-	-	66,000	66,000
8.50% New Debt	-	-	125,000	125,000
TOTAL DEBT	\$114,130	\$286,309	(\$81,450)	\$318,989
WEIGHTED AVERAGE COST OF DEBT				8.2%
PREFERRED STOCK:				
14.33% Preferred Stock	\$ 0	\$ 4,167	(\$4,167)	\$ 0
12.88% Preferred Stock	-	30,000	(30,000)	-
	-	34,167	(34,167)	-
COMMON EQUITY	\$ 67,042	(\$210,015)	\$112,537	(\$30,436)

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DISCOUNTED CASH FLOW ANALYSIS  
PRO FORMA WEIGHTED AVERAGE COST OF CAPITAL DERIVATION

(\$ IN MILLIONS)

COMPARABLE COMPANY	LEVERED BETA (A)	TOTAL MARKET VAL.		TOTAL UNITS OUT. (MIL)	IMPLIED MARKET VALUE OF EQUITY	TOTAL DEBT/ EQUITY	TOTAL DEBT AS % OF TOTAL CAPITAL	UN-LEVERED BETA
		DEBT (BK=MKT)	PRICE AT (4/22/98)					
AmeriGas Partners, L.P.	0.52	\$777.8	\$25.938	41.9	\$1,108.6	70.2%	41.2%	0.306
Cornerstone Propane Partners, L.P.	0.41	235.8	22.688	19.7	455.7	51.7%	34.1%	0.270
Ferrellgas Partners, L.P.	0.39	537.2	20.875	31.3	666.6	80.6%	44.6%	0.216
Heritage Propane Partners, L.P.	0.44	176.9	23.125	8.4	197.8	89.4%	47.2%	0.232
National Propane Partners, L.P.	0.34	147.4	20.313	11.2	232.9	63.3%	38.8%	0.208
Star Gas Partners, L.P.	0.34	96.0	21.938	6.2	139.4	68.9%	40.8%	0.201
Suburban Propane Partners, L.P.	0.38	428.2	18.813	28.7	551.4	77.6%	43.7%	0.214

Comparable group's average unlevered

beta:	0.23	Pro forma capitalization-at market (b)
Pro forma debt-to-equity ratio (b):	111.9%	Total debt \$319.0 52.8%
Pro forma debt as a percent of total capital (b):	52.8%	Total equity 285.0 47.2%
Comparable group's beta relevered for Pro forma capital structure:	0.392	\$604.0 100.0%

DERIVATION OF WEIGHTED AVERAGE COST OF CAPITAL:

MARKET RISK PREMIUM RANGE (D)

11.3% 12.3% 13.3%

Pro forma theoretical levered beta:	0.392
Assumed % of equity in Pro forma capital structure (b):	47.2%
Risk-free rate of return (c):	5.7%
Pro forma cost of equity range (at various market risk premiums):	10.1% 10.5% 10.9%
Pro forma assumed tax rate:	35.0%
Assumed % of debt in capital structure (b):	52.8%
Pro forma estimated cost of debt (e):	8.2%
Pro forma estimated after-tax cost of debt:	5.3% 5.3% 5.3%
Pro forma weighted average cost of capital range (f):	7.6% 7.8% 8.0%

- (a) Source; Bloomberg. 143 week (maximum weekly time period allowed, or the number of weeks available, which may be less than 143) adjusted beta relative to the S&P 500 index.
- (b) Market value of long-term debt is assumed to be equal to the book value.
- (c) Ten-year Treasury rate on April 22, 1998.
- (d) Ibbotson Associates 1997. Total returns for small company stocks of 17.7% minus the risk-free rate.
- (e) Based on Pro forma current debt structure.
- (f) Calculation based upon use of the Capital Asset Pricing Model (CAPM).

Round II  
 Appendices To

Preliminary Report to  
 The Special Committee of Gas

Analyses Performed at \$2.50 Per Share

A.G. Edwards & Sons, Inc.  
 INVESTMENT BANKING

May 4, 1998

Equity Purchase Price Calculation  
 Implied Equity Value of Oil's Assets  
 (units in thousands, \$ in millions,  
 except per unit amounts)

Event	Purchase Price of Oil's Equity		Purchase Price of Oil's Equity	
	Value of Securities Paid to Oil Shareholders		Equity Value of Oil's Heating Oil Assets	Value of Oil's GP and Subordinated Units in Star
Issuance of Senior Subordinated Units to Public Oil Shareholders	2,160 x \$ 19.86			
	\$42.9		\$42.9	--
Distribution of General Partner Units to Inside Oil Shareholders	127 x \$ 21.46			
	\$2.7		--	\$2.7
Distribution of Subordinated Units to Inside Oil Shareholders	540 x \$ 16.44			
	\$8.9		--	\$8.9
Issuance of General Partner Units to Inside Oil Shareholders	147 x \$ 21.46			
	\$3.2		\$3.2	--
Issuance of Senior Subordinated Units to Inside Oil Shareholders	441 x \$ 19.86			
	\$8.8		\$8.8	--
Retire Subordinated Units				1,856 x \$16.44
			(\$30.5)	\$30.5
			\$24.3	\$42.1
Total	\$66.4		\$66.4	

Divided by 26,563 shares of Oil's Common stock = \$ 2.50 per share

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PREMIUM PAID ANALYSIS

STOCK PRICE PREMIUM ANALYSIS (a)	Dollars in thousands	Notes
Equity purchase price of Oil	\$ 66,408	\$2.50 share
price x 26,563 shares.		
Premium to stock price one day prior	53.8%	\$1.625 close on April 22, 1998.
Premium to stock price one month prior	60.0%	
Premium to stock price three months prior	0.0%	
Premium to stock price six months prior	-20.0%	
PURCHASE PRICE		

Equity purchase price of heating oil assets	\$ 24,294
Debt assumption value (b)	338,223
Aggregate purchase price of heating oil assets	\$ 362,517

MULTIPLES		MULTIPLES		NOTES
1997 Revenue	\$ 548,141	0.7 x		As a multiple of aggregate transaction value.
1997 EBITDA (c)	36,010	10.1		As a multiple of aggregate transaction value.
1997 EBIT (d)	6,264	57.9		As a multiple of aggregate transaction value.
1997 Net loss to common shares (d)	(\$ 19,338)	NM		As a multiple of equity value.
Equity (e)	(177,033)	NM		As a multiple of equity value.
1997 Adjusted EBITDA (c)	43,040	8.4 x		As a multiple of aggregate transaction value.
1998 EBITDA budget (c)	43,440	8.3		As a multiple of aggregate transaction value.
Adj. 1998 EBITDA budget (c)	38,440	9.4		As a multiple of aggregate transaction value.
1999P EBITDA (c)	45,858	7.9		As a multiple of aggregate transaction value.

(a) Updated through April 22, 1998.

(b) Includes cost of debt at assumed redemption value, preferred stock at assumed redemption value, transaction fees, and certain off-balance sheet liabilities, net of excess cash.

(c) Calculated as gross profit minus SG&A expense and direct delivery expense.

(d) Excludes restructuring charge, pension curtailment expense, provision for supplemental benefits and corporate identity expense.

(e) As of 12/31/97.

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#### Transaction Multiple Analysis Firm Valuation

Equity Purchase Price of Heating Oil Assets	\$ 24,294,340	
+ Cost of Debt at Redemption Value	290,992,000	
+ Cost of Preferred stock at Redemption Value	34,375,000	
+ Transaction Fees	19,104,000	
		-- 338,223,100
+ Off-Balance Sheet Pension and Tax Liability	8,500,000	
- Excess Cash		
Oil's cash balance at 9/30/98 (a)	22,355,000	
Required cash on hand	(500,000)	
Additional Surplus (b)	(7,107,100)	14,747,900
Firm Value		\$362,517,440

(a) Includes cash collateral of \$9,350,000.

(b) Assumes an Additional Surplus of \$1.10 per new common unit issued is funded by Oil.

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#### Transaction Multiple Analysis Transaction Multiples for Firm Valuation

EBITDA			
Purchase Price	Year	Amount	Multiple Paid

\$362,517,440	1997 Adjusted	\$43,040,000	8.4x
\$362,517,440	Adjusted 1998 Budget	\$38,440,000	9.4x
\$362,517,440	1999 Projected	\$45,858,000	7.9x

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Transaction Multiple Analysis  
Distribution of Value

OIL

1997 Adjusted EBITDA	EBITDA Multiple	Purchase Price
\$43,040,000	8.4x	\$362,517,440

Ability to Further Consolidate Heating Oil Industry

Core Business

EBITDA	Acquisition Multiple	Purchase Price	EBITDA Decline Rate	WACC	
\$6,315,789	4.75x	\$ 30,000,000			\$ 43,040,000
			7.75% (a)		7.75% (a)
			7.80%		7.80%
			\$ 40,617,940		
			\$ 30,000,000		
			\$ 10,617,940		
Value in perpetuity of Ability to Consolidate Heating Oil Industry			\$136,140,329	Value of Core Business	\$276,797,720

Implied Total Valuation	\$412,938,049
% of Valuation attributable to core business	67.0%
% of Valuation attributable to consolidation opportunities	33.0%

(a) A.G. Edwards' estimate of the decline rate of EBITDA based on a 4.1% attrition rate.

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Transaction Multiple Analysis  
Transaction Multiples for Existing Heating Oil Business

Revised Purchase Price (a)	EBITDA		Multiple Paid
	Year	Amount	
\$243,000,133	1997 Adjusted	\$43,040,000	5.6x
\$243,000,133	Adjusted 1998 Budget	\$38,440,000	6.3x
\$243,000,133	1999 Projected	\$45,858,000	5.3x

(a) Represents A.G. Edwards' estimate of the portion of the \$362.5 million price being paid for Oil's heating oil business that can be attributable to its core business. Calculation: \$362.5 million x 66.9%.

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Accretion/Dilution Analysis  
Variations in Margin Growth Rates and Acquisition Assumptions

	Gas Stand-alone	\$2.00 per share 4.1% Attrition \$0.00 Margin growth \$30.0mm at 4.75x Acquisitions	\$2.50 per share 4.1% Attrition \$0.00 Margin growth \$30.0mm at 4.75x Acquisitions
DCF PER UNIT			
1998E (a)	\$1.220	\$1.770	\$1.680
1998N (b)	1.930	2.500	2.370
1999P	2.090	2.780	2.630
ACCRETION / DILUTION			
1998E (a)		45.1%	37.7%
1998N (b)		29.5%	22.8
1999P		33.0%	25.8%
COMMON UNIT COVERAGE			
1998E (a)	0.90x	1.00x	1.00x
1998N (b)	1.42	1.41	1.41
1999P	1.48	1.50	1.50
TOTAL UNIT COVERAGE			
1998E (a)	0.55x	0.81x	0.76x
1998N (b)	0.88	1.14	1.08
1999P	0.95	1.21	1.15
LEVERAGED UNIT COVERAGE (c)			
1998E (a)	0.94x	1.00x	1.00x
1998N (b)	1.21	1.18	1.18
1999P	1.24	1.22	1.22

(a) 1998 estimate assumes no acquisitions for either company, and is adjusted to reflect actual results through 3/31/98.

(b) 1998 budgeted.

(c) Defined as  $(DCF + Int) / [((GP \text{ units} + \text{common units}) * MQD) + Int]$

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#### Public Company Analysis

[\_] A.G. Edwards compared certain financial and market information of Gas on a historical and pro forma basis to that of certain public master limited partnerships which A.G. Edwards deemed relevant for the purposes of this analysis. A.G. Edwards reviewed the trading multiples from a total of 6 public propane master limited partnerships.

[\_] The selected propane master limited partnerships are as follows:

- AmeriGas Partners, L.P.
- Cornerstone Propane Partners, L.P.
- Ferrellgas Partners, L.P.
- Heritage Propane Partners, L.P.
- National Propane Partners, L.P.
- Suburban Propane Partners, L.P.

[\_] No company used in the analysis is identical to Gas.

#### Public Comparable Companies (a)

	Gas	Pro Forma Gas	Public Company Medians	Public Company Ranges
Yield	10.0%	10.5%	9.6%	8.5% to 10.6%
Firm value/LTM EBITDA	12.7x (b)	10.5x (b)	12.5x	9.8x to 16.7x
Firm value/1998 normalized EBITDA	8.7x (c)	8.2x (c)	11.5x	10.3x to 13.7x
Equity Market Cap/LTM DCF	18.0x (d)	13.1x (d)	15.7x	9.4x to 25.5x
Equity Market Cap/1998 normalized DCF	9.7x (e)	8.3x (e)	13.9x	11.6x to 16.9x
LTM common unit coverage	0.9x (f)	1.0x (f)	1.4x	0.6x to 1.5x
1998E common unit coverage	1.5x (g)	1.5x (g)	1.4x	0.9x to 1.9x
LTM total unit coverage	0.6x (f)	0.8x (f)	0.7x	0.4x to 1.0x
1998E total unit coverage	1.0x (g)	1.1x (g)	0.7x	0.7x to 1.0x
1998E leveraged unit coverage	1.2x (g) (h)	1.2x (g) (h)	1.1x	0.9x to 1.3x

(a) Public comparable companies include: APU, CNO, FGP, HPG, CNL and SPH.

(b) Firm value/adjusted 1998 budget EBITDA.

- (c) Firm value/1999 estimated EBITDA.  
 (d) Equity market cap/adjusted 1998 budget EBITDA.  
 (e) Equity market cap/1999 estimated DCF.  
 (f) Adjusted 1998 budget.  
 (g) 1999 estimates.  
 (h) Defined as (DCF + interest)/(((GP units + common units)\*MQD)+ interest).

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Public Company Analysis  
 (\$ in millions, except per unit data)

Company	Ticker	Closing Price on (4/22/98)	Implied Market Value of Equity	Implied Firm Value	Distribution per Unit	Yield	Common Units/Total Units
Gas	(a)	\$21.938	\$139.4	\$232.0	\$2.20	10.0%	60.3%
AmeriGas Partners L.P.	APU	25.938	1,108.6	1,867.2	2.20	8.5%	52.8%
Cornerstone Propane Partners, L.P.	(d) CNO	22.688	455.7	671.7	2.16	9.5%	66.5%
Ferrellgas Partners L.P.	(e) FGP	20.875	666.6	1,192.3	2.00	9.6%	47.0%
Heritage Propane Partners L.P.	HGP	23.125	197.8	371.8	2.00	8.6%	55.8%
National Propane Partners L.P.	NPL	20.313	232.9	375.6	2.10	10.3%	59.6%
Suburban Propane Partners L.P.	(f) SPH	18.813	551.4	942.0	2.00	10.6%	75.1%
Mean						9.5%	59.5%
Median						9.6%	57.7%
Pro Forma		\$ 21.938	\$ 300.7 (g)	\$ 599.5 (h)	\$ 2.30	10.5%	75.1%

Company	LTM Distributable Cash Flow/			FY98E Distributable Cash Flow/	
	Distribution to Common Units	Distribution to Total Units	FY98E DCF/unit	Distribution to Common Units	Distribution to Total Units
Gas	0.9x (b)	0.6x (b)	\$ 2.09 (c)	1.5x (c)	1.0x (c)
AmeriGas Partners L.P.	1.5x	0.8x	2.14	1.9x	1.0x
Cornerstone Propane Partners, L.P.	0.6x	0.4x	1.47	1.1x	0.7x
Ferrellgas Partners L.P.	1.4x	0.7x	1.34	1.4x	0.7x
Heritage Propane Partners L.P.	1.3x	0.8x	2.01	1.8x	1.0x
National Propane Partners L.P.	0.9x	0.5x	1.60	1.3x	0.8x
Suburban Propane Partners L.P.	1.4x	1.0x	1.41	0.9x	0.7x
Mean	1.2x	0.7x		1.4x	0.8x
Median	1.4x	0.7x		1.4x	0.7x
Pro Forma	1.0x (b)	0.8x (b)	2.64 (c)	1.5x	1.1x (c)

1998 estimates per A.G. Edwards' research, except for Gas, Oil, and Pro Forma. Implied Firm Value equals common, subordinated and GP units, multiplied by the market price of common units plus debt, less cash.

(a) Pro Forma for the Pearl Gas acquisition and the common unit offering. Fiscal 1997 maintenance capital expenditure used as LTM figure.

(b) For Gas and Pro Forma only, LTM DCF figures are adjusted 1998 budget DCF estimates.

(c) For Gas and Pro Forma only, FY98E DCF figures are 1999 DCF estimates.

(d) Financial information pro forma for common unit offering. Maintenance capital expenditures assumed to be 8% of EBITDA due to lack of disclosure.

(e) Maintenance capital expenditures assumed to be 8% of EBITDA due to lack of disclosure.

(f) Financial figures exclude \$5.1 million gain from sale of minority interest.

(g) 13,708 units x \$21.375.

(h) \$300.7 in equity plus \$318.989 pro forma debt, less \$10.839 cash and \$9.350 in cash collateral.

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	LTM LEVERAGED UNIT COVERAGE (A)	1998E LEVERAGED UNIT COVERAGE (A)	LONG TERM DEBT/ FIRM VALUE	LTM EBITDA/ INT. EXP.	FIRM VALUE/ LTM EBITDA
GAS	0.9x (b)	1.2x (c)	41.4%	2.3x (d)	12.7x (d)
AmeriGas Partners, L.P.	1.2x	1.3x	37.3%	2.2x	12.6x
Cornerstone Propane Partners, L.P.	0.8x	1.0x	35.1%	2.1x	16.7x
Ferrellgas Partners, L.P.	1.2x	1.1x	41.5%	2.1x	12.5x
Heritage Propane Partners, L.P.	1.1x	1.3x	46.0%	2.6x	10.9x
National Propane Partners, L.P.	0.9x	1.1x	36.8%	3.2x	16.3x
Suburban Propane Partners, L.P.	1.2x	0.9x	45.5%	2.9x	9.8x
MEAN	1.1x	1.1x	40.4%	2.5x	13.1x
MEDIAN	1.1x	1.1x	39.4%	2.4x	12.5x
PRO FORMA	1.0x (b)	1.2x (c)	53.2%	2.1x (d)	10.5x (d)
	FIRM VALUE/ 1998E EBITDA	EQUITY MARKET CAP/ LTM DCF	EQUITY MARKET CAP/ 1998E DCF		
GAS	8.7x (e)	18.0x (f)	9.7x (g)		
AmeriGas Partners, L.P.	12.1x	15.5x	14.1x		
Cornerstone Propane Partners, L.P.	13.7x	25.5x	16.9x		
Ferrellgas Partners, L.P.	12.0x	15.8x	15.9x		
Heritage Propane Partners, L.P.	10.6x	15.7x	11.6x		
National Propane Partners, L.P.	11.0x	18.0x	13.0x		
Suburban Propane Partners, L.P.	10.3x	9.4x	13.6x		
MEAN	11.6x	16.6x	14.2x		
MEDIAN	11.5x	15.7x	13.9x		
PRO FORMA	8.2x (e)	13.1x (f)	8.3x (g)		

EBITDA is defined as net income (loss) before extraordinary items plus interest, income taxes, depreciation and amortization, impairment expense, and other non-recurring and non-operating items.

- (a) Defined as  $(DCF + interest) / (((GP \text{ units} + common \text{ units}) * MQD) + interest)$ .
- (b) For Gas and Pro forma only, LTM leveraged unit coverage figures use adjusted 1998 budget estimates.
- (c) For Gas and Pro Forma only, 1998E leveraged unit coverage figures use 1999 estimates.
- (d) For Gas and Pro Forma only, LTM EBITDA figures are adjusted 1998 budget estimates.
- (e) For Gas and Pro Forma only, 1998E EBITDA figures are 1999 estimates.
- (f) For Gas and Pro Forma only, LTM DCF figures are adjusted 1998 budget DCF estimates.
- (g) For Gas and Pro Forma only, 1998E DCF figures are 1999 DCF estimates.

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DISCOUNTED CASH FLOW ANALYSIS  
PRO FORMA WEIGHTED AVERAGE COST OF CAPITAL DERIVATION  
(\$ IN MILLIONS)

COMPARABLE COMPANY	BETA	TOTAL MARKET VAL. DEBT (BK=MKT)	UNIT PRICE AT (4/22/98)	TOTAL IMPLIED UNITS OUT. (MIL)	TOTAL MARKET VALUE OF EQUITY	TOTAL DEBT/ EQUITY	TOTAL DEBT AS % OF TOTAL CAPITAL	UNLEVERED BETA
AmeriGas Partners, L.P.	0.52	\$777.8	\$25.938	41.9	\$1,108.6	70.2%	41.2%	0.306
Cornerstone Propane Partners, L.P.	0.41	235.8	22.688	19.7	455.7	51.7%	34.1%	0.270
Ferrellgas Partners, L.P.	0.39	537.2	20.875	31.3	666.6	80.6%	44.6%	0.216
Heritage Propane Partners, L.P.	0.44	176.9	23.125	8.4	197.8	89.4%	47.2%	0.232
National Propane Partners, L.P.	0.34	147.4	20.313	11.2	232.9	63.3%	38.8%	0.208
Star Gas Partners, L.P.	0.34	96.0	21.938	6.2	139.4	68.9%	40.8%	0.201

Suburban Propane  
Partners, L.P.                    0.38      428.2      18.813      28.7      551.4      77.6%      43.7%      0.214

Comparable group's average unlevered beta:	0.23	Pro forma capitalization--		
Pro forma debt-to-equity ratio (b):	106.1%	at market (b)		
Pro forma debt as a percent of total capital (b):	51.5%	Total debt	\$319.0	51.5%
		Total equity	300.7	48.5%
			-----	----
Comparable group's beta relevered for pro forma capital structure:	0.384		\$619.7	100.0%
	=====			

DERIVATION OF WEIGHTED AVERAGE COST OF CAPITAL:		MARKET RISK PREMIUM RANGE (D)		
-----		-----		
		11.3%	12.3%	13.3%
		-----		
Pro forma theoretical levered beta:	0.384			
Assumed % of equity in Pro forma capital structure (b):	48.5%			
Risk-free rate of return (c):	5.7%			
Pro forma cost of equity range (at various market risk premiums):		10.0%	10.4%	10.8%
		====	====	====
Pro forma assumed tax rate:	35.0%			
Assumed % of debt in capital structure (b):	51.5%			
Pro forma estimated cost of debt (e):	8.2%			
Pro forma estimated after-tax cost of debt:	5.3%	5.3%	5.3%	5.3%
		-----	----	----
Pro forma weighted average cost of capital range (f):		7.6%	7.8%	8.0%
		-----	----	----
		-----		

- 
- (a) Source: Bloomberg. 143 week (maximum weekly time period allowed, or the number of weeks available, which may be less than 143) adjusted beta relative to the S&P 500 index.
  - (b) Market value of long-term debt is assumed to be equal to the book value.
  - (c) Ten-year Treasury rate on April 22, 1998.
  - (d) Ibbotson Associates 1997. Total returns for small company stocks of 17.7% minus the risk-free rate.
  - (e) Based on Pro forma current debt structure.
  - (f) Calculation based upon use of the Capital Asset Pricing Model (CAPM).

PRELIMINARY STATUS REPORT  
BOARD OF DIRECTORS  
STAR GAS PARTNERS, L.P.

Petro management and its advisors have been working on a proposed transaction between Petro and Star for over a year. Star Committee has engaged Baker & Botts, LLP as its counsel and A.G. Edwards & Sons, Inc. as its financial advisor. After one month of preliminary due diligence and review, the Committee and its advisors better understand and appreciate the complexity of the proposed transaction and the amount of hard work and creativity dedicated to this proposal.

During the past year, both parties have experienced management changes and adverse weather conditions. During this period, Petro has suspended its common dividends and its publicly held common shares have traded down. Star's publicly held common units have traded flat to slightly up, but Star has made distributions to its common unitholders and its subordinated unitholders (that is, Petro) even though such distributions exceeded distributable cash flow (that is, Star returned capital). The Star Committee notes that Petro's capital constraints have effectively eliminated its historic acquisition program while Star has demonstrated a far more viable acquisition program.

In light of these and other significant changes in relative performance, market conditions and strategic rationale for the proposed transaction, the Star Committee (after considering the preliminary report of A.G. Edwards and consulting with counsel), proposes a re-examination, restructuring and repricing of the proposed transaction between Petro and Star.

Subject to further diligence and assuming no material adverse changes in the parties or in market conditions, the Star Committee proposes:

(A) Star Partnership Agreement. Appropriate steps should be initiated to

-----  
amend the Star Partnership Agreement as of the closing date (assumed to be September 30, 1998) in order to:

- (A-1) raise the future required minimum quarterly distribution ("MQD") for common unitholders from \$2.20 per annum to \$2.30 per annum;
- (A-2) authorize a new class of senior subordinated units which shall be junior to all present and future common units, but senior to the present subordinated units; and
- (A-3) prohibit the payment of any future distributions to senior subordinated unitholders and to subordinated unitholders except from net distributable cash

flow available for such period after first paying MQD to the common unitholders for such period plus any cumulative common unit arrearages.

(B) Definitive Transaction Agreement. A draft of the definitive

-----  
transaction agreement should be prepared by Petro for Star Committee's careful consideration (and for future submission to the Board of Directors and common unitholders of Star and to the Board of Directors and shareholders of Petro for approval) setting forth the following steps:

- (B-1) At closing of the Transaction, Star shall be obligated to pay to Petro or assume from Petro a "Maximum Aggregate Consideration" of [\$390 million] consisting of:
  - (A) The issuance of 6,400 new common units at a price per common unit of [ \$\_\_\_\_\_ ]. The gross spread on this offering shall not exceed 5.0%.
  - (B) The issuance of \$125,000 of new debt. The gross spread on this offering shall not exceed 3.0%.

- (C) The principal amount of all of Petro's outstanding debt and preferred stock of at closing, less the value of Petro's cash balance at closing.
  - (D) The issuance of no greater than 2,100 new senior subordinated units. The value of such units is assumed to equal \$20.00 per unit.
  - (E) The outstanding balance of subordinated units at closing. The value of such units is assumed to equal \$16.58 per unit.
  - (F) The outstanding balance of GP units, which shall be no greater than 2% of all outstanding units. The value of such units is assumed to equal [\$21.62] per unit.
- (B-2) Consideration paid to Petro's common shareholders shall consist only of the senior subordinated, subordinated and GP units included in (B-1) (D), (B-1) (E) and (B-1) (F).
- (B-3) Prior to the closing of the Transaction, in return for the Maximum Aggregate Consideration defined in (B-1), Petro shall represent, warrant and agree that:
- (A) Petro shall set up appropriate reserves and fund the following:
    - (1) surplus cash available for distributions equal to [\$1.10] per new common unit issued,
    - (2) excluding only the gross spreads on the new MLP equity and debt offerings, all other Transaction costs, including financial advisory fees and fairness opinions for Petro and Star; legal, accounting and printing fees for Petro and Star; all exchange and solicitation fees related to the retirement or redemption of Petro's debt and preferred stock; all appraisals and environmental reports; all rating agencies and bank fees; and all other out-of-pocket costs and expenses associated with the Transaction, and
    - (3) any "Unearned MQD" monies that Petro wishes to have available for payment to senior subordinated or subordinated unitholders following the closing of the Transaction.
  - (B) Petro shall have no borrowed money debt of any kind outstanding other than any such amounts included in (B-1);
  - (C) Petro shall have no preferred stock of any kind outstanding other than any such amounts included in (B-1);
  - (D) Petro shall have a minimum balance of cash of [\$500,000], a positive working capital balance (subject to further due diligence), and a total common shareholders' deficit on its balance sheet of no greater than [\$\_\_\_\_\_ million], all as of the closing.
- (B-4) In the event Petro is unable or unwilling to represent and warrant each of the matters set forth in (B-3), then the Maximum Aggregate Consideration set forth in (B-1) shall be reduced on a dollar-for-dollar basis.

PROPOSAL TO  
THE SPECIAL COMMITTEE  
STAR GAS PARTNERS, L.P.

Subject to further diligence and assuming no material adverse changes in Star or Petro, or in market conditions, A.G. Edwards proposes:

- (A) Increase Common Unit Distribution Payments. Simultaneous with the  
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closing date, the quarterly distribution for common unitholders shall be raised from \$2.20 per annum to \$2.30 per annum.
- (B) Star Partnership Agreement. Appropriate steps should be initiated to  
-----  
amend the Star Partnership Agreement as of the closing date (assumed to be September 30, 1998) in order to:
- (B-1) authorize the creation of new classes of senior subordinated units and deferred partnership units, which shall be junior to all present and future common units, but senior to the present subordinated units;
- (B-2) prohibit the payment of any distributions to senior subordinated unitholders and to subordinated unitholders except from net distributable cash flow available for such period after first paying MQD to the common unitholders for such period plus any cumulative common unit arrearages; and
- (B-3) provide a surplus available for common unit distributions equal to \$ 1.10 per new common unit, as part of the Refinancing Transaction, described below.
- (C) Definitive Transaction Agreement. A draft of the definitive  
-----  
transaction agreement should be prepared by Petro for The Special Committee's careful consideration (and for future submission to the Board of Directors and common unitholders of Star and to the Board of Directors and shareholders of Petro for approval) setting forth the following steps:
- (C-1) At closing of the Transaction, Star shall be obligated to pay to Petro's common shareholders, subject to the Revision Amount as defined in (C-4) below, the following:
- (A) 2,718 senior subordinated units of Star;
- (B) 524 subordinated units of Star; the balance must be delivered to Star free and clear for retirement;
- (C) 289 GP units of Star; and
- (D) 909 deferred partnership units of Star, convertible into senior subordinated units with a trigger relating to the financial performance of Petro only.
- (C-2) The Closing shall be contingent upon the successful completion of the following (collectively, the "Refinancing Transaction"):
- (A) The issuance of 6,588 new common units at a gross spread of no greater than 5.0%, and
- (B) The issuance of \$125,000 new debt at a gross spread of no greater than 3.0%
- The use of proceeds of the Refinancing Transaction shall be solely to refinance certain of the outstanding indebtedness assumed from Petro.
- (C-3) Prior to the closing of the Transaction, Petro shall represent, warrant and agree that:

- (A) Prior to the Refinancing Transaction, Petro shall have a balance of debt and preferred stock (at redemption value), less any cash balance in excess of such amounts required in (C-3) (B) below, of no more than \$331,367.
  - (B) Petro shall have a minimum cash balance of \$500,000, a positive working capital balance, and a total common shareholders' deficit on its balance sheet of no greater than [\$\_\_\_ million], all as of the closing.
  - (C) Petro shall set up appropriate reserves and fund all of the following transactions costs: financial advisory fees and fairness opinions for Petro and Star; legal, accounting and printing fees for Petro and Star; all exchange and solicitation fees related to the retirement or redemption of Petro's debt and preferred stock; all appraisals and environmental reports; all rating agencies and bank fees; and all other out-of-pocket costs and expenses associated with the Transaction.
  - (D) Petro shall not declare or distribute any cash dividends to its common shareholders.
- (C-4) In the event Petro is unable or unwilling to represent and warrant each of the matters set forth in (C-3), then a Revision Amount (defined below) will be established. The Revision Amount shall reduce, on a dollar-for-dollar basis, the amount to be paid to the Petro common shareholders as set forth in (C-1). The Revision Amount shall be calculated as follows:
- (A) If the cumulative amount of all revisions, taken as a whole, is less than zero, then the Revision Amount will be equal to zero dollars, and any cash balance remaining at Petro shall be transferred to Star.
  - (B) If the cumulative amount of all revisions, taken as a whole, is greater than zero, then the Revision Amount will be equal to the cumulative amount of all revisions, taken as a whole.

Round III

UPDATE TO  
PRELIMINARY REPORT TO  
THE SPECIAL COMMITTEE OF GAS

A.G. EDWARDS & SONS, INC.  
INVESTMENT BANKING

May 21, 1998

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INTRODUCTION

TRANSACTION PROPOSAL [ ] During 1997, Gas ("Gas" or the "Company") and Oil ("Oil") discussed the idea of a possible business combination by and between Gas and Oil. The series of proposed transactions involved in such combination is referred to as the "Transaction".

A.G. EDWARDS' [ ] A.G. Edwards & Sons, Inc. ("A.G. Edwards") has been engaged by the Special Committee (the "Special Committee") of the Board of Directors of Gas (the "Board") to act as its financial advisor with respect to the Transaction and to issue to the Board an opinion as to the fairness, from a financial point of view, to the common unitholders of Gas who are not affiliated with Oil (the "Common Unitholders"), of the Transaction (the "Fairness Opinion").

[ ] The preparation of a fairness opinion is not susceptible to partial analyses or summary. In rendering its Fairness Opinion, A.G. Edwards will apply its judgment to a variety of complex analyses and assumptions. A.G. Edwards may give various analyses more or less weight than other analyses, and may deem various assumptions more or less probable than other assumptions. The assumptions made and the judgments applied by A.G. Edwards in rendering its opinion are not readily susceptible to description beyond that

INTRODUCTION  
(continued)

- AS PART OF ITS ENGAGEMENT,  
A.G. EDWARDS' ACTIVITIES  
INCLUDED, BUT WERE NOT  
LIMITED TO, THE FOLLOWING:
- [ ] A review of the preliminary structure of the Transaction;
  - [ ] A review of Gas' and Oil's historical financial statements and the financial projections of Gas and Oil;
  - [ ] A review of certain market data of Gas' Common Units and Oil's Common Stock;
  - [ ] An analysis of the pro forma financial statements of Gas giving effect to the Transaction (as proposed);
  - [ ] Conversations with PaineWebber regarding the nature and extent of development of the terms of the Transaction;
  - [ ] An investigation regarding current operations and future prospects of Gas and Oil, through interviews with members of Gas' and Oil's management, respectively;
  - [ ] A review of the industries in which Gas and Oil operate;
  - [ ] A review of the market data for stocks of public companies in the same or similar lines of business to Gas;
  - [ ] Analyses of the Transaction using various valuation methodologies; and
  - [ ] Other analyses which it deemed necessary.

INTRODUCTION  
(continued)

- NATURE OF INFORMATION  
REVIEWED AND PRESENTED
- [ ] A.G. Edwards relied upon and assumed, without independent verification, the accuracy and completeness of all financial and other information publicly available, or furnished to, or otherwise discussed with A.G. Edwards including financial statements and financial projections, as provided by management of Gas and Oil and Oil's financial advisor. With respect to financial projections and other information provided to or otherwise discussed with A.G. Edwards, A.G. Edwards assumed and was advised by the senior management of Gas and Oil, respectively, that such projections and other information were reasonably prepared on a basis that reflects the best currently available estimates and judgments of the senior management of Gas and Oil, respectively, as to the expected future financial performance of Gas and Oil, in each case on a stand-alone basis and after giving effect to the Transaction. A.G. Edwards was not engaged to, and did not, independently verify the information provided and performed no audit of assets or liabilities and no independent appraisal of assets or liabilities of either Gas



or Oil. A.G. Edwards has relied upon the assurances of the management of Gas and Oil that they are not aware of any facts that would make such information inaccurate or misleading.

[ ] In performing its analyses, A.G. Edwards made numerous assumptions with respect to the propane distribution industry and the home heating oil distribution industry, and general business and economic conditions which are beyond the control of Gas and Oil. The analyses performed by A.G. Edwards are not necessarily indicative of actual values or actual future results, which may be significantly more or less favorable than suggested by such analyses. Such analyses were prepared solely as part of A.G. Edwards' Preliminary Report to the Special Committee.

[ ] This presentation is for the private use of the Special Committee and may not be distributed to any other parties without A.G. Edwards' written permission.

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#### REVIEW OF EVENTS TO DATE

FEBRUARY 11	[ ]	A.G. Edwards presents its qualifications to the Special Committee and its legal counsel.
MARCH 23	[ ]	Special Committee engaged A.G. Edwards.
MARCH 23	[ ]	A.G. Edwards met with members of Gas' and Oil's management and submitted preliminary data request list.
	[ ]	A.G. Edwards began due diligence with management and other representatives of Gas and Oil.
MARCH 30	[ ]	A.G. Edwards received data related to its preliminary data request list.
MARCH 30	[ ]	A.G. Edwards continued the due diligence process with respect to Gas and Oil.
APRIL 28	[ ]	Special Committee and A.G. Edwards met to discuss the Transaction.
MAY 7	[ ]	Special Committee and A.G. Edwards met with Oil's management and PaineWebber to discuss the Transaction.
MAY 8	[ ]	A.G. Edwards continued onsite diligence at Oil
MAY 19	[ ]	A.G. Edwards met with PaineWebber and Oil's management to discuss the Transaction.
MAY 20	[ ]	Special Committee meeting to discuss the Transaction.

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#### Summary of Transaction Pro Forma Gas Units Outstanding (in thousands)

To simplify the complexity of the steps in the Transactions, A.G. Edwards prepared a summary of its understanding.

[\_] There are currently 6,355 Gas units outstanding comprised of 3,832 common units, 2,396 subordinated units and 127 general partner ("GP") units. The subordinated units and GP units are assets of Oil.

[\_] There are currently 26,563 shares of Oil common stock outstanding,

comprised of public shareholders and "insiders." The public holds 17,160 Class A shares. The "insiders" hold 9,404 shares which include 6,795 Class A shares, 11 Class B shares and 2,598 Class C shares.

[\_] Each shareholder of Oil will receive a certain number of units in Gas such that the implied consideration paid for each Oil share is \$2.50. Additionally, each shareholder will receive a certain number of deferred partnership units ("DPUs") such that if each unit is converted at the earliest possible time, then each shareholder will receive an additional \$0.65 per share in future value.

[\_] The publicly held 17,160 Class A shares will initially receive .1316 shares of newly created senior subordinated units (2,258 units in total) with an implied value (per PaineWebber) of \$19.00/unit. This represents an implied purchase price of \$2.50/share for an implied total purchase price of \$42.9 million.

[\_] The "insiders" of Oil, who hold a total of 9,404 shares (comprised of A, B and C shares) will also initially receive an implied purchase price of \$2.50/share for a total of \$23.5 million. The consideration received by these shareholders will be funded by:

- (1) the distribution of existing units of Gas which are currently owned by Oil
  - [\_] all of the 127 GP units owned by Oil will be given as consideration at an implied value of \$22.13/unit, for a total of \$2.8 million.
  - [\_] 524 of the 2,396 subordinated units owned by Oil will be given as consideration at an implied value (per PaineWebber) of \$16.00/unit, for a total of \$8.4 million.
- (2) the distribution of newly-created units of Gas
  - [\_] to fund the remaining \$12.3 million of the \$23.5 million due to the Oil "insiders", Gas will issue 461 newly-created senior subordinated units and 162 newly-created GP units. The implied values for these new units are \$19.00 and \$22.13, respectively.

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Summary of Transaction  
Pro Forma Gas Units Outstanding  
(in thousands)  
(continued)

[\_] Of the 2,396 subordinated units and 127 GP units owned by Oil, only 1,872 subordinated units will not have been used as consideration paid to the "inside" Oil shareholders. Hence, these 1,872 subordinated units will be retired by Gas. A.G. Edwards has assumed that the implied value of these units are the same as the value PaineWebber is placing on the subordinated units, which is \$16.00/unit, for a total retired value of approximately \$30.0 million.

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SUMMARY OF GAS UNITS OUTSTANDING  
PRE-FINANCING ASSUMPTIONS

Type of Units	Current	Distributed to Oil		Issued to Oil		Retired	Pro Forma
		Public	Insiders	Public	Insiders		
Common	3,832	-	-	-	-	-	3,832
Senior Subordinated	-	-	-	2,258	461	-	2,718
Subordinated	2,396	-	524	-	-	(1,872)	524
DPUs	-	-	-	587	322	-	909
General Partner (a)	127	-	127	-	162	-	289
	6,355						8,272

(a) The number of GP units issued reflects the assumption of a 6,588 common unit equity offering to refinance certain of the assumed Oil debt and a 475 common unit equity offering to finance Gas' acquisitions. Hence, the number of GP units reflected in the pro forma column do not equal 2% of the pro forma outstanding units shown above but do equal exactly 2% of the pro forma units outstanding on a post financing basis.

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Equity Purchase Price Calculation  
 Implied Equity Value Of Oil's Assets  
 (units in thousands, \$ in thousands, except per unit amounts)

Event	Purchase Price of Oil's Equity			Purchase Price of Oil's Equity		
	Value of Securities Paid to Oil Shareholders			Equity Value of Oil's Heating Oil Assets		Value of Oil's GP and Subordinated Units in Star
Issuance of Senior Subordinated Units to Public Oil Shareholders	2,258	x	\$19.00			
	-----					
	\$42,900			\$42,900		-
Distribution of General Partner Units to Inside Oil Shareholders	127	x	\$22.13			
	-----					
	\$2,810			-		\$2,810
Distribution of Subordinated Units to Inside Oil Shareholders	524	x	\$16.00			
	-----					
	\$8,382			-		\$8,382
Issuance of General Partner Units to Inside Oil Shareholders	162	x	\$22.13			
	-----					
	\$3,584			\$3,584		-
Issuance of Senior Subordinated Units to Inside Oil Shareholders	461	x	\$19.00			
	-----					
	\$8,750			\$8,750		-
Issuance of DPUs	909	x	\$19.00			
	-----					
	\$17,271			\$17,271		
						1,872 x \$16.00
						-----
Retire Subordinated Units				(29,954)		\$29,954
				\$42,551		\$41,146
				-----		
Total including DPUs	\$83,697			\$83,697		

Divided by 26,563 shares, of Oil's Common stock = \$3.15 per share

Total excluding DPUs \$66,426

Divided by 26,563 shares of Oil's Common stock = \$2.50 per share

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PRO FORMA WEIGHTED AVERAGE COST OF CAPITAL DERIVATION FOR COMMON UNITS  
 (\$ IN MILLIONS)

LEVERED BETA	TOTAL MARKET VAL. DEBT	UNIT PRICE AT	TOTAL UNITS OUT.	TOTAL IMPLIED MARKET VALUE OF	TOTAL DEBT/ TOTAL	TOTAL DEBT AS % OF TOTAL UNLEVERED
--------------	------------------------	---------------	------------------	-------------------------------	-------------------	------------------------------------

COMPARABLE COMPANY	(A)	(BK=MKT)	(5/15/98)	(MIL)	EQUITY	EQUITY	CAPITAL	BETA
AmeriGas Partners, L.P.	0.50	\$701.7	\$24.688	41.9	\$1,055.2	66.5%	39.9%	0.300
Cornerstone Propane Partners, L.P.	0.40	237.1	21.875	19.8	442.7	53.6%	34.9%	0.260
Ferrellgas Partners, L.P.	0.38	537.2	21.750	31.3	694.5	77.4%	43.6%	0.214
Heritage Propane Partners, L.P.	0.43	176.9	23.000	8.4	196.7	89.9%	47.3%	0.226
National Propane Partners, L.P.	0.34	141.0	19.688	11.2	225.7	62.5%	38.5%	0.209
Star Gas Partners, L.P.	0.29	96.0	21.375	6.2	135.8	70.7%	41.4%	0.170
Suburban Propane Partners, L.P.	0.35	428.2	19.063	28.7	558.8	76.6%	43.4%	0.198

Comparable group's average unlevered beta:	0.23	Pro forma capitalization-- at market (b)
Pro forma debt-to-equity ratio (b):	103.5%	Total debt \$319.0 50.8%
Pro forma debt as a percent of total capital (b):	50.85%	Total equity 308.3 49.2%
Comparable group's beta relevered for pro forma capital structure:	0.377	\$627.3 100.0%

DERIVATION OF WEIGHTED AVERAGE COST OF CAPITAL:	MARKET RISK OF PREMIUM RANGE (D)			
Pro forma theoretical levered beta:	0.377	11.3%	12.3%	13.3%
Assumed % of equity in Pro forma capital structure (b):	49.2%			
Risk-free rate of return (c):	5.7%			
Pro forma cost of equity range (at various market risk premiums):		9.9%	10.3%	10.7%
Pro forma assumed tax rate:	35.0%	===	====	====
Assumed % of debt in capital structure (b):	50.8%			
Pro forma estimated cost of debt (e):	8.2%			
Pro forma estimated after-tax cost of debt:	5.3%	5.3%	5.3%	5.3%
Pro forma weighted average cost of capital range (f):		7.6%	7.8%	8.0%

- (a) Source: Bloomberg. 143 week (maximum weekly time period allowed, or the number of weeks available, which may be less than 143) adjusted beta relative to the S&P 500 index.
- (b) Market value of long-term debt is assumed to be equal to the book value.
- (c) Ten-year Treasury rate on May 15, 1998.
- (d) Ibbotson Associates 1997. Total returns for small company stocks of 17.7% minus the risk-free rate.
- (e) Based on Pro forma current debt structure.
- (f) Calculation based upon use of the Capital Asset Pricing Model (CAPM).

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PRO FORMA WEIGHTED AVERAGE COST OF CAPITAL DERIVATION FOR SENIOR SUBORDINATED UNITS (\$ IN MILLIONS)

COMPARABLE COMPANY	LEVERED BETA (A)	TOTAL MARKET VAL. DEBT (BK = MKT)	UNIT PRICE AT (5/15/98)	TOTAL UNITS OUT. (MIL)	IMPLIED MARKET VALUE OF EQUITY	TOTAL DEBT/ EQUITY	TOTAL DEBT AS % OF TOTAL CAPITAL	UN-LEVERED BETA
AmeriGas Partners, L.P.	0.50	\$701.7	\$24.688	41.9	\$,1,055.2	66.5%	39.9%	0.300
Cornerstone Propane Partners, L.P.	0.40	237.1	21.875	19.8	442.7	53.6%	34.9%	0.260
Ferrellgas Partners, L.P.	0.38	537.2	21.750	31.3	694.5	77.4%	43.6%	0.214
Heritage Propane Partners, L.P.	0.43	176.9	23.000	8.4	196.7	89.9%	47.3%	0.226
National Propane Partners, L.P.	0.34	141.0	19.688	11.2	225.7	62.5%	38.5%	0.209
Star Gas Partners, L.P.	0.29	96.0	21.375	6.2	135.8	70.7%	41.4%	0.170
Suburban Propane Partners, L.P.	0.35	428.2	19.063	28.7	558.8	76.6%	43.4%	0.198
Comparable group's average unlevered beta:				0.23	Total debt	\$558.0	89.0%	

Pro forma debt-to-equity ratio (b):	805.5%	Total equity	69.3	11.0%
			-----	-----
			\$627.3	100.0%
-----				
Pro forma debt as a percent of total capital (b):	89.0%			
Comparable group's beta relevered for Pro forma capital structure:	1.406			
	=====			
DERIVATION OF WEIGHTED AVERAGE COST OF CAPITAL:		MARKET RISK PREMIUM RANGE (D)		
-----		-----		
		11.3%	12.3%	13.3%
-----				
Pro forma theoretical levered beta:	1,406			
Assumed % of equity in Pro forma capital structure (b):	11.0%			
Risk - free rate of return (c):	5.7%			
pro forma cost of equity range (at various market risk premiums):		21.6%	23.0%	24.4%
		=====	=====	=====
-----				

- (a) Source: Bloomberg. 143 week (maximum weekly time period allowed, or the number of weeks available, which may be less than 143) adjusted beta relative to the S&P 500 index.
- (b) Market value of long-term debt is assumed to be equal to the book value; debt includes the market value of pro forma common and GP units; senior equity includes the value of senior sub and sub units.
- (c) Ten - year Treasury rate on May 15, 1998.
- (d) Ibbotson Associates 1997. Total returns for small company stocks of 17.7% minus the risk-free rate.

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#### IMPLIED UNIT VALUES

	1999	2000	2001	THEREAFTER	COST OF EQUITY
	-----	-----	-----	-----	-----
COMMON UNIT					
Indicated Distribution	\$ 2.30	\$2.30	\$2.30	\$2.30	
				-----	
Discount Factor	1.10	1.22	1.34	1.34	10.3%
	-----				
NPV of future distributions	\$22.32				
	-----				
SENIOR SUBORDINATED UNIT					
Indicated Distribution	\$ 2.30	\$2.30	\$2.30	\$2.30	
				-----	
Discount Factor	1.23	1.51	1.86	1.86	23.0%
	-----				
NPV of future distributions	\$16.63				
	-----				
DPU					
Indicated Distribution	\$ 0.00	\$0.77	\$1.53	\$2.30	
				-----	
Discount Factor	1.23	1.51	1.86	1.86	23.0%
	-----				
NPV of future distributions	\$13.34				
	-----				

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#### EQUITY PURCHASE PRICE CALCULATION IMPLIED EQUITY VALUE OF OIL'S ASSETS WITH REVISED UNIT VALUES (UNITS IN THOUSANDS, \$ IN THOUSAND, EXCEPT PER UNIT AMOUNTS)

Event	Purchase Price of Oil's Equity		Purchase Price of Oil's Equity	
	Value of Securities Paid to Oil Shareholders		Equity Value of Oil's Heating Oil Assets	Value of Oil's GP and Subordinated Units in Star
-----	-----	-----	-----	-----
Issuance of Senior Subordinated Units to Public Oil Shareholders	2,258	x \$16.63		
	-----	-----		
	\$37,549		\$37,549	-

Distribution of General Partner Units to Inside Oil Shareholders	127	x	\$22.13		
	-----				
			\$ 2,810	-	\$2,810
Distribution of Subordinated Units to Inside Oil Shareholders	524	x	\$16.63		
	-----				
			\$ 8,712	-	\$8,712
Issuance of General Partner Units to Inside Oil Shareholders	162	x	\$22.13		
	-----				
			\$ 3,584	\$ 3,584	-
Issuance of Senior Subordinated Units to Inside Oil Shareholders	461	x	\$16.63		
	-----				
			\$ 7,659	\$ 7,659	-
Issuance of DPUs	909	x	\$13.34		
	-----				
			\$12,126	\$12,126	
Retire Subordinated Units					1,872 x \$16.00
				(\$29,954)	\$29,954
				\$30,964	\$41,476
	-----				-----
Total including DPUs			\$72,439		\$72,439
-----					
Divided by 26,563 shares of Oil's Common stock =			\$2.73 per share		
-----					
Total excluding DPUs			\$60,313		
-----					
Divided by 26,563 shares of Oil's Common stock =			\$2.27 per share		
-----					

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EQUITY PURCHASE PRICE CALCULATION  
IMPLIED EQUITY VALUE OF OIL'S ASSETS WITH REVISED DPU VALUE ONLY  
(UNITS IN THOUSANDS, \$ IN THOUSAND, EXCEPT PER UNIT AMOUNTS)

Event	Purchase Price of Oil's Equity			Purchase Price of Oil's Equity	
	Value of Securities Paid to Oil Shareholders			Equity Value of Oil's Heating Oil Assets	Value of Oil's GP and Subordinated Units in Star
Issuance of Senior Subordinated Units to Public Oil Shareholders	2,258	x	\$19.00	\$42,900	-
	-----				
			\$42,900		
Distribution of General Partner Units to Inside Oil Shareholders	127	x	\$22.13	-	\$2,810
	-----				
			\$2,810		
Distribution of Subordinated Units to Inside Oil Shareholders	524	x	\$16.00	-	\$8,382
	-----				
			\$8,382		
Issuance of General Partner Units to Inside Oil Shareholders	162	x	\$22.13	\$3,584	-
	-----				
			\$3,584		
Issuance of Senior Subordinated Units to Inside Oil Shareholders	461	x	\$19.00	\$8,750	-
	-----				
			\$8,750		
Issuance of DPUs	909	x	\$13.34	\$12,124	
	-----				
			\$12,124		
Retire Subordinated Units					1,872 x \$16.00
				(\$29,954)	\$29,954
				\$37,404	\$41,146
	-----				-----
Total including DPUs			\$78,550		\$78,550
-----					
Divided by 26,563 shares of Oil's Common stock =			\$2.96 per share		
-----					
Total excluding DPUs			\$66,426		
-----					
Divided by 26,563 shares of Oil's Common stock =			\$2.50 per share		
-----					

## SUMMARY OBSERVATIONS

ACCRETION/DILUTION  
ANALYSIS

- [\_] A.G. Edwards reviewed the distributable cash flow per unit and the related accretion, common unit coverage and total unit coverage on a pro forma basis.
- [\_] For the purpose of this analysis, A.G. Edwards had PaineWebber run its pro forma financial model for four scenarios to determine the sensitivity of certain assumptions.

## ACCRETION/DILUTION ANALYSIS

## Variations in Margin Growth Rates and Acquisition Assumptions

	\$2.50 PER SHARE OF PETRO		
	GAS STAND-ALONE	\$0.005 MARGIN GROWTH	\$0.00 MARGIN GROWTH
		\$30.0MM AT 4.75X ACQUISITIONS	\$30.0MM AT 5.25X ACQUISITIONS
DCF PER UNIT			
1998E (a)	\$1.220	\$1.580	\$1.580
1998N (b)	1.760	2.420	2.420
1999P	1.900	2.730	2.440
ACCRETION/DILUTION			
1999E (a)		29.5%	29.5%
1998N (b)		37.5%	37.5%
1999P		43.7%	28.4%
COMMON UNIT COVERAGE			
1998E (a)	0.90x	0.94x	0.94x
1998N (b)	1.30	1.44	1.44
1999P	1.34	1.54	1.37
TOTAL UNIT COVERAGE			
1998E (a)	0.55x	0.72x	0.72x
1998N (b)	0.80	1.10	1.10
1999P	0.86	1.19	1.06
LEVERAGED UNIT COVERAGE (c)			
1998E (a)	0.94x	0.97x	0.97x
1998N (b)	1.15	1.20	1.20
1999P	1.17	1.25	1.17

	\$2.25 PER SHARE OF PETRO	
	\$0.005 MARGIN GROWTH	\$0.000 MARGIN GROWTH
	\$30.0MM AT 4.75X ACQUISITIONS	\$30.0MM AT 5.25X ACQUISITIONS
DCF PER UNIT		
1998E (a)	\$1.620	\$1.620
1998N (b)	2.480	2.480
1999P	2.800	2.500
ACCRETION/DILUTION		
1999E (a)	32.8%	32.8%
1998N (b)	40.9%	40.9%
1999P	47.4%	31.6%
COMMON UNIT COVERAGE		
1998E (a)	0.94x	0.94x
1998N (b)	1.44	1.44
1999P	1.54	1.38
TOTAL UNIT COVERAGE		
1998E (a)	0.74x	0.74x
1998N (b)	1.13	1.13
1999P	1.22	1.09
LEVERAGED UNIT COVERAGE (c)		
1998E (a)	0.97x	0.97x
1998N (b)	1.20	1.20
1999P	1.25	1.17

- (a) 1998 estimate assumes no acquisitions for either company, and is adjusted to reflect actual results through 3/31/98.
- (b) 1998 budgeted.

(c) Defined as (DCF + Int)/[((GP units + common units)\*MQD) + Int]

SUMMARY OBSERVATIONS  
(continued)

PUBLIC COMPANY  
ANALYSIS

[\_] A.G. Edwards compared certain financial and market information of Gas on both a stand-alone and pro forma basis to that of certain public master limited partnerships.

Public Comparable Companies (a)

	Gas	Pro forma Gas	Public Company Medians	Public Company Ranges
Yield	10.3%	10.8%	9.5%	8.7% to 10.7%
Firm value/LTM EBITDA	12.2x (b)	10.7x (b)	12.3x	9.1x to 18.5x
Firm value/1998 normalized EBITDA	8.8x (c)	8.0x (c)	11.0x	10.2x to 13.7x
Equity Market Cap/LTM DCF	17.6x (d)	14.0x (d)	16.0x	8.6x to 24.8x
Equity Market Cap/1998 normalized DCF	10.4x (e)	7.8x (e)	13.6x	11.6x to 16.6x
LTM common unit coverage	0.9x (f)	0.9x (f)	1.4x	0.6x to 1.5x
1998E common unit coverage	1.3x (g)	1.6x (g)	1.4x	0.9x to 1.8x
LTM total unit coverage	0.6x (f)	0.7x (f)	0.7x	0.4x to 1.1x
1998E total unit coverage	0.9x (g)	1.2x (g)	0.7x	0.7x to 1.0x
1998E leveraged unit coverage	1.2x (g) (h)	1.3x (g) (h)	1.1x	0.9x to 1.3x

- (a) Public comparable companies include: APU, CNO, FGP, HPG, CNL and SPH.  
 (b) Firm value/adjusted 1998 budget EBITDA.  
 (c) Firm value/1999 estimated EBITDA.  
 (d) Equity market cap/adjusted 1998 budget EBITDA.  
 (e) Equity market cap/1999 estimated DCF.  
 (f) Adjusted 1998 budget.  
 (g) 1999 estimates.  
 (h) Defined as (DCF + interest)/(((GP units + common units\*MQD)+interest).

SUMMARY OBSERVATIONS  
(continued)

TRANSACTION MULTIPLE  
ANALYSIS

[\_] A.G. Edwards calculated the implied transaction multiple paid for Oil on a firm valuation basis, including costs and certain adjustments associated with the Transaction, and arrived at the following multiples:

EBITDA	MULTIPLE
-----	-----
1997 Adjusted	8.4x
Adjusted 1998 Budget	9.7x
1999 Projected	7.3x

[\_] A.G. Edwards calculated the implied transaction multiple paid for Oil's existing heating oil business, excluding the valuation attributable to consolidation opportunities, and arrived at the following multiples:

EBITDA	MULTIPLE
-----	-----
1997 Adjusted	5.7x
Adjusted 1998 Budget	6.5x
1999 Projected	4.9x

[\_] Oil has historically paid EBITDA multiples averaging 4.5x, with a range of 2.7x to 6.5x, for its acquisitions.



[\_] Oil has historically received EBITDA multiples averaging 9.0x, with a range of 8.0x to 9.8x, for certain of its heating oil businesses.

[\_] Gas has historically paid EBITDA multiples averaging 7.0x, with a range of 5.1x to 7.3x, for its acquisitions.

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SUMMARY OBSERVATIONS

(continued)

Transacton Multiple Analysis (continued)

Multiples in the Propane Industry

[\_] Propane

- Average Propane Multiple 6-7x
- Current Market Multiple of EBITDA 12-13x
- Adjusted for Weather 10-11x
- Multiple Premium for Large, Multi-State Aggregators 4x

[\_] Heating Oil

- Average Multiple for Heating Oil Companies 4-5x
- Multiple Premium for Large, Multi-State Aggregators 4x
- Multiple for Heating Oil Aggregator 8-9x

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SUMMARY OBSERVATIONS

(continued)

DISCOUNTED CASH FLOW ANALYSIS

[\_] A.G. Edwards calculated the implied present value of estimated unlevered free cash flows for Gas on both a stand-alone and pro forma basis.

- [\_] Key assumptions used in the analysis were:
- Oil maintaining a flat 4.1% attrition rate; \$0.005 margin improvement; and completing \$30 million in acquisitions each year at a 4.75x EBITDA multiple.
  - A 7.8% weighted average cost of capital for both cases.
  - A 10.3x terminal EBITDA multiple, representing the current year normalized EBITDA.

DISCOUNTED CASH FLOW

(\$ IN THOUSANDS)	PRESENT VALUE	CURRENT NET DEBT (a)	NET PRESENT VALUE OF EQUITY	ORIGINAL COMMON UNITS/ TOTAL UNITS (b)	EQUITY VALUE TO ORIGINAL COMMON UNITS (c)
PRO FORMA	\$956,846	(\$296,133)	\$660,713	26.6%	\$175,506
GAS STAND-ALONE	\$306,529	(\$113,629)	\$192,900	60.3%	\$116,310
					Increase in value to original common unit holders: \$ 59,196

(a) Represents total projected debt less cash as of 9/30/98.

(b) Total units include common, subordinated and GP units.

(c) Current market value of common units is \$81,909.

SUMMARY OBSERVATIONS  
(continued)

COMPARATIVE STOCK  
PRICE PERFORMANCE

- [\_] A.G. Edwards has compared the historical prices of Gas' and Oil's common unit/stock to an index of selected companies.
- [\_] While Gas' unit price has remained relatively flat over the last two years, in line with the comparable index, Oil's stock price has declined significantly over this period.

COMPARATIVE STOCK PRICE PERFORMANCE

-----  
PREMIUM OF CURRENT PRICE TO PRICE  
-----

	CURRENT PRICE (b)	2 YEARS PRIOR	1 YEAR PRIOR	180 DAYS PRIOR	60 DAYS PRIOR	30 DAYS PRIOR
Gas	21.38	6.2%	2.4%	-2.8%	-4.5%	-2.8%
Oil	1.88	-73.1%	-31.6%	-38.6%	25.3%	18.2%
Composite (a)	21.68	-2.9%	5.4%	-3.5%	-0.5%	0.2%

-----

- (a) Composite index includes the following companies: APU, CNO, HPG, FGP, NPL, SPH.
- (b) As of 5/15/98

[GRAPH OF GAS APPEARS HERE] [GRAPH OF OIL APPEARS HERE]

SUMMARY OBSERVATIONS  
(continued)

EXCHANGE RATIO  
ANALYSIS

- [\_] A.G. Edwards reviewed the historical prices of Gas' and Oil's common unit/stock and the implied historical exchange ratio.
- [\_] Due to the price decline of Oil's common stock over the past year, the current exchange ratio, based on the current consideration of \$2.50 per share and compared to the current unit/share prices of Gas and Oil (\$21.375 and \$1.875, respectively, as of May 15, 1998), represents a premium of 33.3% to the current market price of Oil.

[GRAPH OF EXCHANGE RATIO APPEARS HERE]

Factset: Daily

- (a) Represents the current price of Gas divided by the current price of Oil.
- (b) Represents the current price of Gas divided by the proposed \$2.50 price in current consideration offered for each share of Oil.
- (c) Represents Gas' average price for the period divided by Oil's average price for the period.

SUMMARY OBSERVATIONS  
(continued)

PREMIUMS PAID ANALYSIS

[\_] An analysis of acquisitions of companies whose stock traded under \$5.00 per share (pre-merger) versus companies that traded over \$10.00 per share (pre-merger) indicates a substantial difference in the premiums paid.

[\_] Normal premiums for merger of equal transactions is -2.5% to 21.2% and normal premiums for companies whose stock trades below \$5.00 per share is 13.5% to 81.0%.

	MEAN LESS ONE STANDARD DEVIATION	MEAN	MEAN PLUS ONE STANDARD DEVIATION
Merger of Equals	-2.5%	9.4%	21.2%
Target Stock Price greater than \$10.00	10.7%	33.2%	55.8%
Target Stock Price less than \$5.00	13.5%	47.3%	81.0%

Summary Observations  
(continued)

Relative Contribution  
Analysis

[\_] A.G. Edwards reviewed and compared the relative EBITDA contribution of Gas and Oil to each firms' share of the implied combined firm value. Other measures of relative contribution analysis were non-meaningful.

[\_] For Gas' contribution of approximately 34% of the combined entity's EBITDA(a), it will receive approximately 41% of the implied firm value.

EBITDA (b)  
[GRAPH APPEARS HERE]

IMPLIED FIRM VALUE  
SEPTEMBER 30, 1998

[PIE CHART APPEARS HERE]

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(a) For purposes of its analysis, A.G. Edwards converted Oil's historical December 31st fiscal year-end to a September 30th fiscal year-end for comparison purposes. Oil's projections are based on a December 31st calendar year end. Other measures of relative contribution analysis are non-meaningful.

(b) Includes only heating oil EBITDA for Oil.

(c) Implied firm value of only Oil's heating oil assets.

## Updated Report to Gas' Special Committee

A.G. Edwards has continued its diligence reviews of Oil and Gas, has exchanged data and views with Oil's advisor, and has further updated its earlier views and opinions of the Proposed Transaction. Certain additional observations since our last meeting include:

- [\_] Oil continues to perform relatively better than Gas.
  - Additional cost reductions at Oil should add \$4.4 million annually to Oil's ongoing EBITDA.
  - Oil continues to show improvements in its attrition rate and margin growth. YTD through 3/31/98, Oil's attrition rate was 3.3% (4.0% in January, 3.5% in February and 2.8% in March) and its margin growth was 3.7 cents.
  - Gas continues to experience much slower growth than originally budgeted; management has revised downward its internal growth projections and budget.
  - Although not yet reflected in the market, Gas is now not expecting to earn its \$2.20 MQD until possibly 2003.
  - Upward revisions at Oil and downward revisions at Gas now appear to make the Proposed Transaction more accretive than historically thought; the revisions support a 1999P DCF/share of \$2.73, which should easily support the proposed distribution increase from \$2.20 to \$2.30/unit.
- [\_] Oil's stock price has recently improved while Gas' unit price has declined slightly.
  - Oil's stock price now trades at \$2.0625/share vs. \$1.5625/share, an increase of 32.0%.
  - Gas' common unit price now trades at \$21.125/unit vs. \$22.125/unit, a decrease of 4.5%.
- [\_] An analysis of premiums paid in acquisitions of companies whose stocks trade under \$5.00 per share supports the view that such companies generally receive a larger acquisition premium in this inefficient sector of the market. An analysis of transactions since 1996 indicated an average premium of 47.3% for companies whose stocks trade under \$5.00/share (normal range: 13.5% - 81.0%) compared to an average premium of 33.2% for companies whose stocks trade over \$10.00/share (normal range: 10.7% - 55.8%).

Updated Report to Gas' Special Committee  
(continued)

- [\_] Although A.G. Edwards cannot presently provide any opinion regarding the Proposed Transaction, A.G. Edwards does recommend
  - 
  - that the Special Committee communicate to Oil and Oil's financial advisor that the Committee is willing to move forward with the Proposed Transaction as outlined in the "Proposal to Special Committee, Star Gas Partners, L.P.," attached hereto in Section VI. It is our understanding that Oil respectfully disagrees with selected aspects of the proposal.
- [\_] A.G. Edwards recommends that Joel Swanson, Esq. and Baker & Botts, LLP consult with Oil's attorneys regarding the proposed

resolution of the myriad of legal issues involving tax, partnership and corporate compliance and the timing of the documentation of the Transaction in terms of definitive agreements, proxy statements and the like.

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DRAFT 5/21/98

SPECIAL COMMITTEE  
STAR GAS PARTNERS, L.P.  
REVISED PROPOSAL

After careful consideration of the Proposed Transaction and the views expressed by Petro and PaineWebber, the Special Committee and its advisors recommend that further refinement and evaluation of the Proposed Transaction is appropriate.

Subject to further diligence and assuming no material adverse changes in Star or Petro, or in market conditions, the Special Committee proposes that the transaction contain the following safeguards for the benefit of Star's common unitholders:

- (A) Star Partnership Agreement. Appropriate steps should be initiated to -----  
amended the Star Partnership Agreement as of the closing date (assumed to be September 30, 1998) in order to include as a minimum:
- (A-1) authorizing the creation of new classes of senior subordinated units and deferred partnership units, which shall be junior to all present and future common units;
  - (A-2) prohibiting the payment of any distributions to senior subordinated unitholders and to subordinated unitholders except from net distributable cash flow available from the preceding twelve months after first paying \$2.30 per unit to the common unitholders for such period plus any cumulative common unit arrearages from prior period(s); and
  - (A-3) providing a surplus available for common unit distributions equal to \$1.10 per new common unit, as part of the Refinancing Transaction (described below).
- (B) Definitive Transaction Agreement. A draft of the definitive -----  
transaction agreement should be prepared by Petro for Special Committee's careful consideration (and for future submission to the Board of Directors and common unitholders of Star and to the Board of Directors and shareholders of Petro for approval) setting forth at least the following steps:
- (B-1) At closing of the Transaction, Star shall be obligated to deliver to Petro's common shareholders, subject to reduction by the Revision Amount as defined in (B-4) below, the following:
    - (A) 2,718,000 senior subordinated units of Star;
    - (B) 524,000 subordinated units of Star; the balance must be delivered to Star free and clear for retirement;
    - (C) 289,000 GP units of Star; and
    - (D) 909,000 deferred partnership units of Star, convertible into senior subordinated units at 33 1/3% per annum for each year in which Petro's after-tax income contributes accretion to every Star unit in excess of [\$0.50].
  - (B-2) The Closing shall be contingent upon the successful completion of the following (collectively, the "Refinancing Transaction"):
    - (A) The issuance of no more than 6,588,000 new common units at a price per unit of at least \$21 with a gross spread of no greater than 5.0%, and
    - (B) The issuance of \$125,000,000 new debt with an interest rate

no higher than [8.5%] with a gross spread of no greater than 3.0%.

The use of proceeds of the Refinancing Transaction shall be solely to refinance certain of the outstanding indebtedness assumed from Petro.

- (B-3) Prior to the closing of the Transaction, Petro shall represent, warrant and agree that:
- (A) Prior to the Refinancing Transaction, Petro shall have a balance of debt and preferred stock (at redemption value), less any cash balance in excess of such amounts required in (B-3) (B) below, of no more than \$331,367,000.
  - (B) Petro shall have a minimum cash balance of \$500,000, a positive working capital balance, and a total stockholders' deficit on its balance sheet of no greater than [\$\_\_ million], all as of the Closing.
  - (C) Petro shall set up appropriate reserves and fund all of the following transactions costs: the gross spread on the issuance of the new debt referred to in (B-2) (B); financial advisory fees and fairness opinions for Petro and Star; legal, accounting and printing fees for Petro and Star; all exchange and solicitation fees related to the retirement or redemption of Petro's debt and preferred stock; all appraisals and environmental reports; all rating agencies and bank fees; and all other out-of-pocket costs and expenses associated with the Transaction.

- (B-4) In the event Petro is unable or unwilling to represent and warrant each of the matters set forth in (B-3), then a Revision Amount

(defined below) will be established. The Revision Amount shall reduce, on a dollar-for-dollar basis, the number of senior subordinated units of Star to be delivered to Petro's common shareholders as set forth in (B-1) (A) with each senior subordinated unit deemed to equal \$19/unit.

The Revision Amount shall be the difference between the net sum of monies referred to in (B-3) (A), (B) and (C) above that are transferred to Star at Closing compared to the defined or stated amounts in (B-3). If the Revision Amount is negative, then the Revision Amount will be considered to equal zero.

In the event the Revision Amount exceeds [\$\_\_million], Star shall not be obligated to proceed.

- (B-5) Prior to the Closing of the Transaction, Petro shall not declare or distribute any cash dividends to its common shareholders.



Round III  
Appendices to

PRELIMINARY REPORT TO  
THE SPECIAL COMMITTEE OF GAS

ANALYSES PERFORMED AT "\$2.50 PER SHARE" PLUS ISSUANCE OF DPUS

A.G.EDWARDS & SONS, INC.  
INVESTMENT BANKING

May 21, 1998

OVERVIEW OF OIL  
EBITDA RECONCILIATION: 1997 (a)

---

	OIL
	---
1997 Actual EBITDA	\$36,010
NORMALIZING ADJUSTMENTS:	
Weather was 3.8% warmer than 30-year normal	
3.8% of 1997 budgeted retail gallons	13,482 gallons
Gross profit margin	\$0.4545
Delivery and garage cost savings	(\$0.0814)
Net impact per gallon	----- \$0.3731
\$ impact	5,030
Insurance reserve	2,000
1997 Adjusted EBITDA	----- \$43,040 =====

---

(a) Management's assumptions.

Page 1

OVERVIEW OF OIL  
EBITDA RECONCILIATION: 1997-1998 (a)  
(continued)

---

	OIL
	---
1997 Adjusted EBITDA	\$43,040
Volume Adjustments for 1998	



Sale of TLC Division in 1997	(16,926) gallons	
Attrition in 1998 (4.1%)	(17,375)	
1997 Acquisitions	9,828	
	-----	
	(24,473) gallons	
	e	
	\$0.1700/gallon (b)	(4,159)
Gross Profit Margin Increase	\$0.006 per gallon on 395,086 gallons (c)	2,371
Inflation		(3,662)
Operating Cost Reductions (d)		5,850
		-----
Original 1998 EBITDA Budget		\$43,440
		=====

- 
- (a) Management's assumptions.  
(b) Represents the average gross profit per gallon (\$.4700 per gallon) offset by \$.30 per gallon reduction in operating expenses.  
(c) Actual gross profit margin increase achieved in first quarter of 1998 was \$5.9 million (156 million gallons @ \$0.037/gallon).  
(d) Represents already accomplished reductions as of 12/31/97 in branch, regional and corporate expenses in excess of normal indexing related to volume reductions as well as 1% productivity improvements.

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OVERVIEW OF OIL  
EBITDA RECONCILIATION: 1998 (a)  
(continued)

---

	OIL
	---
Original 1998 EBITDA Budget	\$43,440
Non-Budgeted Operating Expense Eliminations (b)	2,249
	-----
Revised 1998 EBITDA Budget	45,689
Actual Differential between first three months of Fiscal 1998 vs. Budget	(10,834)
Revised margin improvement based on results from the first three months of Fiscal 1998	2,600
	-----
Adjusted 1998 EBITDA Budget	\$37,455
	=====

---

- (a) Management's assumptions.  
(b) Represent specific operating expense eliminations that are already accomplished.

Page 3

OVERVIEW OF OIL  
EBITDA RECONCILIATION  
Non-budgeted Operating Expense Eliminations

	Expense -----	To 1998 -----	1998 ----	Thereafter -----
Exton PA Facility Rent	\$ 500	20%	\$ 100	\$ 500
Corporate Staff Reductions - Salary & Benefits				
Alex Tyshovnytsky	310	75%	233	310
Allen Levenson	279	75%	209	279
Joe Massoud	310	67%	207	310
Total Staff Reductions	900		649	900
Wage Freeze - Non-Union	2,000	50%	1,000	- (a)
Wage Freeze - Union	1,000	50%	500	-
Total	----- \$4,400		----- \$2,249	----- \$1,400

(a) Non-Union and Union wage freeze is incorporated via inflation adjustment in Oil model for 1999 and is not incorporated for 2000 on.

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OVERVIEW OF OIL  
EBITDA RECONCILIATION: 1998-1999(a)  
(continued)

	OIL ---
Original 1998 EBITDA Budget	\$43,440
\$0.01 Margin Increase in 1999 partially offset by Internal Attrition (4.1%)	1,608
Non-Budgeted Operating Expense Eliminations	1,400
Acquisition Growth \$30,000 of acquisitions at 4.75x multiple using half-year convention	3,158 -----
1999 Projection	\$49,606 =====

(a) Management's assumptions.

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OVERVIEW OF OIL  
EBITDA SUMMARY

	OIL ---
1997 Actual	\$36,010
1997 Adjusted	\$43,040
Original 1998 Budget	\$43,440
Revised 1998 Budget	\$45,689
Adjusted 1998 Budget	\$37,455

OVERVIEW OF GAS  
 EBITDA RECONCILIATION: 1997(a)  
 (\$ IN THOUSANDS)

	GAS ---
1997 Actual EDITBA	\$19,703 (b)
NORMALIZING ADJUSTMENTS:	
Weather	
Residential - 1,125 gallons @ 0.7106 margin	799
Commercial - 277 gallons @ 0.4459 margin	124
Margin	
Residential - 50,832 gallons @ (0.7106 - 0.6995)	(564)
Commercial - 19,864 gallons @ (0.4454 - 0.4348)	(220)
Wholesale - 38,404 gallons @ (0.0975 - 0.0675)	(1,152)
Compensation	(56)
Elimination of strategic expense	902 (c)
Pearl Gas EBITDA	3,012
Pearl Gas acquisition adjustments	273 (d) -----
1997 Adjusted EDITBA	\$22,821 =====

- (a) Management's assumptions.  
 (b) Not pro forma for Pearl Gas acquisition.  
 (c) Certain expenses including the exploration of strategic alternatives by Morgan Stanley.  
 (d) Certain cost savings, primarily salary and benefit expenses of certain selling shareholders.

Overview of Gas  
 EBITDA Reconciliation: 1997 - 1999(a)  
 (\$ in thousands)  
 (continued)

	GAS ---
Revised 1998 EBITDA Budget	\$ 21,730
Approximate Differential between first six months of Fiscal 1998 vs. Budget	(3,451) -----
Adjusted 1998 EBITDA Budget	\$ 18,279

	=====
1998 EBITDA Budget	\$ 21,730
Acquisition Growth	
\$20 million of acquisitions at 7x multiple completed on 9/30/98	2,857
\$10 million of acquisitions at 7x multiple completed on 4/1/99 using half-year convention	712
	-----
1999 EBITDA Projection	\$ 25,299
	=====

-----  
(a) Management's assumptions.

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SUMMARY OF TRANSACTION  
PRO FORMA GAS UNITS OUTSTANDING  
(IN THOUSANDS)

TO SIMPLIFY THE  
COMPLEXITY OF THE STEPS  
IN THE TRANSACTION,  
A.G. EDWARDS PREPARED  
A SUMMARY OF ITS  
UNDERSTANDING.

- [\_] There are currently 6,355 Gas units outstanding comprised of 3,832 common units, 2,396 subordinated units and 127 general partner ("GP") units. The subordinated units and GP units are assets of Oil.
- [\_] There are currently 26,563 shares of Oil common stock outstanding, comprised of public shareholders and "insiders." The public holds 17,160 Class A shares. The "insiders" hold 9,404 shares which include 6,795 Class A shares, 11 Class B shares and 2,598 Class C shares.
- [\_] Each shareholder of Oil will receive a certain number of units in Gas such that the implied consideration paid for each Oil share is \$2.50. Additionally, each shareholder will receive a certain number of deferred partnership units ("DPUs") such that if each unit is converted at the earliest possible time, then each shareholder will receive an additional \$0.65 per share in future value.
- [\_] The publicly held 17,160 Class A shares will initially receive .1316 shares of newly created senior subordinated units (2,258 units in total) with an implied value (per PaineWebber) of \$19.00/unit. This represents an implied purchase price of \$2.50/share for an implied total purchase price of \$42.9 million.
- [\_] The "insiders" of Oil, who hold a total of 9,404 shares (comprised of A, B and C shares) will also initially receive an implied purchase price of \$2.50/share for a total of \$23.5 million. The consideration received by these shareholders will be funded by:
  - (1) the distribution of existing units of Gas which are currently owned by Oil
- [\_] all of the 127 GP units owned by Oil will be given as consideration at an implied value of \$22.13/unit, for a

total of \$2.8 million.

[\_] 524 of the 2,396 subordinated units owned by Oil will be given as consideration at an implied value (per PaineWebber) of \$16.00/unit, for a total of \$8.4 million.

- (2) the distribution of newly-created units of Gas

[\_] to fund the remaining \$12.3 million of the \$23.5 million due to the Oil "insiders", Gas will issue 461 newly-created senior subordinated units and 162 newly-created GP units. The implied values for these new units are \$19.00 and \$22.13, respectively.

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SUMMARY OF TRANSACTION  
PRO FORMA GAS UNITS OUTSTANDING  
(IN THOUSANDS)  
(continued)

[\_] Of the 2,396 subordinated units and 127 GP units owned by Oil, only 1,872 subordinated units will not have been used as consideration paid to the "inside" Oil shareholders. Hence, these 1,872 subordinated units will be retired by Gas. A.G. Edwards has assumed that the implied value of these units are the same as the value PaineWebber is placing on the subordinated units, which is \$16.00/unit, for a total retired value of approximately \$30.0 million.

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Summary of Gas Units Outstanding  
Pre-Financing Assumptions

Type of Units	Current	Distributed to Oil		Issued to Oil		Retired	Pro Forma
		Public	Insiders	Public	Insiders		
Common	3,832	-	-	-	-	-	3,832
Senior Subordinated	-	-	-	2,258	461	-	2,718
Subordinated	2,396	-	524	-	-	(1,872)	524
DPU's	-	-	-	587	322	-	909
General Partner (a)	127	-	127	-	162	-	289
	6,355						8,272

(a) The number of GP units issued reflects the assumption of a 6,588 common unit equity offering to refinance certain of the assumed Oil debt and a 475 common unit equity offering to finance Gas' acquisitions. Hence, the number of GP units reflected in the pro forma column do not equal 2% of the pro forma outstanding units shown above

but do equal exactly 2% of the pro forma units  
outstanding on a post financing basis.

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EQUITY PURCHASE PRICE CALCULATION  
IMPLIED EQUITY VALUE OF OIL'S ASSETS  
(UNITS IN THOUSANDS, \$ IN THOUSANDS, EXCEPT PER UNIT AMOUNTS)

EVENT	PURCHASE PRICE OF OIL'S EQUITY		PURCHASE PRICE OF OIL'S EQUITY	
	VALUE OF SECURITIES PAID TO OIL SHAREHOLDERS	EQUITY VALUE OF OIL'S HEATING OIL ASSETS	VALUE OF OIL'S GP AND SUBORDINATED UNITS IN STAR	
Issuance of Senior Subordinated Units to Public Oil Shareholders	2,258 x \$19.00 ----- \$42,900			
		\$42,900		--
Distribution of General Partner Units to Inside Oil Shareholders	127 x \$22.13 ----- \$2,810			
		--		\$2,810
Distribution of Subordinated Units to Inside Oil Shareholders	524 x \$16.00 ----- \$8,382			
		--		\$8,382
Issuance of General Partner Units to Inside Oil Shareholders	162 x \$22.13 ----- \$3,584			
		\$3,584		--
Issuance of Senior Subordinated Units to Inside Oil Shareholders	461 x \$19.00 ----- \$8,750			
		\$8,750		--
Issuance of DPUs	909 x \$19.00 ----- \$17,271			
		\$17,271		--
Retire Subordinated Units		(\$29,954)		1,872 x \$16.00 ----- \$29,954
				\$41,146
		\$42,551		-----
Total including DPUs	----- \$83,697			\$83,697

-----  
Divided by 26,563 shares of Oil's Common stock= \$3.15 per share  
-----

Total excluding DPUs \$66,426

-----  
Divided by 26,563 shares of Oil's Common stock= \$2.50 per share  
-----

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PRO FORMA WEIGHTED AVERAGE COST OF CAPITAL DERIVATION FOR COMMON UNITS  
(\$ IN MILLIONS)

COMPARABLE COMPANY	LEVERED BETA (A)	TOTAL MARKET VAL. DEBT (BK=MKT)	UNIT PRICE AT (5/15/98)	TOTAL UNITS OUT. (MIL)	IMPLIED MARKET VALUE OF EQUITY	TOTAL DEBT/EQUITY	TOTAL DEBT AS % OF TOTAL CAPITAL	UNLEVERED BETA
AmeriGas Partners, L.P.	0.50	\$701.7	\$24.688	41.9	\$1,055.2	66.5%	39.9%	0.300
Cornerstone Propane Partners, L.P.	0.40	237.1	21.875	19.8	442.7	53.6%	34.9%	0.260
Ferrellgas Partners, L.P.	0.38	537.2	21.750	31.3	694.5	77.4%	43.6%	0.214
Heritage Propane Partners, L.P.	0.43	176.9	23.000	8.4	196.7	89.9%	47.3%	0.226
National Propane Partners, L.P.	0.34	141.0	19.688	11.2	225.7	62.5%	38.5%	0.209
Star Gas Partners, L.P.	0.29	96.0	21.375	6.2	135.8	70.7%	41.4%	0.170
Suburban Propane Partners, L.P.	0.35	428.2	19.063	28.7	558.8	76.6%	43.4%	0.198
Comparable group's average unlevered beta:				0.23	Pro forma capitalization--			
Pro forma debt-to-equity ratio (b):				103.5%	Total debt		\$319.0	50.8%
Pro forma debt as a percent of total capital (b):				50.8%	Total equity		308.3	49.2%
Comparable group's beta relevered for Pro forma capital structure:				0.377			\$627.3	100.0%

DERIVATION OF WEIGHTED AVERAGE COST OF CAPITAL:	MARKET RISK OF PREMIUM RANGE (D)		
	11.3%	12.3%	13.3%
Pro forma theoretical levered beta:	0.377		
Assumed % of equity in Pro forma capital structure (b):	49.2%		
Risk-free rate of return (c):	5.7%		
Pro forma cost of equity range (at various market risk premiums):	9.9%	10.3%	10.7%
Pro forma assumed tax rate:	35.0%		
Assumed % of debt in capital structure (b):	50.8%		
Pro forma estimated cost of debt (e):	8.2%		
Pro forma estimated after-tax cost of debt:	5.3%	5.3%	5.3%
Pro forma weighted average cost of capital range (f):	7.6%	7.8%	8.0%

- (a) Source: Bloomberg. 143 week (maximum weekly time period allowed, or the number of weeks available, which may be less than 143) adjusted beta relative to the S&P 500 index.  
(b) Market value of long-term debt is assumed to be equal to the book value.  
(c) Ten-year Treasury rate on May 15, 1998.  
(d) Ibbotson Associates 1997. Total returns for small company stocks of 17.7% minus the risk-free rate.  
(e) Based on Pro forma current debt structure.  
(f) Calculation based upon use of the Capital Asset Pricing Model (CAPM).

PRO FORMA WEIGHTED AVERAGE COST OF CAPITAL DERIVATION FOR SENIOR SUBORDINATED UNITS  
(\$ IN MILLIONS)

Comparable Company	Levered Beta (a)	Total Market Val. Debt (Bk = Mt)	Unit Price at (5/15/98)	Total Units Out. (Mil)	Implied Market Value of Equity	Total Debt/Total Equity	Total Debt as % of Total Capital	Un-levered Beta
AmeriGas Partners, L.P.	0.50	\$701.7	\$24.688	41.9	\$1,055.2	66.5%	39.9%	0.300
Cornerstone Propane Partners, L.P.	0.40	237.1	21.875	19.8	422.7	53.6%	34.9%	0.260
Ferrellgas Partners, L.P.	0.38	537.2	21.750	31.3	694.5	77.4%	43.6%	0.214
Heritage Propane Partners, L.P.	0.43	176.9	23.000	8.4	196.7	89.9%	47.3%	0.226
National Propane Partners, L.P.	0.34	141.0	19.688	11.2	225.7	62.5%	38.5%	0.209
Star Gas Partners, L.P.	0.29	96.0	21.375	6.2	135.8	70.7%	41.4%	0.170
Suburban Propane Partners, L.P.	0.35	428.2	19.063	28.7	558.8	76.6%	43.4%	0.198

Comparable group's average unlevered beta:	0.23	Pro forma capitalization - at market (b)	
Pro forma debt-to-equity ratio (b):	805.5%	Total debt	\$558.0
		Total equity	69.3
Pro forma debt as a percent of total capital (b):	89.0%		\$627.3
Comparable group's beta relevered for Pro forma capital structure:	1.406		

DERIVATION OF WEIGHTED AVERAGE COST OF CAPITAL:

	Market Risk Premium Range (d)		
	11.3%	12.3%	13.3%
Pro forma theoretical levered beta:	1.406		
Assumed % of equity in Pro forma capital structure (b):	11.0%		
Risk-free rate of return (c):	5.7%		
Pro forma cost of equity range (at various market risk premiums):	21.6%	23.0%	24.4%

- (a) Source: Bloomberg. 143 week (maximum weekly time period allowed, or the number of weeks available, which may be less than 143) adjusted beta relative to the S&P 500 index.
- (b) Market value of long-term debt is assumed to be equal to the book value; debt includes the market value of pro forma common and GP units; equity includes the value of senior sub and sub units.
- (c) Ten - year Treasury rate on May 15, 1998.
- (d) Ibbotson Associates 1997. Total returns for small company stocks of 17.7% minus the risk-free rate.

IMPLIED UNIT VALUES

	1999	2000	2001	THEREAFTER	COST OF EQUITY
COMMON UNIT					
Indicated Distribution	\$ 2.30	\$2.30	\$2.30	\$ 2.30	
Discount Factor	1.10	1.22	1.34	1.34	10.3%
NPV of future distributions	\$22.32				
SENIOR SUBORDINATED UNIT					
Indicated Distribution	\$ 2.30	\$2.30	\$2.30	\$ 2.30	
Discount Factor	1.23	1.51	1.86	1.86	23.0%
NPV of future distributions	\$16.63				
DPU					
Indicated Distribution	\$ 0.00	\$0.77	\$1.53	\$ 2.30	
					10.3%



Discount Factor                      1.23              1.51              1.86              1.86                      23.0%

NPV of future distributions              \$13.34

EQUITY PURCHASE PRICE CALCULATION  
 IMPLIED EQUITY VALUE OF OIL'S ASSETS WITH REVISED UNIT VALUES  
 (UNITS IN THOUSANDS, \$ IN THOUSAND, EXCEPT PER UNIT AMOUNTS)

Event	Purchase Price if Oil's Equity			Purchase Price of Oil's Equity		
	Value of Securities Paid to Oil Shareholders			Equity Value of Oil's Heating Oil Assets		Value of Oil's GP and Subordinated Units in Star
Issuance of Senior Subordinated Units to Public Oil Shareholders	2,258	X	\$16.63			
	-----					
	\$37,549			\$37,549		-
Distribution of General Partner Units to Inside Oil Shareholders	127	X	\$22.13			
	-----					
	\$ 2,810			-		\$ 2,810
Distribution of Subordinated Units to Inside Oil Shareholders	524	X	\$16.63			
	-----					
	\$ 8,712			-		\$ 8,712
Issuance of General Partner Units to Inside Oil Shareholders	162	X	\$22.13			
	-----					
	\$ 3,584			\$ 3,584		-
Issuance of Senior Subordinated Units to Inside Oil Shareholders	461	X	\$16.63			
	-----					
	\$ 7,659			\$ 7,659		-
Issuance of DPUs	909	X	\$13.34			
	-----					
	\$12,126			\$12,126		
Retire Subordinated Units						1,872 X \$16.00
						-----
				(\$29,954)		\$29,954
				\$30,964		\$41,476
	-----			-----		
Total including DPUs	\$72,439			\$72,439		
-----						
Divided by 26,563 shares of Oil's Common stock =	\$ 2.73 per share					
-----						
Total excluding DPUs	\$60,313					
-----						
Divided by 26,563 shares of Oil's Common stock =	\$ 2.27 per share					
-----						

EQUITY PURCHASE PRICE CALCULATION  
 IMPLIED EQUITY VALUE OF OIL'S ASSETS WITH REVISED DPU VALUE ONLY  
 (UNITS IN THOUSANDS, \$ IN THOUSANDS, EXCEPT PER UNIT AMOUNTS)

Event	Purchase Price of Oil's Equity		Purchase Price of Oil's Equity	
	Value of Securities Paid to Oil Shareholders		Equity Value of Oil's Heating Oil Assets	Value of Oil's GP and Subordinated Units in Star
Issuance of Senior Subordinated Units to Public Oil Shareholders	2,258	x \$19.00		
	-----			
	\$42,900		\$42,900	-
Distribution of General Partner Units to Inside Oil Shareholders	127	x \$22.13		
	-----			
	\$2,810		-	\$2,810

Distribution of Subordinated Units to Inside Oil Shareholders	524 x \$16.00		
	----- \$8,382	-	\$8,382
Issuance of General Partner Units to Inside Oil Shareholders	162 x \$22.13		
	----- \$3,584	\$3,584	-
Issuance of Senior Subordinated Units to Inside Oil Shareholders	461 x \$19.00		
	----- \$8,750	\$8,750	-
Issuance of DPUs	909 x \$13.34		
	----- \$12,124	\$12,124	-
Retire Subordinated Units			1,872 x \$16.00
		(\$29,954)	----- (\$29,954)
		\$37,404	\$41,146
	-----	-----	-----
Total including DPUs	\$78,550		\$78,550
-----			
Divided by 26,563 shares of Oil's Common stock = \$2.96 per share			
-----			
Total excluding DPUs	\$66,426		
-----			
Divided by 26,563 shares of Oil's Common stock = \$2.50 per share			
-----			

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#### PREMIUM PAID ANALYSIS

Stock Price Premium Analysis (a)	Dollars in thousands	Notes
Equity purchase price of Oil	\$ 66,426	\$2.50 share price x 26,563 shares.
Premium to stock price one day prior	33.3%	\$1.875 close on May 15, 1998.
Premium to stock price one month prior	56.9%	
Premium to stock price three months prior	-2.4%	
Premium to stock price six months prior	-18.4%	
Purchase Price		
-----		
Equity purchase price of heating oil assets including DPUs	\$ 37,404	DPU value revised only. See page 17.
Debt assumption value (b)	326,120	
Aggregate purchase price of heating oil assets	----- \$363,524 =====	
Multiples		
-----		
		Multiples Notes
-----		-----
1997 Revenue	\$548,141	0.7 x As a multiple of aggregate transaction value.
1997 EBITDA (c)	36,010	10.1 As a multiple of aggregate transaction value.
1997 EBIT (d)	6,264	58.0 As a multiple of aggregate transaction value.
1997 Net loss to common shares (d)	(19,338)	NM As a multiple of equity value.
Equity (c)	(177,033)	NM As a multiple of equity value.
1997 Adjusted EBITDA (c)	43,040	8.4 x As a multiple of aggregate transaction value.
Revised 1998 EBITDA budget (c)	45,689	8.0 As a multiple of aggregate transaction value.
Adjusted 1998 EBITDA budget (c)	37,455	9.7 As a multiple of aggregate transaction value.
1999P EBITDA (c)	49,606	7.3 As a multiple of aggregate transaction value.

(a) Updated through May 15, 1998.

(b) Includes cost of debt at assumed redemption value, preferred stock at assumed redemption value, net of excess cash. See page 19.

(c) Calculated as gross profit minus SG&A expense and direct delivery expense.

(d) Excludes restructuring charge, pension curtailment expense, provision for supplemental benefits and corporate identity expenses.

(e) As of 12/31/97.

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TRANSACTION MULTIPLE ANALYSIS  
 FIRM VALUATION  
 (\$ IN THOUSANDS)

Equity Purchase Price of Heating Oil Assets including DPUs	\$37,404	Revised DPU Value
+ Cost of Debt at Redemption Value	290,992	
+ Cost of Preferred stock at Redemption Value	34,375	326,120
+ Off-Balance Sheet Pension and Tax Liability	8,500	
- - Cash (a)		
Required cash on hand	(500)	
Required Additional Surplus	(7,247)	
	(7,747)	
Firm Value	\$ 363,524	

(a) Assumes that \$500,000 plus an additional surplus of \$1.10 per new common unit issued is funded by Oil and delivered to Gas at closing.

TRANSACTION MULTIPLE ANALYSIS  
 TRANSACTION MULTIPLES FOR FIRM VALUATION  
 (\$ IN THOUSANDS)

Purchase Price	EBITDA		Multiple Paid
	Year	Amount	
\$363,524	1997 Adjusted	\$43,040	8.4x
\$363,524	Revised 1998 Budget	\$45,689	8.0x
\$363,524	Adjusted 1998 Budget	\$37,455	9.7x
\$363,524	1999 Projected	\$49,606	7.3x

TRANSACTION MULTIPLE ANALYSIS  
 DISTRIBUTION OF VALUE

OIL			CORE BUSINESS	
1997 Adjusted EBITDA	EBITDA Multiple	Purchase Price	EBITDA Decline Rate	
\$43,040	8.4x	\$363,524		\$ 43,040
				7.75% (a)

ABILITY TO FURTHER CONSOLIDATE HEATING OIL INDUSTRY

CORE BUSINESS

EBITDA	Acquisition Multiple	Purchase Price	EBITDA Decline Rate	\$ 43,040
				7.75% (a)

		WACC	7.79% (b)
\$6,316	4.8x	\$ 30,000	
Decline Rate		7.75% (a)	
WACC		7.79% (b)	
Perpetuity		\$ 40,637	
Purchase Price		\$ 30,000	
Net Present Value of the Heating Oil Acq.		\$ 10,637	
Value in perpetuity of Ability to Consolidate Heating Oil Industry		\$136,506	Value of Core Business \$ 276,925
-----		-----	-----
Implied Total Valuation		\$413,431	
% of Valuation attributable to core business		67.0%	
% of Valuation attributable to consolidation opportunities		33.0%	

- (a) A.G. Edwards' estimate of the decline rate of EBITDA based on a 4.1% attribution rate.  
(b) See page 13.

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TRANSACTION MULTIPLE ANALYSIS  
TRANSACTION MULTIPLES FOR EXISTING HEATING OIL BUSINESS  
(\$ IN THOUSANDS)

Revised	EBITDA		Multiple Paid
	Year	Amount	
Purchase Price(a)			
\$243,496	1997 Adjusted	\$43,040	5.7x
\$243,496	Revised 1998 Budget	\$45,689	5.3x
\$243,496	Adjusted 1998 Budget	\$37,455	6.5x
\$243,496	1999 Projected	\$49,606	4.9x

(a) Represents A.G. Edwards' estimate of the portion of the \$363.5 million price being paid for Oil's heating oil business that can be attributable to its core business. Calculation: \$363.5 million X 67.0%. See page 21.

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RELATIVE CONTRIBUTION ANALYSIS (a)  
(\$ IN THOUSANDS)

GAS' AVERAGE EBITDA CONTRIBUTION

96-97	35.4%	
		EBITDA (b)
98-99	33.4%	
		[PIE CHART APPEARS HERE]
96-99	34.3%	

FOR GAS' CONTRIBUTION OF APPROXIMATELY 34% OF THE COMBINED ENTITY'S EBITDA, IT WILL RECEIVE APPROXIMATELY 41% OF THE IMPLIED FIRM VALUE.

IMPLIED FIRM VALUE  
SEPTEMBER 30, 1998  
[PIE CHART APPEARS HERE]

- (a) For purposes of its analysis, A.G. Edwards converted Oil's historical December 31st fiscal year-end to a September 30th fiscal year-end for comparison purposes. Oil's projections are based on a December 31st calendar year end. Other measures of relative contribution analysis are non-meaningful.
- (b) Includes only heating oil EBITDA for Oil.
- (c) Implied firm value of only Oil's heating oil assets.

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ACCRETION/DILUTION ANALYSIS  
 VARIATIONS IN MARGIN GROWTH RATES AND ACQUISITION ASSUMPTIONS

=====			
\$2.50 PER SHARE OF PETRO			
	GAS STAND-ALONE	\$0.005 MARGIN GROWTH \$30.0MM AT 4.75X ACQUISITIONS	\$0.00 MARGIN GROWTH \$30.0MM AT 5.25X ACQUISITIONS
-----			
DCF PER UNIT			
1998E (a)	\$1.220	\$1.580	\$1.580
1998N (b)	1.760	2.420	2.420
1999P	1.900	2.730	2.440
ACCRETION/DILUTION			
1998E (a)		29.5%	29.5%
1998N (b)		37.5%	37.5%
1999P		43.7%	28.4%
COMMON UNIT COVERAGE			
1998E (a)	0.90x	0.94x	0.94x
1998N (b)	1.30	1.44	1.44
1999P	1.34	1.54	1.37
TOTAL UNIT COVERAGE			
1998E (a)	0.55x	0.72x	0.72x
1998N (b)	0.80	1.10	1.10
1999P	0.86	1.19	1.06
LEVERAGED UNIT COVERAGE (c)			
1998E (a)	0.94x	0.97x	0.97x
1998N (b)	1.15	1.20	1.20
1999P	1.17	1.25	1.17
-----			

=====			
\$2.25 PER SHARE OF PETRO			
	\$0.005 MARGIN GROWTH \$30.0MM AT 4.75X ACQUISITIONS	\$0.00 MARGIN GROWTH \$30.0MM AT 5.25X ACQUISITIONS	
-----			
DCF PER UNIT			
1998E (a)	\$1.620	\$1.620	
1998N (b)	2.480	2.480	
1999P	2.800	2.500	
ACCRETION/DILUTION			
1998E (a)	32.8%	32.8%	
1998N (b)	40.9%	40.9%	
1999P	47.4%	31.6%	
COMMON UNIT COVERAGE			
1998E (a)	0.94x	0.94x	
1998N (b)	1.44	1.44	
1999P	1.54	1.38	
TOTAL UNIT COVERAGE			
1998E (a)	0.74x	0.74x	
1998N (b)	1.13	1.13	
1999P	1.22	1.09	
LEVERAGED UNIT COVERAGE (c)			
1998E (a)	0.97x	0.97x	
1998N (b)	1.20	1.20	
1999P	1.25	1.17	
-----			

- (a) 1998 estimate assumes no acquisitions for either company, and is adjusted to reflect actual results through 3/31/98.
- (b) 1998 budgeted.
- (c) Defined as  $(DCF + Int) / [(GP \text{ units} + common \text{ units}) * MQD + Int]$

## PUBLIC COMPANY ANALYSIS

[\_]A.G. Edwards compared certain financial and market information of Gas on a historical and pro forma basis to that of certain public master limited partnerships which A.G. Edwards deemed relevant for the purposes of this analysis. A.G. Edwards reviewed the trading multiples from a total of 6 public propane master limited partnerships.

[\_]The selected propane master limited partnerships are as follows:

- AmeriGas Partners, L.P.
- Cornerstone Propane Partners, L.P.
- Ferrell Gas Partners, L.P.
- Heritage Propane Partners, L.P.
- National Propane Partners, L.P.
- Suburban Propane Partners, L.P.

[\_]No company used in the analysis is identical to Gas.

## PUBLIC COMPARABLE COMPANIES (a)

	GAS	PRO FORMA GAS	PUBLIC COMPANY MEDIANS	PUBLIC COMPANY RANGES
Yield	10.3%	10.8%	9.5%	8.7% to 10.7%
Firm value/LTM EBITDA	12.2x (b)	10.7x (b)	12.3x	9.1x to 18.5x
Firm value/1998 normalized EBITDA	8.8x (c)	8.0x (c)	11.0x	10.2x to 13.7x
Equity Market Cap/LTM DCF	17.6x (d)	14.0x (d)	16.0x	8.6x to 24.8x
Equity Market Cap/1998 normalized DCF	10.4x (e)	7.8x (e)	13.6x	11.6x to 16.6x
LTM common unit coverage	0.9x (f)	0.9x (f)	1.4x	0.6x to 1.5x
1998E common unit coverage	1.3x (g)	1.6x (g)	1.4x	0.9x to 1.8x
LTM total unit coverage	0.6x (f)	0.7x (f)	0.7x	0.4x to 1.1x
1998E total unit coverage	0.9x (g)	1.2x (g)	0.7x	0.7x to 1.0x
1998E leveraged unit coverage	1.2x (g) (h)	1.3x (g) (h)	1.1x	0.9x to 1.3x

(a) Public comparable companies include: APU, CNO, FGP, HPG, CNL and SPH.

(b) Firm value/adjusted 1998 budget EBITDA.

(c) Firm value/1999 estimated EBITDA.

(d) Equity market cap/adjusted 1998 budget EBITDA.

(e) Equity market cap/1999 estimated DCF.

(f) Adjusted 1998 budget.

(g) 1999 estimates.

(h) Defined as  $(DCF + interest) / (((GP \text{ units} + \text{common units}) * MQD) + interest)$ .

## PUBLIC COMPANY ANALYSIS

(\$ IN MILLIONS, EXCEPT PER UNIT DATA)

COMPANY	TICKER	CLOSING PRICE ON (5/15/98)	IMPLIED MARKET VALUE OF EQUITY	IMPLIED FIRM VALUE	DISTRIBUTION PER UNIT	YIELD	COMMON UNITS/ TOTAL UNITS
Gas	(a)	\$21.375	\$ 135.8	\$ 223.6	\$2.20	10.3%	60.3%
AmeriGas Partners, L.P.	APU	24.688	1,055.2	1,746.1	2.20	8.9%	52.8%
Cornerstone Propane Partners, L.P.	(d) CNO	21.875	442.7	673.7	2.16	9.9%	66.7%
Ferrellgas Partners, L.P.	(e) FGP	21.750	694.5	1,220.2	2.00	9.2%	47.0%
Heritage Propane Partners, L.P.	HPG	23.000	196.7	370.8	2.00	8.7%	55.8%
National Propane Partners, L.P.	NPL	19.688	225.7	365.9	2.10	10.7%	59.6%
Suburban Propane Partners, L.P.	(f) SPH	19.063	558.8	925.1	2.00	10.5%	75.1%
MEAN						9.6%	59.5%

MEDIAN						9.5%	57.7%
PRO FORMA		\$21.375	\$ 308.3 (G)	\$ 604.5 (H)	\$2.30	10.8%	75.5%

  

COMPANY		LTM COMMON UNIT COVERAGE	LTM TOTAL UNIT COVERAGE	FY98E DCF/UNIT	FY98E COMMON UNIT COVERAGE	FY98E TOTAL UNIT COVERAGE
Gas	(a)	0.9x (b)	0.6x (b)	\$1.90 (c)	1.3x (c)	0.9x (c)
AmeriGas Partners, L.P.		1.5x	0.8x	1.88	1.6x	0.9x
Cornerstone Propane Partners, L.P.	(d)	0.8x	0.5x	1.47	1.1x	0.7x
Ferrellgas Partners, L.P.	(e)	1.4x	0.7x	1.34	1.4x	0.7x
Heritage Propane Partners, L.P.		1.3x	0.8x	2.00	1.8x	1.0x
National Propane Partners, L.P.		0.6x	0.4x	1.60	1.3x	0.8x
Suburban Propane Partners, L.P.	(f)	1.5x	1.1x	1.41	0.9x	0.7x
MEAN		1.2x	0.7x		1.4x	0.8x
MEDIAN		1.4x	0.7x		1.4x	0.7x
PRO FORMA		0.9x (B)	0.7x (B)	2.73 (C)	1.6x (C)	1.2x (C)

1998 estimates per A.G. Edwards' research, except for Gas, Oil, and Pro Forma.

Implied Firm Value equals common, subordinated and GP units, multiplied by the market price of common units plus debt, less cash.

- (a) Pro forma for the Pearl Gas acquisition and the common unit offering, Fiscal 1997 maintenance capital expenditure used as LTM figure.
- (b) For Gas and Pro forma only, LTM DCF figures are adjusted 1998 budget DCF estimates.
- (c) For Gas and Pro forma only, FY98E DCF figures are 1999 DCF estimates.
- (d) Financial information pro forma for common unit offering. Maintenance capital expenditures assumed to be 8% of EBITDA due of lack of disclosure.
- (e) Maintenance capital expenditures assumed to be 8% of EBITDA due to lack of disclosure.
- (f) Financial figures exclude \$5.1 million gain from sale of minority interest.
- (g) 14,425 units x \$21.375.
- (h) \$308.3 in equity plus \$318.989 pro forma debt, less \$13.506 cash and \$9.350 in cash collateral.

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PUBLIC COMPANY ANALYSIS

	LTM LEVERAGED UNIT COVERAGE (A)	1998E LEVERAGED UNIT COVERAGE (A)	LONG TERM DEBT/ FIRM VALUE	LTM EBITDA/ INT. EXP.	FIRM VALUE/ LTM EBITDA	FIRM VALUE/ 1998E EBITDA
GAS	0.9x (b)	1.2x (c)	42.9%	2.3x (d)	12.2x (d)	8.8x (e)
AmeriGas Partners, L.P.	1.2x	1.3x	39.8%	2.2x	11.8x	11.3x
Cornerstone Propane Partners, L.P.	0.9x	1.0x	34.6%	2.4x	14.7x	13.7x
Ferrellgas Partners, L.P.	1.2x	1.1x	40.6%	2.1x	12.8x	12.3x
Heritage Propane Partners, L.P.	1.1x	1.3x	46.2%	2.6x	10.9x	10.5x
National Propane Partners, L.P.	0.8x	1.1x	37.6%	2.7x	18.5x	10.7x
Suburban Propane Partners, L.P.	1.3x	0.9x	46.3%	3.1x	9.1x	10.2x
MEAN	1.1x	1.1x	40.8%	2.5x	13.0x	11.5x
MEDIAN	1.1x	1.1x	40.2%	2.5x	12.3x	11.0x
PRO FORMA	1.0x (b)	1.3x (c)	52.8%	2.0x (d)	10.7x (d)	8.0x (e)

  

	Equity Market Cap/	Equity Market Cap/

	LTM DCF	1998E DCF
GAS	17.6x (f)	10.4x (g)
AmeriGas Partners, L.P.	14.8x	13.4x
Cornerstone Propane Partners, L.P.	19.5x	16.4x
Ferrellgas Partners, L.P.	16.4x	16.6x
Heritage Propane Partners, L.P.	15.6x	11.6x
National Propane Partners, L.P.	24.8x	12.6x
Suburban Propane Partners, L.P.	8.6x	13.8x
MEAN	16.6x	14.1x
MEDIAN	16.0x	13.6x
PRO FORMA	14.0x (f)	7.8x (g)

EBITDA is defined as net income (loss) before extraordinary items plus interest, income taxes, depreciation and amortization, impairment expense, and other non-recurring and non-operating items.

- (a) Defined as  $(DCF + interest) / (((GP \text{ units} + common \text{ units}) * MQD) + interest)$ .
- (b) For Gas and Pro forma only, LTM leveraged unit coverage figures use adjusted 1998 budget estimates.
- (c) For Gas and Pro forma only, 1998E leveraged unit coverage figures use 1999 estimates.
- (d) For Gas and Pro forma only, LTM EBITDA figures are adjusted 1998 budget estimates.
- (e) For Gas and Pro forma only, 1998E EBITDA figures are 1999 estimates.
- (f) For Gas and Pro forma only, LTM DCF figures are adjusted 1998 budget DCF estimates.
- (g) For Gas and Pro forma only, 1998E DCF figures are 1999 DCF estimates.

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DISCOUNTED CASH FLOW ANALYSIS  
GAS - STAND ALONE  
(\$ in thousands)

INCOME STATEMENT SUMMARY (a):	1998	1999	2000	2001	2002	TERMINAL
EBITDA	18,279	25,299	26,728	28,157	29,586	
% increase		38.4%	5.6%	5.3%	5.1%	
Net income	(1,321)	2,489	2,396	2,601	2,818	
CASH FLOW SUMMARY:						
After-tax EBI		11,494	12,011	12,696	13,380	
Depreciations and amortization		13,780	14,693	15,435	16,182	
Maintenance capital expenditures		(3,185)	(3,242)	(3,301)	(3,360)	
Working capital increases		(500)	(500)	(500)	(500)	
Net operating cash flow (free cash flow)		21,589	22,962	24,330	25,702	
WEIGHTED AVERAGE COST OF CAPITAL (b)	7.8%					
TERMINAL EBITDA MULTIPLE (c)	10.3x					
Discount factor (d)		0.9630	0.8930	0.8281	0.7679	0.7395
Terminal value (e)						\$304,736
PRESENT VALUE	\$ 306,529	\$20,790	\$20,505	\$20,148	\$19,737	\$225,350
Current net debt (f)	\$(113,629)					
NET PRESENT VALUE OF EQUITY	\$ 192,900					
Common units/Total units (g)	60.3%					
EQUITY VALUE TO COMMON UNITS (h)	\$ 116,310					

- (a) Based on management projections.
- (b) Based on comparable companies' WACC.
- (c) Gas' current firm value of \$223.6 million/\$21.730 million normalized 1998 EBITDA = 10.3x, which represents a multiple of current year normalized EBITDA.



- (d) Discount factor calculated using half-year convention.
- (e) Terminal value calculated using EBITDA multiple.
- (f) Represents total projected debt less cash as of 9/30/98
- (g) Total units include common, subordinated and GP units.
- (h) Current market value of common units is 3,832 units \*\$21.375 unit price = \$81,909

DISCOUNTED CASH FLOW ANALYSIS  
 GAS - PRO FORMA PAINWEBBER MODEL (a)  
 (\$ in thousands)

INCOME STATEMENT SUMMARY (b):	1998	1999	2000	2001	2002	Terminal
EBITDA	56,234	75,405	80,900	86,317	91,668	
% increase		34.1%	7.3%	6.7%	6.2%	
Net income	(13,029)	210	(2,387)	(5,180)	(8,137)	
CASH FLOW SUMMARY:						
After-tax EBI		28,886	28,639	28,306	27,897	
Depreciation and amortization		45,995	51,736	57,486	63,245	
Maintenance capital expenditures		(6,826)	(6,956)	(7,089)	(7,224)	
Working capital increases (c)		(1,000)	(1,000)	(1,000)	(1,000)	
Net operating cash flow (free cash flow)		67,055	72,419	77,703	82,918	
WEIGHTED AVERAGE COST OF CAPITAL (d)	7.8%					
TERMINAL EBITDA MULTIPLE (e)	10.3x					
Discount factor (f)		0.9632	0.8936	0.8290	0.7690	0.7407
Terminal value (g)						\$944,180
PRESENT VALUE	\$956,846	\$64,586	\$64,710	\$64,413	\$63,767	\$699,370
Less net debt (h)	(\$296,133)					
NET PRESENT VALUE OF EQUITY	\$660,713					
Original common units/Total units (i)	26.6%					
EQUITY VALUE TO COMMON UNITS (J)	\$175,506					

- (a) Scenario assumes 4.1% steady attrition, \$0.005 margin improvement, and \$30 million in acquisitions at 4.75 multiple.
- (b) Based on management projections.
- (c) A.G. Edwards' assumption.
- (d) Based on comparable companies' WACC.
- (e) Gas' current firm value of \$223.6 million/\$21.730 million normalized 1998 EBITDA=10.3x, which represents a multiple of current year normalized EBITDA.
- (f) Discount factor calculated using half-year convention.
- (g) Terminal value calculated using EBITDA multiple.
- (h) Represents total proforma projected debt less cash and cash collateral as of 9/30/98.
- (i) Total units include common, newly issued common, senior subordinated, subordinated and GP units.
- (j) Current market value of common units is 3,832 units \*\$21.375 unit price = \$81,909

CAPITAL STRUCTURE ANALYSIS  
 GAS - PRO FORMA AS OF 9/30/98  
 (\$ in thousands)

Gas	Oil	Adjustments	Pro forma Gas
-----	-----	-------------	---------------

Debt:				
8.04% First Mortgage Notes	\$ 85,000	-	-	\$ 85,000
7.25% WC Revolver	7,457	-	-	7,457
7.25% Acquisition Facility	10,673	-	-	10,673
7.17% First Mortgage Notes	11,000	-	-	11,000
11.96% Senior Notes	-	\$ 60,000	(\$60,000)	-
14.10% Senior Notes	-	3,100	(3,100)	-
14.10% Subordinated Notes	-	3,100	(3,100)	-
10.13% Sub Notes & Sr Notes	-	50,000	(50,000)	-
9.38% Sub Notes & Sr Notes	-	75,000	(75,000)	-
12.25% Sub Notes & Sr Notes	-	81,250	(81,250)	-
8.00% Existing Acq Notes Payable	-	13,859	-	13,859
8.46% Exchange Debt	-	-	66,000	66,000
8.50% New Debt	-	-	125,000	125,000
	-----	-----	-----	-----
TOTAL DEBT:	\$114,130	\$286,309	(\$81,450)	\$318,989
WEIGHTED AVERAGE COST OF DEBT				8.2%
PREFERRED STOCK:				
14.33% Preferred Stock	\$ 0	\$ 4,167	(\$4,167)	\$ 0
12.88% Preferred Stock	-	30,000	(30,000)	-
	-----	-----	-----	-----
	-	\$ 34,167	(\$34,167)	-
COMMON EQUITY	\$ 67,041	(\$210,015)	\$115,204	(\$27,770)

SPECIAL COMMITTEE  
STAR GAS PARTNERS, L.P.  
REVISED PROPOSAL

DRAFT 5/26/98

After careful consideration of the Proposed Transaction and the views expressed by Petro and PaineWebber, the Special Committee and its advisors recommend that further refinement and evaluation of the Proposed Transaction is appropriate.

Subject to further diligence and assuming no material adverse changes in Star or Petro, or in market conditions, the Special Committee proposes that the transaction contain the following safeguards for the benefits of Star's common unitholders;

- (A) Star Partnership Agreement. Appropriate steps should be initiated  
-----  
to amend the Star Partnership Agreement as of the closing date (assumed to be September 30, 1998) in order to include as a minimum:
- (A-1) authorizing the creation of new classes of senior subordinated units and deferred partnership units, which shall be junior to all present and future common units;
  - (A-2) prohibiting the payment of any distributions to senior subordinated unitholders and to subordinated unitholders except from net distributable cash flow available from the preceding twelve months after first paying \$2.30 per unit to the common unitholders for such period plus any cumulative common unit arrearages from prior period(s); and
  - (A-3) providing a surplus available for common unit distributions equal to \$1.10 per new common unit, as part of the Refinancing Transaction (described below).
- (B) Definitive Transaction Agreement. A draft of the definitive  
-----  
transaction agreement should be prepared by Petro for the Special Committee's careful consideration (and for future submission to the Board of Directors and common unitholders of Star and to the Board of Directors and shareholders of Petro for approval) setting forth at least the following steps:
- (B-1) At closing of the Transaction, Star shall be obligated to deliver to Petro's common shareholders the following:
    - (a) 2,718,000 new senior subordinated units of Star;
    - (b) 524,000 subordinated units of Star; the balance must be delivered to Star free and clear for retirement;
    - (c) 289,000 GP units of Star; and
    - (d) 909,000 new deferred partnership units of Star, convertible into senior subordinated units at 33 1/3% per annum for each year in which Petro's after-tax income contributes accretion to every Star unit in excess of \$0.50.
  - (B-2) The Closing shall be contingent upon the successful completion of the following (collectively, the "Refinancing Transaction"):
    - (a) The issuance of no more than 6,588,000 new common units at a price per unit of at least \$21 with a gross spread of no greater than 5.0%, and
    - (b) The issuance of \$125,000,000 of a new debt with an interest rate no higher than 8.5% with a gross spread of no greater than 3.0%.

The use of proceeds of the Refinancing Transaction shall be solely to refinance certain of the outstanding indebtedness assumed from Petro.

- (B-3) Prior to the closing of the Transaction, Petro shall represent, warrant and agree that:
- (a) Prior to the Refinancing Transaction, Petro shall have a balance of debt and preferred stock (at redemption value), less any cash balance in excess of such amounts required in (B-3) (b) below, of no more than \$331,367,000.
  - (b) Petro shall have a minimum cash balance of \$500,000, a positive working capital balance, and a total stockholders' deficit on its balance sheet of no greater than \$210,000,000, all as of the Closing (assumed to be September 30, 1998).
  - (c) Petro shall set up appropriate reserves and fund all of the following transactions costs: the gross spread on the issuance of the new debt referred to in (B-2) (b); financial advisory fees and fairness opinions for Petro and Star; legal, accounting and printing fees for Petro and Star; all exchange and solicitation fees related to the retirement or redemption of Petro's debt and preferred stock; all appraisals and environmental reports; all rating agencies and bank fees; and all other out-of-pocket costs and expenses associated with the Transaction.
- (B-4) Prior to the Closing of the Transaction, Petro shall not declare or distribute any cash dividends to its common shareholders.

SPECIAL COMMITTEE  
STAR GAS PARTNERS, L.P.  
REVISED PROPOSAL

DRAFT 7/28/98

Subject to further due diligence, and assuming no material adverse changes in Star, Petro or market conditions, the Special Committee of Star proposes that an acquisition of Petro by Star contain the following:

- (A) Star Partnership Agreement. Appropriate steps should be initiated to  
-----  
amend the Star Partnership Agreements as of the closing date in order to include, as a minimum:
- (A-1) authorizing the creation of a new class of senior subordinated units, which shall be junior to all present and future common units;
  - (A-2) subordinating the GP units in terms of their distribution rights to equal those of the subordinated units, which in turn shall be junior to all present and future common and senior subordinated units;
  - (A-3) increasing the MQD and actual distribution to \$2.30 per unit on an annualized basis;
  - (A-4) prohibiting the payment of any distributions to senior subordinated, subordinated and GP units from anything but Adjusted Operating Surplus (i.e. what is "earned") over the latest twelve months after first paying the MQD per unit to the common unitholders for such period plus any cumulative common units arrearages from prior period(s); and
  - (A-5) an increase in the Operating Surplus basket equal to:

\$6.0 million		New common units
-----		
Common units		issued in the
Outstanding as of		Refinancing
7/27/98	x	Transaction
- (B) Definitive Transaction Agreement. A draft of the definitive  
-----  
transaction agreement should be prepared by Petro for the Special Committee's careful consideration (and for future submission to the Board of Directors and common unitholders of Star and to the Board of Directors and shareholders of Petro for approval) setting forth at least the following steps:
- (B-1) At closing of the transaction, Star shall be obligated to deliver to Petro's common shareholders the following:
    - (a) 2,809,000 new senior subordinated units of Star;
    - (b) 537,000 subordinated units of Star; the balance must be delivered to Star free and clear for retirement;
    - (c) GP units of Star equaling no greater than 2% of the total units outstanding at closing, and
    - (d) special distribution rights limited to an aggregate of 909,000 senior subordinated units. A special distribution of 303,000 senior subordinated units will be granted to the senior subordinated, subordinated and GP unitholders each time Petro Accretion (to be subsequently defined) exceeds \$0.50 per unit for the latest twelve months. The first test will be twelve months after the closing, and such tests will not be more often than once every twelve months. If the tests are not met within four years after the closing, then

the right to earn the special distribution will lapse.

- (B-2) The closing shall be contingent upon the successful completion of the following (collectively, the "Refinancing Transaction"):
- (a) the issuance of no more than an aggregate of \$140 million of new common and/or subordinated units, excluding any over-allotment option of no greater than 15% associated with a common unit offering, with a gross spread of no greater than 5.0%; and
  - (b) the issuance of no more than \$120 million of new debt with a gross spread of no greater than 3.0%.

The use of proceeds of the Refinancing Transaction shall be solely to refinance certain of the outstanding indebtedness assumed from Petro.

Further, the cost of capital from the equity and debt raised in the Refinancing Transaction may not exceed \$27.5 million on an annual basis. "The cost of capital from the equity and debt raised in the Refinancing Transaction on an annual basis" shall be calculated as follows: (A) the number of new units issued in (B-2) (a) multiplied by \$2.30 per unit, plus (B) the amount of new debt issued in (B-2) (b) multiplied by the offering yield of such new debt.

- (B-3) Prior to the closing of the transaction, Petro shall represent, warrant and agree that:
- (a) Prior to the Refinancing Transaction, the sum of the pro forma principal amount of Petro debt which is restructured plus the redemption/repurchase price of all debt and preferred stock redeemed in the transaction (including the value of Petro stock issued in connection with the redemption option), less any cash balance in excess of such amounts required in (B-3) (b) below, shall be no greater than \$331,367,000.
  - (b) Petro shall have a minimum cash balance of \$500,000, a positive working capital balance, and a total stockholders' deficit on its balance sheet on closing if no greater than Maximum Stockholders' Deficit (to be subsequently defined based on updated projections and anticipated closing dates).
  - (c) Petro shall set up appropriate reserves and fund all of the following transactions costs: the gross spread on the issuance of the new debt referred to in (B-2) (b); financial advisory fees and fairness opinions for Petro and Star; legal, accounting and printing fees for Petro and Star; all exchange and solicitation fees related to the retirement or redemption of Petro's debt and preferred stock; all appraisals and environmental reports; all rating agencies and bank fees; and all other out-of-pocket costs and expenses associated with the transaction.
- (B-4) Prior to the closing of the transaction, Petro shall not declare or distribute any cash dividends to its common shareholders.

FAIRNESS OPINION PRESENTATION TO THE  
SPECIAL COMMITTEE OF THE BOARD OF DIRECTORS OF  
STAR GAS CORPORATION

Confidential

A.G.EDWARDS & SONS, INC.  
INVESTMENT BANKING

October 16, 1998

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Introduction

TRANSACTION PROPOSAL    [\_]    During 1997, Star Gas Partners Corporation (the "General Partner") and Petroleum Heat and Power Co., Inc. ("Petro") discussed the idea of a possible acquisition of Petro by Star Gas Partners, L.P. ("Star Gas" or the "Partnership"). The overall transaction (the "Transaction") consists of the following four principal parts:

- The acquisition of Petro by the Partnership;
- Public offerings of debt and equity by the Partnership and the redemption of certain debt and preferred stock of Petro (the "Financings");
- The withdrawal of Star Gas Corporation as the general partner of the Partnership and Star Gas Propane, L.P. (the "Operating Partnership"), and the election of Star Gas LLC as the new general partner; and
- Amending the Agreement of Limited Partnership of the Partnership and the Operating Partnership in order to consummate the Transaction.

A.G.EDWARDS'  
ENGAGEMENT

[\_]    By letter engagement, dated March 23, 1998, A.G. Edwards & Sons, Inc. ("A.G. Edwards") was engaged by the Special Committee (the "Special Committee") of

the Board of Directors of the General Partner (the "Board") to act as its financial advisor with respect to the Transaction and to issue to the Special Committee an opinion as to the fairness, from a financial point of view, to the public common unitholders of Star (the "Public Common Unitholders"), of the Transaction (the "Fairness Opinion").

[\_] The preparation of a fairness opinion is not susceptible to partial analyses or summary. In rendering its Fairness Opinion, A.G. Edwards applied its judgment to a variety of complex analyses and assumptions. A.G. Edwards may have given various analyses more or less weight than other analyses, and may have deemed various assumptions more or less probable than other assumptions. The assumptions made and the judgments applied by A.G. Edwards in rendering its opinion are not readily susceptible to description beyond that set forth in the written text of the Fairness Opinion itself.

INTRODUCTION  
(continued)

AS PART OF ITS ENGAGEMENT,  
A.G. EDWARDS' ACTIVITIES  
INCLUDED, BUT WERE NOT  
LIMITED TO, THE FOLLOWING:

- [\_] A review of the Form S-4 Registration Statement and exhibits thereto, including the Agreement and Plan of Merger, the Exchange Agreement, the Amended and Restated Agreement of Limited Partnership and the Conveyance and Contribution Agreements.
- [\_] A review of certain publicly-available Partnership and Petro historical audited financial statements and certain unaudited interim financial statements;
- [\_] A review of certain financial analyses and forecasts of the Partnership prepared by and reviewed with management of the General Partner and the views of management of the General Partner regarding the Partnership's past and current business operations, results thereof, financial condition and future prospects, including the impact of the Transaction, as well as information relating to the retail propane distribution industry and the potential strategic, financial and operational benefits and challenges anticipated from the Transaction;
- [\_] A review of certain financial analyses and forecasts of Petro prepared by and reviewed with management of Petro and the views of management of Petro regarding Petro's past and current business operations, results thereof, financial condition and future prospects, including the impact of the Transaction, as well as information relating to the retail home heating oil distribution industry and the potential strategic, financial and operational benefits and challenges anticipated from the Transaction;
- [\_] A review of the pro forma impact of the Transaction on the Partnership and Petro;
- [\_] A review of the publicly reported historical price and trading activity for the Partnership's Common Units and Petro's Class A Common Stock, including a comparison of certain financial and stock market information for the Partnership with similar



publicly available information for certain other companies, the securities of which are publicly traded;

INTRODUCTION  
(continued)

- [\_] A review of the current market environment generally, and the retail propane distribution environment and the retail home heating oil distribution environment in particular;
- [\_] A review of information relating to the financial terms of certain transactions, including selected mergers and acquisition transactions;
- [\_] Conversations with PaineWebber regarding the nature and extent of development of the terms of the Transaction; and
- [\_] A review of such other information, financial studies, analyses and investigations, and financial, economic and market criteria that A.G. Edwards considered relevant.

NATURE OF INFORMATION  
REVIEWED AND PRESENTED

- [\_] In rendering its Fairness Opinion, A.G. Edwards has relied upon and assumed, without independent verification, the completion of the Financings and the Transaction in accordance with the Agreement and Plan of Merger, and the accuracy and completeness of all financial and other information, publicly available, furnished to, or otherwise discussed with A.G. Edwards for the purposes of the Fairness Opinion. With respect to financial projections and other information provided to or otherwise discussed with A.G. Edwards, A.G. Edwards assumed and was advised by the management of the General Partner and Petro, respectively, that such projections and other information were reasonably prepared on a basis that reflects the best currently available estimates and judgments of the management of the General Partner and Petro, respectively. A.G. Edwards did, however, review numerous sets of projections for Petro and analyzed what it believed were certain of the major assumptions embedded within Petro's projections. A.G. Edwards used two sets of projections for Petro to perform its analyses. A.G. Edwards used a set of projections based on 30-year weather and a set of projections based on 15-year weather. The Special Committee did not, however, engage A.G. Edwards to, and therefore A.G. Edwards did not, verify the accuracy or completeness of any such information. A.G. Edwards has relied upon the assurances of the management of the General Partner and Petro that the respective managements are not aware of any facts that would make such information inaccurate or misleading.

INTRODUCTION  
(continued)

- [ ] In performing its analyses, A.G. Edwards made numerous assumptions with respect to the retail propane distribution industry and the retail home heating oil distribution industry, and general business and economic conditions

which are beyond the control of the Partnership and Petro. The analyses performed by A.G. Edwards are not necessarily indicative of actual values or actual future results, which may be significantly more or less favorable than suggested by such analyses. Such analyses were prepared solely as part of A.G. Edwards' analysis of the fairness, from a financial point of view, to the Public Common Unitholders of the Transaction.

- [ ] This presentation is for the private use of the Special Committee and may not be distributed to any other parties without A.G. Edwards' written permission. THE ANALYSES PRESENTED HEREIN RELATE TO THE FAIRNESS OPINION TO BE ISSUED BY A.G. EDWARDS, BUT DO NOT COMPRISE THE FAIRNESS OPINION.
- [ ] A.G. Edwards' Fairness Opinion, in any event, is limited to the fairness, from a financial point of view, to the Public Common Unitholders of the Transaction. The Fairness Opinion does not constitute a recommendation to any Public Common Unitholders as to how to vote with respect to the Transaction. The Fairness Opinion does not represent tax or legal advice. The summary description of the analysis described herein, is qualified in its entirety by reference to the full text of the Fairness Opinion.
- [ ] The Fairness Opinion is necessarily based upon financial and other conditions and circumstances existing and disclosed to it as of October 16, 1998. A.G. Edwards has been requested to update its Fairness Opinion to a date prior to the mailing of the Form S-4 Registration Statements by Petro and the Partnership. No assurance can be given that future market conditions will permit A.G. Edwards to deliver an updated Fairness Opinion.

ASSUMPTIONS [ ] In rendering its Fairness Opinion, A.G. Edwards has assumed that the Transaction will be consummated on the terms contained in the Form S-4 Registration Statement and exhibits thereto, including the Agreement and Plan of Merger, the Exchange Agreement, the Amended and Restated Agreement of Limited Partnership and the Conveyance and Contribution Agreements, without any waiver of any material terms or conditions by the Partnership or Petro. The assumption that the Financings are consummated in accordance with the closing conditions of the Agreement and Plan of Merger is a material assumption.

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#### Review of Events to Date

- FEBRUARY 11 [ ] A.G. Edwards presented its qualifications to the Special Committee and its legal counsel, Baker & Botts.
- MARCH 23 [ ] Special Committee engaged A.G. Edwards.
- MARCH 23 [ ] A.G. Edwards met with members of the Partnership's management and Petro's management and submitted a preliminary data request list.
- [ ] A.G. Edwards began due diligence review with management and other representatives of the Partnership and of Petro.
- MARCH 30 [ ] A.G. Edwards received data related to its preliminary data request list.
- APRIL 28 [ ] Special Committee and A.G. Edwards met to discuss the Transaction.
- MAY 4 [ ] A.G. Edwards submitted a preliminary status report (the "Preliminary Status Report") to the Special Committee.

MAY 7 [ ] Special Committee and A.G. Edwards met with Petro's management and PaineWebber to discuss the Transaction and the Preliminary Status Report.

MAY 8 [ ] A.G. Edwards continued onsite diligence at Petro.

MAY 19 [ ] A.G. Edwards met with PaineWebber and Petro's management to discuss the Transaction.

MAY 20 [ ] Special Committee, Baker & Botts and A.G. Edwards met telephonically to discuss the Transaction.

MAY 26 [ ] A.G. Edwards, submitted a revised proposal (the "Preliminary Draft Proposal") to the Special Committee, which was subsequently forwarded to Petro at the Committee's request.

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REVIEW OF EVENTS TO DATE  
(continued)

JULY 28 [ ] A.G. Edwards submitted another revised proposal (the "Revised Proposal") on the behalf of the Special Committee to the Board, the Petro Board and PaineWebber.

AUGUST 11 [ ] The Special Committee approved the Revised Proposal.

AUGUST 13 [ ] The Petro Board approved the Revised Proposal.

AUGUST 14 [ ] The Partnership and Petro announced the agreement in principle.

AUGUST AND SEPTEMBER [ ] The Special Committee, with assistance from Baker & Botts and A.G. Edwards, negotiated the terms of a definitive Agreement and Plan of Merger and Exchange Agreement with Petro, Andrews & Kurth and PaineWebber.

OCTOBER 16 [ ] Special Committee meeting to review documents and consider and act upon the legal agreements necessary to implement the Transaction.

- The Committee had the opportunity to review, with Baker & Botts and A.G. Edwards, the following:

- [ ] Draft dated October 13, 1998 of the Form S-4 Registration Statement
- [ ] Draft dated October 8, 1998 of the Agreement and Plan of Merger
- [ ] Draft dated October 6, 1998 of the Amended and Restated Agreement of Limited Partnership
- [ ] Draft dated October 7, 1998 of the Exchange Agreement
- [ ] Draft dated October 9, 1998 of the Conveyance and Contribution Agreements

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SUMMARY OF THE TRANSACTION  
PRO FORMA STAR GAS UNITS OUTSTANDING  
(in thousands)

[ ] There are currently 6,383 Star Gas units outstanding comprised of 3,859 common units, 2,396 subordinated units and 128 implied general partner ("GP") units. The subordinated units and GP units are currently assets of Petro.

- [ ] There are currently 26,574 shares of Petro common stock outstanding held by public shareholders and "affiliates." The public holds 14,327 Class A shares, 11 Class B shares and 282 Class C shares. The "affiliates" hold 11,953 shares which include 9,638 Class A shares and 2,315 Class C shares.
  
- [ ] Each shareholder of Petro will receive a certain number of units in Star Gas such that the implied consideration paid for each Petro share averages \$2.43 based on A.G. Edwards' estimates of the value of the units being offered to Petro as consideration.
  
- [ ] All of the publicly held 14,327 Class A shares and 282 Class C shares, and a portion of the "affiliate" held Class A shares (5,243) and Class C shares (1,328) will receive .13064 units of newly created senior subordinated units for each share (1,908 units to the public and 859 units to the "affiliates", 2,767 units in total) with an attached Contingent Unit ("CU"). See the following page for a discussion of the Contingent Units. A.G. Edwards estimates an implied value for these units of \$18.52/unit. The remaining "affiliates" of Petro not receiving senior subordinated units, who hold a total of 5,382 shares, will receive .15920 units for a total of 857 junior subordinated and GP units, both of which will also include attached CUs. A.G. Edwards estimates an implied value for these units of \$15.41/unit.
  
- [ ] The 2,396 subordinated units and 128 GP units currently owned by Petro will effectively be retired in the Transaction.

SUMMARY OF THE TRANSACTION  
 PRO FORMA STAR GAS UNITS OUTSTANDING  
 (in thousands)  
 (continued)  
 DESCRIPTION OF CONTINGENT UNITS

- [ ] During the five year period, beginning with the first full four quarters following the Merger, the senior subordinated units, junior subordinated units and general partner interests will have the right to receive up to 909,000 senior subordinated units upon Petro meeting a "Contingent Unit Test." Each time the Contingent Unit Test is met, (but not more frequently than once every four quarter period), the senior subordinated units, junior subordinated units and general partner interests will receive an aggregate of 303,000 senior subordinated units, subject to a maximum of 909,000 senior subordinated units. The Contingent Unit Test will be met during any four quarter period when distributable cash flow per unit attributable to Petro exceeds \$2.90 which is 32% higher than the current annualized MQD of \$2.20 and 26% higher than the proposed MQD of \$2.30.

SUMMARY OF THE TRANSACTION  
 ALLOCATION OF CURRENT PETRO SHARES OUTSTANDING  
 (IN THOUSANDS)

	Class A	Class B	Total
Groups Receiving Senior Sub			
Public	14,327	282	14,609
Affiliates	5,243	1,328	6,572
Total Receiving Senior Sub	19,570	1,610	21,181

Groups Receiving Junior Sub and GP

-----			
Affiliates	4,395	987	5,382
	-----	-----	-----
Sub Total	23,965	2,598	26,562
	=====	=====	
Class B			11
			-----
Total Shares including Class B			26,574
			=====

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SUMMARY OF THE TRANSACTION  
 PRO FORMA STAR GAS UNITS OUTSTANDING  
 PRE-FINANCING ASSUMPTIONS  
 (IN THOUSANDS)

Type of Units	Current	Issued to Petro			Pro Forma
		Public	Affiliates	Retired	
-----					
Common	3,859	-	-	-	3,859
Senior Subordinated	-	1,908	859	-	2,767
Subordinated	2,396	-	-	(2,396)	-
Junior Subordinated & New General Partner	-	-	857	-	857
Old General Partner	128	-	-	(128)	-
	-----				-----
	6,383				7,482

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SUMMARY OF THE TRANSACTION  
 EQUITY PURCHASE PRICE CALCULATION  
 Implied Equity Value of Petro's Assets  
 (units in thousands, \$ in thousands, except per unit amounts)

Event	Value of Securities	
	Issued to and Retired from Petro	
-----		
Issuance of Senior Subordinated Units to Public Petro Shareholders	1,908	x \$18.52
	-----	-----
		\$35,337

Issuance of Senior Subordinated Units to Affiliate Petro Shareholders	859	x	\$18.52
	-----		
			\$15,900
Issuance of Junior Subordinated & General Partner Units to Affiliate Petro Shareholders	857	x	\$15.41
	-----		
			\$13,203
	-----		
PURCHASE PRICE OF PETRO'S EQUITY			\$64,439
	-----		
Divided by 26,562 shares of Petro's Common stock = (Excludes 11 Class B Shares)			\$2.43 per share
	-----		
Retire Subordinated Units held by Petro	(2,396)	x	\$15.41
	-----		
			(\$36,924)
Retire Old General Partner Units held by Petro	(128)	x	\$15.41
	-----		
			(\$1,967)
	-----		
EQUITY VALUE OF PETRO'S HEATING OIL ASSETS			\$25,549

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#### SUMMARY OBSERVATIONS AND CONCLUSIONS

- POTENTIAL STRUCTURAL AND QUALITATIVE ADVANTAGES AND DISADVANTAGES TO THE PUBLIC COMMON UNITHOLDERS.
- [\_] Advantages to Public Common Unitholders
- Increase in cash available for distribution
  - Increase in the MQD to \$2.30
  - Priority in payment of MQD and arrearages over Senior Subordinated, Junior Subordinated and G.P. unitholders during subordination period
  - Distributions on Senior Subordinated, Junior Subordinated and General Partner units limited to amount of distributable cash generated during subordination period
  - Distributions on Senior Subordinated, Junior Subordinated and General Partner Units and conversion of Special Incentive Rights based on actual results versus adjusted for normal weather
  - Earliest date on which the subordination period would end extended to July 2002
  - Acquisition growth opportunities in retail home heating oil distribution industry at historically lower multiples than retail propane distribution industry
  - Increase in market capitalization with potential for more liquidity
  - Diversifies geographic customer base
- [\_] Disadvantages to Public Common Unitholders
- Petro is several times the Partnership's size, thus changing the nature of the Partnership's business
  - Petro's history of operational and financial difficulties
  - Increases seasonality and weather risk
  - Taxable income will increase at a greater rate
  - No assurance that Petro can continue improvements (reduce attrition and improve profit margins) while making attractive acquisitions

- Potential dilution in the event that the Partnership pro forma for the Transaction fails to meet its projections

SUMMARY OF OBSERVATIONS AND CONCLUSIONS  
(continued)

IMPLIED UNIT  
VALUE ANALYSIS

[\_] A.G. Edwards calculated a range of values for the Senior Subordinated, Junior Subordinated and General Partner units, based on a required rate of return, trading yield, and discount to the common units. (See Appendix D - "Implied Unit Value Analysis")

-----  
Estimated Unit Prices Summary

Senior Subordinated Units  
-----

		Range
Required rate of return (a)	20.0% - 30.0%	\$17.90 - 22.28
Trading yield (b)	11.5% - 13.5%	\$17.04 - 20.00
Discount to common units (c)	10.0% - 20.0%	\$16.21 - 18.23
	Range	\$16.21 - 22.28
	Adjusted Range (d)	\$17.04 - 20.00
	Assumed value (e)	\$18.52

Junior Subordinated and GP Units  
-----

		Range
Required rate of return (a)	35.0% - 45.0%	\$14.52 - 16.84
Trading yield (b)	14.0% - 16.0%	\$14.38 - 16.43
Discount to common units (c)	25.0% - 35.0%	\$13.17 - 15.19
	Range	\$13.17 - 16.84
	Adjusted Range (d)	\$14.38 - 16.43
	Assumed value (f)	\$15.41

- (a) Represents required rate of return during subordination period, which is assumed for the minimum three years. Thereafter, the rate of return is assumed to equal that of the common units, for a blended required rate of return of 12.4% to 15.3% for the Senior sub and 16.25% to 18.7% for the Junior sub and GP units.
- (b) Based on a \$2.30 annualized MQD.
- (c) Based on a discount to the common unit's average closing price for the last 20 trading days ended 10/14/98 of \$20.26.
- (d) Represents the middle value of both the range of highs and lows.
- (e) Implied required rate of return, trading yield and discount to common at a unit price of \$18.52 are 28.1% during subordination (14.7% blended), 12.4%, and 8.6%, respectively.
- (f) Implied required rate of return, trading yield and discount to common at a unit price of \$15.41 are 39.4% during subordination (17.6% blended), 14.9%, and 23.9%, respectively.

SUMMARY OBSERVATIONS AND CONCLUSIONS  
(continued)

PRO FORMA MERGER  
ANALYSIS

[\_] A.G. Edwards analyzed the impact of the Transaction on the Partnership's distributable cash flow per unit, the related accretion, common unit coverage and total unit coverage on a pro forma basis. (See Appendix E - "Pro Forma Merger Analysis")

	15-Year Weather		30-Year Weather	
	Star Gas Stand-alone	Pro Forma	Star Gas Stand-alone	Pro Forma
DCF per unit				
1998 Adjusted for Actual	\$ 1.27	\$ 1.53	\$ 1.27	\$ 1.53
1998 Normalized (a)	1.62	2.15	1.84	2.40
1999 Projected	1.77	2.31	2.02	2.60
Accretion / Dilution				
1998 Adjusted for Actual		\$ 0.26		\$ 0.26
1998 Normalized (a)		0.53		0.56
1999 Projected		0.54		0.58
Common unit coverage				
1998 Adjusted for Actual	0.96x	0.89x	0.96x	0.89x
1998 Normalized (a)	1.22	1.25	1.38	1.39
1999 Projected	1.30	1.33	1.51	1.51
Total unit coverage				
1998 Adjusted for Actual	0.58x	0.66x	0.58x	0.66x
1998 Normalized (a)	0.74	0.94	0.84	1.05
1999 Projected	0.81	1.00	0.92	1.13

(a) Adjusted to represent normal weather.

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SUMMARY OF OBSERVATIONS AND CONCLUSIONS  
(continued)

MERGER PREMIUMS TO  
MARKET VALUE ANALYSIS

[\_] A.G. Edwards analyzed the premium of the consideration to be received by Petro Common Stockholders and compared the premium to Petro's current and historical prices. These premiums were compared to premiums paid in acquisitions of majority or remaining interests announced and completed between January 1, 1996 and October 7, 1998 where the target's share price one week prior to the announcement date was either (i) equal to or less than \$5, (ii) greater than \$5 and less than \$10, or (iii) equal to or greater than \$10. (See Appendix F - "Merger Premiums to Market Value Analysis")

[\_] Premiums were calculated one day, one week, four weeks, three months and one year prior to the announcement of the agreement in principle for each merger.

COMPARISON OF PREMIUMS PAID

Premium to stock price prior to announcement on August 14th:	Petro at \$2.43 per Unit Offer Price	Mean of Transactions Equal to or Less Than \$5	Mean of Transactions Greater Than \$5 and Less Than \$10
One Day prior:	29.6%	39.7%	34.3%
One week prior:	38.9%	48.8%	42.3%
Four weeks prior:	17.8%	55.4%	48.5%
Three months prior:	52.5%	67.1%	58.0%
One year prior:	-19.0%	53.8%	45.8%



Maximum	52.5%	67.1%	58.0%
Minimum	-19.0%	39.7%	34.3%

-----  
 COMPARISON OF PREMIUMS PAID  
 -----

Premium to stock price prior to announcement on August 14th:	Mean of Transactions	
	Equal to or Greater Than \$10	
One Day prior:	28.1%	
One week prior:	32.7%	
Four weeks prior:	39.6%	
Three months prior:	77.9%	
One year prior:	53.2%	
	-----	
Maximum	77.9%	
Minimum	28.1%	

- [\_] A.G. Edwards observed that the means of transactions equal to or less than \$5 were higher than the Petro premiums and higher than a majority of the means of other transactions.
- [\_] The premium to Petro's current stock price (\$1.031 as October 14, 1998) was 135.6%.

SUMMARY OF OBSERVATIONS AND CONCLUSIONS  
 (continued)

RELATIVE CONTRIBUTION  
 ANALYSIS

- [\_] A.G. Edwards analyzed the relative pro forma contribution of both Star Gas and Petro to the ownership of capital in the pro forma entity based on Star Gas' and Petro's historical results from operations and their respective projections. (See Appendix G - "Relative Contribution Analysis")
- [\_] During 1996 -1997, Star Gas would have contributed approximately 26.7% and 35.4% to the combined entity's gross profit and EBITDA, respectively.
- [\_] On a pro forma basis during 1998-1999, using 30-year weather, Star Gas is projected to contribute approximately 28.8% and 32.8% to the combined entity's gross profit and EBITDA, respectively (or 29.0% and 32.4%, respectively, assuming 15-year weather).
- [\_] For its gross profit and EBITDA contributions, Star Gas is expected to receive approximately 37.1% of the pro forma implied firm value.

IMPLIED FIRM VALUE

[GRAPH APPEARS HERE]

-----  
 [ ] Petro            [ ] Star Gas  
 -----

DISCOUNTED CASH FLOW  
ANALYSIS

[\_] A.G. Edwards performed discounted cash flow analyses for Petro, Star Gas and Star Gas Pro Forma using projected tax-adjusted operating cash flows for 1999 through 2002, terminal values calculated on 2002 EBITDA, and discount rates based on the related weighted average cost of capital. (See Appendix H -"Discounted Cash Flow Analysis")

PETRO STAND ALONE					
15 YEAR	TERMINAL VALUE EBITDA MULTIPLE				
	6.0x	6.5x	7.0x	7.5x	8.0x
13.4%	\$49,406	\$65,422	\$81,439	\$97,455	\$113,472
WACC 13.6%	47,103	62,984	78,865	94,746	110,628
13.9%	44,822	60,570	76,317	92,064	107,812
30 YEAR					
30 YEAR	TERMINAL VALUE EBITDA MULTIPLE				
	6.0x	6.5x	7.0x	7.5x	8.0x
13.4%	\$64,921	\$81,662	\$98,403	\$115,143	\$131,884
WACC 13.6%	62,511	79,110	95,709	112,308	128,908
13.9%	60,124	76,583	93,042	109,502	125,961

[\_] A.G. Edwards noted that the Petro Stand Alone discounted cash flow values were greater than the implied equity value being paid for Petro's heating oil assets of \$25.5 million, as calculated on page C-5 of Appendix I.

SUMMARY OF OBSERVATIONS AND CONCLUSIONS  
(continued)

DISCOUNTED CASH FLOW  
ANALYSIS (continued)

STAR GAS STAND ALONE					
15 YEAR	TERMINAL VALUE EBITDA MULTIPLE				
	9.0x	9.5x	10.0x	10.5x	11.0x
6.8%	\$92,914	\$99,255	\$105,597	\$111,939	\$118,281
WACC 7.0%	91,847	98,141	104,436	110,730	117,024
7.2%	90,790	97,037	103,284	109,532	115,779
30 YEAR					
30 YEAR	TERMINAL VALUE EBITDA MULTIPLE				
	9.0x	9.5x	10.0x	10.5x	11.0x
6.8%	\$103,675	\$110,428	\$117,181	\$123,935	\$130,688
WACC 7.0%	102,537	109,240	115,942	122,645	129,347
7.2%	101,410	108,062	114,714	121,367	128,019

15 YEAR	TERMINAL VALUE EBITDA MULTIPLE				
	9.0x	9.5x	10.0x	10.5x	11.0x
7.3%	\$128,663	\$136,782	\$144,902	\$153,021	\$161,141
WACC 7.5%	127,328	135,389	143,449	151,510	159,570
7.7%	126,006	134,008	142,010	150,012	158,014

  

30 YEAR	TERMINAL VALUE EBITDA MULTIPLE				
	9.0x	9.5x	10.0x	10.5x	11.0x
7.3%	\$139,743	\$148,282	\$156,820	\$165,358	\$173,896
WACC 7.5%	138,338	146,815	155,291	163,767	172,243
7.7%	136,946	145,360	153,775	162,190	170,605

[\_] A.G. Edwards noted that the Star Gas Pro Forma discounted cash flow values were greater than (1) the Star Gas Stand Alone discounted cash flow values and (2) the current equity market value of Star Gas of \$124.9 million as of October 14, 1998.

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SUMMARY OF OBSERVATIONS AND CONCLUSIONS  
(continued)

COMPARABLE  
TRANSACTIONS ANALYSIS

- [\_] A.G. Edwards noted that public disclosure regarding transactions in the retail home heating oil distribution industry was extremely limited.
- [\_] A.G. Edwards analyzed the financial terms related to divestitures by Petro of certain of its retail home heating oil branches and compared them to the implied multiples of the aggregate purchase price of Petro's heating oil assets.
- [\_] Petro has sold three branches for an average EBITDA multiple of 9.0x.
- [\_] A.G. Edwards calculated the purchase price of Petro's heating oil assets and calculated multiples based on Petro's EBITDAs. (See Appendix I - "Comparable Transaction Analysis")

Purchase Price of Heating Oil Assets

Equity purchase price of heating oil assets including SIRs	\$ 25,549
Cost of debt to be Redeemed (\$206,250 + \$2,844 premium)	209,094
Cost of Debt to be Assumed	69,646
Cost of Preferred stock at Redemption Value	31,767
Consent Fees	2,110
Transaction Fees	19,343
Aggregate purchase price of heating oil assets	\$357,509

Multiples

	15 - Year		30 - Year		Notes
1997 Normalized EBITDA (a)	-	-	43,040	8.3x	As a multiple of aggregate transaction value.
Normalized 1998 EBITDA budget (a)	44,749	8.0x	46,900	7.6x	As a multiple of aggregate transaction value.
1999 Projected EBITDA (a)	46,463	7.7x	48,706	7.3x	As a multiple of aggregate transaction value.

(a) Calculated as gross profit minus SG&A expense and direct delivery expense.

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SUMMARY OF OBSERVATIONS AND CONCLUSIONS  
(continued)

PUBLIC COMPANY  
ANALYSIS

[\_] A.G. Edwards compared certain financial and market information of Star Gas on a historical and pro forma basis to that of certain public propane master limited partnerships which A.G. Edwards deemed relevant for the purposes of this analysis. A.G. Edwards reviewed the trading multiples of a total of six master limited partnerships. (See Appendix J - "Public Company Analysis")

[\_] The selected propane master limited partnerships are as follows:

- AmeriGas Partners, L.P.
- Cornerstone Propane Partners, L.P.
- Ferrellgas Partners, L.P.
- Heritage Propane Partners, L.P.
- National Propane Partners, L.P.
- Suburban Propane Partners, L.P.

[\_] No partnership used in the analysis is identical to Star Gas.

PUBLIC COMPARABLE COMPANIES (a)

	Star		Pro Forma Star		Public Company	Public Company
	15-Year	30-Year	15-Year	30-Year	Medians	Ranges
Yield	11.2%	11.2%	11.8%	11.8%	10.1%	9.1% to 23.3%
Firm value/LTM EBITDA (b)	12.5x	12.5x	10.0x	10.0x	11.6x	9.0x to 12.7x
Firm value/1999E EBITDA	10.2x	9.6x	8.1x	7.7x	9.2x	8.4x to 11.1x
Equity Market Cap/LTM DCF (c)	15.4x	15.4x	12.5x	12.5x	13.4x	8.1x to 15.3x
Equity Market Cap/1999E DCF	10.6x	9.6x	8.1x	7.4x	9.8x	4.9x to 12.2x

(a) Public comparable companies include: APU, CNO, FGP, HPG, NPL and SPH.

(b) Firm value/adjusted for actual 1998 budget EBITDA for Star and Pro Forma Star.

(c) Equity market cap/adjusted for actual 1998 budget EBITDA for Star and Pro Forma Star.

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of customer lists	23,183	4.3%	19,748	3.6%	20,527	3.4%	18,611	3.1%	17,903	3.3%
Depreciation of plant and equipment	5,933	1.1%	6,469	1.2%	12,374	2.0%	6,574	1.1%	7,204	1.3%
Amortization of deferred charges	5,548	1.0%	6,177	1.1%	6,142	1.0%	4,760	0.8%	4,639	0.8%
Provision for supplemental benefits	264	0.0%	373	0.1%	1,407	0.2%	873	0.1%	565	0.1%
Operating income (loss)	13,509	2.5%	22,619	4.1%	16,303	2.7%	6,886	1.1%	(1,941)	-0.4%
Interest expense, net	(20,508)	-3.8%	(23,766)	-4.3%	(38,792)	-6.4%	(32,412)	-5.3%	(31,668)	-5.8%
Other income (expense)	(165)	0.0%	109	0.0%	218	0.0%	1,842	0.3%	11,445	2.1%
Loss before income taxes, equity interest and extraordinary item	(7,164)	-1.3%	(1,038)	-0.2%	(22,271)	-3.7%	(23,684)	-3.9%	(22,164)	-4.0%
Income taxes	400	0.1%	600	0.1%	500	0.1%	500	0.1%	500	0.1%
Loss before equity interest and extraordinary item	(7,564)	-1.4%	(1,638)	-0.3%	(22,771)	-3.7%	(24,184)	-4.0%	(22,664)	-4.1%
Share of income (loss) of Gas	-	0.0%	(1,973)	-0.4%	728	0.1%	2,283	0.4%	235	0.0%
Extraordinary item-loss on early extinguishment of debt	(867)	-0.2%	(655)	-0.1%	(1,436)	-0.2%	(6,414)	-1.1%	-	-
Net loss	(8,431)	-1.6%	(4,266)	-0.8%	(23,479)	-3.9%	(28,315)	-4.7%	(22,899)	-4.2%
Preferred stock dividends	(3,367)	-0.6%	(3,510)	-0.6%	(3,263)	-0.5%	(2,389)	-0.4%	(4,644)	-0.8%
Net loss to common	(\$11,798)	-2.2%	(\$7,776)	-1.4%	(\$26,742)	-4.4%	(\$30,704)	-5.0%	(\$27,543)	-5.0%
Net loss per share	(\$0.55)		(\$0.36)		(\$1.06)		(\$1.20)		(\$1.06)	
Weighted average shares outstanding (b)	21,538		21,745		25,309		25,581		26,039	
EBITDA (c)	\$48,437	9.0%	\$55,387	10.1%	\$56,753	9.3%	\$42,070	6.9%	\$36,010	6.6%
Adjusted net loss to common	(10,931)	-2.0% (d)	(7,121)	-1.3% (e)	(25,306)	-4.2% (f)	(22,583)	-3.7% (g)	(35,439)	-6.5% (h)
Adjusted net loss per share	(\$0.51)		(\$0.33)		(\$1.00)		(\$0.88)		(\$1.36)	
Acquisition capital expenditures	\$15,399		\$26,411		\$26,438		\$28,493		\$16,252	
Maintenance capital expenditures (i)	3,000		3,000		3,000		3,000		3,000	
EBITDA/total assets	18.9%		13.9%		15.9%		15.3%		14.5%	
Distributable cash flow	24,528		28,020		14,461		6,158		842	

- (a) Star Gas operations consolidated into Petro.  
(b) Weighted shares do not include Class B shares.  
(c) Calculated as gross profit minus SG&A expense and direct delivery expense.  
(d) Excludes \$867 for early extinguishment of debt.  
(e) Excludes \$655 for early extinguishment of debt.  
(f) Excludes \$1,436 for early extinguishment of debt.  
(g) Excludes \$6,414 for early extinguishment of debt.  
(h) Excludes \$11,400 gain on sale of TLC.  
(i) Management's estimates.

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OVERVIEW OF PETRO  
EBITDA RECONCILIATION: 1997(a)  
(\$ IN THOUSANDS)

PETRO  
-----

1997 Actual EBITDA

\$36,010

NORMALIZING ADJUSTMENTS:

Weather was 3.8% warmer than 30-year normal

3.8% of 1997 budgeted retail gallons	13,482 gallons	
Gross profit margin	\$0.4545	
Delivery and garage cost savings	(\$0.0814)	-----
Net impact per gallon	\$0.3731	
\$ impact		5,030
Insurance reserve		2,000
		-----
1997 Normalized EBITDA		\$43,040
		=====

(a) Management's assumptions.

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OVERVIEW OF PETRO  
EBITDA RECONCILIATION: 1997 - 1998 (a)  
(\$ in thousands)

		PETRO
		-----
1997 Normalized EBITDA		\$43,040
Volume Adjustments for 1998		
Sale of TLC Division in 1997	(16,926) gallons	
Attrition in 1998 (4.1%)	(17,375)	
1997 Acquisitions	9,828	-----
	(24,473) gallons	
	@	
	\$0.1700/gallon (b)	(4,159)
Gross Profit Margin Increase	\$0.006 per gallon on 395,086 gallons (c)	2,371
Inflation		(3,662)
Operating Cost Reductions (d)		5,850
Non-Budgeted Operating Expense Eliminations (e)		3,460
		-----
Normalized 1998 EBITDA Budget		\$46,900
		=====

(a) Management's assumptions.

(b) Represents the average gross profit per gallon (\$.4700 per gallon) offset by \$.30 per gallon reduction in operating expenses.

(c) Actual gross profit margin increase achieved in first quarter of 1998 was \$5.9 million (156 million gallons @ \$0.037/gallon).

(d) Represents already accomplished reductions as of 12/31/97 in branch, regional and corporate expenses in excess of normal indexing related to volume reductions as well as 1% productivity improvements.

(e) Represent specific operating expense eliminations that have already been accomplished.

OVERVIEW OF PETRO  
 EBITDA RECONCILIATION: NON-BUDGETED OPERATING EXPENSE ELIMINATIONS  
 (\$ IN THOUSANDS)

	BASE EXPENSE -----
Exton PA Facility Rent	\$ 500
Corporate Staff Reductions - Salary & Benefits	
Alex Tyshovnytsky	310
Allen Levenson	279
Joe Massoud	310
Total Staff Reductions	900
Wage Freeze - Non-Union	1,373
Wage Freeze - Union	687
	-----
Total	\$ 3,460

OVERVIEW OF PETRO  
 EBITDA RECONCILIATION: 1998 (a)  
 (\$ in thousands)

	PETRO -----
Normalized 1998 EBITDA Budget	\$46,900
Actual Differential between first seven months of Fiscal 1998 vs. Budget	(11,741)
Revised margin improvement based on results from the first seven months of Fiscal 1998	2,471
	-----
Adjusted for Actual 1998 EBITDA Budget	\$37,630
	=====

-----  
 (a) Management's assumptions.

OVERVIEW OF PETRO  
 EBITDA RECONCILIATION: 1998-1999 (a)  
 (\$ in thousands)

	PETRO -----
Normalized 1998 EBITDA Budget	\$46,900
Attrition (3.8%) and Inflation (3.0%) partially offset by \$0.01 Margin Increase in 1999	(1,352)
Acquisition Growth	



\$30,000 of acquisitions at 4.75 x multiple using half-year convention (b)

3,158

1999 Projected

\$48,706

- 
- (a) Management's assumptions.  
(b) A.G. Edwards' assumption.

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OVERVIEW OF PETRO  
EBITDA SUMMARY  
(\$ in thousands)

---

	PETRO
	-----
1997 Actual	\$36,010
1997 Normalized	\$43,040
Normalized 1998 Budget	\$46,900
Adjusted for Actual 1998 Budget	\$37,630
1999 Projected	\$48,706

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OVERVIEW OF PETRO  
EBITDA PROJECTIONS  
(\$ IN THOUSANDS)

---

	ADJUSTED FOR ACTUAL	NORMALIZED	PROJECTED			
	1998	1998	1999	2000	2001	2002
EBITDA	\$37,630	\$46,900	\$48,706	\$51,196	\$53,390	\$55,385

---

MAJOR ASSUMPTIONS FOR 1999 - 2002

- 
- [\_] 30 Year Weather  
[\_] Flat Attrition.  
[\_] \$30 million of acquisitions at 4.75x EBITDA multiple using half-year convention.  
[\_] Increase in gross profit margin of \$0.01 in 1999 and \$0.005 annually in 2000 to 2002.

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OVERVIEW OF PETRO  
ATTRITION ANALYSIS

Year	Average Accounts		Absolute Account Losses		Loss Rate		Gains	
	Total	Base Business, excl. Acquisitions	Total	Base Business, excl. Acquisitions	Total	Base	Accounts	%
1993	391,454	352,576	70,127	56,459	17.9%	16.0%	47,090	12.0%
1994	386,235	354,786	57,442	46,386	14.9%	13.1%	35,380	9.2%
1995	381,842	344,342	59,550	46,366	15.6%	13.5%	34,516	9.0%
1996	386,398	354,471	60,084	48,860	15.5%	13.8%	39,192	10.1%
1997	366,421	342,738	60,407	52,581	16.5%	15.3%	39,561	10.8%
Mean	382,470	349,783	61,522	50,130	16.1%	14.3%	39,148	10.2%
6/98 YTD	342,065	328,112	48,485	43,967	14.2%	13.4%	38,296	10.8%

  

Year	Net Attrition Rate	
	Total	Base Business
1993	-5.9%	-4.0%
1994	-5.7%	-3.9%
1995	-6.6%	-4.5%
1996	-5.4%	-3.7%
1997	-5.8%	-4.5%
Mean	-5.9%	-4.1%
6/98 YTD	-5.8%	-2.6%

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Overview of Petro  
Acquisition History  
(\$ in thousands)

Date Acquired	Company	Purchase Price	EBITDA	EBITDA Multiple	Acquired Gallonage	Cost per Gallon
1/26/93	Houck Service	\$663.9	\$245.0	2.7x	807.2	\$0.823
1/28/93	Harris and Gans	1,607.9	475.0	3.4x	2,599.6	0.619
5/28/93	Goodrich	2,397.7	672.0	3.6x	4,156.0	0.577
6/4/93	Warren	2,965.0	712.0	4.2x	14,448.3	0.205
6/23/93	Savin	1,655.4	403.0	4.1x	2,769.0	0.598
6/25/93	Baylis and Baylis	989.3	251.0	3.9x	1,224.7	0.808
7/28/93	Agway	1,660.6	315.0	5.3x	2,708.5	0.613
9/28/93	Garden State	1,015.2	312.0	3.3x	1,408.0	0.721
9/29/93	Essex	866.3	234.0	3.7x	2,649.4	0.327
1993 Totals		\$13,821	\$3,619	3.8x	32,771	\$0.422
1/7/94	Petrilla Oil	\$189.5	\$53.4	3.5x	329.0	\$0.576
3/8/94	Rettig	1,813.0	466.0	3.9x	4,930.0	0.368
6/30/94	Deblois Oil	15,374.6	2,909.0	5.3x	19,869.0	0.774
7/26/94	Herbert Fuel	5,133.0	882.0	5.8x	6,103.0	0.841
7/28/94	Trico Fuel	3,126.3	930.0	3.4x	4,091.0	0.764
9/1/94	Stickley	1,261.4	355.0	3.6x	1,702.0	0.741
9/13/94	Sinkler	4,880.0	948.0	5.1x	7,433.0	0.657
12/1/94	Ryan	2,954.3	528.0	5.6x	4,804.0	0.615
12/2/94	Fowler	182.8	37.4	4.9x	354.0	0.516
1994 Totals		\$34,915	\$7,109	4.9x	49,615	\$0.704
3/30/95	Reliable Oil	\$6,065.6	\$1,183.0	5.1x	10,102.2	\$0.600
5/24/95	Rosetta (Waldman)	3,413.2	684.0	5.0x	5,153.6	0.662
5/24/95	Rosetta (Price)	789.4	153.0	5.2x	1,309.5	0.603
7/27/95	Slocum	643.8	198.0	3.3x	742.6	0.867
8/23/95	Contex	1,856.8	448.0	4.1x	2,503.2	0.742
8/31/95	Rackliffe	546.2	139.0	3.9x	904.0	0.604
9/1/95	A-One	5,184.2	1,164.0	4.5x	5,900.0	0.879
9/11/95	Reading Merchants	4,260.0	656.0	6.5x	3,613.0	1.179
10/25/95	Franklin Fuel	293.5	76.0	3.9x	445.0	0.660
11/17/95	Home Fuel	2,158.9	430.0	5.0x	6,072.3	0.356
12/19/95	Texaco	3,854.8	1,071.0	3.6x	5,845.1	0.659
1995 Totals		\$29,066	\$6,202	4.7x	42,590	\$0.682

Overview of Petro  
Acquisition History  
(\$ in thousands)  
(continued)

Date Acquired	Company	Purchase Price	EDITDA	EBITDA Multiple	Acquired Gallonage	Cost per Gallon
1/11/96	Garrison	\$5,242.5	\$1,154.0	4.5x	6,017.0	\$0.871
1/19/96	Cibro	4,367.6	1,087.0	4.0x	6,200.0	0.704
2/1/96	Seaman	7,133.7	1,552.0	4.6x	7,522.0	0.948
4/1/96	McDowell	2,723.5	669.0	4.1x	2,675.0	1.018
9/11/96	Flynn	1,038.0	232.0	4.5x	1,316.0	0.789
9/24/96	Farren	263.6	69.0	3.8x	481.0	0.548
10/18/96	Bergen	3,202.5	718.0	4.5x	5,933.0	0.540
10/18/96	Hightstown	233.5	62.0	3.8x	500.0	0.467
10/31/96	Hy-Test	813.4	177.0	4.6x	1,468.0	0.554
12/18/96	Dexter	331.9	99.0	3.4x	796.0	0.417
12/26/96	Sherman	492.5	103.0	4.8x	564.0	0.873
12/27/96	Malco	369.2	97.0	3.8x	988.0	0.374
12/30/96	Grasso	422.9	116.0	3.6x	1,212.0	0.349
1996 Total		\$26,635	\$6,135	4.3x	35,672	\$0.747
1/15/97	Oils Inc	\$747.6	\$188.0	4.0x	1,189.0	\$0.629
4/14/97	Mugullian Fuel	2,801.9	638.0	4.4x	3,000.0	0.934
5/14/97	Alderfer Heating	401.1	111.0	3.6x	787.0	0.510
6/26/97	Bellomo	1,488.8	443.0	3.4x	1,657.0	0.898
7/10/97	Good	521.4	117.0	4.5x	1,200.0	0.434
8/29/97	Oil Burner	2,633.1	603.0	4.4x	3,500.0	0.752
9/10/97	Romary	2,252.5	545.0	4.1x	2,348.0	0.959
9/29/97	T.W. Perry	1,619.3	439.0	3.7x	2,118.0	0.765
10/1/97	Millbrook	527.5	112.0	4.7x	908.0	0.581
11/24/97	Shreve	1,457.0	300.0	4.9x	2,425.0	0.601
12/18/97	Genovese	1,010.8	281.0	3.6x	1,522.0	0.664
1997 Totals		\$15,461	\$3,777	4.1x	20,654	\$0.749
5 YEAR TOTALS		\$119,898	\$26,842	4.5x	181,302	\$0.661

Overview of Petro  
Divestiture History  
(\$ in thousands)

	Date Divested	Branch	Purchaser	Purchase Price	EBITDA	EBITDA Multiple	Acquired Gallonage	Cost per Gallon
	A.G. Edwards noted that public disclosure regarding transactions in the retail home heating oil distribution industry was extremely limited. A.G. Edwards analyzed the financial terms related to the divestitures by Petro of certain of its retail home heating oil branches.	3/30/95	New Hampshire	Bellemore Heating Oil, Inc.	\$1,477	\$150	9.8x	6,060
	6/28/96	Punderson	Ultramar Energy, Inc.	\$4,073	\$443	9.2x	6,900	\$0.590
	11/4/97	TLC	Heating Oil Partners, L.P.	\$16,100	\$2,005	8.0x	23,000	\$0.700
					Mean:	9.0x		

Overview of Petro  
Margin Analysis  
(Volume in gallons; gallons and \$ in thousands, except margins)

	Fiscal Years Ended December 31,				
	1993	1994	1995	1996	1997
RETAIL (a) Volume	355,347	360,207	343,759	375,121	

338,478					
Margin	\$ 0.4883	\$ 0.5030	\$ 0.5027	\$ 0.4993	\$ 0.5196
	-----	-----	-----	-----	-----
Gross profit	\$173,501	\$181,202	\$172,811	\$187,290	\$175,867
COMMERCIAL					
Volume	81,515	79,514	75,476	81,020	71,813
Margin	\$ 0.2301	\$ 0.2416	\$ 0.2458	\$ 0.2471	\$ 0.2452
	-----	-----	-----	-----	-----
Gross profit	\$ 18,755	\$ 19,214	\$ 18,554	\$ 20,018	\$ 17,607
PROPANE					
Volume	6,625	7,435	5,538	--	--
Margin	\$ 0.5352	\$ 0.5730	\$ 0.5805	\$ 0.0000	\$ 0.0000
	-----	-----	-----	-----	-----
Gross profit	\$ 3,546	\$ 4,260	\$ 3,215	--	--
OTHER PETROLEUM PRODUCTS					
Volume	36,406	35,709	31,228	32,026	29,855
Margin	\$ 0.1424	\$ 0.1417	\$ 0.1481	\$ 0.1401	\$ 0.1424
	-----	-----	-----	-----	-----
Gross profit	\$ 5,183	\$ 5,061	\$ 4,624	\$ 4,487	\$ 4,251
TOTAL PETROLEUM PRODUCTS					
Volume	479,893	482,865	456,001	488,167	440,146
Margin	\$ 0.4188	\$ 0.4344	\$ 0.4368	\$ 0.4339	\$ 0.4492
	-----	-----	-----	-----	-----
Gross profit	\$200,985	\$209,737	\$199,204	\$211,795	\$197,725
	-----	-----	-----	-----	-----
DISCOUNTS	\$ 1,294	\$ 1,200	\$ 944	\$ 1,084	\$ 802
	-----	-----	-----	-----	-----
Net service loss	(\$34,243)	(\$37,941)	(\$33,822)	(\$37,386)	(\$35,184)
Net installation income	3,681	4,944	4,364	5,280	5,050
	-----	-----	-----	-----	-----
Gross profit (loss)	(\$30,562)	(\$32,997)	(\$29,458)	(\$32,106)	(\$30,134)
	-----	-----	-----	-----	-----
GAS GROSS PROFIT	--	\$ 5,756	\$ 50,992	--	--
Total gross profit	\$171,717	\$183,696	\$221,682	\$180,773	\$168,393
	=====	=====	=====	=====	=====

-----  
(a) Includes protected price ventures

Overview of Petro  
Discounted Cash Flow Analysis  
Weighted Average Cost of Capital Derivation  
(\$ in millions)

Comparable Company	Levered Beta (a)	Total Market Val. Debt (Bk = Mkt)	Unit Price at (10/14/98)	Total Units Out (Mil)	Implied Market Value of Equity	Total Debt/ Total Equity	Total Debt as % of Total Capital	Un-levered Beta
AmeriGas Partners, L.P.	0.42	\$711.1	\$24.125	41.9	\$1,031.2	69.0%	40.8%	0.249
Cornerstone Propane Partners, L.P.	0.45	240.9	18.000	19.9	365.2	66.0%	39.8%	0.271
Ferrellgas Partners, L.P.	0.46	504.1	20.000	31.3	638.6	78.9%	44.1%	0.257
Heritage Propane Partners, L.P.	0.42	177.8	20.813	8.5	180.0	98.8%	49.7%	0.211
National Propane Partners, L.P.	0.61	145.5	9.438	11.2	108.2	134.5%	57.4%	0.260
Star Gas Partners, L.P.	0.39	109.8	19.563	6.3	124.9	87.9%	46.8%	0.208
Suburban Propane Partners, L.P.	0.40	427.9	19.625	28.7	575.3	74.4%	42.7%	0.229

Comparable group's average unlevered beta: 0.24  
Petro's debt - to - equity ratio: 1123.5%  
Petro's debt as a percent of total capital: 91.8%  
Comparable group's beta relevered for Petro's capital structure: 2.945  
=====

Petro's capitalization at market		
Total debt (b)	\$310.0	91.8%
Common equity	27.6	8.2%
	-----	-----
	100.0%	\$337.6

Derivation of Weighted Average Cost of Capital:

		Market Risk Premium Range (e)		
		-----	-----	-----
Petro's theoretical levered beta (d):	2.945	11.3%	12.3%	13.3%
Assumed % of equity in Petro's capital structure:	8.2%	-----	-----	-----
Risk - free rate of return (c):	4.6%			
Petro's cost of equity range (at various market risk premiums):		37.9%	40.8%	43.8%
Petro's assumed tax rate:	0.0%	=====	=====	=====
Assumed % of debt in capital structure (b):	91.8%			
Petro's estimated cost of debt (f):	11.2%			
Petro's estimated after-tax cost of debt:	11.2%	11.2%	11.2%	11.2%
		-----	-----	-----
Petro's weighted average cost of capital range (g):		13.4%	13.6%	13.9%
		-----	-----	-----

- (a) Source: Bloomberg. 143 week (maximum weekly time period allowed, or the number of weeks available, which may be less than 143) adjusted beta relative to the S&P 500 index.
- (b) Includes preferred stock; not net of cash.
- (c) Ten - year Treasury rate on October 14, 1998.
- (d) Bloomberg's reported beta for Petro is .60.
- (e) Ibbotson Associates 1997. Total returns for small company stocks of 17.7% minus the risk-free rule.
- (f) Based on Petro's current debt structure.
- (g) Calculation based upon use of the Capital Asset Pricing Model (CAPM).

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Overview of Petro  
Summary of Capital Structure  
(\$ in thousands)

	6/30/98		10/14/98	
	Book Value	Coupon	Market Price	Market Value
	-----	-----	-----	-----
Debt:				
Credit Agreement				
Working Capital facility	\$ 0	7.75%	NA	\$ 0
Acquisition facility	0	7.75%	NA	0
Notes payable				
Notes payable for fuel oil dealer purchases, etc.	14,528	8.0%-10.0%	NA	14,528
11.85%, 12.17%, 12.18% Senior Notes	60,000	11.96%	NA	60,000
14.1% Subordinated and Senior	6,200	14.10%	NA	6,200
10.125% Subordinated	50,000	10.13%	92.50%	46,250
9.375% Subordinated Debentures	75,000	9.38%	92.50%	69,375
12.25% Subordinated Debentures	81,250	12.25%	92.50%	76,781
Total debt	\$ 286,978			\$ 273,134
Effective cost of debt				11.0%
Preferred Stock:				
Redeemable preferred stock	\$ 8,334	14.34%	NA	8,334
12.875% Exchangeable preferred stock	30,000	12.88%	NA	30,000
Adjustment to balance sheet	(1,480)		NA	(1,480)
Total preferred stock	\$ 36,854			\$ 38,854
Effective cost of preferred stock				13.2%
Total Debt and Preferred Stock	\$ 323,832			\$309,988
Effective cost of debt and preferred stock				11.2%

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OVERVIEW OF PETRO  
SUMMARY OF CAPITAL STRUCTURE  
(\$ IN THOUSANDS EXCEPT PER SHARE)  
(continued)

	9/30/98	10/14/98	
	SHARES OUT	MARKET PRICE	MARKET VALUE
	-----	-----	-----
EQUITY:			
Common Stock			
Class A	23,964,962	\$ 1.031	\$24,714
Class B	11,228	17.776 (a)	200

Class C	2,597,519	NA (b)	2,679
TOTAL EQUITY			\$27,592
EFFECTIVE COST OF EQUITY			40.8%
TOTAL CAPITALIZATION			\$337,580
WACC			13.6%
Less: Cash			33,223
NET CAPITALIZATION			\$304,357

  

	% OF OWNERSHIP	NET MARKET VALUE OF STAR GAS	MARKET VALUE OF INTEREST
LESS:	-----	-----	-----
Interest in Star Gas	40.7%	\$234,147	\$95,204
TOTAL CAPITALIZATION OF PETRO WITHOUT INTEREST IN STAR GAS			\$242,376

- (a) Market price is calculated as: \$17.50+\$0.276  
(b) Market price is assumed to equal that of the Class A shares, since the Class C shares do not trade.

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OVERVIEW OF PETRO

Price and Volume  
12/15/95 - 12/31/97

[GRAPH APPEARS HERE]

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OVERVIEW OF PETRO

Price and Volume  
1/1/98 - 10/14/98

[GRAPH APPEARS HERE]

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Overview of Petro  
Class A Common Stock Trading History -- Volume Distribution  
1995-1998(a)

Market Price  
Pre-Announcement Price  
Implied Offer Price

Price Per Share	1995		1996		1997		1998 (a)		1995-1998 (a)	
	Volume	%	Volume	%	Volume	%	Volume	%	Volume	%
Greater Than \$9.400										
9.200 9.400	600	100.00%							600	99.42%
9.000 9.200	0	99.99%								99.42%
8.800 9.000	49,200	99.99%							49,200	99.42%
8.600 8.800	6,800	99.41%							6,800	99.26%
8.400 8.600	67,500	99.33%							67,500	99.24%
8.200 8.400	289,100	98.54%							289,100	99.02%
8.000 8.200	161,500	95.13%	1,600	100.00%					163,100	98.07%
7.800 8.000	873,500	93.22%	47,400	99.96%					920,900	97.54%
7.600 7.800	245,800	82.92%	236,200	98.87%					482,000	94.52%
7.400 7.600	193,300	80.02%	185,000	93.44%					378,300	92.94%
7.200 7.400	1,154,800	77.74%	822,300	89.19%					1,977,100	91.70%
7.000 7.200	5,190,500	64.12%	1,507,100	70.28%					6,697,600	85.23%
6.800 7.000	246,000	2.90%	815,700	35.63%					1,061,700	63.30%
6.600 6.800			498,500	16.88%					498,500	59.82%
6.400 6.600			129,300	5.42%	417,300	100.00%			546,600	58.19%
6.200 6.400			37,600	2.45%	526,900	96.34%			564,500	56.40%
6.000 6.200			44,100	1.58%	417,700	91.72%			461,800	54.55%
5.800 6.000			24,700	0.57%	110,200	88.06%			134,900	53.04%
5.600 5.800					868,000	87.09%			868,000	52.60%
5.400 5.600					143,300	79.48%			143,300	49.76%
5.200 5.400					92,600	78.22%			92,600	49.29%
5.000 5.200					940,500	77.41%			940,500	48.98%
4.800 5.000					142,200	69.16%			142,200	45.90%
4.600 4.800					20,200	67.92%			20,200	45.44%
4.400 4.600					13,900	67.74%			13,900	45.37%

4.200	4.400	-	67.62%	-	-	45.33%	
4.000	4.200	-	67.62%	-	-	45.33%	
3.800	4.000	117,100	67.62%	117,100	117,100	45.33%	
3.600	3.800	370,600	66.59%	370,600	370,600	44.94%	
3.400	3.600	250,900	63.34%	250,900	250,900	43.73%	
3.200	3.400	1,236,200	61.14%	1,236,200	1,236,200	42.91%	
3.000	3.200	1,652,500	50.30%	1,652,500	1,652,500	38.86%	
2.800	3.000	2,785,300	35.81%	130,000	100.00%	2,915,300	33.45%
2.600	2.800	788,500	11.39%	249,100	97.94%	1,037,600	23.90%
-----							
2.400	2.600	430,100	4.47%	270,800	93.99%	700,900	20.50%
-----							
2.200	2.400	79,800	0.70%	964,300	89.70%	1,044,100	18.21%
2.000	2.200			345,000	74.40%	345,000	14.79%
-----							
1.800	2.000			1,789,900	68.93%	1,789,900	13.66%
-----							
1.600	1.800			804,500	40.55%	804,500	7.80%
1.400	1.600			1,542,400	27.80%	1,542,400	5.16%
1.200	1.400			34,800	3.34%	34,800	0.11%
-----							
1.000	1.200			175,900	2.79%	175,900	0.58%
-----							

Less Than \$1.000

Total Stock for Period	8,478,600	4,349,500	11,403,800	6,306,700	30,538,600
Cumulative % of Total Traded	27.76%	14.24%	37.34%	20.65%	100.00%
% Traded of Current Stock					
Out. (b)	35.38%	18.15%	47.59%	26.32%	127.43%
% Traded of Current Float (c)	91.99%	47.19%	123.73%	68.43%	331.34%
Wtd. Average Stock Price	\$7.31	\$7.07	\$3.90	\$1.90	\$4.89

(a) Through October 14, 1998.

(b) Based on 23,964,962 Class A shares outstanding.

(c) Based on 9,216,760 Class A shares held by institutional and retail public holders.

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#### Overview of Petro Shareholder Analysis (a)

Institutions (b)	Class A Shrs. Held	% of Total	% of Total Voting Power
Dimensional Fund Adv.	639,700	2.7%	1.3%
CNA Financial Group	360,900	1.5%	0.7%
Barclays Bank plc	340,573	1.4%	0.7%
Deltec Asset Mgmt.	230,810	1.0%	0.5%
Vanguard Group	215,500	0.9%	0.4%
Robert Fleming Holdings	200,000	0.8%	0.4%
Bear, Stearns & Co.	148,238	0.6%	0.3%
Mellon Bank	119,904	0.5%	0.2%
Northern Trust	84,611	0.4%	0.2%
ANB Investment Mgmt.	51,100	0.2%	0.1%
Prudential Insurance	48,200	0.2%	0.1%
First Source Bank	40,000	0.2%	0.1%
World Asset Management	33,937	0.1%	0.1%
IBM Retirement Funds	16,300	0.1%	0.0%
DLJ Corp.	4,502	0.0%	0.0%
Legg Mason	2,000	0.0%	0.0%
All Institutions (c)	2,536,275	10.6%	5.1%

Directors and Officers (c)	Title	Class A Shrs. Held	% of Total	Class C Shrs. Held	% of Total	Total Voting Power	% of Total Voting Power
Audrey L. Sevin	Director and Secretary of Petro and Star	1,876,863	7.8%	477,716	18.4%	6,654,023	13.3%
Irik P. Sevin	Chairman, CEO and Director of Petro	740,438	3.1%	201,641	7.8%	2,756,848	5.5%
Philip Ean Cohen	Director of Petro	679,262	2.8%	113,423	4.4%	1,813,492	3.6%
Thomas J. Edelman	Director of Petro and Star	653,312	2.7%	129,019	5.0%	1,943,502	3.9%
Vincent De Palma	VP and GM of New York Region	5,000	0.0%	-	0.0%	5,000	0.0%
Hanseatic Corporation (d) (e)		1,777,279	7.4%	298,717	11.5%	4,764,449	9.5%
Tortosa (d)		-	0.0%	298,717	11.5%	2,987,170	6.0%
Hubertus Langen (d)		734,473	3.1%	9,038	0.3%	824,853	1.7%
Wolfgang Traber (e)	Director of Petro and Star	-	0.0%	9,038	0.3%	90,380	0.2%
Paul Biddelman (e)	Director of Petro and Star	2,386	0.0%	-	0.0%	2,386	0.0%
Total Directors &							

Officers Holdings	6,469,013	27.0%	1,537,309	59.2%	21,842,103	43.7%
-------------------	-----------	-------	-----------	-------	------------	-------

5% Beneficial Owners and Affiliates	Class A Shrs. Held	% of Total	Class C Shrs. Held	% of Total	Total Voting Power	% of Total Voting Power
Frank Russell Company (f)	2,611,000	10.9%	-	0.0%	2,611,000	5.2%
Schneider Capital	2,491,165	10.4%	-	0.0%	2,491,165	5.0%
Richard O'Connell	1,128,745	4.7%	302,461	11.6%	4,153,355	8.3%
Brentwood Corp.	681,873	2.8%	120,985	4.7%	1,891,723	3.8%
Barcel Corporation	605,151	2.5%	151,231	5.8%	2,117,461	4.2%
Gabes S.A.	597,617	2.5%	124,314	4.8%	1,840,757	3.7%
United Capital Corp.	90,000	0.4%	-	0.0%	90,000	0.2%
Minneford Corp.	73,638	0.3%	12,000	0.5%	193,638	0.4%
Fernando Montero	-	0.0%	35,287	1.4%	352,870	0.7%
M.M. Warburg & Co.	-	0.0%	31,808	1.2%	318,080	0.6%
Total 5% Beneficial Holdings	8,279,189	34.5%	778,086	30.0%	16,060,049	32.2%

Summary

	Class A	% of Total	Class C	% of Total	Total Voting Power	% of Total Voting Power
Insider Holdings						
Directors and Officers as a Group	6,469,013	27.0%	1,537,309	59.2%	21,842,103	43.7%
5% Beneficial Owners and Affiliates	8,279,189	34.5%	778,086	30.0%	16,060,049	32.2%
	14,748,202	61.5%	2,315,395	89.1%	37,902,152	75.9%
Public Holdings						
Institutional	2,536,275	10.6%			2,536,275	5.1%
Retail	6,680,485 (g)	27.9%	282,124	10.9%	9,501,725	19.0%
	9,216,760	38.5%	282,124	10.9%	12,038,000	24.1%
Total	23,964,962	100.0%	2,597,519	100.0%	49,940,152	100.0%

- (a) Based on shares outstanding, most recently available data as of 10/14/98 and does not include options to purchase and Class B shares.
- (b) Source: Bloomberg and Petro's Proxy.
- (c) Does not include 5% beneficial ownership institutions.
- (d) Hanseatic Corporation holds shared voting power in Tortosa. Tortosa is owned and controlled by Mr. Langen.
- (e) Mr. Traber and Mr. Biddelman are executive officers of Hanseatic Corporation.
- (f) Frank Russell Company shares beneficial ownership of 1,943,835 Class A with Schneider Capital.
- (g) AGE has 29,080 Class A shares in its system.

[CAPTION]



Overview of Petro  
Research Coverage

While Petro had decent coverage in 1996, it has not had much support in recent months.

Research Coverage	Date Published	Estimates Updated
Published Research Reports		
Freeman Securities*	8/17/98	--
KDP Investment Advisors*	8/1/98	--
SAMCO Capital Markets*	8/1/98	--
Bear Stearns	9/5/96	10/18/96
DLJ	8/2/96	--
PaineWebber	7/16/96	11/11/97
Additional Research		
Jefferies - Hold		

Earnings Estimates	Number of Estimates	Mean 1998	Mean 1999
IBES	1	(\$1.25)	NA
Nelson	1	(\$1.25)	NA

\*Fixed income research.

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Overview of Star Gas Partners, L.P. ("Star Gas")  
Selected Financial Data  
(\$ in thousands)

	Historical Years Ended September 30,					
	1996	%	1997	%	1997 (a)	%
Sales	\$119,634	100.0%	\$135,159	100.0%	\$149,766	100.0%
% growth	17.0%		13.0%		25.2% (b)	
Cost of sales	58,557	48.9%	72,211	53.4%	80,370	53.7%
Gross profit	61,077	51.1%	62,948	46.6%	69,396	46.3%
Operating expenses	41,207	34.4%	43,245	32.0% (c)	46,408	31.0%
Net (loss) on sales of assets	(260)	-0.2%	(295)	-0.2%	(265)	-0.2%
Depreciation and amortization	9,808	8.2%	10,405	7.7%	11,495	7.7%
Operating income	9,802	8.2%	9,003	6.7%	11,228	7.5%
Interest expense, net	7,124	6.0%	6,966	5.2%	7,766	5.2%
Income (loss) before income taxes	2,678	2.2%	2,037	1.5%	3,462	2.3%
Income taxes	85	0.1%	25	0.0%	25	0.0%
General Partners' interest	--	0.0%	40	0.0%	69	0.0%
Net income	\$ 2,593	2.2%	\$ 1,972	1.5%	\$ 3,368	2.2%
Net income per limited partner unit	\$ 0.49		\$ 0.37		\$ 0.54	
Weighted average L.P. unit outstanding	5,271		5,271		6,228	
EBITDA (d)	\$ 19,870	16.6%	\$ 19,703	14.6%	\$ 22,988	15.3%
Capital expenditures	\$ 5,332		\$ 5,279		\$ 5,579	
Maintenance capital expenditures	2,300		3,100		3,400	
Distributable cash flow	10,361		9,612		11,797	
Distributable cash flow per unit	\$ 1.97		\$ 1.82		\$ 1.89	
Common distribution coverage	1.8x		1.5x		1.4x	
Total distribution coverage	0.9x		0.8x		0.8x	
EBITDA/total assets	12.7%		13.4%		12.8%	

- (a) Proforma for December 16, 1997 common unit offering and the acquisition of Pearl Gas Co.  
(b) Growth over 1996.  
(c) Includes \$350 in special project expenses.  
(d) Excludes loss from sale of assets.

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Overview of Star Gas  
 EBITDA Reconciliation: 1997(a)  
 (\$ in thousands)

	Star Gas
	-----
1997 Actual EBITDA	\$19,703(b)
NORMALIZING ADJUSTMENTS:	
Weather	
Residential - 1,125 gallons @ 0.7106 margin	799
Commercial - 277 gallons @ 0.4459 margin	124
Margin	
Residential - 50,832 gallons @ (0.7106 - 0.6995)	(564)
Commercial - 19,864 gallons @ (0.4454 - 0.4348)	(220)
Wholesale - 38,404 gallons @ (0.0975 - 0.0675)	(1,152)
Compensation	(56)
Elimination of strategic expense	902(c)
Pearl Gas EBITDA	3,012
Pearl Gas acquisition adjustments	273(d)
	-----
1997 Adjusted EBITDA	\$22,821
	=====

- (a) Management's assumptions.
- (b) Not pro forma for Pearl Gas acquisition.
- (c) Certain expenses including the exploration of strategic alternatives by Morgan Stanley.
- (d) Certain cost savings, primarily salary and benefit expenses of certain selling shareholders.

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Overview of Star Gas  
 EBITDA Reconciliation: 1997 - 1999(a)  
 (\$ in thousands)

	Star Gas
	-----
Normalized 1998 EBITDA Budget	\$22,135
Approximate Differential between first ten months of Fiscal 1998 vs. Budget	(3,354)
	-----
Adjusted for Actual 1998 EBITDA Budget	\$18,781
	=====
Normalized 1998 EBITDA Budget	\$22,135
Acquisition Growth	
1998 acquisitions	1,585
\$10 million of acquisitions at 6.5x multiple completed on 4/1/99 using half-year convention	771
	-----
1999 EBITDA Projected	\$24,491
	=====

- (a) Management's assumptions.

Overview of Star Gas  
EBITDA Projections  
(\$ in thousands)

	Adjusted for Actual	Normalized	Projected			
	1998	1998	1999	2000	2001	2002
EBITDA	\$18,781	\$22,135	\$24,491	\$26,029	\$27,566	\$29,104

Major Assumptions for 1999 - 2002

- 30 Year Weather
- No growth in base business.
- \$10 million of acquisitions at 6.5x EBITDA multiple using half-year convention.
- No increase in gross profit margin.

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OVERVIEW OF STAR GAS  
ACQUISITION HISTORY  
(\$ IN THOUSANDS)

DATE ACQUIRED	COMPANY	PURCHASE PRICE	EBITDA	EBITDA MULTIPLE	ACQUIRED GALLONAGE	COST PER GALLON
6/15/94	Loveland	\$ 700	\$ 127	5.5x	433	\$1.616
11/24/94	Baystate	\$ 1,450	\$ 209	6.9x	769	\$1.886
9/12/95	Debolt	\$ 950	\$ 151	6.3x	852	\$1.115
3/22/96	Bob White L.P. Gas/ Mitchell Bottle Gas	\$ 1,500	\$ 263	5.7x	898	\$1.671
7/22/96	Fuzzy Moore	\$ 850	\$ 147	5.8x	454	\$1.871
10/22/97	Pearl Gas Co.	\$24,126	\$3,288	7.3x	14,000	\$1.723
2/20/98	Tri-County Gas	\$ 550	\$ 108	5.1x	320	\$1.720
5/28/98	Knowles LP Gas	\$ 3,000	\$ 426	7.0x	1,021	\$2.939
5/28/98	Tioga Petroleum	\$ 1,200	\$ 257	4.7x	668	\$1.795
7/30/98	Lowe Bros & Dad	\$ 3,750	\$ 602	6.2x	1,965	\$1.908
8/11/98	Myers Propane	\$ 1,200	\$ 191	6.3x	572	\$2.099
4 YEAR TOTALS		\$39,276	\$5,769	6.8x	21,952	\$1.789

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OVERVIEW OF STAR GAS  
MARGIN ANALYSIS  
(volume in gallons, gallons and \$ in thousands, except margins)

Fiscal Years Ended September 30,

	1993	1994	1995	1996	1997	1997	1997
					Stand Alone	Pro Forma Weather	Pro Forma Pearl and Weather
Residential							
Volume	44,590	48,430	45,235	54,336	49,707	50,832	62,630
Margin	\$ 0.6902	\$ 0.6861	\$ 0.6677	\$ 0.6592	\$ 0.7106	\$ 0.7106	\$ 0.6554
Gross profit	\$ 30,777	\$ 33,228	\$ 30,203	\$ 35,818	\$ 35,322	\$ 36,121	\$ 41,049
Commercial							
Volume	17,617	19,875	18,831	21,194	19,587	19,864	20,936
Margin	\$ 0.4614	\$ 0.4611	\$ 0.4271	\$ 0.4202	\$ 0.4459	\$ 0.4459	\$ 0.4399
Gross profit	\$ 8,129	\$ 9,164	\$ 8,043	\$ 8,906	\$ 8,734	\$ 8,858	\$ 9,209
Agriculture							
Volume	23,291	16,053	15,080	12,567	17,338	17,338	18,275
Margin	\$ 0.2349	\$ 0.2630	\$ 0.2357	\$ 0.2556	\$ 0.2694	\$ 0.2694	\$ 0.2678
Gross profit	\$ 5,471	\$ 4,222	\$ 3,554	\$ 3,212	\$ 4,671	\$ 4,671	\$ 4,895
Motor Fuel & other							
Volume	7,581	8,060	8,056	8,197	8,024	8,024	8,391
Margin	\$ 0.4922	\$ 0.5359	\$ 0.5271	\$ 0.5215	\$ 0.5765	\$ 0.5765	\$ 0.5926
Gross profit	\$ 3,731	\$ 4,319	\$ 4,246	\$ 4,275	\$ 4,626	\$ 4,626	\$ 4,973
Wholesale							
Volume	51,493	45,318	38,941	39,025	38,404	38,404	38,532
Margin	\$ 0.0619	\$ 0.0680	\$ 0.0568	\$ 0.0704	\$ 0.0975	\$ 0.0975	\$ 0.0972
Gross profit	\$ 3,189	\$ 3,082	\$ 2,212	\$ 2,747	\$ 3,743	\$ 3,743	\$ 3,744
Total Propane							
Volume	144,572	137,736	126,143	135,319	133,060	134,462	148,764
Margin	\$ 0.3548	\$ 0.3922	\$ 0.3826	\$ 0.4061	\$ 0.4291	\$ 0.4315	\$ 0.4293
Total propane gross profit	\$ 51,297	\$ 54,015	\$ 48,258	\$ 54,958	\$ 57,096	\$ 58,019	\$ 63,870
Appliances/other							
Revenue	\$ 9,237	\$ 9,454	\$ 7,536	\$ 8,269	\$ 8,043	\$ 8,403	\$ 8,760
Cost	3,232	3,187	1,935	2,150	2,191	2,191	2,303
Gross Profit	\$ 6,005	\$ 6,267	\$ 5,601	\$ 6,119	\$ 5,852	\$ 5,852	\$ 6,457
Total gross profit	\$ 57,302	\$ 60,282	\$ 53,859	\$ 61,077	\$ 62,948	\$ 63,871	\$ 70,327

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OVERVIEW OF STAR GAS  
DISCOUNTED CASH FLOW ANALYSIS  
WEIGHTED AVERAGE COST OF CAPITAL DERIVATION  
(\$ IN MILLIONS)

Comparable Company	Levered Beta (a)	Total Market Val. Debt (Bk = Mkt)	Unit Price at (10/14/98)	Total Units Ont. (Mil)	Implied Market Value of Equity	Total Debt/ Total Equity	Total Debt as % of Total Capital	Un- levered Beta
AmeriGas Partners, L.P.	0.42	\$711.1	\$24.125	41.9	\$1,031.2	69.0%	40.8%	0.249
Cornerstone Propane Partners, L.P.	0.45	240.9	18.000	19.9	365.2	66.0%	39.8%	0.271
Ferrellgas Partners, L.P.	0.46	504.1	20.000	31.3	638.6	78.9%	44.1%	0.257
Heritage Propane Partners, L.P.	0.42	177.8	20.813	8.5	180.0	98.8%	49.7%	0.211
National Propane Partners, L.P.	0.61	145.5	9.438	11.2	108.2	134.5%	57.4%	0.260
Star Gas Partners, L.P.	0.39	109.8	19.563	6.3	124.9	87.9%	46.8%	0.208
Suburban Propane Partners, L.P.	0.40	427.9	19.625	28.7	575.3	74.4%	42.7%	0.229

Comparable group's average unlevered beta:	0.24	Star's capitalization-at market (b)	
Star's debt-to-equity ratio(b):	87.9%	Total debt	\$109.8
Star's debt as a percent of total capital(b):	46.8%	Common	124.9
Comparable group's beta relevered for Star's capital structure:	0.378		\$234.6

Derivation of Weighted Average Cost of Capital:	Market Risk Premium Range (d)		
	11.3%	12.3%	13.3%
Star's theoretical levered beta:	0.378		
Assumed % of equity in Star's capital structure(b):	53.2%		
Risk-free rate of return(c):	4.6%		
Star's cost of equity range (at various market risk premiums):	8.9%	9.3%	9.6%
Star's assumed tax rate:	35.0%		
Assumed % of debt in capital structure(b):	46.8%		
Star's estimated cost of debt(e):	6.9%		
Star's estimated after-tax cost of debt:	4.5%	4.5%	4.5%
Star's weighted average cost of capital range(f):	6.8%	7.0%	7.2%

- 
- (a) Source: Bloomberg. 143 week (maximum weekly time period allowed, or the number of weeks available, which may be less than 143) adjusted beta relative to the S&P 500 index.
  - (b) Market value of debt is assumed to equal book value; debt is not net of cash.
  - (c) Ten-year Treasury rate on October 14, 1998.
  - (d) Ibbotson Associates 1997. Total returns for small company stocks of 17.7% minus the risk-free rate.
  - (e) Based on Star current debt structure.
  - (f) Calculation based upon use of the Capital Asset Pricing Model (CAPM).

Overview of Star Gas  
 Summary of Capital Structure  
 (\$ in thousands)

	9/30/98	Coupon	10/14/98	Market Value
	Book Value	-----	Market Price	-----
Debt:				
Credit Agreement				
Working Capital facility	\$4,785	7.25%	Not applicable	\$4,785
Acquisition facility	9,000	7.25%	Not applicable	9,000
Notes payable				
8.04% First Mortgage Notes	85,000	8.04%	NA	85,000
7.17% First Mortgage Notes	11,000	7.17%	NA	11,000
Total debt:				\$109,785
Effective cost of debt				6.9%
After-tax cost of debt				4.5%
	9/30/98		10/14/98	Market Value
	Shares Out		Market Price	-----
Equity:				
Common units	3,858,999		\$19,563	\$75,492
Subordinated units	2,396,078		NA (a)	46,873
General Partner				2,497 (b)
Total Equity				\$124,862
Effective cost of equity				9.3%
Total Capitalization				\$234,647
WACC				7.0%
Less: Cash				\$500
Net Capitalization				\$234,147

- (a) Market price assumed to equal common units.
- (b) Implied 2% general partner interest.

Overview of Star Gas

Price and Volume  
 12/15/95 - 12/31/97

[GRAPH APPEARS HERE]

OVERVIEW OF STAR GAS

Price and Volume  
 1/1/98 - 10/14/98

Overview of Star Gas  
Common Unit Trading History - Volume Distribution  
1995 - 1998 (a)

Price Per Unit	Dec. 15-31 1995		1996		1997		1998 (a)		1995-1998 (a)		
	Volume	%	Volume	%	Volume	%	Volume	%	Volume	%	
Greater Than \$24.600											
24.400	24.600		32,400	100.00%					32,400	100.00%	
24.200	24.400		55,300	99.34%	26,000	100.00%	75,500	99.69%	156,800	99.73%	
24.000	24.200		27,200	98.20%	25,800	99.24%	-	97.19%	53,000	98.44%	
23.800	24.000		436,500	97.65%	38,400	98.49%	-	97.19%	474,900	98.00%	
23.600	23.800		119,200	88.71%	3,000	97.37%	131,200	97.19%	253,400	94.08%	
23.400	23.600		79,500	86.27%	56,900	97.28%	85,600	92.83%	222,000	91.98%	
23.200	23.400		105,000	84.64%	194,500	95.62%	173,700	89.99%	473,200	90.15%	
23.000	23.200		396,900	82.49%	148,000	89.94%	51,400	84.22%	596,300	86.24%	
22.800	23.000		229,200	74.36%	102,100	85.62%	36,200	82.52%	367,500	81.32%	
22.600	22.800		96,100	69.67%	184,500	82.64%	42,700	81.32%	323,300	78.28%	
22.400	22.600		273,800	67.70%	145,500	77.26%	192,300	79.90%	611,600	75.61%	
22.200	22.400	33,400	100.00%	430,500	62.09%	128,000	73.01%	710,900	73.51%	1,302,800	70.56%
22.000	22.200	762,000	95.80%	510,900	53.28%	217,500	69.27%	256,500	49.91%	1,746,900	59.80%
21.800	22.000		400,400	42.82%	411,600	62.92%	395,800	41.40%	1,207,800	45.37%	
Pre-Announcement											
Price	21.600	21.800	422,600	34.62%	302,200	50.91%	243,600	28.26%	968,400	35.40%	
21.400	21.600		259,400	25.96%	290,200	42.09%	161,600	20.17%	711,200	27.40%	
21.200	21.400		214,300	20.65%	372,800	33.62%	106,200	14.80%	693,300	21.53%	
21.000	21.200		388,000	16.26%	499,100	22.74%	151,500	11.28%	1,038,600	15.80%	
20.800	21.000		110,900	8.32%	108,000	8.17%	64,700	6.25%	283,600	7.22%	
20.600	20.800		137,500	6.05%	34,300	5.01%	33,000	4.10%	204,800	4.88%	
20.400	20.600		41,900	3.23%	16,000	4.01%	21,600	3.00%	79,500	3.19%	
20.200	20.400		62,800	2.38%	46,500	3.55%	19,000	2.29%	128,300	2.53%	
20.000	20.200		53,200	1.09%	22,000	2.19%	-	1.66%	75,200	1.47%	
19.800	20.000				24,400	1.55%	-	1.66%	24,400	0.85%	
19.600	19.800				28,600	0.83%	-	1.66%	28,600	0.65%	
Market											
Price	19.400	19.600					-	1.66%	-	0.41%	
19.200	19.400						-	1.66%	-	0.41%	
19.000	19.200						-	1.66%	-	0.41%	
18.800	19.000						16,700	1.66%	16,700	0.41%	
18.600	18.800						33,200	1.10%	33,200	0.27%	
18.400	18.600						9,200	0.31%			
Less Than	18.400										
Total Units for Period	795,400		4,883,500		3,425,900		3,012,100		12,107,700		
Cumulative % of											
Total Traded		6.57%		40.33%		28.30%		24.88%		100.00%	
% Traded of Current											
Units Out. (b)		20.61%		126.55%		88.78%		78.05%		313.75%	
Wtd. Average Unit Price	\$22.11		\$22.25		\$21.89		\$22.14		\$22.12		

(a) Through October 14, 1998.

(b) Based on 3,858,999 common units outstanding.

OVERVIEW OF STAR GAS  
SHAREHOLDER ANALYSIS (a)

Institutions (b)	Common Units Held	% of Total
Bear, Stearns & Co.	53,200	1.4%
Graver Bokhof	28,900	0.7%
DLJ Corp.	24,950	0.6%
The Vanguard Group	13,800	0.4%
Advest Group, Inc.	12,015	0.3%
PaineWebber Group	9,870	0.3%
Legg Mason Wood Walker	500	0.0%
U.S. Trust Co. NY	500	0.0%
Cullen/Frost Bankers	300	0.0%
All Institutions	144,035	3.7%

Directors and Officers	Title	Common Units Held	% of Total	Subordinated Units Held	% of Total
Wolfgang Traber	Star Director and Petro Director	10,400	0.3%	-	0.0%
Richard F. Ambury	V.P. of Finance	525	0.0%	-	0.0%
Total Directors & Officers Holdings		10,925	0.3%	-	0.0%
General Partner		Common Units Held	% of Total	Subordinated Units Held	% of Total
Petro		60,727	1.6%	2,396,078	100.0%
Summary		Common Units	% of Total	Subordinated Units	% of Total
Insider Holdings					
Directors and Officers as a Group		10,925	0.3%	-	0.0%
General Partner		60,727	1.6%	2,396,078	100.0%
Public Holdings		71,652	1.9%	2,396,078	100.0%
Institutional		144,035	3.7%		
Retail		3,643,312 (c)	94.4%		
Total Units Outstanding		3,787,347	98.1%	2,396,078	100.0%
		3,858,999	100.0%		

- (a) Based on units outstanding and most recently available data as of 10/14/98.  
(b) Source: Bloomberg.  
(c) AGE has 362,910 Common Units in its system.

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#### OVERVIEW OF STAR GAS RESEARCH COVERAGE

Star Gas has ongoing research coverage by two firms.

Research Coverage	Date Published	Estimates Updated
Published Research Reports		
A.G. Edwards - Buy	1/5/98	8/25/98
PaineWebber - Attractive	12/30/97	8/3/98
Lehman	2/7/96	11/4/96
Earnings Estimates		
	Number of Estimates	Mean 1998
IBES	2	NA
Nelson	2	(\$0.14)
Zacks	2	(\$0.19)

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#### SUMMARY OF THE TRANSACTION PRO FORMA STAR GAS UNITS OUTSTANDING (IN THOUSANDS EXCEPT PER SHARE AND PER UNIT)

- [\_] There are currently 6,383 Star Gas units outstanding comprised of 3,859 common units, 2,396 subordinated units and 128 implied general partner ("GP") units. The subordinated units and GP units are currently assets of Petro.
- [\_] There are currently 26,574 shares of Petro common stock outstanding held by public shareholders and "affiliates." The public holds 14,327 Class A shares, 11 Class B shares and 282 Class C shares. The "affiliates" hold 11,953 shares which include 9,638 Class A shares and 2,315 Class C shares.

- [\_] Each shareholder of Petro will receive a certain number of units in Star Gas such that the implied consideration paid for each Petro share averages \$2.43 based on A.G. Edwards' estimates of the value of the units being offered to Petro as consideration.
- [\_] All of the publicly held 14,327 Class A shares and 282 Class C shares, and a portion of the "affiliate" held Class A shares (5,243) and Class C shares (1,328) will receive .13064 units of newly created senior subordinated units for each share (1,908 units to the public and 859 units to the "affiliates", 2,767 units in total) with an attached Contingent Unit ("CU"). See the following page for a discussion of the Contingent Units. A.G. Edwards estimates an implied value for these units of \$18.52/unit (see page D-3). The remaining "affiliates" of Petro not receiving senior subordinated units, who hold a total of 5,382 shares, will receive .15920 units for a total of 857 junior subordinated and GP units, both of which will also include attached CUs. A.G. Edwards estimates an implied value for these units of \$15.41/unit (see page D-6).
- [\_] The 2,396 subordinated units and 128 GP units currently owned by Petro will effectively be retired in the Transaction.

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SUMMARY OF THE TRANSACTION  
 PRO FORMA STAR GAS UNITS OUTSTANDING  
 (IN THOUSANDS)  
 (continued)

DESCRIPTION OF CONTINGENT UNITS

- [\_] During the five year period, beginning with the first full four quarters following the Merger, the senior subordinated units, junior subordinated units and general partner interests will have the right to receive up to 909,000 senior subordinated units upon Petro meeting a "Contingent Unit Test." Each time the Contingent Unit Test is met, (but not more frequently than once every four quarter period), the senior subordinated units, junior subordinated units and general partner interests will receive an aggregate of 303,000 senior subordinated units, subject to a maximum of 909,000 senior subordinated units. The Contingent Unit Test will be met during any four quarter period when distributable cash flow per unit attributable to Petro exceeds \$2.90 which is 32% higher than the current annualized MQD of \$2.20 and 26% higher than the proposed MQD of \$2.30.

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SUMMARY OF THE TRANSACTION  
 ALLOCATION OF CURRENT PETRO SHARES OUTSTANDING  
 (IN THOUSANDS)

	Class A	Class C	Total
Groups Receiving Senior Sub			



Public	14,327	282	14,609
Affiliates	5,243	1,328	6,572
	-----	-----	-----
Total Receiving Senior Sub	19,570	1,610	21,181
Groups Receiving Junior Sub and GP			
	-----	-----	-----
Affiliates	4,395	987	5,382
	-----	-----	-----
Sub Total	23,965	2,598	26,562
	=====	=====	=====
Class B			11
			-----
Total Shares including Class B			26,574
			=====

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SUMMARY OF THE TRANSACTION  
PRO FORMA STAR GAS UNITS OUTSTANDING  
PRE-FINANCING ASSUMPTIONS  
(IN THOUSANDS)

Types of Units	Current	Issued to Petro		Retired	Pro Forma
		Public	Affiliates		
Common	3,859	-	-	-	3,859
Senior Subordinated	-	1,908	859	-	2,767
Subordinated	2,396	-	-	(2,396)	-
Junior Subordinated & New General Partner	-	-	857	-	857
Old General Partner	128	-	-	(128)	-
	-----				-----
	6,383				7,482

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SUMMARY OF THE TRANSACTION  
EQUITY PURCHASE PRICE CALCULATION  
IMPLIED EQUITY VALUE OF PETRO'S ASSETS  
(\$ AND UNITS IN THOUSANDS, EXCEPT PER UNIT AMOUNTS)

Event	Value of Securities Issued to and Retired from Petro	
Issuance of Senior Subordinated Units to Public Petro Shareholders	1,908	x \$18.52
	-----	
	\$35,337	
Issuance of Senior Subordinated Units to Affiliate Petro Shareholders	859	x \$18.52
	-----	
	\$15,900	
Issuance of Junior Subordinated & General Partner Units to Affiliate Petro Shareholders	857	x \$15.41
	-----	
	\$13,203	

Purchase Price of Petro's Equity	\$64,439
-----	
Divided by 26,562 shares of Petro's Common stock = (Excludes 11 Class B Shares)	\$2.43 per share
-----	
Retire Subordinated Units held by Petro	(2,396) x \$15.41
	(\$36,924)
-----	
Retire Old General Partner Units held by Petro	(128) x \$15.41
	(\$1,967)
-----	
Equity Value of Petro's Heating Oil Assets	\$25,549

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SUMMARY OF THE TRANSACTION  
PRO FORMA CAPITAL STRUCTURE  
PROJECTED 9/30/98  
(\$ IN THOUSANDS)

	Star Gas	Petro	Adjustments	Pro forma Star Gas
	-----	-----	-----	-----
Debt:				
8.04% First Mortgage Notes	\$85,000	-	-	\$85,000
7.25% WC Revolver	4,785	-	-	4,785
7.25% Acquisition Facility	9,000	-	-	9,000
7.17% First Mortgage Notes	11,000	-	-	11,000
11.96% Senior Notes	-	\$60,000	(\$60,000)	-
14.10% Senior Notes	-	3,100	(3,100)	-
14.10% Subordinated Notes	-	3,100	(3,100)	-
10.13% Sub Notes & Sr Notes	-	50,000	(50,000)	-
9.38% Sub Notes & Sr Notes	-	75,000	(75,000)	-
12.25% Sub Notes & Sr Notes	-	81,250	(81,250)	-
8.00% Existing Acq Notes Payable	-	14,508	-	14,508
11.5% Exchanged Debt	-	-	6,520	6,520
9.0% Exchanged Debt	-	-	63,126	63,126
9.0% New Debt	-	-	120,000	120,000
	-----	-----	-----	-----
Total Debt	\$109,785	\$286,958	(\$82,804)	\$313,939
Weighted average cost of Debt				8.6%
Preferred Stock:				
14.33% Preferred Stock	\$ 0	\$4,167	(\$4,167)	\$ 0
12.88% Preferred Stock	-	30,000	(30,000)	-
	-----	-----	-----	-----
	-	\$34,167	(\$34,167)	-
Common Equity:	\$57,206	(\$210,486)	\$115,389	(\$37,891)
Estimated Equity Value:				
	Pro Forma Units Out.	Estimated Unit Price		Estimated Market Value
	-----	-----		-----
Common	10,841 (a)	\$19.56 (c)		\$212,086
Senior Subordinated	2,767 (b)	18.52		52,246
Junior Subordinated and GP	857	15.41		13,206
	-----			-----
	14,466			\$276,538
Total Capitalization:				\$590,477
Less: Cash and Cash Collateral				21,942
				-----
Net Capitalization				\$568,535

- (a) Comprised of 3,858 currently outstanding units, 6,879 units to be issued in common unit offering to close concurrent with the Merger, and 104 units issued as a consent fee in the Refinancing Transaction.
- (b) Includes 2,767 units issued to the Petro shareholders.
- (c) Current price of Star Gas (10/14/98) \$19,563

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IMPLIED UNIT VALUE ANALYSIS  
COMMON UNITS

[\_] A.G. Edwards calculated a range of values for the Senior Subordinated, Junior Subordinated and General Partner units, based on a required rate of return, trading yield, and discount to the common units.

	1999	2000	2001	2002	Thereafter
=====					
COMMON UNIT					
Indicated Distribution	\$ 2.30	\$2.30	\$2.30	\$2.30	\$2.30
Cost of Equity (a)	9.3%	9.3%	9.3%	9.3%	9.3%
NPV of future distributions	\$24.65				
=====					
COMMON UNIT					
Indicated Distribution	\$ 2.30	\$2.30	\$2.30	\$2.30	\$2.30
Cost of Equity (a)	9.8%	9.8%	9.8%	9.8%	9.8%
NPV of future distributions	\$23.59				
=====					
COMMON UNIT					
Indicated Distribution	\$ 2.30	\$2.30	\$2.30	\$2.30	\$2.30
Cost of Equity (a)	10.2%	10.2%	10.2%	10.2%	10.2%
NPV of future distributions	\$22.62				
=====					
AVERAGE PRICE OF LAST 20 TRADING DAYS:	\$20.26			CURRENT PRICE (10/14/98	\$19.56
IMPLIED YIELD (B):	11.4%			CURRENT YIELD (B):	11.8%
=====					

- (a) Per Cost of Capital analysis on page D-2.  
(b) Assumes a \$2.30 distribution.

[\_] Certain analysis included in this presentation, including the calculations of the implied value of the senior subordinated, junior subordinated and GP units, require an estimate of the future price of the common units at Closing. To serve as a proxy for this future price, A.G. Edwards used the average common unit closing price for the last 20 trading days ended October 14, 1998. Such price is 10.4% to 17.8% lower than the common units' implied unit value per the above analysis, and 3.6% greater than the common units' most recent closing price on October 14, 1998.

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IMPLIED UNIT VALUE ANALYSIS  
THEORETICAL PRO FORMA COST OF EQUITY FOR COMMON UNITS  
(\$ in millions)

	Total Market Val.	Unit Price at	Total Units	Implied Market Value of	Total Debt/ Total	Total Debt as % of Total	Un-levered
Levered							

Comparable Company	Beta (a)	(Bk=Mkt)	(10/14/98)	Out. (Mil)	Equity	Equity	Capital	Beta
AmeriGas Partners, L.P.	0.42	\$711.1	\$24.125	41.9	\$1,031.2	69.0%	40.8%	0.249
Cornerstone Propane Partners, L.P.	0.45	240.9	18.000	19.9	365.2	66.0%	39.8%	0.271
Ferrellgas Partners, L.P.	0.46	504.1	20.000	31.3	638.6	78.9%	44.1%	0.257
Heritage Propane Partners, L.P.	0.42	177.8	20.813	8.5	180.0	98.8%	49.7%	0.211
National Propane Partners, L.P.	0.61	145.5	9.438	11.2	108.2	134.5%	57.4%	0.260
Star Gas Partners, L.P.	0.39	109.8	19.563	6.3	124.9	87.9%	46.8%	0.208
Suburban Propane Partners, L.P.	0.40	427.9	19.625	28.7	575.3	74.4%	42.7%	0.229

				Pro forma capitalization - at market (b)			
Comparable group's average unlevered beta:			0.24	Total debt		\$313.9	53.2%
Pro forma debt-to-equity ratio (b):			113.5%	Total equity		276.5	46.8%
Pro forma debt as a percent of total capital (b):			53.2%			\$590.5	100.0%
Comparable group's beta relevered for Pro forma capital structure:			0.418				

Derivation of Weighted Average Cost of Capital:				Market Risk Premium Range (d)		
				11.3%	12.3%	13.3%

Pro forma theoretical levered beta:	0.418					
Assumed % of equity in Pro forma capital structure (b)	46.8%					
Risk-free rate of return (c):	4.6%					
Pro forma cost of equity range (at various market risk premiums):		9.3%	9.8%	10.2%		
Pro forma assumed tax rate:		===	===	===		
Assumed % of debt in capital structure (b):	35.0%					
Pro forma estimated cost of debt (e):	53.2%					
Pro forma estimated after-tax cost of debt:	8.6%					
	5.6%	5.6%	5.6%	5.6%		
Pro forma weighted average cost of capital range (f):		7.3%	7.5%	7.7%		

- (a) Source: Bloomberg, 143 week (maximum weekly time period allowed, or the number of weeks available, which may be less than 143) adjusted beta relative to the S&P 500 index.
- (b) Market value of debt is assumed to equal book value. See Page C-6 for equity calculation.
- (c) Ten-year Treasury rate on October 14, 1998.
- (d) ????? Associates 1997. Total returns for small company stocks of 17.7% ????? the risk-free rate.
- (e) Based on Pro forma debt structure.
- (f) Calculation based upon use of the Capital Asset Pricing Model (CAPM).

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IMPLIED UNIT VALUE ANALYSIS  
SENIOR SUBORDINATED UNITS

			Range	
Required rate of return (a)	20.0% - 30.0%		\$17.90	- 22.28
Trading yield (b)	11.5% - 13.5%		\$17.04	- 20.00
Discount to common units (c)	10.0% - 20.0%		\$16.21	- 18.23
	Range		\$16.21	- 22.28
	Adjusted Range (d)		\$17.04	- 20.00
	Assumed value (e)		\$18.52	

- (a) Represents required rate of return during subordination period, which is assumed for the minimum three years. Thereafter, the rate of return is assumed to equal that of the common units, for a blended required rate of return of 12.4% to 15.3%. Cost per unit calculations provided on page D-4.
- (b) Based on a \$2.30 annualized MQD.
- (c) Based on a discount to the common unit's average closing price for the last 20 trading days ended 10/14/98 of \$20.26, as referenced on page D-1.
- (d) Represents the middle values of both the range of highs and lows.
- (e) Implied required rate of return, trading yield and discount to common at a unit price of \$18.52 are 28.1% during subordination (14.7% blended), 12.4%, and 8.6%, respectively.

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IMPLIED UNIT VALUE ANALYSIS  
SENIOR SUBORDINATED UNITS

REQUIRED RATE OF RETURN

=====

	1999	2000	2001	2002 (a)	Thereafter (a)
	-----	-----	-----	-----	-----
Senior Subordinated Unit (without CU)					
Indicated Distribution	\$ 2.30	\$ 2.30	\$ 2.30	\$ 2.30	\$ 2.30
Cost of Equity	20.0%	20.0%	20.0%	9.8%	9.8%
	-----	-----	-----	-----	-----
NPV of future distributions	\$ 18.50				
	-----				
CONTINGENT UNIT					
Indicated Distribution (b)	\$ 0	\$ 697	\$1,394	\$2,091	\$ 2,091
Cost of equity	20.0%	20.0%	20.0%	9.8%	9.8%
	-----	-----	-----	-----	-----
NPV of future distributions	\$13,699				
	-----				
UNIT VALUE OF SENIOR SUBORDINATED UNIT WITH ATTACHED CU	\$ 22.28				
	-----				
(Each Unit has claim to 1/3,624 of the Contingent Unit.)					

	1999	2000	2001	2002 (a)	Thereafter (a)
	-----	-----	-----	-----	-----
SENIOR SUBORDINATED UNIT (WITHOUT CU)					
Indicated Distribution	\$ 2.30	\$ 2.30	\$2.30	\$2.30	\$2.30
Cost of Equity	30.0%	30.0%	30.0%	9.8%	9.8%
	-----	-----	-----	-----	-----
NPV of future distributions	\$ 14.91				
	-----				
CONTINGENT UNIT					
Indicated Distribution (b)	\$ 0	\$ 697	\$1,394	\$2,091	\$2,091
Cost of Equity	30.0%	30.0%	30.0%	9.8%	9.8%
	-----	-----	-----	-----	-----
NPV of future distributions	\$ 10,806				
	-----				
UNIT VALUE OF SENIOR SUBORDINATED UNIT WITH ATTACHED CU	\$ 17.90				
	-----				
(Each Unit has claim to 1/3,624 of the Contingent Unit.)					

(a) Distributions made after 2001 are discounted at the cost of equity for the Common Units, estimated at 9.8%, due to the end of the Subordination Period.

(b) Assumes that the Contingent Units Test is met in each of the first three years.

IMPLIED UNIT VALUE ANALYSIS  
THEORETICAL PRO FORMA COST OF EQUITY FOR SENIOR SUBORDINATED UNITS  
(\$ in millions)

Comparable Company	Levered Beta (a)	Total Market Val. Debt (Bk=Mkt)	Unit Price at (10/14/98)	Total Units Out. (Mil)	Implied Market Value of Equity	Total Debt/ Total Equity	Total Debt as % of Total Capital	Un-Levered Beta
-----								
AmeriGas Partners, L.P.	0.42	\$711.1	\$ 24.125	41.9	\$1,031.2	69.0%	40.8%	0.249
Cornerstone Propane Partners, L.P.	0.45	240.9	18.000	19.9	365.2	66.0%	39.8%	0.271
Ferrellgas Partners, L.P.	0.46	504.1	20.000	31.3	638.6	78.9%	44.1%	0.257
Heritage Propane Partners, L.P.	0.42	177.8	20.813	8.5	180.0	98.8%	49.7%	0.211
National Propane Partners, L.P.	0.61	145.5	9.438	11.2	108.2	134.5%	57.4%	0.260
Star Gas Partners, L.P.	0.39	109.8	19.563	6.3	124.9	87.9%	46.8%	0.208
Suburban Propane Partners, L.P.	0.40	427.9	19.625	28.7	575.3	74.4%	42.7%	0.229
-----								
Comparable group's average unlevered beta:			0.24		Pro forma capitalization - at market (b)			
Pro forma debt - to - equity ratio (b):			816.1%		Total debt		\$526.0	89.1%
					Total equity		64.5	10.9%
					-----			
Pro forma debt as a percent of total capital (b):			89.1%				\$590.5	100.0%
					-----			
Comparable group's beta relevered for Pro forma capital structure:			1.518		=====			
			=====					

Derivation of Weighted Average Cost of Capital:

	Market Risk Premium Range (d)		
	11.3%	12.3%	13.3%
Pro forma theoretical levered beta:	1.518		
Assumed % of equity in Pro forma capital structure (b):	10.9%		
Risk-free rate of return (c):	4.6%		
Pro forma cost of equity range (at various market risk premiums):	21.8%	23.3%	24.8%

- (a) Source: Bloomberg. 143 week (maximum weekly time period allowed, or the number of weeks available, which may be less than 143) adjusted beta relative to the S&P 500 index.
- (b) Market value of debt is assumed to equal book value; debt includes the market value of pro forma common units; equity includes the value of senior sub, junior sub units, and GP units.
- (c) Ten - year Treasury rate on October 14, 1998.
- (d) Ibbotson Associates 1997. Total returns for small company stocks of 17.7% minus the risk-free rate.

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IMPLIED UNIT VALUE ANALYSIS  
JUNIOR SUBORDINATED AND GP UNITS

		Range
Required rate of return (a)	35.0% - 45.0%	\$14.52 - 16.84
Trading yield (b)	14.0% - 16.0%	\$14.38 - 16.43
Discount to common units (c)	25.0% - 35.0%	\$13.17 - 15.19
	Range	\$13.17 - 16.84
	Adjusted Range (d)	\$14.38 - 16.43
	Assumed value (e)	\$15.41

- (a) Represents required rate of return during subordinated period, which is assumed for the minimum three years. Thereafter, the rate of return is assumed to equal that of the common units, for a blended required rate of return of 16.2% to 18.7%. Cost per unit calculations provided on page D-7.
- (b) Based on a \$2.30 annualized MQD.
- (c) Based on a discount to the common unit's average closing price for the last 20 trading days ended 10/14/98 of \$20.26, as referenced on page D-1.
- (d) Represents the middle values of both the range of highs and lows.
- (e) Implied required rate of return, trading yield and discount to common at a unit price of \$15.41 are 39.4% during subordination (17.6% blended), 14.9%, and 23.9%, respectively.

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IMPLIED UNIT VALUE ANALYSIS  
JUNIOR SUBORDINATED AND GP UNITS  
REQUIRED RATE OF RETURN

	1999	2000	2001	2002 (A)	THEREAFTER (A)
<b>JUNIOR SUBORDINATED AND GP UNITS</b>					
Indicated Distribution	\$ 2.30	\$2.30	\$ 2.30	\$2.30	\$ 2.30
Cost of Equity	35.0%	35.0%	35.0%	9.8%	9.8%
NPV of future distributions	\$ 13.49				
<b>CONTINGENT UNIT</b>					
Indicated Distribution (b)	\$ 0	\$ 697	\$1,394	\$2,091	\$2,091
Cost of Equity (c)	25.0%	25.0%	25.0%	9.8%	9.8%
NPV of future distributions	\$12,138				
<b>UNIT VALUE OF JUNIOR SUBORDINATED AND GP UNIT WITH ATTACHED CU</b>					
	\$ 16.84				
(Each Unit has claim to 1/3,624 of the Contingent Unit.)					
<b>JUNIOR SUBORDINATED AND GP UNITS</b>					
Indicated Distribution	\$ 2.30	\$2.30	\$ 2.30	\$2.30	\$ 2.30
Cost of Equity	45.0%	45.0%	45.0%	9.8%	9.8%
NPV of future distribution	\$ 11.17				
<b>CONTINGENT UNIT</b>					
Indicated Distribution (b)	\$ 0	\$ 697	\$1,394	\$2,091	\$2,091
Cost of Equity (c)	25.0%	25.0%	25.0%	9.8%	9.8%
NPV of future distribution	\$12,138				
<b>UNIT VALUE OF JUNIOR SUBORDINATED AND GP UNIT WITH ATTACHED CU</b>					
	\$ 14.52				
(Each Unit has claim to 1/3,624 of the Contingent Unit.)					

- (a) Distributions made after 2001 are discounted at the cost of equity for the Common Units, estimated at 9.8%, due to the end of the Subordination Period.
- (b) Assumes that the Contingent Units Test is met in each of the first three years.
- (c) Utilized senior subordinated discount rate as CUs convert to senior subordinated units.

**IMPLIED UNIT VALUE ANALYSIS**  
**THEORETICAL PRO FORMA COST OF EQUITY FOR JUNIOR SUBORDINATED AND GP UNITS**  
(\$ in millions)

COMPARABLE COMPANY	LEVERED BETA (A)	TOTAL MARKET VAL. DEBT (BK = MKT)	UNIT PRICE AT (10/14/98)	TOTAL UNITS OUT. (MIL)	IMPLIED MARKET VALUE OF EQUITY	TOTAL DEBT/ EQUITY	TOTAL DEBT AS % OF TOTAL CAPITAL	UN-LEVERED BETA
AmeriGas Partners, L.P.	0.42	\$711.1	\$24.125	41.9	\$ 1,031.2	69.0%	40.8%	0.249
Cornerstone Propane Partners, L.P.	0.45	240.9	18.000	19.9	365.2	66.0%	39.8%	0.271
Ferrellgas Partners, L.P.	0.46	504.1	20.000	31.3	638.6	78.9%	44.1%	0.257
Heritage Propane Partners, L.P.	0.42	177.8	20.813	8.5	180.0	98.8%	49.7%	0.211
National Propane Partners, L.P.	0.61	145.5	9.438	11.2	108.2	134.5%	57.4%	0.260
Star Gas Partners, L.P.	0.39	109.8	19.563	6.3	124.9	87.9%	46.8%	0.208
Suburban Propane Partners, L.P.	0.40	427.9	19.625	28.7	575.3	74.4%	42.7%	0.229
Comparable group's average unlevered beta:					0.24			
Pro forma debt-to-equity ratio (b):					4371.2%			
					Pro forma Capitalization-at market (b)			
					Total debt			
					\$577.3			
					Total equity			
					13.2			
					2.2%			
					\$590.5			
					100.0%			
Pro forma debt as a percent of total capital (b):					97.8%			
Comparable group's beta relevered for Pro forma capital structure:					7.080			
					=====			
DERIVATION OF WEIGHTED AVERAGE COST OF CAPITAL:					MARKET RISK PREMIUM RANGE (D)			
					-----			
					11.3%			
					12.3%			
					13.3%			
					-----			
Pro forma theoretical levered beta:					7.080			
Assumed % of equity in Pro forma capital structure (b):					2.2%			
Risk-free rate of return (c):					4.6%			
Pro forma cost of equity range (at various market risk premiums):					84.6%			
					91.7%			
					98.8%			
					=====			

- (a) Source: Bloomberg. 143 week (maximum weekly time period allowed, or the number of weeks available, which may be less than 143) adjusted beta relative to the S&P 500 index.
- (b) Market value of debt is assumed to equal book value; debt includes the market value of common and senior subordinated units; equity includes the value of junior sub and GP units.
- (c) Ten-year Treasury rate on October 14, 1998.
- (d) Ibbotson Associates 1997. Total returns for small company stocks of 17.7% minus the risk-free rate.

PRO FORMA MERGER ANALYSIS

[\_] A.G. Edwards analyzed the impact of the Transaction on the Partnership's distributable cash flow per unit, the related accretion, common unit coverage and total unit coverage on a pro forma basis.

	STAR GAS STAND-ALONE	STAR GAS PRO FORMA
DCF PER UNIT		
1998 Adjusted for Actual (a)	\$1.27	\$1.53
1998 Normalized (b)	1.84	2.40
1999 Projected	2.02	2.60
ACCRETION/DILUTION		
1998 Adjusted for Actual (a)		\$0.26
1998 Normalized (b)		0.56
1999 Projected		0.58
COMMON UNIT COVERAGE		
1998 Adjusted for Actual (a)	0.96x	0.89x
1998 Normalized (b)	1.38	1.39
1999 Projected	1.51	1.51
TOTAL UNIT COVERAGE		
1998 Adjusted for Actual (a)	0.58x	0.66x
1998 Normalized (b)	0.84	1.05
1999 Projected	0.92	1.13

(a) Projected results are adjusted for the year to date actual performance.

(b) Adjusted to represent normal weather.

Merger Premiums to Market Value Analysis

[\_] A.G. Edwards analyzed the premium of the consideration to be received by Petro Common Shareholders and compared the premium to Petro's current and historical prices. These premiums were compared to premiums paid in acquisitions of majority or remaining interests announced and completed between January 1, 1996 and October 7, 1998 where the target's share price one week prior to the announcement date was either (i) equal to or less than \$5, (ii) greater than \$5 and less than \$10, or (iii) equal to or greater than \$10.

[\_] Premiums were calculated one day, one week, four weeks, three months and one year prior to the announcement of the agreement in principle for each merger.



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 Comparison of Premium Paid  
 -----

Premium to stock price prior to announcement on August 14th:	Petro at \$2.43 per Unit Offer Price	Mean of Transactions Equal to or Less Than \$5	Mean of Transactions Greater Than \$5 and Less Than \$10	Mean of Transactions Equal to or Greater Than \$10
One day prior:	29.6%	39.7%	34.3%	28.1%
One week prior:	38.9%	48.8%	42.3%	32.7%
Four weeks prior:	17.8%	55.4%	48.5%	39.6%
Three months prior:	52.5%	67.1%	58.0%	77.9%
One year prior:	-19.0%	53.8%	45.8%	53.2%
Maximum	52.5%	67.1%	58.0%	77.9%
Minimum	-19.0%	39.7%	34.3%	28.1%

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[\_] The premium to Petro's current stock price (\$1.031 as of October 14, 1998) was 135.6%.

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 Merger Premiums to Market Value Analysis  
 Mergers with Target Price Equal to or Less than \$5 per Share  
 Announced and Completed 1/1/96-10/9/98  
 -----

Date Announced	Date Effective	Target Name	Target Business Description	Acquiror Name
01/10/96	06/26/96	American Resource Corp	Gold mining company	REA Gold Corp
01/18/96	08/23/96	AMSERV Healthcare Inc	Pvd temp nursing employment	Star Multi Care Services Inc
01/23/96	05/09/96	Portage Industries Corp	Mnfr extruded plastic sheets	Spartech Corp
02/05/96	09/30/96	Customedix Corp	Mnfr dental, medical products	CUS Acquisitions Inc
02/13/96	07/12/96	Medical Innovations Inc	Pvd home health care services	Horizon/CMS Healthcare Corp
02/15/96	04/29/96	LDI Corp	Computer equip leasing svcs	NationsBank Corp, Charlotte, NC
02/28/96	07/11/96	Salton/Maxim Housewares Inc	Mnfr electric housewares, fans	Windmere Corp
03/13/96	09/27/96	DeSoto Inc	Mnfr paints and detergents	Keystone Consolidated Inds Inc
04/16/96	05/31/96	CIS Technologies Inc	Manufacture computers	National Data Corp
04/22/96	06/04/96	Cornerstone Natural Gas Co	Natural gas distribution svcs	El Paso Field Svcs (El Paso)
05/03/96	03/17/98	Homeowners Group Inc	Real estate, insurance agency	Cross Country Group Inc
05/06/96	09/03/96	Transisco Industries Inc	Mnfr, service railroad equip	Trinity Industries Inc
05/07/96	09/03/96	NMR of America Inc	Pvd. medical equip leasing svcs	Medical Resources Inc
05/13/96	08/30/96	MDT Corp	Mnfr sterility assurance equip	Getinge Industries AB
05/15/96	09/10/96	Carlisle Plastics Inc	Mnfr, whl plastic prods, resins	Tyco International Ltd
06/03/96	01/09/97	Bio-Dental Technologies Corp	Provide dental research svcs	Zila Inc
06/10/96	07/22/96	Systemed Inc	Pvd medical services	Merck-Medco Managed Care Inc
06/11/96	09/03/96	Computer Identics Corp	Manufacture bar code scanners	Robotic Vision Systems Inc
06/17/96	10/07/96	Scanforms Inc	Mnfr business forms	Big Flower Press Holdings Inc
06/21/96	08/23/96	Computer Petroleum Corp	Information retrieval svcs	United Communications Group
06/24/96	12/05/96	MEM Co Inc.	Manufacture toiletries	Renaissance Cosmetics Inc
07/31/96	11/13/96	Calgene Inc	Own and operate greenhouse	Monsanto Co
08/13/96	02/27/97	LaTex Resources Inc	Oil and gas expln, prodn	Alliance Resources PLC
09/10/96	01/03/97	GreenStone Industries Corp	Manufacture stationery	Louisiana-Pacific Corp
09/11/96	03/04/97	Chempower Inc	Insulation, asbestos abatement	American Eco Corp
09/16/96	12/06/96	Proler International Corp	Whl scrap metals & metals	Schnitzer Steel Industries Inc
09/26/96	01/24/97	General Physics Corp	Provide training services	National Patent Development
10/02/96	12/27/96	Software Publishing Corp	Develop software	Allegro New Media
10/03/96	11/12/97	Pittencriff Communications	Pvd radiotelephone commun svcs	Nextel Communications Inc
10/04/96	12/31/96	Pet Food Warehouse Inc	Own, op pet food stores	Petco Animal Supplies Inc
10/30/96	12/20/96	Pacific Rehab & Sports Med	Own, op rehab hospital	Horizon/CMS Healthcare Corp
11/05/96	03/14/97	Panatech Research & Development	Manufacture semiconductors	Harbour Group Ltd
11/25/96	02/28/97	American Studios Inc	Pvd photography services	PCA International Inc
12/06/96	03/18/97	MaxServ Inc (Sears Roebuck)	Pvd technical info support svcs	Sears Roebuck & Co
12/09/96	02/28/97	Houston Biotechnology Inc	Mnfr monoclonal antibodies	Medarex Inc
01/24/97	07/02/97	INCSTAR Corp (Sorin Biomedical)	Mnfr diagnostic substances	American Standard Inc
01/28/97	05/21/97	Calgene Inc (Monsanto Co)	Own and operate greenhouse	Monsanto Co
01/30/97	08/12/97	AST Research Inc	Mnfr computers; dvlp software	Samsung Electronic Co Ltd
02/07/97	08/01/97	MS Financial (MS Diversified)	Pvd financial credit services	Search Financial Services Inc
02/11/97	07/31/97	Serv-Tech Inc	Maintenance and cleaning svcs	Philip Environmental Inc
03/04/97	06/27/97	Audio King Corp	Own, op consumer electn stores	Ultimate Electronic Inc
04/15/97	06/30/97	Kurzweil Applied Intelligence	Electronic computing equip	Lernout & Hauspic Speech
04/30/97	07/25/97	Arden Industrial Products Inc	Whl fasteners	Park-Ohio Industries Inc
05/01/97	08/01/97	Cryenco Sciences Inc	Mnfr liquid gas storage tanks	Chart Industries Inc
05/08/97	09/10/97	Imex Medical Systems Inc	Mnfr fetal diagnostic instr	Nicolet Biomedical Inc
06/16/97	09/30/97	Frederick's of Hollywood, Inc	Women's clothing stores	Investor Group
06/24/97	07/25/97	Jillians Entertainment Corp	Own, op billiard clubs	JW Childs Equity Partners LP
07/23/97	12/02/97	Rudy's Restaurant Group	Own and operate restaurants	Benihana Inc
08/01/97	09/26/97	Community Care of America Inc	Own, op nursing homes	Integrated Health Services Inc
08/07/97	12/02/97	Magnetic Technologies Corp	Manufacture copiers, printers	SPS Technologies Inc
08/14/97	12/31/97	Allied Capital Advisers Inc	Investment advisory svcs	Allied Capital Lending Corp
09/02/97	12/03/97	Ground Round Restaurants	Own and operate restaurants	GRR Holdings LLC
09/04/97	12/30/97	Cinergi Pictures Entertainment	Pvd motion picture prodn svcs	Investor Group
09/26/97	09/26/97	Laclede Steel Co	Own, operate steel works	Birmingham Steel Corp
10/10/97	01/07/98	Puro Water Group Inc	Whl bottled water	United States Filter Corp
10/13/97	03/19/98	Integrated Brands Inc	Produce ice cream	Yogen Furz World-Wide Inc
11/03/97	02/25/98	Individual Inc	Pvd on-line info retrieval svc	Desktop Data Inc
11/04/97	01/12/98	ComputerVision Corp	Mnfr computers, peripherals	Parametric Technology Corp
11/12/97	03/03/98	PureTec Corp	Manufacture plastic products	Tekni-Plex Inc
11/24/97	01/07/98	General Host Corp	Own, op specialty retail stores	Cypress Group LLC
12/02/97	03/17/98	Staadyn Inc	Mnfr electromedical equipment	Rehabicare Inc
12/12/97	02/13/98	Impact Systems Inc	Paper prodn control systems	Voith Sulzer Paper Technology
12/12/97	09/10/98	Timber Lodge Steakhouse Inc	Own, op restaurants	Santa Barbara Restaurant Group
12/15/97	02/24/98	MetroGolf Inc	Own, op golf courses	Family Golf Centers Inc

Date Announced	Date Effective	Target Name	Acquiror Business Description	Value of Transaction (\$ mil)	Enterprise Value (\$ mil)
01/10/96	06/26/96	American Resource Corp	Gold mining company	77.5	76.353
01/18/96	08/23/96	AMSERV Healthcare Inc	Pvd home health care services	9.2	7.895
01/23/96	05/09/96	Portage Industries Corp	Manufacture plastic products	15.8	17.540
02/05/96	09/30/96	Customedix Corp	Investment company	3.6	15.103
02/13/96	07/12/96	Medical Innovations Inc	Pvd nursing care services	30.3	41.725
02/15/96	04/29/96	LDI Corp	Bank hldg co; pvd finl svcs	28.1	288.893
02/28/96	07/11/96	Salton/Maxim Housewares Inc	Mnfr personal care appliances	21.1	53.442
03/13/96	09/27/96	DeSoto Inc	Manufacture steel wire	36.1	40.529
04/16/96	05/31/96	CIS Technologies Inc	Pvd info, transaction svcs	99.3	112.471
04/22/96	06/04/96	Cornerstone Natural Gas Co	Own, op oil and gas pipelines	96.6	97.614
05/03/96	03/17/98	Homeowners Group Inc	Pvd homeowner membership svcs	11.4	14.968
05/06/96	09/03/96	Transisco Industries Inc	Mnfr transp equip,parts	44.7	51.126
05/07/96	09/03/96	NMR of America Inc	Own,op diagnostic imaging ctrs	40.4	57.369
05/13/96	08/30/96	MDT Corp	Mnfr sterilizing equipment	70.3	69.457
05/15/96	09/10/96	Carlisle Plastics Inc	Mnfr fire protection systems	122.4	273.282
06/03/96	01/09/97	Bio-Dental Technologies Corp	Mnfr,whl pharmaceuticals	40.3	48.477
06/10/96	07/22/96	Systemed Inc	Health insurance company	64.8	60.646
06/11/96	09/03/96	Computer Identics Corp	Mnfr 2-D,3-D vision-based sys	42.0	40.881
06/17/96	10/07/96	Scanforms Inc	Pvd advertising,marketing svcs	27.5	15.661
06/21/96	08/23/96	Computer Identics Corp	Publish newsletters	12.0	11.548
06/24/96	12/05/96	MEM Co Inc	Investor group	38.2	29.577
07/31/96	11/13/96	Calgene Inc	Mnfr agro chems,manmade fibers	50.0	584.080
08/13/96	02/27/97	LaTex Resources Inc	Oil and gas exploration, prodn	27.1	44.759
09/10/96	01/03/97	GreenStone Industries Corp	Mnfr lumber,plywood,pulp	29.2	40.823
09/11/96	03/04/97	Chempower Inc	Pvd engineering services	50.0	36.189
09/16/96	12/06/96	Proler International Corp	Manufacture steel products	42.5	68.146
09/26/96	01/24/97	General Physics Corp	Mnfr contact lenses	261.	70.360
10/02/96	12/27/96	Software Publishing Corp	Pvd software services	25.2	8.786
10/03/96	11/12/97	Pittencrieff Communications	Pvd cellular telephone svcs	158.4	159.860
10/04/96	12/31/96	Pet Food Warehouse Inc	Own and operate pet stores	60.7	55.986
10/30/96	12/20/96	Pacific Rehab & Sports Med	Pvd nursing care services	72.7	75.706
11/05/96	03/14/97	Panatech Research & Development	Mnfr steel cutting tools	29.2	26.218
11/25/96	02/28/97	American Studios Inc	Pvd photo processing services	66.3	67.650
12/06/96	03/18/97	MaxServ Inc (Sears Roebuck)	Department stores; finl svcs	46.0	87.263
12/09/96	02/28/97	Houston Biotechnology Inc	Manufacture pharmaceuticals	8.6	8.700
01/24/97	07/02/97	INCSTAR Corp (Sorin Biomedical)	Transportation, building prod	106.3	102.865
01/28/97	05/21/97	Calgene Inc (Monsanto Co)	Mnfr agro chems, manmade fibers	242.6	567.548
01/30/97	08/12/97	AST Research Inc	Mnfr consumer electronics	495.8	558.108
02/07/97	08/01/97	MS Financial (MS Diversified)	Pvd business credit services	17.2	102.602
02/11/97	07/31/97	Serv-Tech Inc	Provide waste management svcs	73.4	54.956
03/04/97	06/27/97	Audio King Corp	Own, op radio, TV, electn stores	6.0	12.363
04/15/97	06/30/97	Kurzweil Applied Intelligence	Mnfr speech tech products	51.3	50.852
04/30/97	07/25/97	Arden Industrial Products Inc	Mnfr forged and machined parts	42.0	44.995
05/01/97	08/01/97	Cryenco Sciences Inc	Mnfr process control instrmnts	19.2	27.904
05/08/97	09/10/97	Imex Medical Systems Inc	Investment company	9.3	10.238
06/16/97	09/30/97	Frederick's of Hollywood, Inc	Investor group	69.4	57.007
06/24/97	07/25/97	Jillians Entertainment Corp	Investment company	4.7	7.007
07/23/97	12/02/97	Rudy's Restaurant Group	Own and operate restaurants	18.8	18.936
08/01/97	09/26/97	Community Care of America Inc	Pvd specialty healthcare svcs	94.0	89.996
08/07/97	12/02/97	Magnetic Technologies Corp	Mnfr industrial fasteners	16.8	15.984
08/14/97	12/31/97	Allied Capital Advisers Inc	Closed-end mgmt investment co	49.5	44.111
09/02/97	12/03/97	Ground Round Restaurants	Investment company	17.5	56.945
09/04/97	12/30/97	Cinergi Pictures Entertainment	Investor group	16.3	59.794
09/26/97	09/26/97	Laclede Steel Co	Manufacture steel, steel prod	15.0	131.767
10/10/97	01/07/98	Puro Water Group Inc	Mnfr water treatment equip	25.7	30.186
10/13/97	03/19/98	Integrated Brands Inc	Produce frozen yogurt	46.8	51.274
11/03/97	02/25/98	Individual Inc	Pvd info retrieval svcs	86.8	79.390
11/04/97	01/12/98	ComputerVision Corp	Develop, wholesale software	250.3	460.128
11/12/97	03/03/98	PureTec Corp	Mnfr plastic	324.6	281.484
11/24/97	01/07/98	General Host Corp	Investment bank	326.2	278.128
12/02/97	03/17/98	Staadyn Inc	Mnfr electromedical equip	22.5	22.867
12/12/97	02/13/98	Impact Systems Inc	Provide paper tech dvlp svcs	28.6	28.467
12/12/97	09/10/98	Timber Lodge Steakhouse Inc	Own, op fast food restaurants	30.4	30.925
12/15/97	02/24/98	MetroGolf Inc	Own and operate golf courses	6.6	18.428
12/22/97	05/20/98	Artistic Greetings Inc	Provide marketing services	33.6	35.618

Premium							
Date Announced	Date Effective	Target Name	1 Day Prior to Annc. Date	1 Week Prior to Annc. Date	4 Weeks Prior to Annc. Date	3 Months Prior to Annc. Date	1 Year Prior to Annc. Date
01/10/96	06/26/96	American Resource Corp	30.77	23.50	27.03		
01/18/96	08/23/96	AMSERV Healthcare Inc	14.56	27.29	20.59	-4.67	20.42
01/23/96	05/09/96	Portage Industries Corp	46.67	78.98	78.98	134.67	193.33
02/05/96	09/30/96	Customedix Corp	22.58	26.67	5.56	19.00	-18.98
02/13/96	07/12/96	Medical Innovations Inc	13.85	18.40	5.71	5.71	37.67
02/15/96	04/29/96	LDI Corp	31.20	21.48	49.09	26.15	5.81
02/28/96	07/11/96	Salton/Maxim Housewares Inc	-0.19	12.84	3.81	1.65	-9.05
03/13/96	09/27/96	DeSoto Inc	65.41	53.00	80.00	118.57	53.00
04/16/96	05/31/96	CIS Technologies Inc	50.50	30.16	30.16	-5.57	33.78
04/22/96	06/04/96	Cornerstone Natural Gas Co	28.00	29.73	100.00	134.15	182.35
05/03/96	03/17/98	Homeowners Group Inc	22.07	26.77	93.88	135.43	17.71
05/06/96	09/03/96	Transisco Industries Inc	15.56	36.84	28.40	57.58	271.43
05/07/96	09/03/96	NMR of America Inc	41.43	86.79	90.39	98.08	37.56
05/13/96	08/30/96	MDT Corp	12.82	22.22	4.76	15.79	-6.38
05/15/96	09/10/96	Carlisle Plastics Inc	38.20	38.20	41.83	73.94	31.51
06/03/96	01/09/97	Bio-Dental Technologies Corp	64.99	43.28	109.42	194.49	65.09
06/10/96	07/22/96	Systemed Inc	-4.00	4.35	9.09	-23.81	-56.36
06/11/96	09/03/96	Computer Identics Corp	63.11	54.53	54.53	72.71	19.84
06/17/96	10/07/96	Scanforms Inc	61.40	61.40	58.62	70.37	130.00
06/21/96	08/23/96	Computer Petroleum Corp	28.33	46.67	71.11	105.33	208.00
06/24/96	12/05/96	MEM Co Inc	13.21	81.82	90.48	93.55	114.29
07/31/96	11/13/96	Calgene Inc	64.10	80.28	39.13	31.96	14.29
08/13/96	02/27/97	LaTex Resources Inc	181.14	202.77	181.14	228.00	107.16
09/10/96	01/03/97	GreenStone Industries Corp	33.33	52.73	58.49	42.37	50.00
09/11/96	03/04/97	Chempower Inc	48.06	48.06	45.88	50.30	65.33

09/16/96	12/06/96	Proler International Corp	132.26	125.00	148.28	33.33	9.09
09/26/96	01/24/97	General Physics Corp	16.57	31.61	36.00	23.64	45.71
10/02/96	12/27/96	Software Publishing Corp	14.86	10.90	60.80	-88.09	
10/03/96	11/12/97	Pittencrieff Communications	8.95	14.40	30.74	-13.08	29.14
10/04/96	12/31/96	Pet Food Warehouse Inc	22.93	26.00	48.24	48.24	57.50
10/30/96	12/20/96	Pacific Rehab & Sports Med	67.74	62.50	48.57	60.00	6.12
11/05/96	03/14/97	Panatech Research & Development					
			55.56	55.56	51.35		
11/25/96	02/28/97	American Studios Inc	90.48	110.53	166.67	-65.28	-73.33
12/06/96	03/18/97	MaxServ Inc (Sears Roebuck)	19.23	67.57	55.00	67.57	129.63
12/09/96	02/28/97	Houston Biotechnology Inc	52.00	62.13	52.00	-93.01	-92.05
01/24/97	07/02/97	INCSTAR Corp (Sorin Biomedical)					
			42.93	53.21	68.53		
01/28/97	05/21/97	Calgene Inc (Monsanto Co)	62.03	60.00	60.00	60.00	42.22
01/30/97	08/12/97	AST Research Inc	16.76	8.00	20.00	23.43	-31.43
02/07/97	08/01/97	MS Financial (MS Diversified)	20.00	46.67	10.00	1.54	-70.67
02/11/97	07/31/97	Serv-Tech Inc	32.00	60.00	88.57	129.57	12.34
03/04/97	06/27/97	Audio King Corp	60.00	68.00	68.00	68.00	-18.05
04/15/97	06/30/97	Kurzweil Applied Intelligence	83.83	69.69	66.49	84.00	63.56
04/30/97	07/25/97	Arden Industrial Products Inc	41.18	50.00	37.14	20.00	26.32
05/01/97	08/01/97	Cryenco Sciences Inc	69.23	76.00	72.55	41.94	-26.67
05/08/97	09/10/97	Imex Medical Systems Inc	7.90	2.76	2.76	-30.32	-32.50
06/16/97	09/30/97	Frederick's of Hollywood, Inc	48.85	44.47	25.95	93.75	85.07
06/24/97	07/25/97	Jillians Entertainment Corp	14.29	77.78	45.46	220.00	166.67
07/23/97	12/02/97	Rudy's Restaurant Group	50.94	70.21	72.04	60.00	5.26
08/01/97	09/26/97	Community Care of America Inc	23.08	18.52	88.24	68.42	-48.39
08/07/97	12/02/97	Magnetic Technologies Corp	25.00	25.00	33.33	42.86	33.33
08/14/97	12/31/97	Allied Capital Advisers Inc	10.41	4.68	10.41	8.97	-28.00
09/02/97	12/03/97	Ground Round Restaurants	10.00	10.00	-5.71	14.78	-34.00
09/04/97	12/30/97	Cinergi Pictures Entertainment	26.90	24.75	56.60	236.00	26.00
09/26/97	09/26/97	Laclede Steel Co	106.45	106.45	106.45	113.33	88.24
10/10/97	01/07/98	Puro Water Group Inc	33.95	47.69	44.00	44.00	
10/13/97	03/19/98	Integrated Brands Inc	69.94	106.35	167.50	501.33	381.07
11/03/97	02/25/98	Individual Inc	0.92	14.93	-7.02	47.71	-6.00
11/04/97	01/12/98	ComputerVision Corp	28.31	69.92	18.63	14.33	-55.09
11/12/97	03/03/98	PureTec Corp	28.74	34.94	31.77	143.48	69.70
11/24/97	01/07/98	General Host Corp	60.00	62.96	79.59	51.72	77.69
12/02/97	03/17/98	Staadyn Inc	47.38	47.38	89.49	100.45	152.95
12/12/97	02/13/98	Impact Systems Inc	57.14	49.15	44.26	69.23	109.52
12/12/97	09/10/98	Timber Lodge Steakhouse Inc	74.13	74.13	81.19	94.32	139.43
12/15/97	02/24/98	MetroGolf Inc	20.00	20.00	-11.11	-25.00	-75.51
12/22/97	05/20/98	Artistic Greetings Inc	28.45	47.10	52.00	47.10	21.60

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Merger Premiums to Market Value Analysis  
Mergers with Target Price Equal to or Less than \$5 per Share  
Announced and Completed 1/1/96-10/9/98  
(continued)

Date Announced	Date Effective	Target Name	Target Business Description	Acquiror Name
12/23/97	03/20/98	American Paging Inc	Pvd wireless messaging svcs	Telephone and Data Systems Inc
12/23/97	01/27/98	Hi-Lo Automotive Inc	Own, op auto parts stores	O'Reilly Automotive Inc
01/13/98	07/31/98	Bird Corp	Manufacture building products	CertainTeed Corp
01/16/98	02/26/98	Ophthalmic Imaging Systems Inc	Mnfr, design, market imaging sys	Premier Laser Systems
01/26/98	05/06/98	TransAmerican Waste Industries	Pvd waste management services	USA Waste Services Inc
02/09/98	06/18/98	American Waste Services	Provide waste management svcs	USA Waste Services Inc
02/23/98	06/26/98	CompScript Inc	Pvd pharmaceutical mgmt svcs	Omnicare Inc
03/02/98	04/30/98	First Alert Inc	Mnfr fire and burglar alarms	Sunbeam Corp
03/31/98	06/29/98	IBAH Inc	Mnfr pharmaceutical products	Omnicare Inc
04/09/98	07/29/98	Spec's Music Inc	Record and video retail stores	Camelot Music Holdings
04/10/98	06/26/98	Dataflex Corp	Whl microcomputer equipment	CompuCom Systems Inc (Safeguard)
04/22/98	06/29/98	AccelGraphics Inc	Mnfr graphics accelerators	Evans & Sutherland Computer
04/23/98	07/31/98	Morrison Restaurants Inc	Own, operate eating places	Piccadilly Cafeterias Inc
05/05/98	09/25/98	Allied Digital Technologies Co	Mnfr multi media software prod	Investor Group
05/07/98	07/31/98	Innovative Tech Systems Inc	Dvlp facilities mgmt software	Peregine Systems Inc
05/11/98	07/14/98	Micronics Computers Inc	Mnfr system boards	Diamond Multimedia Systems Inc
05/12/98	08/24/98	Virus Research Institute Inc	Mnfr biological products	T Cell Sciences Inc
05/20/98	09/15/98	InnoServ Technologies	Pvd med equip repair svcs	GE Medical Systems
05/22/98	07/22/98	Pete's Brewing Co	Produce beer	Gambinus Co.
05/29/98	08/17/98	Arch Petroleum Inc	Oil, gas mining	Pogo Producing Co
06/09/98	06/09/98	Lincoln Snack Co (Noel Group)	Produce, whl pre-poped popcorn	Brynnwood Partners III LP
06/22/98	10/02/98	GT Bicycles Inc	Manufacture, wholesale bicycles	Schwinn Holdings Corp
07/07/98	09/21/98	Republic Engineered Steels	Mnfr cold-finished steel prods	Investor Group
07/14/98	09/18/98	DEP Corp	Manufacture personal care prod	Henkel KGaA
07/20/98	10/01/98	US Servis Inc	Dvp, design, whl software	HBO & Co
07/29/98	09/11/98	E-2 Serve Corp	Whl and retail gasoline	EBC Texas Acquisition Corp

Date Announced	Date Effective	Target Name	Acquiror Business Description	Value of Transaction (\$ mil)	Enterprise Value (\$ mil)
12/23/97	03/20/98	American Paging Inc	Pvd telecommunications svcs	9.1	217.941
12/23/97	01/27/98	Hi-Lo Automotive Inc	Own, op auto supply stores	42.5	89.690
01/13/98	07/31/98	Bird Corp	Mnfr asbestos, fiberglass prods	39.2	27.821
01/16/98	02/26/98	Ophthalmic Imaging Systems Inc	Mnfr, whl laser sys alarms	1.3	7.006
01/26/98	05/06/98	TransAmerican Waste Industries	Pvd waste disposal services	142.3	156.717
02/09/98	06/18/98	American Waste Services	Pvd waste disposal services	122.1	106.919
02/23/98	06/26/98	CompScript Inc	Whl, retail pharmaceuticals	68.4	68.415

03/02/98	04/30/98	First Alert Inc	Mnfr, whl household appliances	129.2	171.213
03/31/98	06/29/98	IBAH Inc	Whl, retail pharmaceuticals	154.3	153.807
04/09/98	07/29/98	Spec's Music Inc	Own, op chain record stores	26.8	25.276
04/10/98	06/26/98	Dataflex Corp	Manufacture computer equipment	25.2	46.850
04/22/98	06/29/98	AccelGraphics Inc	Mnfr computer graphics system	55.9	36.284
04/23/98	07/31/98	Morrison Restaurants Inc	Own and operate cafeterias	46.2	
05/05/98	09/25/98	Allied Digital Technologies Co	Investoer group	69.2	110.009
05/07/98	07/31/98	Innovative Tech Systems Inc	Dvlp service desk software	75.7	72.285
05/11/98	07/14/98	Micronics Computers Inc	Manufacture multimedia systems	31.7	12.967
05/12/98	08/24/98	Virus Research Institute Inc	Mnfr vaccines, related products	62.6	60.225
05/20/98	09/15/98	InnoServ Technologies	Mnfr diagnostic imaging equip	13.1	11.596
05/22/98	07/22/98	Pete's Brewing Co	Produce, wholesale beer	69.4	51.299
05/29/98	08/17/98	Arch Petroleum Inc	Oil and gas exploration, prodn	114.0	100.081
06/09/98	06/09/98	Lincoln Snack Co (Noel Group)	Investment firm	7.1	8.981
06/22/98	10/02/98	GT Bicycles Inc	Mnfr bicycles; holding company	149.6	170.494
07/07/98	09/21/98	Republic Engineered Steels	Investor group	417.8	409.392
07/14/98	09/18/98	DEP Corp	Mnfr, whl chemicals, detergents	89.7	90.606
07/20/98	10/01/98	US Servis Inc	Dvlp healthcare software	47.4	29.160
07/29/98	09/11/98	E-Z Serve Corp	Investment firm	43.2	107.882

Premium

Date Announced	Date Effective	Target Name	1 Day Prior to Annc. Date	1 Day Prior to Annc. Date	4 Weeks Prior to Annc. Date	3 Months Prior to Annc. Date	1 Year Prior to Annc. Date
12/23/97	03/20/98	American Paging Inc	17.65	33.33	29.03	17.65	(47.37)
12/23/97	01/27/98	Hi-Lo Automotive Inc	(14.07)	12.26	24.29	17.97	74.00
01/13/98	07/31/98	Bird Corp	25.71	18.92	29.41	37.50	(8.33)
01/16/98	02/26/98	Ophthalmic Imaging Systems Inc	16.67	27.27	40.00	75.00	(63.16)
01/26/98	05/06/98	TransAmerican Waste Industries	51.42	36.57	78.59	55.02	70.15
02/09/98	06/18/98	American Waste Services	100.00	156.00	166.67	166.67	77.78
02/23/98	06/26/98	CompScript Inc	26.56	67.24	52.70	80.10	(57.69)
03/02/98	04/30/98	First Alert Inc	68.00	90.91	110.00	104.88	71.43
03/31/98	06/29/98	IBAH Inc	12.20	61.40	58.62	53.33	(9.80)
04/09/98	07/29/98	Spec's Music Inc	30.37	65.00	65.00	340.00	230.00
04/10/98	06/26/98	Dataflex Corp	8.43	9.33	23.77	21.48	49.09
04/22/98	06/29/98	AccelGraphics Inc	13.58	22.67	21.05	62.83	(38.67)
04/23/98	07/31/98	Morrison Restaurants Inc	45.56	73.91	81.82	77.78	8.11
05/05/98	09/25/98	Allied Digital Technologies Co	14.29	14.29	37.93	86.05	158.06
05/07/98	07/31/98	Innovative Tech Systems Inc	8.04	10.88	25.78	62.15	301.52
05/11/98	07/14/98	Micronics Computers Inc	37.54	15.29	50.77	30.67	(16.60)
05/12/98	08/24/98	Virus Research Institute Inc	91.64	75.67	81.72	46.44	9.83
05/20/98	09/15/98	InnoServ Technologies	30.77	32.04	41.67	21.43	130.51
05/22/98	07/22/98	Pete's Brewing Co	6.25	39.73	42.66	45.83	6.33
05/29/98	08/17/98	Arch Petroleum Inc	0.13	5.47	(3.53)	4.00	(17.67)
06/09/98	06/09/98	Lincoln Snack Co (Noel Group)	6.67	3.23		3.23	42.22
06/22/98	10/02/98	GT Bicycles Inc	68.42	77.78	36.17	31.96	0.00
07/07/98	09/21/98	Republic Engineered Steels	56.76	68.12	45.00	87.10	427.27
07/14/98	09/18/98	DEP Corp	31.25	93.35	78.72	75.00	236.00
07/20/98	10/01/98	US Servis Inc	151.62	85.98	151.62	289.09	256.67
07/29/98	09/11/98	E-Z Serve Corp	37.14	20.00	20.00	20.00	(20.00)
		Mean:	39.7%	48.8%	55.4%	67.1%	53.8%

Source: Securities Data Company, Inc; Three month and one-year premiums calculated using security prices from FactSet Research Systems, Inc. Commercial banks and other similar financial institutions were excluded for the purpose of this analysis.

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Merger Premiums to Market Value Analysis  
Mergers with Target Price Between \$5 and \$10 per Share  
Announced and Completed 1/1/96-10/9/98  
(continued)

Date Announced	Date Effective	Target Name	Target Business Description	Acquiror Name
01/03/96	08/28/96	International Jensen Inc	Mnfr radios and televisions	Recoton Corp
01/08/96	05/31/96	Medalist Industries Inc	Mnfr screws, bolts	Illinois Tool Works Inc
01/11/96	07/30/96	Golf Enterprises Inc	Own, op golf course, club, shop	National Golf Properties Inc
01/16/96	02/26/96	Concord Health Group	Pvd healthcare mgmt services	Multicare Cos Inc
01/16/96	04/10/96	Orthopedic Technology Inc	Manufacture surgical supplies	Depuy Inc (Corange Ltd)
01/24/96	03/29/96	TGV Software Inc	Develop software	Cisco Systems Inc
01/29/96	04/08/96	Varitronic Systems Inc	Mnfr typewriters	WH Brady Co
02/08/96	07/31/96	Citizens Security Group Inc	Insurance holding company	Meridian Insurance Group
03/04/96	06/27/96	Storage Properties Inc	Own and operate warehouses	Public Storage Inc
03/13/96	04/18/96	CAPCO Automotive Products Corp	Mnfr automobile parts	Eaton Corp
04/03/96	06/17/96	E&B Marine Inc	Ret, whl marine accessories	West Marine Inc
04/15/96	11/22/96	Multi-Market Radio Inc	Own, op radio broadcasting stns	SFX Broadcasting Inc
04/22/96	07/18/96	Duplex Products Inc	Manufacture business forms	Reynolds & Reynolds Co
04/22/96	08/07/96	Ideon Group Inc	Operate ret mail order house	CUC International Inc
04/25/96	10/01/96	Sterling Chemicals Inc	Mnfr commodity chemicals	Investor Group
04/29/96	09/09/96	Crocker Realty Trust Inc	REIT	Highwoods Properties Inc
05/16/96	08/20/96	Professional Sports Care Mngmt	Own, op physical therapy clinic	HealthSouth Corp
05/20/96	08/29/96	Financing for Science Intl Inc	Pvd business credit services	Finova Group Inc
05/22/96	08/02/96	Network Express Inc	Mnfr telecommunication equip	Cabletron Systems Inc
05/24/96	09/04/96	Clinton Gas Systems Inc	Oil and gas exploration, prodn	Joint Energy Dven Investments
06/10/96	08/23/96	Bailey Corp	Manufacture rubber products	Venco Acquisition Corp

06/14/96	09/13/96	Bugaboo Creek Steak House Inc	Own, op restaurants	Longhorn Steaks Inc
06/21/96	09/26/96	Applied Bioscience Intl (IMS)	Provide medical testing svcs	Phamaceutical Product Dvlp
07/01/96	09/25/96	Brooktree Corp	Manufacture semiconductors	Rockwell International Corp
07/03/96	09/05/97	Golden Poultry Co Inc	Produce, wholesale poultry	Gold Kist Inc
07/11/96	10/11/96	Fay's Inc	Own and operate drug stores	Thrift Drug Inc (JC Penney Co)
07/12/96	10/10/96	ADCO Technologies Inc	Mnfr adhesives and sealants	Astor Chemicals
07/12/96	10/23/96	Supercuts Inc	Operate barber shops	Regis Corporation
07/19/96	08/30/96	FluoroScan Imaging Systems	Mnfr, whl x-ray imaging device	Hologic Designs
08/02/96	11/07/96	Colonial Data Technologies	Manufacture telcommun equip	US Order Inc
08/26/96	12/20/96	Home Shopping Network (Liberty)	Own, op TV broadcasting statn	Silver King Communications Inc
09/09/96	09/23/96	Crooker realty Trust Inc	REIT	Highwoods Properties Inc
09/10/96	12/05/96	Acquitron Medical Inc	Manufacture apnca monitors	Nellcor Puritan-Bennett
09/11/96	12/02/96	ReadiCare Inc	Own and operate HMO's	HealthSouth Corp
09/16/96	11/07/97	Centerior Energy Corp	Electric utility holding co	Ohio Edison Co
09/24/96	01/02/97	Datalogix International	Develop business software	Oracle Corp
10/01/96	04/25/97	Cosmetic Center Inc	Operate cosmetic stores	Prestige Fragrance & Cosmetics
10/10/96	02/12/97	Knogo North America Inc	Mnfr search, navigation equip	Video Sentry Corp
10/10/96	11/27/96	WCI Steel Inc (Renco Group Inc)	Manufacture steel	Renco Group Inc
10/17/96	02/27/97	Triad Systems Corp	Develop turnkey computer sys	Investor Group
11/06/96	03/07/97	Midland Financial Group Inc	Fire, marine, casualty ins co	Progressive Corp
11/06/96	12/11 96	Union Switch & Signal Inc	Manufacture railroad equip	Ansaldo Trasporti SpA
11/11/96	03/17/97	AHI Healthcare Systems Inc	Pvd physician contracting svcs	FPA Medical Management Inc
11/13/96	12/17/96	Edmark Corp	Develop educational software	IBM Corp
11/18/96	03/27/97	Tyco Toys Inc	Manufacture and wholesale toys	Mattel Inc
12/10/96	04/01/97	Softdesk Inc	Develop, wholesale CAD software	Autodesk Inc
12/23/96	05/09/97	StarSight Telecast Inc	Pvd cable programming svcs	Gemstar International Group
12/26/96	04/16/97	Royce Laboratories Inc	Mnfr pharmaceuticals products	Watson Pharmaceuticals Inc
01/17/97	04/24/97	American Recreation Centers	Own, op bowling, rec centers	AMF Bowling Centers (AMF Group)
01/27/97	07/24/97	Cardiometrics Inc	Mnfr surgical, medical equip	EndoSonics Corp
02/11/97	05/29/97	Fractal Design Corp	Develop graphics software	MetaTools Inc
02/11/97	03/24/97	Innotech Inc	Mnfr electro-medical prods	Johnson & Johnson
02/18/97	07/01/98	Contour Medical (Retirement)	Mnfr surgical supplies	Sun Healthcare Group Inc
02/18/97	07/01/98	Retirement Care Associates Inc	Own, operate nursing homes	Sun Healthcare Group Inc
03/06/97	07/31/97	Allwaste Inc	Pvd asbestos treatment svcs	Philip Environmental Inc
03/06/97	08/13/97	Crop Growers Corp	Insurance agency	Fireman's Fund Insurance Co
03/11/97	04/15/97	TPC Corp	Pvd gas transmission svcs	PacificCorp Holdings Inc
03/21/97	06/12/97	CrossComm Corp	Mnfr computer networking equip	Olicom A/S
03/27/97	03/27/97	Strober Organization Inc	Wholesale building materials	Hamilton Acquisition LLC
03/31/97	06/03/97	Peak Technologies Group Inc	Whl integrated systems	Moore Corp Ltd
04/10/97	06/13/97	ERO Inc	Manufacture toys	Hedstrom Corp (Hedstrom Hldgs)
04/10/97	06/26/97	Microcom Inc	Mnfr data comm products	Company Computer Corp
04/18/97	07/10/97	LIVE Entertainment Inc	Whl, retail recorded music	Investor Group
05/30/97	07/09/97	Integrated Living Communities	Pvd nursing, personal care svcs	Whitehall Street Real Estate
05/30/97	10/16/97	National Picture and Frame Co	Mnfr picture, mirror frames	Colonnade Capital LLC
06/03/97	09/08/97	Physician Corp of America	Own and operate HMO's	Humana Inc

Date Announced	Date Effective	Target Name	Acquiror Business Description	Value of Trans-action (\$ mil)	Enter-prise Value (\$ mil)
01/03/96	08/28/96	International Jensen Inc	Mnfr audio, video equipment	109.1	109.595
01/08/96	05/31/96	Medalist Industries Inc	Mnfr indl fasteners, tools	55.4	91.567
01/11/96	07/30/96	Golf Enterprises Inc	Real estate investment trust	82.9	141.614
10/16/96	02/26/96	Concord Health Group	Own, op nursing care facilities	126.9	126.755
01/16/96	04/10/96	Orthopedic Technology Inc	Mnfr orthopedic devices	45.2	44.871
01/24/96	03/29/96	TGV Software Inc	Mnfr inter-networking systems	92.4	71.54
01/29/96	04/08/96	Varitronic Systems Inc	Mnfr indl labeling machines	42.5	43.333
02/08/96	07/31/96	Citizens Security Group Inc	Insurance holding company	22.6	26.703
03/04/96	06/27/96	Storage Properties Inc	Real estate investment trust	22.8	1,293.505
03/13/86	04/18/96	CAPCO Automotive Products Corp	Manufacture automotive parts	128.9	140.935
04/03/96	06/17/96	E&B Marine Inc	Own, op boat dealerships	30.6	49.597
04/15/96	11/22/96	Multi-Market Radio Inc	Own, op radio bdcstg stations	104.4	89.166
04/22/95	07/18/96	Duplex Products Inc	Pvd comp sys bus forms svcs	90.1	85.54
04/22/96	08/07/96	Ideon Group Inc	Provide discount club svcs	381.8	382.225
04/25/96	10/01/96	Sterling Chemicals Inc	Investor group	798.4	791.162
04/29/96	09/09/96	Crocker Realty Trust Inc	Real estate investment trust	537.5	531.94
05/16/96	08/20/96	Professional Sports Care Mngmt	Own, op outpatient surgery ctr	64.8	54.952
05/20/96	08/29/96	Financing for Science Intl Inc	Pvd financial services	39.2	193.919
05/22/95	08/02/96	Network express Inc	Mnfr, whl, install LAN, WAN	118.4	112.039
05/24/96	09/04/96	Clinton Gas Systems Inc	Investment firm	38.4	52.887
06/10/96	08/23/96	Bailey Corp	Investment holding company	47.8	106.359
06/14/96	09/13/96	Bugaboo Creek Steak House Inc	own and operate steakhouses	48.5	55.641
06/21/96	09/26/96	Applied Bioscience Inc (IMS)	Pvd comm phy research svcs	491.5	483.418
07/01/96	09/25/96	Brooktree Corp	Mnfr aircraft defense systems	261.8	273.377
07/03/96	09/05/97	Golden Poultry Co Inc	Produce, wholesale poultry	52.1	209.708
07/11/96	10/11/96	Fay's Inc	Own and operate drug stores	277.9	352.368
07/12/96	10/10/96	ADCO Technologies Inc	Mnfr specialty chemicals	53.8	54.141
07/12/96	10/23/96	Supercuts Inc	Operate hairstyling salons	175.1	174.379
07/19/96	08/30/96	FluoroScan Imaging Systems	Mnfr and whl X-ray systems	59.1	53.882
08/02/96	11/07/96	Colonial data Technologies	Pvd equip rental, leasing svcs	186.5	176.021
08/26/96	12/20/96	Home Shopping Network (Liberty)	Operate television stations	1,216.9	1,069.458
09/09/96	09/23/96	Crooker realty Trust Inc	Real estate investment trust	76.1	557.561
09/10/96	12.05/96	Acquitron Medical Inc	Mnfr electn patient monitors	56.6	56.176
09/11/96	12/02/96	ReadiCare Inc	Own, op outpatient surgery ctr	73.9	70.736
09/16/96	11/07/97	Centerior Energy Corp	Electric utility	1,612.6	6,202.925
09/24/96	01/02/97	Datalogix International	Develop database software	80.0	63.045
10/01/96	04/25/97	Cosmetic Center Inc	Own and op retail stores	32.8	30.68
10/10/96	02/12/97	Knogo North America Inc	Provide electrical services	48.8	45.572
10/10/96	11/27/96	WCI Stell Inc (Renco Group Inc)	Mnfr steel products	56.5	437.182
10/17/96	02/27/97	Triad Systems Corp	Investor group	193.1	225.973
11/06/96	03/07/97	Midland Financial Group Inc	Insurance holding company	47.2	72.692
11/06/96	12/11 96	Union Switch & Signal Inc	Mnfr train and transp equip	27.1	135.632
11/13/96	03/17/97	All Healthcare Systems Inc	Pvd health care mgmt services	117.0	103.179
11/13/96	12/17/96	Edmark Corp	Mnfr computers, office equip	123.8	81.322
11/18/96	03/27/97	Tyco Toys Inc	Mnfr, whl games, toys	737.4	1,073.147
12/10/96	04/01/97	Softdesk Inc	Design drafting software	91.7	88.442
12/23/96	05/05/97	StarSight Telecast Inc	Mnfr simplified VCR programmer	273.1	266.569
12/26/96	04/16/97	Royce Laboratories Inc	Mnfr pharmaceutical products	84.2	81.639
01/17/96	04/24/97	American Recreation Centers	Own, op bowling centers	70.7	63.83
01/27/97	07/24/97	Cardiometrics Inc	Mnfr image processing equip	56.8	37.872
02/11/97	03/24/97	Fractal Design Corp	Develop software	140.2	136.069
02/11/97	03/24/97	Innotech Inc	Mnfr medical equip and prods	135.6	116.561
02/18/97	07/01/98	Contour Medical (Retirement)	Pvd long-term healthcare svcs	55.2	72.823
02/18/97	07/01/98	Retirement Care Associates Inc	Pvd long-term healthcare svcs	305.9	292.435
03/06/97	07/03/97	Allwaste Inc	Provide waste management svcs	506.7	534.883
03/06/97	08/13/97	Crop Growers Corp	Insurance company	82.1	89.061
03/11/97	04/15/97	TPC Corp	Pvd telephone commun services	408.5	398.392
03/21/97	06/12/97	CrossComm Corp	Mnfr communications equipment	84.6	77.829
03/27/97	03/27/97	Strober Organization Inc	Investment company	33.4	30.937

03/03/97	06/03/97	Peak Technologies Group Inc	Mnfr manifold business forms	169.8	192.09
04/10/97	06/13/97	ERO Inc	Manufacture games and toys	203.6	201.739
04/10/97	06/26/97	Microcom Inc	Manufacture personal computers	267.6	273.087
04/18/97	07/10/97	LIVE Entertainment Inc	Investor group	53.1	98.981
05/30/97	07/09/97	Integrated Living Communities	Real estate development finn	79.7	78.553
05/30/97	10/16/97	National Picture and Frame Co	Private equity firm	60.3	67.073
06/03/97	09/08/97	Physician Corp of America	Own and operate HMO's	405.1	260.352

		Premium					
Date Announced	Date Effective	Target Name	1 Day Prior to Annc. Date	1 Day Prior to Annc. Date	4 Weeks Prior to Annc. Date	3 Months Prior to Annc. Date	1 Year Prior to Annc. Date
01/03/96	08/28/96	International Jensen Inc	29.41	57.14	49.15	46.67	12.82
01/08/96	05/31/96	Medalist Industries Inc	127.20	136.67	110.37	(43.20)	(43.20)
01/11/96	07/30/96	Golf Enterprises Inc	37.14	45.46	45.46	(7.69)	6.67
10/16/96	02/26/96	Concord Health Group	25.11	43.42	58.92	50.77	40.00
01/16/96	04/10/96	Orthopedic Technology Inc	26.45	43.89	49.03		
01/24/96	03/29/96	TGV Software Inc	41.55	70.63	73.00	73.00	
01/29/96	04/08/96	Varitronic Systems Inc	79.49	79.49	62.79	94.44	89.19
02/08/96	07/31/96	Citizens Security Group Inc	88.68	108.33	117.39	25.00	25.00
03/04/96	06/27/96	Storage Properties Inc	10.94	16.44	15.29	(58.88)	(50.59)
03/13/86	04/18/96	CAPCO Automotive Products Corp	66.67	72.41	78.57	24.22	(13.04)
04/03/96	06/17/96	E&B Marine Inc	(4.76)	20.00	7.14	100.00	3.45
04/15/96	11/22/96	Multi-Market Radio Inc	11.11	29.87	19.05	28.21	56.25
04/22/95	07/18/96	Duplex Products Inc	1.05	28.86	36.17	48.84	41.18
04/22/96	08/07/96	Ideon Group Inc	38.46	54.29	36.71	38.46	(22.30)
04/25/96	10/01/96	Sterling Chemicals Inc	29.73	47.69	47.69	29.73	(7.69)
04/29/96	09/09/96	Crocker Realty Trust Inc	10.20	11.60	13.03	24.17	
05/16/96	08/20/96	Professional Sports Care Mngmt	13.74	29.05	34.21	620.95	(36.92)
05/20/96	08/29/96	Financing for Science Intl Inc	4.49	6.67	12.53	17.70	108.98
05/22/95	08/02/96	Network express Inc	(10.64)	19.97	39.01	119.00	(20.36)
05/24/96	09/04/96	Clinton Gas Systems Inc	3.85	14.89	31.71	12.50	80.00
06/10/96	08/23/96	Bailey Corp	5.46	6.06	11.11	55.56	68.67
06/14/96	09/13/96	Bugaboo Creek Steak House Inc	9.19	16.02	10.82	(60.93)	(30.62)
06/21/96	09/26/96	Applied Bioscience Inc (IMS)	75.34	82.86	77.78	77.78	204.76
07/01/96	09/25/96	Brooktree Corp	42.86	64.38	16.51	71.43	(13.04)
07/03/96	09/05/97	Golden Poultry Co Inc	52.00	50.00	39.02	29.55	142.55
07/11/96	10/11/96	Fay's Inc	27.50	61.91	61.91	82.14	72.88
07/12/96	10/10/96	ADCO Technologies Inc	28.13	51.85	57.69	368.57	105.00
07/12/96	10/23/96	Supercuts Inc	55.29	53.04	60.00	99.25	50.86
07/19/96	08/30/96	FluoroScan Imaging Systems	116.00	109.35	70.10	134.62	131.63
08/02/96	11/07/96	Colonial data Technologies	20.00	33.33	(6.80)	(45.86)	13.68
08/26/96	12/20/96	Home Shopping Network (Liberty)	38.95	62.46	62.46	(6.55)	27.23
09/09/96	09/23/96	Crocker realty Trust Inc	18.80	20.30	21.85	5.02	58.40
09/10/96	12.05/96	Acquitron Medical Inc	18.06	21.53	40.07	23.34	22.43
09/11/96	12/02/96	ReadiCare Inc	66.79	55.42	55.42	66.83	120.65
09/16/96	11/07/97	Centerior Energy Corp	42.82	40.52	42.82	50.21	2.49
09/24/96	01/02/97	Datalogix International	28.00	42.22	56.10	14.19	(55.24)
10/01/96	04/25/97	Cosmetic Center Inc	17.39	45.33	103.47	64.97	(3.11)
10/10/96	02/12/97	Knogo North America Inc	(3.38)	13.31	7.45		
10/10/96	11/27/96	WCI Steel Inc (Renco Group Inc)	17.65	29.03	77.78	90.48	105.13
10/17/96	02/27/97	Triad Systems Corp	68.18	60.87	89.74	72.09	68.18
11/06/96	03/07/97	Midland Financial Group Inc	30.91	24.14	0	(2.70)	(5.26)
11/06/96	12/11/96	Union Switch & Signal Inc	3.57	3.57	0	(6.45)	9.43
11/11/96	03/17/97	AHI Healthcare Systems Inc	10.90	34.00	23.69	34.00	(34.37)
11/13/96	12/17/96	Edmark Corp	35.52	63.16	31.92	5.08	(61.73)
11/18/96	03/27/97	Tyco Toys Inc	73.69	80.12	94.53	(33.82)	(26.30)
12/10/96	04/01/97	Softdesk Inc	60.00	66.76	146.67	111.43	(32.73)
12/23/96	05/09/97	Starsight Telecast Inc	17.86	20.84	44.28	16.22	94.60
12/26/96	04/16/97	Royce Laboratories Inc	0.57	22.91	18.52	30.95	(36.21)
01/17/96	04/24/97	American Recreation Centers	15.25	33.33	70.00	58.14	33.33
01/27/97	07/24/97	Cardiometrics Inc	18.28	13.81	47.12	82.79	2.24
02/11/97	05/29/97	Fractal Design Corp	44.97	40.44	0.99	(6.82)	(18.25)
02/11/97	03/24/97	Innotech Inc	54.93	64.18	54.93	400.00	(50.95)
02/18/97	07/01/98	Contour Medical (Retirement)	21.43	47.83	58.14		
02/18/97	07/01/98	Retirement Care Associates Inc	19.44	14.67	21.13	91.11	3.79
03/06/97	07/03/97	Allwaste Inc	48.22	63.35	95.22	122.44	128.80
03/06/97	08/13/97	Crop Growers Corp	20.59	15.49	41.38	57.69	(2.38)
03/11/97	04/15/97	TPC Corp	52.17	65.05	55.48	652.84	946.63
03/21/97	06/12/97	CrossComm Corp	74.32	70.17	70.17	70.10	(9.57)
03/27/97	03/27/97	Strober Organization Inc	0	3.23	2.13	4.35	37.14
03/03/97	06/03/97	Peak Technologies Group Inc	108.70	97.26	65.52	50.00	(1.37)
04/10/97	06/13/97	ERO Inc	12.50	16.88	30.44	47.54	73.08
04/10/97	06/26/97	Microcom Inc	54.76	91.18	35.42	35.42	(43.48)
04/18/97	07/10/97	LIVE Entertainment Inc	6.67	6.67	50.00		
05/30/97	07/09/97	Integrated Living Communities	26.90	21.05	50.82	73.58	
05/30/97	10/16/97	National Picture and Frame Co	31.51	28.00	28.00	22.29	18.52
06/03/97	09/08/97	Physician Corp of America	12.00	12.00	23.08	65.93	(45.63)

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Merger Premiums to Market Value Analysis  
Mergers with Target Price Between \$5 and \$10 per Share  
Announced and Completed 1/1/96-10/9/98  
(continued)

Date Announced	Date Effective	Target Name	Target Business Description	Acquiror Name
06/05/97	07/14/97	DIGEX Inc	Develop Internet software	Intermedia Communicaitons Inc
06/20/97	10/23/97	Convest Energy Corp	Oil and gas exploration, prodn	Forcenergy Inc
07/02/97	10/28/97	Calnetics Corp	Manufacture plastic products	Summa Industries Inc
07/03/97	09/26/97	Krystal Co	Own, op fast food restaurants	Port Royal Holdings Inc
07/10/97	11/18/97	Airways Corp	Passenger airline	AirTran Holdings Inc

07/14/97	10/28/97	Katz Media Group	Advertising agency	Investor Group
07/24/97	10/28/97	Astrotech International Corp	Pvd storage tank maintenance	ITEQ Inc
07/25/97	12/01/97	Homegate Hospitality Inc	Own and operate hotels	Prime Hospitality Corp
07/25/97	08/28/97	Imo Industries Inc	Mnfr industrial controls, pumps	Constellation Capital Partners
07/31/97	09/29/97	Interactive Group Inc	Dvlp, whl comp integrated sys	DataWorks Corp
08/04/97	12/31/97	Belmont Homes Inc	Mnfr prefabricated Houses	Cavalier Homes Inc
08/04/97	11/19/97	Gyncare Inc	Pvd biotech prod dvlp services	Johnson & Johnson
08/14/97	12/18/97	Technology Service Group Inc.	Mnfr cellular telephones	Elcotel
08/25/97	10/03/97	BioWhittaker Inc	Mnfr, whl medical testing prods	Cambrex Corp
08/25/97	01/23/98	PerSeptive Biosystems Inc	Mnfr chromatography equipment	Perkin-Elmer Corp
09/17/97	12/12/97	Designer Holdings (New Rio LLC)	Dvlp, mkt designer sportswear	Warnaco Group Inc
09/23/97	01/22/98	El Chico Restaurants Inc	Own and operate restaurants	Investor Group
09/26/97	02/03/98	Sagebrush Inc	Own and operate eating places	WSMP Inc
09/26/97	04/28/98	Skyline Chili Inc	Operate, franchise restaurants	Investor Group
09/29/97	11/26/97	CompuRAD Inc	Pvd Healthcare software	Lumisys Inc
10/01/97	12/05/97	Alpine Lace Brands Inc	Whl dairy products, cheese	LandO'Lakes Inc
10/15/97	11/21/97	Thompson PBE Inc	Whl automotive paint, supplies	FinishMaster Inc (Lacey Distn)
10/20/97	01/29/98	Cruise America Inc	Own, op trailer dealership	Budget Group Inc
11/07/97	05/28/98	Medicus Systems Corp	Develop, whl medical software	QuadraMed Corp
11/17/97	03/10/98	Shared Technologies Fairchild	Mnfr telecommunications equip	Intermedia Communications Inc
11/17/97	03/02/98	Visigenie Software Inc	Dvlp database access software	Borland International Inc
11/21/97	01/20/98	New Jersey Steel (Von Roll)	Mnfr steel reinforcing bars	Co-Steel Inc
11/24/97	02/03/98	Communicaitons Central Inc	Pvd telecommunications svcs	Davel Communications Inc
12/19/97	06/03/98	Eclipse Telecommunicaitons Inc	Pvd radiotelecommunication svc	IXC Communications Inc
12/29/97	03/17/98	Heartstream Inc	Mnfr defibrillators	Hewlett-Packard Co
01/06/98	03/02/98	DBA Systems Inc	Dvlp digital imaging systems	Titan Corp
01/14/98	06/02/98	Meridian Point Realty Trust	Real estate investment trust	EastGroup Properties
01/15/98	06/11/98	OHM Corp	Operate hazardous waste sites	International Technology Corp
01/16/98	02/25/98	Checkmate Electronics Inc	Mnfr, whl payment systems	International Verifac Inc
01/21/98	05/15/98	BKC Semiconductors Inc	Mnfr semiconductor devices	Microsemi Corp
01/22/98	09/29/98	BT Office Products Intl Inc	Whl office stationary, supplies	Buhrmann NV
01/28/98	03/05/98	Sun Coast Industries Inc	Mnfr plastic products	Kerr Group Inc
01/29/98	06/05/98	Monroe Inc	Mnfr, whl concrete, sand, gravel	US Aggregates Inc
01/29/98	05/21/98	ProSource Inc (Onex Corp)	Wholesale groceries	AmeriServe Food Distribution
02/04/98	06/09/98	TresCom International Inc	Pvd communicaitons svcs	Primus Telecommunications
02/10/98	06/30/98	Ryan Beck & Co, Livingston, NJ	Securities brokerage firm	BankAtlantic Bancorp, Florida
02/17/98	08/17/98	Bell Sports Corp	Mnfr bicycle equip, accessories	HB Acquisition Corp
02/24/98	05/04/98	Somatogen Inc	Dvlp human blood substitutes	Baxter International Inc
03/02/98	04/30/98	Signature Brands USA Inc	Mnfr, whl consumer housewares	Sunbeam Corp
03/05/98	05/20/98	Intelligent Electronics Inc	Whl, ret computer systems	Xerox Corp
03/06/98	04/30/98	Proxima Corp	Mnfr PC liq crys display prods	ASK AS
03/10/98	06/19/98	Corcom Inc	Manufacture radio filters	Communications Instruments Inc
03/16/98	07/10/98	International Murex Tech Corp	Mnfr in-vitro test systems	Abbott Laboratories
04/03/98	07/21/98	Bertucci's Inc	Own and operate restaurants	NE Restaurant Co Inc
04/15/98	05/29/98	Simulation Sciences Inc	Dvlp simulation software	Siche PLC
04/28/98	07/20/98	Hein-Werner Corp	Mnfr automotive service equip	Snap-On Inc
04/29/98	09/25/98	Group I Software Inc	Develop software	COMNET Corp
05/04/98	06/10/98	Farah Inc	Mnfr, ret family apparel	Tropical Sportswear Intl Corp
05/07/98	06/30/98	InTime Systems International	Pvd systems integration svcs	Aris Corp
05/29/98	08/06/98	Mid-America Realty Investments	Real estate investment trust	Bradley Real Estate Inc
06/01/98	08/28/98	PST Vans Inc	Trucking company	US Xpress Enterprises Inc
06/11/98	07/02/98	Imo Industries Inc	Mnfr industrial controls, pumps	Constellation Capital Partners
07/28/98	09/10/98	CyberMedia Inc	Dvlp, whl support software prod	Network Associates Inc
09/14/98	09/14/98	Icon CMT Corp	Pvd Internet computer svcs	Qwest Commun Int Inc

Date Announced	Date Effective	Target Name	Acquiror Business Description	Value of Transaction (\$ mil)	Enterprise Value (\$ mil)
06/05/97	07/14/97	DIGEX Inc	Pvd telecommunications svcs	171.6	166.838
06/20/97	10/23/97	Convest Energy Corp	Oil, gas exploration and prodn	102.0	101.521
07/02/97	10/28/97	Calnetics Corp	Mnfr plastic conveyor parts	23.4	26.363
07/03/97	09/26/97	Krystal Co	Investment company	145.4	145.677
07/10/97	11/18/97	Airways Corp	Passenger airline	63.7	75.936
07/14/97	10/28/97	Katz Media Group	Investor group	371.9	362.128
07/24/97	10/28/97	Astrotech International Corp	Prvd, treatment for liqds, gas	116.7	147.176
07/25/97	12/01/97	Homegate Hospitality Inc	Own, operate, franchise hotels	133.2	123.069
07/25/97	08/28/97	Imo Industries Inc	Investment company	117.3	430.169
07/31/97	09/29/97	Interactive Group Inc	Dvlp computer integrated sys	55.0	59.004
08/04/97	12/31/97	Belmont Homes Inc	Manufacture mobile homes	74.0	68.986
08/04/97	11/19/97	Gyncare Inc	Mnfr medical equip and prods	70.5	65.68
08/14/97	12/18/97	Technology Service Group Inc.	Mnfr public comun products	32.9	35.485
08/25/97	10/03/97	BioWhittaker Inc	Mnfr specialty chemicals	130.5	130.017
08/25/97	01/23/98	PerSeptive Biosystems Inc	Mnfr analytical instruments	288.1	339.306
09/17/97	12/12/97	Designer Holdings (New Rio LLC)	Mnfr women's intimate apparel	353.6	290.492
09/23/97	01/22/98	El Chico Restaurants Inc	Investor group	49.2	58.65
09/26/97	02/03/98	Sagebrush Inc	Produce prepared sandwiches	39.4	41.395
09/26/97	04/28/98	Skyline Chili Inc	Investor group	22.9	26.661
09/29/97	11/26/97	CompuRAD Inc	Mnfr medical imaging equipment	25.0	23.321
10/01/97	12/05/97	Alpine Lace Brands Inc	Produce butter, milk and meats	48.4	59.309
10/15/97	11/21/97	Thompson PBE Inc	Whl automotive paint, coatings	69.3	116.683
10/20/97	01/29/98	Cruise America Inc	Pvd passenger car rental svcs	59.3	144.263
11/07/97	05/28/98	Medicus Systems Corp	Pvd info sys for healthcare	23.3	46.93
11/17/97	03/10/98	Shared Technologies Fairchild	Pvd telecommunications svcs	503.6	585.377
11/17/97	03/02/98	Visigenie Software Inc	Develop software	148.4	130.467
11/21/97	01/20/98	New Jersey Steel (Von Roll)	Mnfr steel and steel products	173.5	176.789
11/24/97	02/03/98	Communicaitons Central Inc	Pvd pay telephone comun svcs	102.4	133.097
12/19/97	06/03/98	Eclipse Telecommunicaitons Inc	Pvd long distance tele svcs	122.2	122.055
12/29/97	03/17/98	Heartstream Inc	Mnfr computers, testing equip	130.6	110.93
01/06/98	03/02/98	DBA Systems Inc	Pvd computer sys design svcs	37.9	28.993
01/14/98	06/02/98	Meridian Point Realty Trust	Real estate investment trust	51.7	45.053
01/15/98	06/11/98	OHM Corp	Pollution control engineering	326.8	343.15
01/16/98	02/25/98	Checkmate Electronics Inc	Mnfr, whl electn payment sys	47.2	46.947
01/21/98	05/15/98	BKC Semiconductors Inc	Mnfr semi-conductor products	13.3	15.905
01/22/98	09/29/98	BT Office Products Intl Inc	Mnfr folding paperboard boxes	138.1	689.726
01/28/98	03/05/98	Sun Coast Industries Inc	Mnfr plastic packaging prods	45.5	63.493
01/29/98	06/05/98	Monroe Inc	Manufacture building products	50.3	60.961
01/29/98	05/21/98	ProSource Inc (Onex Corp)	Wholesale packaged frozed food	343.3	293.91
02/04/98	06/09/98	TresCom International Inc	Pvd telecommunications svcs	134.7	142.626
02/10/98	06/30/98	Ryan Beck & Co, Livingston, NJ	Savings and loan	35.9	36.324
02/17/98	08/17/98	Bell Sports Corp	Investment firm	165.7	228.365
02/24/98	05/04/98	Somatogen Inc	Mnfr health care products	232.9	175.471
03/02/98	04/30/98	Signature Brands USA Inc	Mnfr, whl household appliances	81.7	246.68
03/05/98	05/20/98	Intelligent Electronics Inc	Mnfr business machine, fin co	341.6	298.084
03/06/98	04/30/98	Proxima Corp	Mnfr liquid crystal displays	82.9	70.022
03/10/98	06/19/98	Corcom Inc	Mnfr, whl relay systems	51.7	44.47
03/16/98	07/10/98	International Murex Tech Corp	Mnfr pharmaceuticals, med equip	232.7	126.361
04/03/98	07/21/98	Bertucci's Inc	Own, operate restaurants	96.5	104.175
04/15/98	05/29/98	Simulation Sciences Inc	Mnfr aappliance controls	146.5	100.093

04/28/98	07/20/98	Hein-Werner Corp	Manufacture tools	37.5	32.296
04/29/98	09/25/98	Group I Software Inc	Pvd dat processing svcs	11.8	64.592
05/04/98	06/10/98	Farah Inc	Mnfr, whl mens sportswear	93.6	144.521
05/07/98	06/30/98	InTime Systems International	Pvd computer related services	44.9	39.672
05/29/98	08/06/98	Mid-America Realty Investments	Real estate investment trust	153.2	148.756
06/01/98	08/28/98	PST Vans Inc	Trucking company	83.9	88.376
06/11/98	07/02/98	Imo Industries Inc	Investment company	9.1	
07/28/98	09/10/98	CyberMedia Inc	Develop network software	130.1	108.15
09/14/98	09/14/98	Icon CMT Corp	Pvd telephone commun svcs	190.6	171.891

		Premium					
Date Announced	Date Effective	Target Name	1 Day Prior to Ann. Date	1 Day Prior to Ann. Date	4 Weeks Prior to Ann. Date	3 Months Prior to Ann. Date	1 Year Prior to Ann. Date
06/05/97	07/14/97	DIGEX Inc	19.54	35.95	31.65	20.93	
06/20/97	10/23/97	Convest Energy Corp	11.06	11.06	18.93	84.20	89.99
07/02/97	10/28/97	Calnetics Corp	30.67	33.64	25.11	20.00	(13.53)
07/03/97	09/26/97	Krystal Co	132.00	169.77	176.19	169.77	182.93
07/10/97	11/18/97	Airways Corp	26.74	29.76	32.93	(7.66)	(39.47)
07/14/97	10/28/97	Katz Media Group	44.26	69.23	93.41	225.93	120.00
07/24/97	10/28/97	Astrotech International Corp	45.70	63.40	78.41	96.49	149.83
07/25/97	12/01/97	Homegate Hospitality Inc	30.25	33.77	28.56	83.26	
07/25/97	08/28/97	Imo Industries Inc	18.74	20.00	22.61	116.92	44.62
07/31/97	09/29/97	Interactive Group Inc	54.40	44.75	71.56	137.54	131.60
08/04/97	12/31/97	Belmont Homes Inc	(17.90)	0.65	9.47	2.30	(42.22)
08/04/97	11/19/97	Gyncare Inc	(2.82)	1.66	37.67	37.67	73.89
08/14/97	12/18/97	Technology Service Group Inc.	(4.55)	7.14	41.89	23.48	(34.40)
08/25/97	10/03/97	BioWhitaker Inc	17.77	38.87	47.68	8.19	63.23
08/25/97	01/23/98	PerSeptive Biosystems Inc	16.80	24.88	50.42	92.78	68.27
09/17/97	12/12/97	Designer Holdings (New Rio LLC)	17.28	50.36	58.49	7.32	(51.65)
09/23/97	01/22/98	Il Chico Restaurants Inc	64.52	75.86	104.00	39.73	54.55
09/26/97	02/03/98	Sagebrush Inc	15.87	13.38	21.20		
09/26/97	04/28/98	Skyline Chili Inc	0	1.89	5.88	8.00	18.68
09/29/97	11/26/97	CompuRAD Inc	1.32	3.43	1.32	3.50	(4.46)
10/01/97	12/05/97	Alpine Lace Brands Inc	15.87	48.98	46.00	60.53	43.22
10/15/97	11/21/97	Thompson PBE Inc	25.49	33.33	42.22	45.45	10.34
10/20/97	01/29/98	Cruise America Inc	17.95	13.70	39.87	36.28	64.67
11/07/97	05/28/98	Medicus Systems Corp	36.36	39.54	25.00	87.50	50.00
11/17/97	03/10/98	Shared Technologies Fairchild	66.67	106.90	163.74		
11/17/97	03/02/98	Visigenie Software Inc	92.00	64.00	92.00	19.27	(41.45)
11/21/97	01/20/98	New Jersey Steel (Von Roll)	162.86	170.59	166.67	148.65	411.11
11/24/97	02/03/98	Communicaitons Central Inc	30.23	25.37	12.00	20.00	71.43
12/19/97	06/03/98	Eclipse Telecommunicaitons Inc	18.02	19.92	14.39	(7.10)	16.13
12/29/97	03/17/98	Heartstream Inc	(6.71)	18.17	(8.64)	10.80	(13.10)
01/06/98	03/02/98	DBA Systems Inc	38.40	44.29	25.58	5.59	57.77
01/14/98	06/02/98	Meridian Point Realty Trust	38.78	65.85	88.89		
01/15/98	06/11/98	OHM Corp	24.21	45.08		26.77	31.36
01/16/98	02/25/98	Checkmate Electronics Inc	4.83	9.37	37.52	10.22	(29.86)
01/21/98	05/15/98	BKC Semiconductors Inc	66.73	59.48	66.73	(58.79)	(33.31)
01/22/98	09/29/98	BT Office Products Intl Inc	32.53	78.86	78.86	30.18	44.74
01/28/98	03/05/98	Sun Coast Industries Inc	56.36	62.26	84.95	115.00	244.00
01/29/98	06/05/98	Monroe Inc	5.07	10.46	6.37	(3.19)	74.06
01/29/98	05/21/98	ProSource Inc (Onex Corp)	126.42	106.90	100.00		
02/04/98	06/09/98	TresCom International Inc	25.17	30.86	51.52	5.37	39.35
02/10/98	06/30/98	Ryan Beck & Co, Livingston, NJ	23.21	21.29	25.20	38.57	104.21
02/17/98	08/17/98	Bell Sports Corp	13.89	13.10	8.61	15.49	90.70
02/24/98	05/04/98	Somatogen Inc	35.85	39.81	92.00	58.24	(31.43)
03/02/98	04/30/98	Signature Brands USA Inc	57.14	60.98	106.25	73.68	103.08
03/05/98	05/20/98	Intelligent Electronics Inc	5.74	19.22	34.37	44.76	125.19
03/06/98	04/30/98	Proxima Corp	31.34	25.71	23.94	58.56	44.26
03/10/98	06/19/98	Corcom Inc	33.33	31.65	36.84	36.84	62.50
03/16/98	07/10/98	International Murex Tech Corp	21.64	38.21	50.73	(97.44)	(96.56)
04/03/98	07/21/98	Bertucci's Inc	35.48	35.48	35.48	58.49	86.67
04/15/98	05/29/98	Simulation Sciences Inc	24.03	16.79	11.11	(26.61)	6.67
04/28/98	07/20/98	Hein-Werner Corp	52.73	65.25	80.00	83.27	96.00
04/29/98	09/25/98	Group I Software Inc	71.60	61.51	71.60	115.37	80.07
05/04/98	06/10/98	Farah Inc	33.33	44.00	39.81	60.00	(10.00)
05/07/98	06/30/98	InTime Systems International	18.80	14.97	28.43		
05/29/98	08/06/98	Mid-America Realty Investments	5.00	6.33	2.44	1.20	9.09
06/01/98	08/28/98	PST Vans Inc	32.80	35.82	10.67	24.50	159.83
06/11/98	07/02/98	Imo Industries Inc	(1.05)	4.44	2.55		
07/28/98	09/10/98	CyberMedia Inc	25.62	38.18	117.14	8.57	(34.48)
09/14/98	09/14/98	Icon CMT Corp	65.52	60.00	(4.00)	(25.87)	
		Mean:	34.3%	42.3%	48.5%	58.0%	45.8%

Source: Securities Data Company, Inc.; Three month and one-year premiums calculated using security prices from FactSet Research Systems, Inc. Commercial banks and other similar financial institutions were excluded for the purpose of this analysis.

Merger Premiums to Market Value Analysis  
Mergers with Target Price Equal to or Greater than \$10 per Share  
Announced and Completed 1/1/96-10/9/98

Date Announced	Date Effective	Target Name	Target Business Description	Acquiror Name
01/05/96	07/01/96	Safety Fund Corp	Closed-end investment fund	CFX Corp, Keene, New Hampshire
01/08/96	04/30/96	Loral Corp	Mnfr defense electronics	Lockheed Martin Corp
01/08/96	03/04/96	US Delivery Systems Inc.	Pvd courier services	Corporate Express Inc
01/09/96	04/30/96	Technalysis Corp	Develop software	CompuWare Corp



01/18/96	07/02/96	Corvita Corp	Manufacture medical equipment	Pfizer Inc.
01/22/96	04/11/96	Premier Industrial Corp	Whl electronic parts and equip	Farnell Electronics PLC
01/24/96	08/08/96	National Lodging Corp	Own and operate casinos	Chartwell Leisure Associates
01/25/96	06/12/96	Dual Drilling (Mosvold Shippg)	Oil and gas drilling	ENSCO International Inc
01/30/96	05/31/96	Daig Corporation	Mnfr pacemakers	St Jude Medical Inc
01/31/96	03/04/96	Tivoli Systems Inc	Dvlp systems mgmt software	IBM Corp
02/01/96	04/12/96	Health Wise of America Inc	Own and operate HMO	United HealthCare Corp
02/05/96	04/30/96	DiMark Inc.	Pvd database marketing svcs	Harte-Hanks Inc.
02/07/96	05/07/96	Pyxis Corp	Provide med equip leasing svcs	Cardinal Health Inc
02/12/96	05/01/96	Duracraft Corp	Mnfr electric housewares	Honeywell Inc
02/13/96	09/18/96	Citicasters(American Finl Grp)	Own, op TV, radio stations	Jacor Communications Inc
02/14/96	03/20/96	Helene Curtis Industries Inc	Mnfr perfumes, cosmetics	Unilever NV
02/15/96	05/14/96	Andros Inc	Mnfr infared gas analyzers	Genstar Capital Partners II LP
02/16/96	05/30/96	Circle K Corp	Operate convenience stores	Tosco Corp
02/16/96	06/13/96	Forum Group Inc	Own, operate nursing homes	Marriott International Inc
02/20/96	07/24/96	Davidson & Associates Inc.	Develop educational software	CUC International Inc.
02/20/96	07/24/96	Sierra On-Line Inc	Develop software for games	CUC International Inc
02/23/96	07/01/96	Cray Research Inc	Manufacture supercomputers	Silicon Graphics Inc
02/26/96	09/16/96	Sterile Concepts Inc	Mnfr sterilized surgical trays	Maxxim Medical Inc
02/26/96	06/18/96	Tide West Oil Co	Oil and gas exploration, prodn	HS Resources Inc
02/27/96	05/24/96	Brandon Systems Corp	Personnel agency, consulting	Interim Services Inc
02/29/96	07/10/96	Big O Tires Inc	Own, operate tire stores	TBC Corp
03/04/96	04/08/96	Guardman Products Inc	Mnfr coatings, cleaning prod	Lilly Industries, Inc
03/07/96	07/03/96	Acme-Cleveland Corp	Mnfr metal cutting tools	Danaher Corp
03/11/96	08/02/96	Life Partners Group Inc	Life insurance holding company	Conseco Inc
03/18/96	07/01/96	Athena Neurosciences Inc	Manufacture pharmaceuticals	Elan Corp PLC
03/18/96	08/30/96	Microtek Medical Inc	Mnfr, whl surgical supplies	Isolyser Co Inc
03/25/96	07/01/96	InStent Inc	Mfr surgical instrumentation	Medtronic Inc
03/26/96	08/09/96	DeBartolo Realty Corp	Real estate investment trust	Simon Property Group Inc.
03/28/96	08/01/96	Stop & Shop Cos	Own, op supermarkets	Koninklijke Ahold NV
03/29/96	04/26/96	Great American Mgmt & Invt Inc	Invt advice and financial svcs	Equity Holdings, Chicago, IL
03/29/96	07/02/96	Hayes Wheels International Inc	Mnfr motor vehicle parts	Motor Wheel Corp
03/29/96	08/07/96	MediSense Inc	Mnfr blood monitoring systems	Abbot Laboratories
03/29/96	09/03/96	Regional Acceptance Corp	Pvd consumer financing svcs	Southern Natl, Winston-Salem, NC
04/01/96	04/01/97	Pacific Telesis Group	Pvd telecommun svcs; hldg co	SBC Communications Inc
04/01/96	07/19/96	US Healthcare Inc	Own and operate HMO's	Aetna Life & Casualty Co
04/02/96	08/15/96	Teledyne Inc	Manufacture aviation products	Allegheny Ludlum Corp
04/08/96	08/16/96	Cellular Communications Inc	Operate cellular telephone sys	AirTouch Communications
04/10/96	10/15/96	Waterhouse Investor Services	Discount brokerage holding co	Toronto-Dominion Bank
04/17/96	07/31/96	Tucker Drilling Co Inc	Oil & gas contract drilling	Patterson Energy Inc
04/22/96	07/10/96	StrataCom Inc	Manufacture telecommun svcs	Cisco Systems Inc
04/22/96	06/03/96	Westcott Communications Inc	Pvd motion picture prodn svcs	K-III Communications Corp
04/30/96	08/12/96	UNet Technologies Inc	Internet service provider	MPS Communications Co Inc
05/01/96	06/28/96	Quantum Health Resources Inc	Provide home health care svcs	Olsten Corp
05/01/96	08/21/96	Uniroyal Chemical Co	Mnfr pesticides, rubber chems	Crompton & Knowles Corp
05/07/96	07/03/96	Guaranty National Corp	Insurance company	Orion Capital Corp
05/07/96	08/14/96	Kahler Realty Corp	Real estate investment trust	Tiger Real Estate Fund LP
05/10/96	08/22/96	CyCare Systems Inc	Provide accounting services	HBO & Co
05/10/96	12/11/96	Transnational Re Corp	Property reinsurance company	FXRE Corp
05/13/96	08/15/96	MICOM Communications Corp	Mnfr communications equipment	Northern Telecom Ltd(BCE Inc.)
05/14/96	09/05/96	Caremark International Inc	Pvd home health care services	MedPartners/Mullikin Inc
05/15/96	08/23/96	Davis Water & Waste Industries	Water distn and treatment prod	United StatesFilter Corp
05/16/96	11/15/96	A+ Network Inc	Pvd paging services	Metrocall Inc
05/20/96	07/23/96	AmeriData Technologies Inc	Whl computers, peripherals	General Electric Capital Svces
05/20/96	12/30/96	Continental Waste Industries	Pvd waste disposal services	Republic Industries Inc
05/20/96	10/31/96	Sterling Healthcare Group Inc	Own, op doctor's offices.	FPA Medical Management Inc
05/24/96	07/02/96	Masland Corp	Mnfr motor vehicle parts	Lear Corp
05/27/96	02/16/97	SyStemix Inc(Novartis AG)	Mnfr, dvlp cellular processes	Norvartis AG
05/31/96	12/19/96	Addington Resources Inc	Bituminous coal mining	Republic Industries Inc
05/31/96	08/30/96	Image Industries Inc.	Pvd plastic recycling svcs	Maxim Group Inc
06/03/96	08/05/96	Heltel Broadcasting Corp	Own, op radio bdcstg stations	Clear Channel Communications
06/03/96	09/30/96	Univar Corp	Whl chemicals, pesticides	Fakhoed Holding NV

Date Announced	Date Effective	Target Name	Acquiror Business Description	Value of Transaction (\$ mil)	Enterprise Value (\$ mil)
01/05/96	07/01/96	Safety Fund Corp	Savings and loan	28.30	206.25
01/08/96	04/30/96	Loral Corp	Mnfr aerospace systems, prod	8,762.40	8,322.78
01/08/96	03/04/96	US Delivery Systems Inc.	Retail office supplies	428.70	456.04
01/09/96	04/30/96	Technalysis Corp	Dvlp, whl software systems	32.60	28.79
01/18/96	07/02/96	Corvita Corp	Manufacture pharmaceuticals	78.50	78.53
01/22/96	04/11/96	Premier Industrial Corp	Mnfr, whl electronic components	2,722.70	2,720.93
01/24/96	08/08/96	National Lodging Corp	Own and operate hotels	57.00	21.75
01/25/96	06/12/96	Dual Drilling (Mosvold Shippg)	Pvd oil, gas drilling svcs.	224.70	352.22
01/30/96	05/31/96	Daig Corporation	Mnfr heart valves, x-ray equip	441.30	419.98
01/31/96	03/04/96	Tivoli Systems Inc	Mnfr computers, office equip	709.80	688.03
02/01/96	04/12/96	Health Wise of America Inc	Own and operate HMOs	271.10	268.54
02/05/96	04/30/96	DiMark Inc.	Pvd direct marketing services	151.80	145.08
02/07/96	05/07/96	Pyxis Corp	Whl pharmaceutical products	907.30	870.02
02/12/96	05/01/96	Duracraft Corp	Mnfr automation, control sys	286.70	295.83
02/13/96	09/18/96	Citicasters(American Finl Grp)	Own, op radio bdcstg stations	767.60	746.54
02/14/96	03/20/96	Helene Curtis Industries Inc	Produce foods; holding company	737.40	882.13
02/15/96	05/14/96	Andros Inc	Investment firm	92.60	61.21
02/16/96	05/30/96	Circle K Corp	Petroleum refining	983.00	951.57
02/16/96	06/13/96	Forum Group Inc	Own, op hotels, restaurants	622.30	598.84
02/20/96	07/24/96	Davidson & Associates inc.	Provide discount club svcs	1,145.00	1,141.54
02/20/96	07/24/96	Sierra On-Line Inc	Provide discount club svcs	911.00	964.42
02/23/96	07/01/96	Cray Research Inc	Manufacture computer systems	770.00	776.92
02/26/96	09/16/96	Sterile Concepts Inc	Mnfr surgical instruments	140.20	145.64
02/26/96	06/18/96	Tide West Oil Co	Oil and gas exploration, prodn	201.30	199.61
02/27/96	05/24/96	Brandon Systems Corp	Pvd human resource solutions	165.20	162.70
02/29/96	07/10/96	Big O Tires Inc	Whl tires, automobile parts	56.60	69.32
03/04/96	04/08/96	Guardman Products Inc	Mnfr industrial finishings	227.80	247.93
03/07/96	07/03/96	Acme-Cleveland Corp	Mnfr tools, control equipment	204.40	193.81
03/11/96	08/02/96	Life Partners Group Inc	Insurance holding company	838.80	721.52
03/18/96	07/01/96	Athena Neurosciences Inc	Mnfr drug delivery systems	601.30	477.78
03/18/96	08/30/96	Microtek Medical Inc	Mnfr surgical supplies	108.60	104.86
03/25/96	07/01/96	InStent Inc	Mnfr medical technology prods	233.70	204.11
03/26/96	08/09/96	DeBartolo Realty Corp	Real estate investment trust	2,962.10	2,782.11
03/28/96	08/01/96	Stop & Shop Cos	Own, operate supermarkets	2,870.80	3,029.71
03/29/96	04/26/96	Great American Mgmt & Invt Inc	Investment firm	63.30	746.41
03/29/96	07/02/96	Hayes Wheels International Inc	Manufacture automotive parts	563.80	695.07
03/29/96	08/07/96	MediSense Inc	Mnfr pharmaceuticals, med equip	821.60	797.41
03/29/96	09/03/96	Regional Acceptance Corp	Bank holding company	160.70	261.86
04/01/96	04/01/97	Pacific Telesis Group	Provide telecommun services	16,490.00	22,421.02
04/01/96	07/19/96	US Healthcare Inc	Insurance Company	8,939.00	7,793.34
04/02/96	08/15/96	Teledyne Inc	Mnfr specialty materials, metal	2,097.50	2,442.37
04/08/96	08/16/96	Cellular Communications Inc	Pvd telecommunications svcs	1,657.40	2,910.44

04/10/96	10/15/96	Waterhouse Investor Services	Bank holding company	526.00	551.24
04/17/96	07/31/96	Tucker Drilling Co Inc	Pvd contract drilling services	23.30	15.86
04/22/96	07/10/96	StrataCom Inc	Mnfr inter-networking systems	4,833.50	4,728.08
04/22/96	06/03/96	Westport Communicatons Inc	Publish magazines	438.90	421.64
04/30/96	08/12/96	UUNet Technologies Inc	Pvd telephone communs svcs	2,060.90	2037.02
05/01/96	06/28/96	Quantum Health Resources Inc	Pvd temporary personnel svcs	270.20	301.17
05/01/96	08/21/96	Uniroyal Chemical Co	Mnfr chemicals, dyes, flavors	1,463.40	1,326.16
05/07/96	07/03/96	Guaranty National Corp	Insurance company; holding co	85.10	361.07
05/07/96	08/14/96	Kahler Realty Corp	Real estate investment trust	222.70	212.81
05/10/96	08/22/96	CyCare Systems Inc	Dvlp healthcare software	277.10	252.05
05/10/96	12/11/96	Transnational Re Corp	Reinsurance company	133.10	165.35
05/13/96	08/15/96	MMICOM Communications Corp	Mnfr telecommunications equip	138.30	144.31
05/14/96	09/05/96	Caremark Internation Inc	Pvd management health services	2,707.80	3,139.10
05/15/96	08/23/96	Davis Water & Waste Industries	Mfr water treatment equip	100.80	109.50
05/16/96	11/15/96	A+Network Inc	Pvd local paging services	345.10	342.75
05/20/96	07/23/96	AmeriData Technologies Inc	Pvd financing services	454.80	734.65
05/20/96	12/30/96	Continental Waste Industries	Provide waste disposal svcs	345.40	360.35
05/20/96	10/31/96	Sterling Healthcare Group Inc	Pvd health care mgmt services	157.50	172.34
05/24/96	07/02/96	Masland Corp	Mnfr automobile seats	413.50	444.87
05/27/96	02/16/97	SyStemix Inc(Novartis AG)	Manufacture pharmaceuticals	107.60	401.60
05/31/96	12/19/96	Addington Resources Inc	Provide waste disposal svcs	317.80	358.73
05/31/96	08/30/96	Image Industries Inc.	Own, op floor covering fran	105.10	152.44
06/03/96	08/05/96	Heltel Broadcasting Corp	Own, op TV, radio bdcstg station	315.30	370.10
06/03/96	09/30/96	Univar Corp	Pvd freight transp services	331.80	605.30

Premium

Date Announced	Date Effective	Target Name	1 Day Prior to Annc. Date	1 Week Prior to Annc. Date	4 Weeks Prior to Annc. Date	3 Months Prior to Annc. Date	1 Year Prior to Annc. Date
01/05/96	07/01/96	Safety Fund Corp	3.53	10.06		145.06	60.04
01/08/96	04/30/96	Loral Corp	4.83	7.42	8.19		
01/08/96	03/04/96	US Delivery Systems Inc.	9.57	8.62	32.63	123.01	30.57
01/09/96	04/30/96	Technalysis Corp	12.00	16.67	16.67	30.23	9.80
01/18/96	07/02/96	Corvita Corp	-2.38	2.50	-2.38	148.48	24.24
01/22/96	04/11/96	Premier Industrial Corp	37.17	35.75	34.37	65.64	18.63
01/24/96	08/08/96	National Lodging Corp	34.12	26.67		42.50	46.15
01/25/96	06/12/96	Dual Drilling (Mosvold Shippg)	8.86	13.19	23.65	72.36	51.68
01/30/96	05/31/96	Daig Corporation	20.17	22.72	26.77		
01/31/96	03/04/96	Tivoli Systems Inc	25.83	25.00	41.79		49.31
02/01/96	04/12/96	Health Wise of America Inc	8.35	9.07	18.63	15.26	32.13
02/05/96	04/30/96	DiMark Inc.	1.70	1.70	0.84	33.93	16.50
02/07/96	05/07/96	Pyxis Corp	53.27	60.93	66.48	10.35	67.93
02/12/96	05/01/96	Duracraft Corp	58.18	50.00	68.12	16.78	82.20
02/13/96	09/18/96	Citicasters(American Finl Grp)	9.26	15.69	28.26	337.04	349.52
02/14/96	03/20/96	Helene Curtis Industries Inc	18.64	30.23	71.78		
02/15/96	05/14/96	Andros Inc	16.13	24.14	35.85	4.35	12.50
02/16/96	05/30/96	Circle K Corp	45.85	42.47	68.82	830.11	548.63
02/16/96	06/13/96	Forum Group Inc	4.00	8.33	44.44		
02/20/96	07/24/96	Davidson & Associates inc.	72.30	87.50	67.76	129.77	30.12
02/20/96	07/24/96	Sierra On-Line Inc	69.33	71.70	90.38	160.60	65.51
02/23/96	07/01/96	Cray Research Inc	18.81	21.21	20.60	83.21	34.83
02/26/96	09/16/96	Sterile Concepts Inc	53.85	60.00	55.34		
02/26/96	06/18/96	Tide West Oil Co	44.64	44.64	51.52	74.36	27.28
02/27/96	05/24/96	Brandon Systems Corp	32.21	39.41	29.77	758.54	554.88
02/29/96	07/10/96	Big O Tires Inc	5.60	7.32	12.82	22.22	23.36
03/04/96	04/08/96	Guardsman Products Inc	32.37	32.37	57.27		
03/07/96	07/03/96	Acme-Cleveland Corp	50.00	55.84	56.86		
03/11/96	08/02/96	Life Partners Group Inc	35.48	34.40	55.56	-1.75	69.70
03/18/96	07/01/96	Athens Neurosciences Inc	20.66	16.80	40.39	220.88	73.81
03/18/96	08/30/96	Microtek Medical Inc	37.50	40.63	43.90	201.85	129.19
03/25/96	07/01/96	InStent Inc	1.03	9.14	5.87		228.93
03/26/96	08/09/96	DeBartolo Realty Corp	11.59	16.57	25.54	15.54	23.17
03/28/96	08/01/96	Stop & Shop Cos	25.23	27.01	45.65		
03/29/96	04/26/96	Great American Mgmt & Invnt Inc	2.56	4.17	3.63	41.34	2.04
03/29/96	07/02/96	Hayes Wheels International Inc	29.29	33.33	43.02	62.03	24.88
03/29/96	08/07/96	MediSense Inc	48.76	48.76	39.00	123.60	42.29
03/29/96	09/03/96	Regional Acceptance Corp	9.33	6.60	25.41	6.60	9.33
04/01/96	04/01/97	Pacific Telesis Group	38.70	36.24	33.88	27.24	14.04
04/01/96	07/19/96	US Healthcare Inc	24.25	21.28	18.75	28.81	23.91
04/02/96	08/15/96	Teledyne Inc	113.55	115.12	108.97	39.31	35.44
04/08/96	08/16/96	Cellular Communications Inc	7.45	7.84	6.28	87.23	94.69
04/10/96	10/15/96	Waterhouse Investor Services	15.15	19.69	65.22		
04/17/96	07/31/96	Tucker Drilling Co Inc	4.68	7.13	10.05	71.68	34.13
04/22/96	07/10/96	StrataCom Inc	48.39	59.72	79.69	192.99	57.00
04/22/96	06/03/96	Westport Communicatons Inc	43.33	57.80	56.36	45.15	37.05
04/30/96	08/12/96	UUNet Technologies Inc	27.59	39.91	125.91		58.86
05/01/96	06/28/96	Quantum Health Resources Inc	23.65	29.32	60.18	9.27	54.90
05/01/96	08/21/96	Uniroyal Chemical Co	27.66	44.58	55.84	25.00	64.38
05/07/96	07/03/96	Guaranty National Corp	15.63	15.63	22.31	12.98	26.50
05/07/96	08/14/96	Kahler Realty Corp	9.68	13.33	9.68	88.89	46.24
05/10/96	08/22/96	CyCare Systems Inc	6.33	8.99	61.02	101.69	79.49
05/10/96	12/11/96	Transnational Re Corp	12.47	16.52	8.70	22.75	0.81
05/13/96	08/15/96	MMICOM Communications Corp	-14.29	9.09	58.35	74.55	57.38
05/14/96	09/05/96	Caremark Internation Inc	9.95	16.00	18.17	81.93	25.81
05/15/96	08/23/96	Davis Water & Waste Industries	36.18	59.03	62.30	207.74	111.57
05/16/96	11/15/96	A+Network Inc	36.13	40.67	63.88	53.45	72.24
05/20/96	07/23/96	AmeriData Technologies Inc	4.07	25.49	47.13	109.84	62.03
05/20/96	12/30/96	Continental Waste Industries	66.73	62.18	82.04	223.19	117.56
05/20/96	10/31/96	Sterling Healthcare Group Inc	-3.07	3.67	13.09		
05/24/96	07/02/96	Masland Corp	6.12	18.18	30.00	84.07	77.78
05/27/96	02/16/97	SyStemix Inc(Novartis AG)	4.70	69.57	59.18	59.18	39.29
05/31/96	12/19/96	Addington Resources Inc	24.88	43.93	50.30	58.73	69.84
05/31/96	08/30/96	Image Industries Inc.	17.00	15.84	23.16		
06/03/96	08/05/96	Heltel Broadcasting Corp	2.22	4.55		253.85	162.86
06/03/96	09/30/96	Univar Corp	57.17	54.06	58.78	55.60	80.93

Merger Premiums to Market Value Analysis  
Mergers with Target Price Equal to or Greater than \$10 per Share  
Announced and Completed 1/1/96-10/9/98  
(continued)

Date Announced	Date Effective	Target Name	Target Business Description	Acquiror Name
06/04/96	09/20/96	HomeTown Buffet Inc	Own and operate restaurants	Buffets Inc.
06/06/96	10/10/96	AT&T Capital Corp (AT&T Corp)	Pvd leasing, financing services	Investor Group
06/06/96	12/18/96	Bally Entertainment Corp	Own, op casino hotels	Hilton Hotels Corp
06/06/96	07/09/96	FinishMaster Inc (Maxco Inc)	Whl automotive paint, coatings	Lacy Distribution Inc (LDI Ltd)
06/10/96	08/23/96	Orbit Semiconductor Inc	Manufacture semiconductors	DII Group Inc
06/11/96	07/23/96	Community Health Systems Inc	Own and operate hospitals	Forstmann Little & Co
06/14/96	08/23/96	Brenco Inc	Ball and roller bearings	Varlen Corp
06/17/96	11/19/96	Penril DataComm Networks Inc	Mnfr data communications equip	Bay Networks Inc
06/18/96	09/30/96	Builders Warehouse Assn Inc	Pvd LAN design services	Osicom Technologies Inc
06/20/96	12/31/96	Infinity Broadcasting Corp	Own, op radio broadcasting stns	Westinghouse Electric Corp
06/20/96	09/16/96	Public Storage Properties X	Pvd warehousing, storage svcs	Public Storage Inc
06/20/96	09/16/96	Public Storage Properties XII	Rent storage space	Public Storage Inc
06/24/96	09/03/96	Sanifill Inc	Provide waste management svcs	USA Waste Services Inc
06/28/96	10/02/96	National Re Corp	Fire, casualty insurance co	General Re Corp
06/28/96	09/27/96	Salem Corp	Whl industrial mach and equip	Investor Group
07/01/96	10/04/96	Landmark Graphics Corp	Dvlp CAE sys for geoscientists	Halliburton Co
07/01/96	03/25/97	Renaissance Commun Corp	Own and operate TV stations	Tribune Co
07/02/96	08/08/96	Ambar Inc	Pvd oil and gas field services	Beacon Group Energy Investment
07/17/96	01/22/97	New World Common Grp (Mafco)	Operate television stations	News Corp Ltd
07/19/96	07/01/97	Portland General Corp	Electric utility holding co	Enron Corp
07/19/96	08/27/97	Rexene Corp	Mnfr petrochemical products	Huntsman Corp
07/22/96	10/03/96	Global Natural Resources Inc	Oil and gas exploration, prodn	Seagull Energy Corp
07/22/96	10/25/96	Telchit Corp	Mnfr data transmission equip	Cisco Systems Inc
07/22/96	07/29/97	United Cities Gas Co	Gas utility	Atmos Energy Corp
07/23/96	02/19/97	Osborn Communications Corp	Own, op radio and TV stations	Capstar Broadcasting Partners
07/24/96	10/11/96	PCI Services Inc	Pvd product packaging services	Cardinal Health Inc
08/02/96	11/29/96	First Colony Corp	Insurance holding company	General Electric Capital Corp
08/05/96	04/07/97	EZ Communications Inc	Own, operate radio stations	American Radio Systems Corp
08/05/96	02/14/97	FHP International Corp	Own and operate HMOs	Pacificare Health Systems Inc
08/07/96	10/03/96	Douglas & Lomason Co	Wholesale motor vehicles	Magna International Inc
08/08/96	09/17/96	Roto-Rooter Inc (Chemed Corp)	Provide Plumbing services, prod	Chemed Corp
08/09/96	08/06/97	NorAm Energy Corp	Oil and gas exploration, prodn	Houston Industries Inc
08/12/96	03/02/98	Atlantic Energy (Conoco)	Public utility holding co	Delmarva Power & Light
08/14/96	11/25/96	American Re Corp	Property, casualty insurance co	Muenchener Rueckversicherungs
08/14/96	11/07/96	Payco American Corp	Credit collection services	OSI Holdings Corp
08/14/96	10/24/96	Redman Industries Inc	Manufacture mobile homes	Champion Enterprises Inc
08/15/96	09/26/96	Orchard Supply Hardware Stores	Own, op home improvement ctrs	Sears Roebuck & Co
08/19/96	09/20/96	CasTech Aluminum Group Inc	Mnfr aluminum sheets	Commonwealth Aluminum Corp
08/19/96	12/16/96	Griffin Gaming & Entertainment	Own, op gaming facilities	Sun International Hotels Ltd
08/22/96	10/29/96	Meta Software Inc	Develop software	Avant! Corp
08/26/96	12/17/96	American Travellers Corp	Insurance company	Conseco Inc
08/26/96	12/31/96	Bankers Life Holding (Conseco)	Life ins co; holding company	Conseco Inc
08/26/96	03/04/97	Capitol American Financial	Pvd accident, life ins svcs	Conseco Inc
08/26/96	11/14/96	Career Horizons Inc	Pvd temporary personnel svcs	AccuStaff Inc
08/26/96	12/31/96	MFS Communications Co Inc	Pvd telephone communs svcs	WorldCom Inc
08/26/96	01/09/97	Spreckels Industries Inc	Produce sugar; mnfr indust prod	Columbus McKinnon Corp
08/28/96	11/08/96	Red Lions Hotels (Red Lion Inn)	Own, op hotels	Doubletree Corp
08/29/96	11/14/96	Amtrol Inc	Mnfr plumbing, heating systems	Cypress Group LLC
09/02/96	03/06/97	Arcadian Corp	Mnfr phosphatic fertilizers	Potash Corp of Saskatchewan
09/09/96	12/23/96	Big B Inc (Revco DS Inc)	Drug, grocery retail stores	Revco DS Inc
09/12/96	12/31/96	Duracell International Inc	Manufacture alkaline batteries	Gillette Co
09/23/96	12/04/96	Diamond Shamrock Inc	Mnfr, wholesale petroleum	Ultramar Corp
09/24/96	12/09/96	GMSI Inc	Develop software	HBO & Co
09/26/96	02/28/97	Providence Journal Co	Own, op TV broadcasting stns	AH Belo Corp
09/26/96	12/23/96	Transport Holdings	Insurance holding company	Conseco Inc
09/30/96	06/27/97	Belden & Blake Corp	Oil and gas exploration, prodn	Texas Pacific Group Inc
10/01/96	12/31/96	South West Property Trust Inc	Real estate investment trust	United Dominion Realty Tr Inc
10/02/96	02/03/97	Baby Superstore Inc	Own, op children's wear stores	Toys 'R' Us Inc
10/02/96	02/07/97	TSX Corporation	Mnfr communications equipment	ANTEC Corp
10/03/96	02/13/97	Kindergarten Learning Centers	Operate day care centers	Kohlberg Kravis Roberts & Co
10/03/96	12/31/96	LXE (Electromagnetic Sciences)	Mnfr microwave components	Electromagnetic Sciences Inc
10/07/96	12/11/96	Augat Inc	Mnfr electrn, hardware prods	Thomas & Betts Corp
10/07/96	12/02/96	Cheyenne Software Inc	Develop computer software	Computer Associates Intl Inc
10/08/96	11/22/96	Super Food Services Inc	Wholesale food products	Nash Finch Co
10/10/96	01/31/97	Gelman Sciences Inc	Mnfr medical filter devices	Pall Corp
10/14/96	06/26/98	Pacific Enterprises Inc	Natural gas utility	Enova Corp

Date Announced	Date Effective	Target Name	Acquiror Business Description	Value of Trans-action (\$ mil)	Enter-prise Value (\$ mil)
06/04/96	09/20/96	HomeTown Buffet Inc	Own and operate restaurants	174.00	195.94
06/06/96	10/10/96	AT&T Capital Corp (AT&T Corp)	Investor group	2128.60	9188.70
06/06/96	12/18/96	Bally Entertainment Corp	Own, operate hotels	3138.10	3108.89
06/06/96	07/09/96	FinishMaster Inc (Maxco Inc)	Whl industrial machinery equip	62.60	111.13
06/10/96	08/23/96	Orbit Semiconductor Inc	Mnfr electronic components	118.30	105.05
06/11/96	07/23/96	Community Health Systems Inc	Investment company	1080.00	1267.50
06/14/96	08/23/96	Brenco Inc	Mnfr custom tubular products	161.40	164.89
06/17/96	11/19/96	Penril DataComm Networks Inc	Mnfr, whl data networking prods	117.60	124.14
06/18/96	09/30/96	Builders Warehouse Assn Inc	Mnfr communications equipment	69.30	73.34
06/20/96	12/31/96	Infinity Broadcasting Corp	Mnfr elec defense electrn equip	4737.80	4153.30
06/20/96	09/16/96	Public Storage Properties X	Real estate investment trust	50.20	39.48
06/20/96	09/16/96	Public Storage Properties XII	Real estate investment trust	55.20	37.66
06/24/96	09/03/96	Sanifill Inc	Pvd waste disposal services	1236.90	1604.45
06/28/96	10/02/96	National Re Corp	Insurance holding company	904.60	1110.32
06/28/96	09/27/96	Salem Corp	Investor group	46.60	31.81
07/01/96	10/04/96	Landmark Graphics Corp	Mnfr oil field machinery	586.70	531.76
07/01/96	03/25/97	Renaissance Commun Corp	Publish newspaper, cable TV sys	1094.40	1118.68
07/02/96	08/08/96	Ambar Inc	Investment firm	66.60	81.36
07/17/96	01/22/97	New World Common Grp (Mafco)	Publish newspapers, magazines	2173.00	4241.94
07/19/96	07/01/97	Portland General Corp	Own, operate gas pipelines	2901.70	2982.29

07/19/96	08/27/97	Rexene Corp	Mnfr petrochemicals	606.80	494.49
07/22/96	10/03/96	Global Natural Resources Inc	Own, op gas pipelines	525.60	526.49
07/22/96	10/25/96	Telchit Corp	Mnfr inter-networking systems	196.30	196.20
07/22/96	07/29/97	United Cities Gas Co	Natural gas distribution svcs	496.50	508.19
07/23/96	02/19/97	Osborn Communications Corp	Own, operate radio stations	89.90	110.81
07/24/96	10/11/96	PCI Services Inc	Whl pharmaceutical products	208.00	209.59
08/02/96	11/29/96	First Colony Corp	Pvd consumer financing svcs	1799.20	2011.94
08/05/96	04/07/97	EZ Communications Inc	Own, op radio bdcstg station	687.30	623.19
08/05/96	02/14/97	FHP International Corp	Own and operate HMO's	2000.10	2161.89
08/07/96	10/03/96	Douglas & Lomason Co	Mnfr auto parts, accessories	134.60	213.95
08/08/96	09/17/96	Roto-Rooter Inc (Chemed Corp)	Mnfr chems, janitorial equip	93.60	220.33
08/09/96	08/06/97	NorAm Energy Corp	Electric utility holding co	3648.80	3750.59
08/12/96	03/02/98	Atlantic Energy (Conoco)	Electric and gas utility	951.10	2155.87
08/14/96	11/25/96	American Re Corp	Provide reinsurance services	3967.80	3830.43
08/14/96	11/07/96	Payco American Corp	Investment holding firm	161.90	154.65
08/14/96	10/24/96	Redman Industries Inc	Mnfr single-family houses	341.90	319.85
08/15/96	09/26/96	Orchard Supply Hardware Stores	Department stores; finl svcs	423.70	412.74
08/19/96	09/20/96	CasTech Aluminum Group Inc	Manufacture aluminum prods	328.70	322.74
08/19/96	12/16/96	Griffin Gaming & Entertainment	Own, operate hotels	309.60	345.20
08/22/96	10/29/96	Meta Software Inc	Develop software	139.30	136.90
08/26/96	12/17/96	American Travellers Corp	Insurance holding company	868.30	968.71
08/26/96	12/31/96	Bankers Life Holding (Conseco)	Insurance holding company	120.80	1534.75
08/26/96	03/04/97	Capitol American Financial	Insurance holding company	715.50	695.10
08/26/96	11/14/96	Career Horizons Inc	Provide staffing services	1010.30	835.76
08/26/96	12/31/96	MFS Communications Co Inc	Pvd telecommunications svcs	13595.70	14885.50
08/26/96	01/09/97	Spreckels Industries Inc	Mnfr industrial chains, hoists	259.40	248.37
08/28/96	11/08/96	Red Lions Hotels (Red Lion Inn)	Own, operate hotel mgt co	1174.10	1129.01
08/29/96	11/14/96	Amtrol Inc	Investment bank	227.20	218.87
09/02/96	03/06/97	Arcadian Corp	Manufacture potash	1723.30	1424.49
09/09/96	12/23/96	Big B Inc (Revco DS Inc)	Own, operate drug stores	335.40	401.15
09/12/96	12/31/96	Duracell International Inc	Mnfr shaving razors and blades	7231.90	7764.78
09/23/96	12/04/96	Diamond Shamrock Inc	Mnfr refined petroleum prods	860.90	1807.57
09/24/96	12/09/96	GMIS Inc	Dvlp healthcare software	242.60	235.10
09/26/96	02/28/97	Providence Journal Co	Newspapers; radio, TV stations	1429.60	1617.14
09/26/96	12/23/96	Transport Holdings	Insurance holding company	299.90	242.62
09/30/96	06/27/97	Belden & Blake Corp	Investment holding company	405.70	404.19
10/01/96	12/31/96	South West Property Trust Inc	Real estate investment trust	547.80	526.41
10/02/96	02/03/97	Baby Superstore Inc	Own, op retail toy stores	382.20	501.92
10/02/96	02/07/97	TSX Corporation	Mnfr commun network products	254.30	214.63
10/03/96	02/13/97	Kinder-Care Learning Centers	Leverage buyout firm	571.00	510.01
10/03/96	12/31/96	LXE (Electromagnetic Sciences)	Mnfr microwave components	14.80	81.96
10/07/96	12/11/96	Augat Inc	Mnfr electronic connectors	570.10	611.78
10/07/96	12/02/96	Cheyenne Software Inc	Develop applications software	1247.60	1199.60
10/08/96	11/22/96	Super Food Services Inc	Wholesale groceries	164.20	262.84
10/10/96	01/31/97	Gelman Sciences Inc	Mnfr filters, separations equip	297.70	292.22
10/14/96	06/26/98	Pacific Enterprises Inc	Electric and gas utility	2870.00	4159.40

		Premium					
Date Announced	Date Effective	Target Name	1 Day Prior to Ann. Date	1 Day Prior to Ann. Date	4 Weeks Prior to Ann. Date	3 Months Prior to Ann. Date	1 Year Prior to Ann. Date
06/04/96	09/20/96	HomeTown Buffet Inc	(3.27)	7.38	2.67	20.66	25.85
06/06/96	10/10/96	AT&T Capital Corp (AT&T Corp)	37.41	38.46	42.29		
06/06/96	12/18/96	Bally Entertainment Corp	59.03	74.81	72.18	175.95	81.78
06/06/96	07/09/96	FinishMaster Inc (Maxco Inc)	30.42	27.76	42.27	9.82	42.27
06/10/96	08/23/96	Orbit Semiconductor Inc	37.78	36.10	57.18	(22.50)	69.09
06/11/96	07/23/96	Community Health Systems Inc	20.23	19.89	18.86	49.64	22.35
06/14/96	08/23/96	Brenco Inc	30.96	30.30	20.56	30.67	34.42
06/17/96	11/19/96	Penril DataComm Networks Inc	7.50	2.99	6.17		
06/18/96	09/30/96	Builders Warehouse Assn Inc	9.67	15.95	35.32	370.00	37.08
06/20/96	12/31/96	Infinity Broadcasting Corp	12.76	10.82	15.27	33.11	7.01
06/20/96	09/16/96	Public Storage Properties X	13.85	13.08	10.83	20.40	5.26
06/20/96	09/16/96	Public Storage Properties XII	14.56	14.56	15.30	27.66	15.30
06/24/96	09/03/96	Sanifill Inc	(1.02)	3.86	1.63	55.38	26.37
06/28/96	10/02/96	National Re Corp	45.21	65.63	60.61	60.61	57.04
06/28/96	09/27/96	Salem Corp	21.95	23.46	11.73	(11.50)	30.72
07/01/96	10/04/96	Landmark Graphics Corp	65.51	77.00	68.80	24.94	93.09
07/01/96	03/25/97	Renaissance Commun Corp	11.63	19.01	20.50	150.43	423.64
07/02/96	08/08/96	Ambar Inc	24.14	17.07	50.00	311.43	73.49
07/17/96	01/22/97	New World Common Grp (Mafco)	67.66	71.68	60.15	28.53	49.06
07/19/96	07/01/97	Portland General Corp	23.13	21.54	19.48	58.43	23.68
07/19/96	08/27/97	Rexene Corp	75.34	60.00	56.10	16.36	19.63
07/22/96	10/03/96	Global Natural Resources Inc	11.23	13.04	13.04	73.80	17.83
07/22/96	10/25/96	Telchit Corp	22.76	22.76	4.71	196.67	101.51
07/22/96	07/29/97	United Cities Gas Co	52.21	64.29	69.67	69.70	56.85
07/23/96	02/19/97	Osborn Communications Corp	28.13	50.00	38.20	108.54	44.75
07/24/96	10/11/96	PCI Services Inc	44.00	42.89	23.84	158.00	16.10
08/02/96	11/29/96	First Colony Corp	37.71	32.66	39.04	45.33	41.07
08/05/96	04/07/97	EZ Communications Inc	45.54	56.36	89.20	162.78	142.56
08/05/96	02/14/97	FHP International Corp	19.37	27.37	19.10	41.20	24.96
08/07/96	10/03/96	Douglas & Lomason Co	39.33	90.77	103.28	121.43	125.45
08/08/96	09/17/96	Roto-Rooter Inc (Chemed Corp)	12.33	12.33	11.19	25.19	20.15
08/09/96	08/06/97	NorAm Energy Corp	35.72	46.52	41.69	143.32	48.23
08/12/96	03/02/98	Atlantic Energy (Conoco)	5.34	3.83	3.09	(0.47)	5.34
08/14/96	11/25/96	American Re Corp	26.21	41.69	44.04	79.93	49.86
08/14/96	11/07/96	Payco American Corp	19.15	17.90	60.00	77.78	64.71
08/14/96	10/24/96	Redman Industries Inc	6.29	11.71	26.39	102.26	21.73
08/15/96	09/26/96	Orchard Supply Hardware Stores	17.65	25.56	28.44	137.29	8.95
08/19/96	09/20/96	CasTech Aluminum Group Inc	37.82	57.69	45.13	3.14	41.38
08/19/96	12/16/96	Griffin Gaming & Entertainment	88.88	88.88	69.28	52.07	52.07
08/22/96	10/29/96	Meta Software Inc	18.00	0.48	1.48		(27.49)
08/26/96	12/17/96	American Travellers Corp	30.09	37.35	81.17	230.54	61.36
08/26/96	12/31/96	Bankers Life Holding (Conseco)	14.94	10.50	11.73	31.58	25.79
08/26/96	03/04/97	Capitol American Financial	50.84	51.60	56.31	65.76	53.14
08/26/96	11/14/96	Career Horizons Inc	34.40	33.80	63.98	145.64	147.63
08/26/96	12/31/96	MFS Communications Co Inc	58.82	59.96	86.96	142.14	66.27
08/26/96	01/09/97	Spreckels Industries Inc	23.87	24.68	29.73	178.26	45.45
08/28/96	11/08/96	Red Lions Hotels (Red Lion Inn)	28.60	33.55	31.38		
08/29/96	11/14/96	Amtrol Inc	71.21	56.94	56.94	137.89	
09/02/96	03/06/97	Arcadian Corp	24.66	20.99	26.96	36.21	30.18
09/09/96	12/23/96	Big B Inc (Revco DS Inc)	36.63	66.27	58.62	10.40	68.29
09/12/96	12/31/96	Duracell International Inc	19.84	29.75	30.11	37.31	33.80
09/23/96	12/04/96	Diamond Shamrock Inc	(3.90)	1.11	5.71	15.70	0.68
09/24/96	12/09/96	GMIS Inc	56.35	57.50	86.26	64.80	125.52
09/26/96	02/28/97	Providence Journal Co	58.38	64.43	65.49		109.89
09/26/96	12/23/96	Transport Holdings	25.80	35.27	32.18		41.52
09/30/96	06/27/97	Belden & Blake Corp	32.52	27.81	31.71	42.11	21.35
10/01/96	12/31/96	South West Property Trust Inc	9.31	9.31	13.39	18.98	12.37
10/02/96	02/03/97	Baby Superstore Inc	17.99	21.82	25.07	(46.86)	43.21

10/02/96	02/07/97	TSX Corporation	10.00	18.63	26.04	3.16	(22.41)
10/03/96	02/13/97	Kinder-Care Learning Centers	17.83	18.75	26.67	34.51	22.58
10/03/96	12/31/96	LXE (Electromagnetic Sciences)	22.09	14.13	19.32	28.10	23.58
10/07/96	12/11/96	Augat Inc	32.83	30.49	45.94	49.89	54.06
10/07/96	12/02/96	Cheyenne Software Inc	32.61	34.81	30.48		
10/08/96	11/22/96	Super Food Services Inc	37.78	36.26	29.17	26.53	51.22
10/10/96	01/31/97	Gelman Sciences Inc	80.47	57.91	49.42	58.81	65.43
10/14/96	06/26/98	Pacific Enterprises Inc	7.43	8.72	11.87	98.59	76.24

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Merger Premiums to Market Value Analysis  
Mergers with Target Price Equal to or Greater than \$10 per Share  
Announced and Completed 1/1/96-10/9/98  
(continued)

Date Announced	Date Effective	Target Name	Target Business Description	Acquiror Name
10/14/96	12/12/96	Thrifty Payless Holdings Inc	Own, op drug store chain	Rite Aid Corp
10/15/96	06/03/97	Conrail Inc	Own, op freight railroad lines	Investor Group
10/15/96	12/23/96	FlightSafety International	Mnfr flight simulators	Berkshire Hathaway Inc
10/17/96	01/30/97	OrNda HealthCorp	Own, operate hospitals	Tenet Healthcare Corp
10/21/96	03/31/97	Detroit & Canada Tunnel Corp	Pvd tunnel operation services	Investor Group
10/23/96	04/16/97	Syratech Corp	Manufacture silver flatware	Thomas H Lee Equity Fund III
10/28/96	05/07/97	Cooper & Chyan Technology Inc	Develop software	Cadence Design Systems Inc
10/28/96	01/15/97	Loctite Corp	Mnfr adhesives & sealants	Henkel KGaA
10/28/96	05/29/97	Wireless Cable of Atlanta	Pvd wireless cable commons svc	BellSouth Corp
10/30/96	04/08/97	Vons Cos Inc	Own and operate supermarkets	Safeway Inc
10/31/96	07/01/97	California Jockey Club/Bay	Own, op horse racing tracks	Patriot American Hospitality
10/31/96	12/18/96	Kash N'Karry Food Stores Inc	Own and operate supermarkets	Food Lion Inc
11/04/96	02/27/97	Eckerd Corp	Operate retail drug stores	JC Penney Co
11/11/96	04/30/97	PHH Corp	Pvd auto, truck leasing svcs	HFS Inc
11/12/96	06/12/97	Leslie's Poolmart	Own, op swimming pool stores	Investor Group
11/12/96	02/27/97	SQA Inc	Whl software	Rational Software Corp
11/13/96	01/20/97	Medex Inc	Mnfr drug infusion products	FCY Inc
11/18/96	01/02/97	Sudbury Inc	Mnfr automotive parts	Internet Corp
11/25/96	01/09/97	Opal Inc	Mnfr special industry equip	Applied Materials Inc
11/25/96	06/18/97	FanEnergy Corp.	Oil and gas exploration, prodn	Duke Power Co
11/26/96	12/30/96	Armor All Products (McKesson)	Mnfr cleaners and waxes	Clorox Co
11/27/96	03/27/97	Central Tractor Farm & Country	Own, op tractor, hardware stores	JW Childs Equity Partners LP
11/27/96	12/27/96	Central Tractor Farm & Country	Own, op tractor, hardware stores	JW Childs Equity Partners LP
11/27/96	01/16/97	Milgray Electronics Inc	Whl electronic equip	Bell Industries Inc
11/27/96	03/19/97	Owen Healthcare Inc	Wholesale pharmaceuticals	Cardinal Health Inc
11/29/96	04/30/97	Chicago Dock and Canal Trust	Real estate investment trust	CityFront Center LLC
11/29/96	01/06/97	ElectroStar Inc	Mnfr printed circuit boards	Tyco International Ltd
12/02/96	01/30/97	Eastbay Inc	Own, operate mail order bus	Venator Group Inc
12/02/96	03/03/97	Health Images Inc	Provide magnetic imaging svcs	HealthSouth Corp
12/05/96	02/26/97	Barefoot Inc	Provide lawn care services	ServiceMaster LP
12/05/96	03/27/97	Cavco Industries Inc	Mnfr mobile homes	Centex Corp
12/05/96	04/11/97	Public Storage Properties XIV	Real estate investment trust	Public Storage Inc
12/05/96	04/11/97	Public Storage Properties XV	Real estate investment trust	Public Storage Inc
12/05/96	05/05/97	Santa Fe Pacific Gold Corp	Gold mining co	Newmont Mining Corp
12/05/96	01/10/97	Zycon Corp	Mnfr printed circuit boards	Hadco Corp
12/11/96	02/21/97	Alexander & Alexander Services	Pvd insurance brokerage svcs	Aon Corp
12/16/96	01/27/97	Eljer Industries Inc	Manufacture plumbing fixtures	Zurn Industries Inc
12/16/96	04/16/97	Paragon Group Inc	Real estate investment trust	Camden Property Trust
12/16/96	05/30/97	Pioneer Financial Services	Life, health, accident ins svcs	Conseco Inc
12/16/96	01/27/97	Tylan General Inc	Mnfr gas measure equipment	Millipore Corp
12/17/96	08/01/97	McDonnell Douglas Corp	Mnfr aerospace, defense equip	Boeing Co
12/19/96	03/25/97	IWC Resources Corp	Water utility holding company	NIPSCO Industries Inc
12/24/96	04/16/97	Home Beneficial Corp	Insurance holding company	American General Corp
12/30/96	05/29/98	LILCO	Electric utility	Brooklyn Union Gas Co
01/07/97	02/25/97	American Medical Response Inc	Provide ambulance services	MedTrans Inc (Laidlaw Inc)
01/07/97	02/10/97	Bonray Drilling Corp	On-shore oil and gas drilling	DLB Oil & Gas Inc
01/13/97	04/25/97	OpenVision Technologies Inc	Mnfr software, pvd programming	Veritas Software Corp
01/13/97	09/02/97	Zurich Reinsurance Centre	Insurance agency	Zurich Versicherungs GmbH
01/14/97	04/01/97	Oxford Resources Corp	Pvd passenger car leasing svcs	Barnett Banks, Jacksonville, FL
01/14/97	04/30/97	Tencor Instruments Inc	Mnfr test instruments	KLA Instruments Corp
01/15/97	08/06/97	Value Health Inc	Provide health plan services	Columbia/HCA Healthcare Corp
01/16/97	02/28/97	Epic Design Technology Inc	Develop CAD software	Synposys Inc
01/16/97	05/30/97	Wellsford Residential Pty	Real estate investment trust	Equity Residential Pptys Trust
01/17/97	06/17/97	Avemco Corp	Fire, marine, casualty ins co	HCC Insurance Holdings Inc
01/17/97	04/11/97	Studio Plus Hotels Inc	Own, operate hotels, motels	Extended Stay America Inc
01/20/97	06/27/97	First USA Inc	Pvd credit card svcs	BANC ONE Corp, Columbus, Ohio
01/20/97	04/08/97	Target Therapeutics Inc	Mnfr, whl mini-surgical devices	Boston Scientific Corp
01/21/97	06/26/97	InPhyNet Medical Management	Pvd physician management svcs	MedPartners Inc
01/21/97	07/09/97	Mafco Consolidated Grp (Mafco)	Mnfr cosmetics, beauty products	Mafco Holdings Inc
01/22/97	03/05/97	Norand Corp	Mnfr electronic info systems	Western Atlas Inc
01/23/97	05/19/97	Amphenol Corp	Manufactures connectors	Kohlberg Kravis Roberts & Co
01/23/97	06/02/98	ESELCO Inc	Electric utility	Wisconsin Energy Corp
01/27/97	03/07/97	Measure Corp	Mnfr process control systems	Honeywell Inc
01/27/97	05/30/97	Revco DS Inc	Own, operate drug stores	CVS Corp
02/03/97	03/10/97	Kysor Industrial Corp	Mnfr vehicle components	Scotsman Industries Inc
02/05/97	05/31/97	Morgan Stanley Group Inc	Investment bank	Dean Witter Discover & Co
02/10/97	03/31/97	TheraTx Inc	Own, op nursing care facilities	Vencor Inc
02/11/97	06/13/97	AMISYS Managed Care Systems	Pvd integrated systems svcs	HBO & Co

Date Announced	Date Effective	Target Name	Acquiror Business Description	Value of Transaction (\$ mil)	Enter-prise Value (\$ mil)
10/14/96	12/12/96	Thrifty Payless Holdings Inc	Own, operate drug stores	2,394.00	2,367.73
10/15/96	06/03/97	Conrail Inc	Investor group	10,435.90	12,532.43

10/15/96	12/23/96	FlightSafety International	Property, casualty insurance co	1,518.10	1,555.16
10/17/96	01/30/97	OrNda HealthCorp	Own, op hospitals	3,123.40	2,875.48
10/21/96	03/31/97	Detroit & Canada Tunnel Corp	Investor group	36.50	33.33
10/23/96	04/16/97	Syratech Corp	Pvd fund mgmt svcs	304.40	335.62
10/28/96	05/07/97	Cooper & Chyan Technology Inc	Develop CAD software	474.80	452.04
10/28/96	01/15/97	Loctite Corp	Mnfr, whl chemicals, detergents	1,289.10	2,118.28
10/28/96	05/29/97	Wireless Cable of Atlanta	Pvd telecommunication svcs	44.70	37.95
10/30/96	04/08/97	Vons Cos Inc	Own, op grocery stores	2,251.60	3,092.97
10/31/96	07/01/97	California Jockey Club/Bay	Real estate investment trust	199.70	185.79
10/31/96	12/18/96	Kash N'Karry Food Stores Inc	Own and operate supermarkets	347.10	342.27
11/04/96	02/27/97	Eckerd Corp	Department stores	3,298.50	3,216.53
11/11/96	04/30/97	PHH Corp	Own, op hotel franchises	1,809.50	6,273.96
11/12/96	06/12/97	Leslie's Poolmart	Investor group	112.80	124.19
11/12/96	02/27/97	SQA Inc	Dvlp component-based software	315.80	273.70
11/13/96	01/20/97	Medex Inc	Mnfr engineered polymer prods	150.60	147.44
11/18/96	01/02/97	Sudbury Inc	Ductile, gray iron castings	155.40	145.12
11/25/96	01/09/97	Opal Inc	Mnfr wafer fabrication systems	189.60	146.57
11/25/96	06/18/97	PanEnergy Corp	Electric utility	7,666.80	9,955.41
11/26/96	12/30/96	Armor All Products (McKesson)	Manufacture household bleach	410.10	355.10
11/27/96	03/27/97	Central Tractor Farm & Country	Investment company	56.70	172.74
11/27/96	12/27/96	Central Tractor Farm & Country	Investment company	81.00	166.96
11/27/96	01/16/97	Milgray Electronics Inc	Mnfr electronic, computer prods	100.00	135.18
11/27/96	03/19/97	Owen Healthcare Inc	Whl pharmaceutical products	544.10	481.67
11/29/96	04/30/97	Chicago Dock and Canal Trust	Real estate investment trust	177.90	176.49
11/29/96	01/06/97	ElectroStar Inc	Mnfr fire protection systems	111.00	119.21
12/02/96	01/30/97	Easthay Inc	Own, op variety stores	146.00	142.81
12/02/96	03/03/97	Health Images Inc	Own, op outpatient surgery ctr.	263.70	259.67
12/05/96	02/26/97	Barefoot Inc	Pvd mgmt svcs	230.90	246.11
12/05/96	03/27/97	Cavco Industries Inc	Construct bldgs, RE dvlp firm	76.20	104.85
12/05/96	04/11/97	Public Storage Properties XIV	Real estate investment trust	82.40	56.91
12/05/96	04/11/97	Public Storage Properties XV	Real estate investment trusts	79.10	54.22
12/05/96	05/05/97	Santa Fe Pacific Gold Corp	Gold, coal mining; oil, gas expl	2,505.50	2,862.14
12/05/96	01/10/97	Zycon Corp	Mnfr computer circuit boards	211.70	240.90
12/11/96	02/21/97	Alexander & Alexander Services	Insurance holding company	1,227.40	1,131.32
12/16/96	01/27/97	Eljer Industries Inc	Mnfr environmental equipment	175.60	254.31
12/16/96	04/16/97	Paragon Group Inc	Real estate investment trust	624.80	619.15
12/16/96	05/30/97	Pioneer Financial Services	Insurance holding company	564.00	531.20
12/16/96	01/27/97	Tylan General Inc	Mnfr analytical products	147.70	150.72
12/17/96	08/01/97	McDonnell Douglas Corp	Mnfr aircraft, aerospace equip	13,359.00	15,830.06
12/19/96	03/25/97	IWC Resources Corp	Electric, gas utility hldg co	290.60	418.56
12/24/96	04/16/97	Home Beneficial Corp	Insurance holding company	665.10	
12/30/96	05/29/98	LILCO	Gas utility	4,725.50	8,325.51
01/07/97	02/25/97	American Medical Response Inc	Pvd ambulance svcs	1,011.10	1,179.05
01/07/97	02/10/97	Bonray Drilling Corp	Oil and gas exploration, prdn	12.70	13.61
01/13/97	04/25/97	OpenVision Technologies Inc	Dvlp bus applications software	365.70	355.21
01/13/97	09/02/97	Zurich Reinsurance Centre	Insurance holding company	319.00	932.99
01/14/97	04/01/97	Oxford Resources Corp	Commercial bank	561.00	2,075.95
01/14/97	04/30/97	Tencor Instruments Inc	Mnfr measuring devices	1,343.60	1,268.04
01/15/97	08/06/97	Value Health Inc	Own, operate hospitals	1,132.30	1,007.30
01/16/97	02/28/97	Epic Design Technology Inc	Develop automation software	455.40	435.64
01/16/97	05/30/97	Wellsford Residential Pty	Real estate investment trust	995.50	792.15
01/17/97	06/17/97	Avemco Corp	Provide insurance services	246.80	295.32
01/17/97	04/11/97	Studio Plus Hotels Inc	Own, op hotels	295.90	261.22
01/20/97	06/27/97	First USA Inc	Bank holding company	7,304.30	7,972.55
01/20/97	04/08/97	Target Therapeutics Inc	Manufacture catheters	1,218.30	1,183.39
01/21/97	06/26/97	InPhyNet Medical Management	Pvd medical services to HMO's	369.70	364.33
01/21/97	07/09/97	Mafco Consolidated Grp (Mafco)	Mnfr toilet preparations	116.80	980.32
01/22/97	03/05/97	Norand Corp	Pvd oil, gas exploration svcs	320.80	316.14
01/23/97	05/19/97	Amphenol Corp	Leverage buyout firm	1,390.40	1,385.99
01/23/97	06/02/98	ESELCO Inc	Electric, gas utility; hldg co	74.30	95.65
01/27/97	03/07/97	Measurix Corp	Mnfr automation, control sys	597.00	587.36
01/27/97	05/30/97	Revco DS Inc	Own and operate drug stores	3,911.70	3,969.97
02/03/97	03/10/97	Kysor Industrial Corp	Mnfr refrigeration equipment	359.20	385.36
02/05/97	5/31/97	Morgan Stanley Group Inc	Securities brokerage firm	10,573.00	51,167.74
02/10/97	03/31/97	TheraTx Inc	Provide healthcare services	378.20	539.63
02/11/97	06/13/97	AMISYS Managed Care Systems	Dvlp healthcare software	170.60	146.52

		Premium					
Date Announced	Date Effective	Target Name	1 Day Prior to Annc. Date	1 Day Prior to Annc. Date	4 Weeks Prior to Annc. Date	3 Months Prior to Annc. Date	1 Year Prior to Annc. Date
10/14/96	12/12/96	Thrifty Payless Holdings Inc	26.91	28.66	37.18		62.23
10/15/96	06/03/97	Conrail Inc	61.97	60.28	60.28	61.40	74.24
10/15/96	12/23/96	FlightSafety International	13.96	10.80	10.80		
10/17/96	01/30/97	OrNda HealthCorp	9.61	19.48	16.56	57.21	40.56
10/21/96	03/31/97	Detroit & Canada Tunnel Corp	64.89	74.19	54.29	110.73	64.89
10/23/96	04/16/97	Syratech Corp	21.91	28.00	29.29	62.03	31.28
10/28/96	05/07/97	Cooper & Chyan Technology Inc	2.54	1.73	31.84		63.54
10/28/96	01/15/97	Lucite Corp	31.89	36.70	34.81	33.33	41.86
10/28/96	05/29/97	Wireless Cable of Atlanta	89.88	80.83	80.83	83.04	20.57
10/30/96	04/08/97	Vons Cos Inc	26.80	21.52	25.71	115.49	32.96
10/31/96	07/01/97	California Jockey Club/Bay	87.23	88.57	103.08	300.61	268.67
10/31/96	12/18/96	Kash N'Karry Food Stores Inc	9.47	33.33	6.67	13.66	(7.96)
11/04/96	02/27/97	Eckerd Corp	21.21	28.44	29.63	67.66	56.42
11/11/96	04/30/97	PHH Corp	60.98	65.00	69.23	120.00	83.33
11/12/96	06/12/97	Leslie's Poolmart	26.09	31.82	31.82	5.45	13.73
11/12/96	02/27/97	SQA Inc	39.44	28.23	39.44		73.06
11/13/96	01/20/97	Medex Inc	54.10	57.98	66.74		
11/18/96	01/02/97	Sudbury Inc	19.05	25.00	9.89	53.85	14.94
11/25/96	01/09/97	Opal Inc	52.58	64.44	105.56	270.00	23.33
11/25/96	06/18/97	PanEnergy	18.34	22.70	30.29	80.18	48.15
11/26/96	12/30/96	Armor All Products (McKesson)	9.09	13.97	13.97	4.60	27.27
11/27/96	03/27/97	Central Tractor Farm & Country	17.53	17.53	18.75	67.65	42.50
11/27/96	12/27/96	Central Tractor Farm & Country	15.46	15.46	16.67	64.71	40.00
11/27/96	01/16/97	Milgray Electronics Inc	8.40	16.99	20.57		
11/27/96	03/19/97	Owen Healthcare Inc	64.89	100.86	87.25		
11/29/96	04/30/97	Chicago Dock and Canal Trust	22.32	22.70	22.70	150.00	68.07
11/29/96	01/06/97	ElectroStar Inc	7.69	27.27	16.67		40.00
12/02/96	01/30/97	Easthay Inc	26.32	28.00	23.08		
12/02/96	03/03/97	Health Images Inc	7.39	27.85	34.24	116.52	57.93
12/05/96	02/26/97	Barefoot Inc	25.49	28.00	42.22	31.96	60.00
12/05/96	03/27/97	Cavco Industries Inc	13.23	20.23	30.49	130.11	39.87
12/05/96	04/11/97	Public Storage Properties XIV	29.19	30.82	31.65	49.64	32.48
12/05/96	04/11/97	Public Storage Properties XV	29.19	28.40	32.48	46.48	34.19
12/05/96	05/05/97	Santa Fe Pacific Gold Corp	59.75	66.77	63.18	50.26	45.92
12/05/96	01/10/97	Zycon Corp	12.50	46.94	94.60	39.81	105.71
12/11/96	02/21/97	Alexander & Alexander Services	6.06	8.53	9.38	(16.67)	8.53
12/16/96	01/27/97	Eljer Industries Inc	77.78	84.62	90.10	146.15	140.00
12/16/96	04/16/97	Paragon Group Inc	9.71	12.25	14.00	7.29	19.61

12/16/96	05/30/97	Pioneer Financial Services	47.37	50.34	63.50		
12/16/96	01/27/97	Tylan General Inc	39.13	26.73	26.73	13.27	16.36
12/17/96	08/01/97	McDonnell Douglas Corp	0.62	22.71	20.08	41.33	22.41
12/19/96	03/25/97	IWC Resources Corp	31.96	39.13	45.46	64.10	64.10
12/24/96	04/16/97	Home Beneficial Corp	2.80	39.29	50.00	56.00	56.78
12/30/96	05/29/98	LILCO	32.28	33.14	28.96	56.52	49.66
01/07/97	02/25/97	American Medical Response Inc	21.21	23.08	36.75	33.33	31.15
01/07/97	02/10/97	Bonray Drilling Corp	11.11	11.11	30.44	179.07	105.13
01/13/97	04/25/97	OpenVision Technologies Inc	43.67	46.46	50.86		46.49
01/13/97	09/02/97	Zurich Reinsurance Centre	17.07	18.52	11.63	20.50	18.03
01/14/97	04/01/97	Oxford Resources Corp	10.03	23.53	28.05	76.86	52.37
01/14/97	04/30/97	Tencor Instruments Inc	33.06	42.22	70.21	109.15	113.33
01/15/97	08/06/97	Value Health Inc	1.24	0.61	0	(22.64)	17.14
01/16/97	02/28/97	Epic Design Technology Inc	(0.60)	8.52	23.63	23.01	30.09
01/16/97	05/30/97	Wellsford Residential Ppty	7.58	9.21	9.77		
01/17/97	06/17/97	Avemco Corp	47.74	55.78	89.26	86.21	80.35
01/17/97	04/11/97	Studio Plus Hotels Inc	54.96	51.12	37.48	40.68	28.79
01/20/97	06/27/97	First USA Inc	43.16	53.05	50.85	126.89	80.64
01/20/97	04/08/97	Target Therapeutics Inc	63.65	65.86	93.68	50.39	76.90
01/21/97	06/26/97	InPhyNet Medical Management	(0.80)	12.84	25.38	8.77	43.30
01/21/97	07/09/97	Mafco Consolidated Grp (Mafco)	23.50	23.50	27.62	69.62	36.04
01/22/97	03/05/97	Norand Corp	72.90	87.41	94.20	150.47	74.03
01/23/97	05/19/97	Amphenol Corp	12.43	16.85	26.06	16.85	31.65
01/23/97	06/02/98	ESELCO Inc	50.85	49.58	69.52		
01/27/97	03/07/97	Measurex Corp	44.33	42.13	45.83	18.14	37.25
01/27/97	05/30/97	Revco DS Inc	7.57	11.47	17.69	50.79	40.73
02/03/97	03/10/97	Kysor Industrial Corp	16.22	17.01	24.64	79.17	48.28
02/05/97	5/31/97	Morgan Stanley Group Inc	11.08	12.80	13.81		
02/10/97	03/31/97	TheraTx Inc	30.29	35.45	59.07	50.33	73.16
02/11/97	06/13/97	AMISYS Managed Care Systems	38.58	44.26	43.09	8.64	62.96

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Merger Premiums to Market Value Analysis  
Mergers with Target Price Equal to or Greater than \$10 per Share  
Announced and Completed 1/1/96-10/9/98  
(continued)

Date Announced	Date Effective	Target Name	Target Business Description	Acquiror Name
02/13/97	05/20/97	Reflectone Inc	Manufacture flight simulators	British Aerospace Holdings
02/13/97	06/17/97	USLIFE Corp	Life insurance company	American General Corp
02/14/97	10/29/97	Horizon/CMS Healthcare Corp	Pvd nursing care services	HealthSouth Corp
02/14/97	09/17/97	UNC Inc	Mnfr aircraft components	Greenwich Air Services Inc
02/14/97	06/25/97	Winthrop Resources Corp	Provide computer leasing svcs	TCF Finl Corp, Minneapolis, MN
02/18/97	06/27/97	Destec Energy Inc	Electric utility	NGC Corp
02/20/97	12/09/97	NHP Inc (Apartment Investment)	Own, op apartment buildings	Apartment investment & Mgmt Co
02/24/97	07/01/97	Security-Connecticut Corp	Insurance holding company	ReliaStar Financial Corp, MN
02/25/97	08/05/98	Fina Inc	Mnfr petroleum refined prods	Petrofina SA
02/26/97	07/02/97	Petrolite Corp	Mnfr fuel additives, waxes	Baker Hughes Inc
02/26/97	06/12/97	US Robotics Corp	Mnfr common products, systems	3Com Corp
02/27/97	06/13/97	Production Operators Corp	Provide oil and gas field svcs	Camco International Inc
02/28/97	08/01/97	Healthsource Inc	Own and operate HMO's	CIGNA Corp
03/03/97	05/30/97	BHC Financial Inc	Provide data processing svcs	Flserv Inc
03/07/97	08/01/97	Micro Bio-Medics Inc	Whl, mnfr medical equip	Henry Schein Inc
03/10/97	09/02/97	Greenwich Air Services Inc.	Manufacture aircraft engines	General Electric Co
03/14/97	06/26/97	Enterprise Systems Inc	Develop hospital mgmt software	HBO & Co
03/17/97	08/20/97	Heritage Media Corp	Own, op radio and TV stations	News Corp Ltd
03/19/97	07/11/97	American List Corp	Pvd mail advertising svcs	Snyder Communications Inc
03/20/97	06/17/97	Falcon Building Products Inc	Manufacture air compressors	InvestCorp
03/24/97	08/29/97	Community Bankshares, NH	Bank holding company	CFX Corp, Keene, new Hampshire
03/24/97	04/28/97	MDL Information Systems	Pvd scientific info svcs	Elsevier Science
03/24/97	08/05/97	OnTrak Systems Inc	Mnfrs semiconductor cap equip	Lam Research Corp
03/25/97	05/07/97	Foodbrands America Inc	Produce sausages, prepared meat	IBP Inc (Occidental Petroleum)
03/25/97	07/10/97	Phamis Inc	Pvd integrated systems design	IDX Systems Corp
03/26/97	09/03/97	Argyle Television Inc	Own, op television stations	Hearst Broadcasting Group
03/31/97	06/30/97	Cascade Communications Corp	Mnfr frame relays	Ascend Communications Inc
04/07/97	09/02/97	Alex.Brown Inc	Securities brokerage firm	Bankers Trust New York Corp
04/07/97	07/30/97	Pure Atria Corp	Dvlp custom computer programs	Rational Software Corp
04/08/97	06/12/97	Premiere Radio Networks Inc	Own, op radio bdcstg stations	Jacor Communications Inc
04/09/97	06/24/97	Public Storage Properties XVI	Real estate investment trust	Public Storage Inc
04/09/97	06/24/97	Public Storage Ppties XVIII	Real estate investmeht trust	Public Storage Inc
04/09/97	06/24/97	Public Storage Properties XIX	Real estate investment trust	Public Storage Inc
04/09/97	05/13/97	Stant Corp	Mnfr, whl automotive parts	Tomkins PLC
03/09/97	97/21/97	Tambrands Inc	Mnfr feminine hygiene products	Proctor & Gamble Co
04/14/97	11/12/97	APL Ltd	Shipping, trucking company	Neptune Orient Lines Ltd
04/14/97	09/03/97	United Waste Systems Inc	Provide waste management svcs	USA Waste Services Inc
04/14/97	01/05/98	Wyndham Hotel Corp	Own and operate hotels	Patriot Amer Hosp/Wyndham Intl
04/16/97	01/30/98	Steck Vaughn Publishing Corp	Publish books, magazines	Harcourt General Inc
04/17/97	07/14/97	Drilex International Inc	Pvd prod, svcs used in drilling	Baker Hughes Inc
04/18/97	04/21/97	Vitalink Pharmacy Services Inc	Pvd health and allied svcs	Manor Care Inc
04/21/97	05/28/97	Goulds Pumps Inc	Mnfr centrifugal pumps	ITT Industries Inc
04/21/97	06/10/97	National Education Corp	Vocational training services	Harcourt General Inc
04/22/97	09/04/97	International Family Ent Inc	Provide cable television svcs	Fox Kids Worldwide Inc.
04/23/97	06/25/97	VeriFone Inc	Electronic funds transfer mach	Hewlett-Packard Co
04/30/97	06/03/97	GKN Sinter Metals Inc(GKN PLC)	Mnfr automotive, metal parts	GKN PLC
05/01/97	07/30/97	David White Inc	Mnfr, whl surveying instruments	Choucroute Partners
05/05/97	08/13/97	Fort Howard Corp	Mnfr sanitary tissue products	James River Corp of Virginia
05/05/97	08/01/97	Logicon Inc	Pvd computer svcs to military	Northrop Grumman Corp
05/05/97	08/19/97	Riser Foods Inc	Own, op grocery stores	Giant Eagle Inc
05/05/97	06/13/97	Vivra Inc	Provide home health care svcs	Incentive AB
05/06/97	08/15/97	BBN Corp	Mnfr computer integrated sys	GTE Corp
05/06/97	07/22/97	BW/IP Inc	Mnfr fluid transfer equip	Durco International Inc
05/06/97	01/05/98	Physicians Health Services Inc	Own and operate HMO's	Foundation Health Systems Inc
05/06/97	07/25/97	Varsity Spirit	Pvd cheerleading training svcs	Riddell Sports Inc
05/07/97	06/03/98	Reliable Life Insurance Co	Insurance company	Unitrin Inc

05/08/97	11/04/97	Living Centers of America Inc	Pvd long-term health care svcs	Apollo Management LP
05/12/97	10/16/97	Dynamics Corp of America	Mnfr electrical appliances	CTS Corp
05/12/97	09/09/97	Smith's Food & Drug Centers	Own and operate supermarkets	Fred Meyer Inc
05/13/97	08/26/97	Aurum Software Inc	Dvlp sales, mktg info software	Baan Co NV
05/13/97	08/28/97	Inbrand Corp	Mnfr incontinence products	Tyco International Ltd
05/14/97	11/18/97	Enron Global Power & Pipelines	Pvd gas transmission svcs	Enron Corp
05/20/97	09/02/97	Keystone International Inc	Mnfr indi flow control prod	Tyco International Ltd
05/21/97	08/14/97	Howell Industries Inc	Mnfr automotive parts	Oxford Automotive Inc
05/21/97	05/04/98	KU Energy Corp	Electric utility holding co	LG&E Energy Corp
05/22/97	07/31/97	Biopsys Medical Inc	Mnfr surgical, medical instr	Johnson & Johnson

Date Announced	Date Effective	Target Name	Acquiror Business Description	Value of Transaction (\$ mil)	Enterprise Value (\$ mil)
02/13/97	05/20/97	Reflectone Inc	Whl aircraft ircraft, equip	41.10	98.00
02/13/97	06/17/97	USLIFE Corp	Insurance holding company	2,374.40	2,353.34
02/14/97	10/29/97	Horizon/CMS Healthcare Corp	Own,op outpatient surgery ctr	1,651.30	1,612.88
02/14/97	09/17/97	UNC Inc	Manufacture aircraft engines	442.70	752.15
02/14/97	06/25/97	Winthrop Resources Corp	Savings and loan	334.70	350.73
02/18/97	06/27/97	Destec Energy Inc	Wholesale natural gas products	1,222.40	1,235.07
02/20/97	12/09/97	NHP Inc (Apartment Investment)	Real estate investment trust	114.50	370.58
02/24/97	07/01/97	Security-Connecticut Corp	Insurance company	545.40	503.52
02/25/97	08/05/98	Fina Inc	Produce, whl petroleum	257.00	2,427.11
02/26/97	07/02/97	Petrolite Corp	Mnfr oil, gas field machinery	710.90	709.81
02/26/97	06/12/97	US Robotics Corp	Pvd network computer svcs	6,510.70	6,596.65
02/27/97	06/13/97	Production Operators Corp	Mnfr oil, gas field equipment	609.60	616.80
02/28/97	08/01/97	Healthsource Inc	Insurance company	1,652.70	1,545.42
03/03/97	05/30/97	BHC Financial Inc	Pvd finl data processing svcs	220.60	247.84
03/07/97	08/01/97	Micro Bio-Medics Inc	Whl med supplies	136.10	113.12
03/10/97	09/02/97	Greenwich Air Services Inc.	Electrical, construction prod	519.20	789.39
03/14/97	06/26/97	Enterprise Systems Inc	Dvlp healthcare software	275.20	254.54
03/17/97	08/20/97	Heritage Media Corp	Publish newspapers, magazines	1,351.80	1,348.41
03/19/97	07/11/97	American List Corp	Pvd outsources marketing svcs	117.10	117.72
03/20/97	06/17/97	Falcon Building Products Inc	Investor group	584.50	496.47
03/24/97	08/29/97	Community Bankshares, NH	Savings and loan	101.60	514.34
03/24/97	04/28/97	MDL Information Systems	Publish scientific journals	310.70	299.21
03/24/97	08/05/97	OnTrak Systems Inc	Mnfr equip to mnfr semiconduct	217.90	200.19
03/25/97	05/07/97	Foodbrands America Inc	Produce beef and pork products	657.50	634.74
03/25/97	07/10/97	Phamis Inc	Mnfr health care info systems	142.80	140.39
03/26/97	09/03/97	Argyle Television Inc	Own, op radio stations	322.20	487.37
03/31/97	06/30/97	Cascade Communications Corp	Dvlp comp network solutions	3,529.30	3,445.04
04/07/97	09/02/97	Alex Brown Inc	Bank holding company	2,077.40	2,055.27
04/07/97	07/30/97	Pure Atria Corp	Dvlp component-based software	958.40	949.50
04/08/97	06/12/97	Premiere Radio Networks Inc	Own, op radio bdcstg stations	208.90	155.81
04/09/97	06/24/97	Public Storage Properties XVI	Real estate investment trust	84.20	82.14
04/09/97	06/24/97	Public Storage Ppties XVIII	Real estate investment trust	78.60	82.66
04/09/97	06/24/97	Public Storage Properties XIX	Real estate investment trust	67.90	66.65
04/09/97	05/13/97	Stant Corp	Mnfr, whl plumbing fixtures	574.00	593.71
03/09/97	97/21/97	Tambrands Inc	Mnfr household prod, oil, coffee	2,003.90	1,978.69
04/14/97	11/12/97	APL Ltd	Pvd deep sea oil transp svcs	878.50	1,482.22
04/14/97	09/03/97	United Waste Systems Inc	Pvd waste disposal services	1,682.20	1,899.63
04/14/97	01/05/98	Wyndham Hotel Corp	Real estate investment trust	773.10	731.68
04/16/97	01/30/98	Steck Vaughn Publishing Corp	Own, op movie theaters, stores	40.30	221.36
04/17/97	07/14/97	Drilex Internationals Inc	Mnfr oil, gas field machinery	120.10	133.64
04/18/97	04/21/97	Vitalink Pharmacy Services Inc	Own, op nursing homes, hotels	30.00	278.46
04/21/97	05/28/97	Goulds Pumps Inc	Mnfr brakes and chassis sys	922.10	913.49
04/21/97	06/10/97	National Education Corp	Own, op movie theaters, stores	776.10	874.09
04/22/97	09/04/97	International Family Ent Inc	Pvd motion picture prodn svcs	1,862.90	1,903.50
04/23/97	06/25/97	VeriFone Inc	Mnfr computers, testing equip	1,245.10	1,142.30
04/30/97	06/03/97	GRN Sinter Metals Inc(GRN PLC)	Mnfr, whl auto parts, metals	469.70	523.10
05/01/97	07/30/97	David White Inc	Investment company	5.90	7.47
05/05/97	08/13/97	Fort Howard Corp	Mnfr paper, paper-related prods	5,682.60	5,734.86
05/05/97	08/01/97	Logicon Inc	Aircraft, aerospace products	1,027.50	949.94
05/05/97	08/19/97	Riser Foods inc	Whl, retail grocery prods	468.50	415.19
05/05/97	06/13/97	Vivra Inc	Mnfr medical instr, ind epuip	1,660.50	1,768.29
05/06/97	08/15/97	BBN Corp	Pvd telecommunications svcs	713.80	678.34
05/06/97	07/22/97	BW/IP Inc	Mnfr machinery, metal castings	530.70	537.88
05/06/97	01/05/98	Physicians Health Services Inc	Own, op HMO's; holding company	268.20	231.41
05/06/97	07/25/97	Varsity Spirit	Manufacture football equip	91.00	89.64
05/07/97	06/03/98	Reliable Life Insurance Co	Insurance company	261.10	145.97
05/08/97	11/04/97	Living Centers of America Inc	Investment management services	1,048.20	1,126.82
05/12/97	10/16/97	Dynamics Corp of America	Mnfr electronic components	244.60	255.74
05/12/97	09/09/97	Smith's Food & Drug Centers	Own, operate department stores	2,018.00	2,074.87
05/13/97	08/26/97	Aurum Software Inc	Develop software	259.90	218.70
05/13/97	08/28/97	Inbrand Corp	Mnfr fire protection systems	322.80	367.43
05/14/97	11/18/97	Enron Global Power & Pipelines	Own, operate gas pipelines	428.00	866.48
05/20/97	09/02/97	Keystone International Inc	Mnfr fire protection systems	1,361.50	1,426.76
05/21/97	08/14/97	Howell Industries Inc	Mnfr engineered metal prods	23.00	19.05
05/21/97	05/04/98	KU Energy Corp	Electric utility	1,539.40	2,112.89
05/22/97	07/31/97	Biopsys Medical Inc	Mnfr medical equip and prods	303.50	293.85

Date Announced	Date Effective	Target Name	Premium				
			1 Day Prior to Annc. Date	1 Day Prior to Annc. Date	4 Weeks Prior to Annc. Date	3 Months Prior to Annc. Date	1 Year Prior to Annc. Date
02/13/97	05/20/97	Reflectone Inc	20.00	18.52	25.49	33.33	28.00
02/13/97	06/17/97	USLIFE Corp	20.96	22.80	43.26	57.30	68.33
02/14/97	10/29/97	Horizon/CMS Healthcare Corp	27.65	40.04	36.08	(0.66)	(32.28)
02/14/97	09/17/97	UNC Inc	37.93	41.18	36.36	96.72	66.67
02/14/97	06/25/97	Winthrop Resources Corp	7.65	20.00	23.03		
02/18/97	06/27/97	Destec Energy Inc	82.32	80.42	63.40	73.20	37.46
02/20/97	12/09/97	NHP Inc (Apartment Investment)	28.26	25.21	16.86	12.69	16.00
02/24/97	07/01/97	Security-Connecticut Corp	43.65	45.10	36.38	105.22	57.86
02/25/97	08/05/98	Fina Inc	19.70	18.52	21.52	23.39	25.33
02/26/97	07/02/97	Petrolite Corp	62.67	83.46	78.10	128.04	38.64
02/26/97	06/12/97	US Robotics Corp	11.38	13.22	0.37	16.35	(6.80)
02/27/97	06/13/97	Production Operators Corp	22.90	13.02	15.93	79.22	25.65
02/28/97	08/01/97	Healthsource Inc	28.89	32.82	64.15	107.14	150.96
03/03/97	05/30/97	BHC Financial Inc	67.50	60.00	82.31	92.81	112.70
03/07/97	08/01/97	Micro Bio-Medics Inc	12.19	12.19	10.44	14.93	3.94
03/10/97	09/02/97	Greenwich Air Services Inc.	21.57	33.33	34.78	(16.78)	30.53
03/14/97	06/26/97	Enterprise Systems Inc	15.29	13.75	30.00	16.88	51.67



03/17/97	08/20/97	Heritage Media Corp	69.07	72.63	69.07	21.03	45.13
03/19/97	07/11/97	American List Corp	17.32	28.05	8.81	27.27	(0.47)
03/20/97	06/17/97	Falcon Building Products Inc	43.43	49.47	52.69	97.22	24.56
03/24/97	08/29/97	Community Bankshares, NH	63.28	64.11	54.68	121.42	102.05
03/24/97	04/28/97	MDL Information Systems	85.51	43.82	54.22	50.59	79.02
03/24/97	08/05/97	OnTrak Systems Inc	-0.85	2.96	13.92	81.49	62.24
03/25/97	05/07/97	Foodbrands America Inc	47.40	50.97	61.38	36.64	71.74
03/25/97	07/10/97	Phamis Inc	18.93	23.00	26.47	30.14	95.22
03/26/97	09/03/97	Argyle Television Inc	15.22	16.48	14.60	22.54	8.16
03/31/97	06/30/97	Cascade Communications Corp	28.28	46.70	21.08	(18.89)	(33.97)
04/07/97	09/02/97	Alex.Brown Inc	65.00	50.04	17.70		
04/07/97	07/30/97	Pure Atria Corp	18.54	23.31	23.77	(40.10)	(23.49)
04/08/97	06/12/97	Premiere Radio Networks Inc	17.37	19.23	19.23	36.58	32.96
04/09/97	06/24/97	Public Storage Properties XVI	6.01	5.32	2.62	17.71	2.62
04/09/97	06/24/97	Public Storage Ppties XVIII	4.97	7.12	2.90	15.00	(0.38)
04/09/97	06/24/97	Public Storage Properties XIX	4.89	3.25	3.25	16.96	(2.82)
04/09/97	05/13/97	Stant Corp	29.32	48.28	49.57	79.17	40.98
03/09/97	97/21/97	Tambrands Inc	8.40	14.94	14.94	4.71	21.95
04/14/97	11/12/97	APL Ltd	55.81	65.43	42.55	43.32	40.31
04/14/97	09/03/97	United Waste Systems Inc	0.71	1.05	(1.25)	53.09	13.95
04/14/97	01/05/98	Wyndham Hotel Corp	48.02	44.52	48.93		29.23
04/16/97	01/30/98	Steck Vaughn Publishing Corp	21.65	32.58	24.21	55.26	27.57
04/17/97	07/14/97	Drilex International Inc	31.44	37.88	59.82		31.44
04/18/97	04/21/97	Vitalink Pharmacy Services In	14.29	8.11	(4.19)	(8.05)	(17.53)
04/21/97	05/28/97	Goulds Pumps Inc	61.75	57.45	60.87	68.18	51.02
04/21/97	06/10/97	National Education Corp	22.63	54.13	40.00	54.13	48.67
04/22/97	09/04/97	International Family Ent Inc	94.44	95.80	107.41	61.38	15.94
04/23/97	06/25/97	VeriFone Inc	67.64	50.19	43.77	24.69	34.67
04/30/97	06/03/97	GKN Sinter Metals Inc (GKN PLC)	37.04	38.32	32.74		
05/01/97	07/30/97	David White Inc	11.63	14.29	18.52	(4.00)	52.38
05/05/97	08/13/97	Fort Howard Corp	16.31	27.92	43.30	92.95	33.18
05/05/97	08/01/97	Logicon Inc	75.68	84.23	102.65	134.48	102.66
05/05/97	08/19/97	Riser Foods inc	11.63	29.23	26.79	115.38	28.24
05/05/97	06/13/97	Vivra Inc	26.09	41.77	35.70	23.90	18.24
05/06/97	08/15/97	BBN Corp	26.09	32.57	64.54	5.45	26.09
05/06/97	07/22/97	BW/IP Inc	(5.48)	14.15	18.72	(10.60)	11.58
05/06/97	01/05/98	Physicians Health Services In	23.50	26.97	51.68	8.65	46.75
05/06/97	07/25/97	Varsity Spirit	30.35	28.14	23.93	26.00	26.00
05/07/97	06/03/98	Reliable Life Insurance Co	51.11	51.11	52.06		
05/08/97	11/04/97	Living Centers of America Inc	17.82	22.73	41.49	9.46	36.71
05/12/97	10/16/97	Dynamics Corp of America	91.27	94.17	112.70	156.32	107.55
05/12/97	09/09/97	Smith's Food & Drug Centers	9.93	16.48	26.99	63.23	62.85
05/13/97	8/26/97	Aurum Software Inc	32.99	40.38	55.84		9.19
05/13/97	08/28/97	Inbrand Corp	69.98	78.34	107.22	(81.87)	(38.18)
05/14/97	11/18/97	Enron Global Power & Pipelin	11.83	13.70	19.74	38.08	12.30
05/20/97	09/02/97	Keystone International Inc	84.19	85.31	102.49	73.73	92.30
05/21/97	08/14/97	Howell Industries Inc	28.70	30.40	32.14	26.50	(21.90)
05/21/97	05/04/98	KU Energy Corp	34.01	31.84	35.69	38.59	32.93
05/22/97	07/31/97	Biopsys Medical Inc	6.99	6.99	22.44	17.23	(6.61)

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Merger Premiums to Market Value Analysis  
Mergers with Target Price Equal to or Greater than \$10 per Share  
Announced and Completed 1/1/96-10/9/98  
(continued)

Date Announced	Date Effective	Target Name	Target Business Description	Acquiror Name
05/22/97	07/09/98	Chaparral Steel Co (Texas Ind)	Mnfr primary steel products	Texas Industries Inc
05/22/97	11/20/97	Mail Boxes, Etc	Pvd franchised postal services	US Office Products Co
05/23/97	10/06/97	Palmer Wireless Inc	Pvd telephone services	Price Communications Corp
05/27/97	08/08/97	Alamco Inc	Oil & gas exploration, prod	Columbia Natural Resources Inc
05/27/97	12/18/97	HFS Inc	Own, op hotel franchises	CUC International Inc
05/28/97	02/10/98	CommNet Cellular Inc	Cellular telephone services	Blackstone Capital Partners
05/28/97	07/03/97	Fibreboard Corp	Mnfr fibreboard, paperboard	Owens Corning
06/02/97	07/15/97	Acordia Inc (Anthem Inc)	Pvd insurance brokerage svcs	Anthem Inc
06/03/97	01/15/98	Faulding Inc (FH Faulding & Co)	Mnfr pharmaceuticals	FH Faulding & Co Ltd
06/04/97	07/28/97	Maxis Inc	Develop education software	Electronic Arts Inc
06/06/97	10/14/97	Telco Communications Group Inc	Pvd switch-based telecom svcs	Excel Communications Inc
06/09/97	10/01/97	American States Financial Corp	Fire and marine insurance co	SAFECO Corp
06/09/97	09/12/97	Amrion Inc	Own, op food stores	Whole Foods Market Inc
06/09/97	07/15/97	Prime Service Inc	Pvd const equip rental svcs	Atlas Copco North America Inc
06/10/97	09/30/97	Numar Corp	Mnfr imaging logging equip	Halliburton Co
06/11/97	10/31/97	Pacific Greystone Corp	Pvd general contracting svcs	Lennar Corp
06/12/97	10/01/97	Giddings & Lewis Inc	Mnfr automated machine tools	Thyssen AG
06/13/97	03/26/97	Bally's Grand Inc	Own and operate casino hotels	Hilton Hotels Corp
06/16/97	08/29/97	Core Industries Inc	Manufacture electronic equip	United Dominion Industries Ltd
06/16/97	10/10/97	Multicare Cos Inc	Own, op nursing care facilities	Genesis Eldercare
06/17/97	07/24/97	McFarland Energy Inc	Oil and gas exploration, prodn	Monterey Resources Inc
06/17/97	07/25/97	Seda Specialty Packaging Corp	Mnfr specialty packaging prods	CCL Industries Inc
06/19/97	08/15/97	Advanced Logic Research Inc	Mnfr micro computer systems	Gateway 2000 Inc
06/20/97	03/30/98	Wheelabrator Technologies Inc	Mnfr laboratory, medical equip	Waste Management Inc
06/23/97	10/17/97	Integon Corp	Insurance holding company	General Motors Acceptance (GM)
06/23/97	08/29/97	Tandem Computer Inc	Mnfr computers, network systems	Compaq Computer Corp
06/24/97	10/14/97	American Exploration Co	Oil and gas exploration, prodn	Louis Dreyfus Natural Gas
06/24/97	09/29/97	SMT Health Services Inc	Operate and outpatient facilities	Three Rivers Holding Corp
06/26/97	11/26/97	Rhone-Poulenc Rorer Inc	Manufacture pharmaceuticals	Rhone-Poulenc SA
06/30/97	10/09/97	Fusion Systems Corp	Mnfr curing sys, semiconductors	Eaton Corp
06/30/97	12/23/97	Rykoff-Sexton Inc	Wholesale grocery products	JP Foodservice Inc
07/03/97	09/23/97	American Filtrona Corp	Mnfr bonded fiber	Bunzl PLC
07/03/97	08/05/97	Duty Free International Inc	Own, op duty free shops	BAA PLC
07/03/97	08/06/97	Wyle Electronics	Whl high tech electronic prods	Raab Karcher AG (VEBA AG)

07/07/97	11/06/97	Cairn Energy USA Inc	Oil and gas exploration, prodn	Meridian Resource Corp
07/07/97	10/21/97	RoTech Medical Corp	Pvd home health care svcs	Integrated Health Services Inc
07/08/97	10/24/97	Equitable of Iowa Cos	Life insurance company	ING Groep NV
07/09/97	09/23/97	Control Data Systems Inc	Mnfr computers, peripherals	CDSI Holding Corp
07/09/97	12/23/97	Seaman Furniture Co	Own, op ret furniture stores	Investor Group
07/10/97	11/18/97	Kinetic Concepts Inc	Mnfr medical treatment tables	Investor Group
07/10/97	12/31/97	Reading & Bates Corp	Pvd oil, gas drilling services	Falcon Drilling Co
07/15/97	10/02/97	DH Technology Inc	Mnfr, whl computer printers	Axiohn SA
07/15/97	10/28/97	Intl Imaging Materials	Mnfr thermal transfer ribbons	Paxar Corp
07/15/97	09/04/97	Ply-Gem Industries Inc	Manufacture wood products	Nortek Inc
07/17/97	10/22/97	Louisiana Land & Exploration	Oil and gas exploration, prodn	Burlington Resources Inc
07/17/97	09/29/97	Octel Communications Corp	Mnfr voice processing systems	Lucent Technologies Inc
07/23/97	12/18/97	Alliance Imaging Inc	Pvd diagnostic imaging svcs	Newport Investment LLC
07/24/97	09/15/97	Nellcor Puritan-Bennett	Mnfr electn patient monitors	Mallinckrodt Inc
07/28/97	02/02/98	Chips and Technologies Inc	Design, with integrated circuit	Intel Corp
07/28/97	11/17/97	Cyrix Corp	Mnfr PC units, microprocessors	National Semiconductor Corp
07/28/97	12/22/97	Freeport-McMoRan Inc	Own, op chem, fertilizer mines	IMC Global Inc
07/28/97	10/08/97	Regency Health Services Inc	Pvd nursing services	Sun Healthcare Group Inc
07/30/97	09/18/97	Amdahl Corp	Develop computer sys, software	Fujitsu Ltd
07/30/97	02/02/98	Plasti-Line Inc	Mnfr illuminated outdoor signs	PL Holdings Corp
07/31/97	09/24/97	Bucyrus International Inc	Mnfr surface mining machinery	American Industrial Partners
07/31/97	10/03/97	Delaware Otsego Corp	Own and operate railroad	Investor Group
07/31/97	10/23/97	Sterling House Corp	Own, op nursing homes	Alternative Living Services
08/04/97	10/24/97	Columbus Realty Trust	Real estate investment trust	Post Properties Inc
08/04/97	12/23/97	Perkins Family Restaurant LP	Own, op franchised restaurants	Restaurant Co
08/04/97	11/12/97	Sullivan Dental Products Inc	Wholesale dental products	Henry Schein Inc
08/08/97	12/22/97	Titan Holdings Inc	Auto, property, casualty ins co	USF&G Corp
08/11/97	12/19/97	Amscan Holdings Inc	Whl paper, plastic party goods	Confetti Acquisition Inc
08/11/97	09/30/97	National Sanitary Supply Co	Sanitary maintenance supplies	Unisource Worldwide Inc
08/11/97	12/22/97	Vacation Break USA Inc	Real estate development firm	Fairfield Communities Inc
08/12/97	09/17/97	Isomedix Inc	Pvd contract sterilization svc	Steris Corp
08/12/97	03/03/98	LIN Television Corp	Own, op TV bdcstg stations	Hicks Muse Tate & Furst Inc.

Date Announced	Date Effective	Target Name	Acquiror Business Description	Value of Transaction (\$ mil)	Enterprise Value (\$ mil)
05/22/97	07/09/98	Chaparral Steel Co (Texas Inc)	Mnfr cement, steel products	72.80	519.31
05/22/97	11/20/97	Mail Boxes, Etc	Whl, retail office supplies	354.80	324.21
05/23/97	10/06/97	Palmer Wireless Inc	Own, op TV and radio stations	870.40	865.52
05/27/97	08/08/97	Alamco Inc	Operate natural gas pipeline	102.80	94.43
05/27/97	12/18/97	HFS Inc	Provide discount club svcs	11,342.90	11,759.19
05/28/97	02/10/98	CommNet Cellular Inc	Investment bank	631.20	745.35
05/28/97	07/03/97	Fibreboard Corp	Mnfr glass fiber products	631.20	478.00
06/02/97	07/15/97	Acordia Inc (Anthem Inc)	Insurance company	193.20	633.96
06/03/97	01/15/98	Faulding Inc (FH Faulding & Co)	Mnfr, whl drugs, toiletries	77.30	206.01
06/04/97	07/28/97	Maxis Inc	Develop, wholesale software	127.50	116.95
06/06/97	10/14/97	Telco Communications Group Inc	Pvd telephone commun svcs	1,046.50	1,017.65
06/09/97	10/01/97	American States Financial Corp	Provide insurance services	3,127.10	3,110.92
06/09/97	09/12/97	Amrion Inc	Own, op natural foods stores	152.60	152.21
06/09/97	07/15/97	Prime Service Inc	Mnfr compressors, machinery	1,112.00	1,110.54
06/10/97	09/30/97	Numar Corp	Mnfr oil field machinery	341.60	336.54
06/11/97	10/31/97	Pacific Greystone Corp	Construct residential bldgs	459.30	452.05
06/12/97	10/01/97	Giddings & Lewis Inc	Manufacture malleable iron	703.00	712.16
06/13/97	03/26/97	Bally's Grand Inc	Own, operate hotels	42.60	667.81
06/16/97	08/29/97	Core Industries Inc	Mnfr structural metal	275.20	317.27
06/16/97	10/10/97	Multicare Cos Inc	Own, op geriatric facilities	1,249.10	1,316.49
06/17/97	07/24/97	McFarland Energy Inc	Oil and gas exploration, prodn	111.20	103.59
06/17/97	07/25/97	Seda Specialty Packaging Corp	Mnfr pvd specialty packaging	182.60	192.18
06/19/97	08/15/97	Advanced Logic Research Inc	Mnfr personal computers	206.80	148.06
06/20/97	03/30/98	Wheelabrator Technologies Inc	Pvd chemical waste mgmt svcs	869.70	3,191.55
06/23/97	10/17/97	Integon Corp	Provide business finance svcs	517.10	668.02
06/23/97	08/29/97	Tandem Computer Inc	Manufacture personal computers	2,780.40	2,873.86
06/24/97	10/14/97	American Exploration Co	Oil & gas exploration, prodn	275.50	305.83
06/24/97	09/29/97	SMT Health Services Inc	Investment company	75.60	83.10
06/26/97	11/26/97	Rhone-Poulenc Rorer Inc	Mnfr chemicals and cosmetics	4,831.60	16,358.07
06/30/97	10/09/97	Fusion Systems Corp	Manufacture automotive parts	308.60	278.55
06/30/97	12/23/97	Rykoff-Sexton Inc	Wholesale groceries	1,435.90	1,172.90
07/03/97	09/23/97	American Filtrona Corp	Whl, mnfr paper, constn material	183.50	137.24
07/03/97	08/05/97	Duty Free International Inc	Own, op airports, airfields	674.60	751.31
07/03/97	08/06/97	Wyle Electronics	Wholesale petroleum products	633.00	751.33
07/07/97	11/06/97	Cairn Energy USA Inc	Oil and gas exploration, prodn	233.60	279.72
07/07/97	10/21/97	RoTech Medical Corp	Pvd specialty healthcare svcs	918.90	828.27
07/08/97	10/24/97	Equitable of Iowa Cos	Insurance Company	2,626.40	2,586.78
07/09/97	09/23/97	Control Data Systems Inc	Investment holding company	273.90	176.78
07/09/97	12/23/97	Seaman Furniture Co	Investor Group	45.60	130.12
07/10/97	11/18/97	Kinetic Concepts Inc	Investor group	776.70	814.20
07/10/97	12/31/97	Reading & Bates Corp	Pvd contract drilling svcs	2,587.00	2,680.96
07/15/97	10/02/97	DH Technology Inc	Mnfr, whl computer printers	169.50	167.60
07/15/97	10/28/97	Intl Imaging Materials	Mnfr label systems	244.40	267.86
07/15/97	09/04/97	Ply-Gem Industries Inc	Mnfr AC, building, wood prods	476.30	388.57
07/17/97	10/22/97	Louisiana Land & Exploration	Oil and gas exploration, prodn	2,954.30	2,911.54
07/17/97	09/29/97	Octel Communications Corp	Mnfr telecom equip, software	1,824.80	1,772.96
07/23/97	12/18/97	Alliance Imaging Inc	Investment company	114.20	205.49
07/24/97	09/15/97	Nellcor Puritan-Bennett	Mnfr diagnostic products	1,858.40	1,833.05
07/28/97	02/02/98	Chips and Technologies Inc	Mnfr, whl microprocessors	422.90	391.35
07/28/97	11/17/97	Cyrix Corp	Mnfr semiconductors, circuits	566.40	623.21
07/28/97	12/22/97	Freeport-McMoRan Inc	Mnfr phosphate fertilizers	790.70	1,233.54
07/28/97	10/08/97	Regency Health Services Inc	Pvd long-term healthcare svcs	587.90	570.89
07/30/97	09/18/97	Amdahl Corp	Mnfr semiconductors, computers	924.80	1,563.05
07/30/97	02/02/98	Plasti-Line Inc	Investor group formed by mgmt	30.70	62.00
07/31/97	09/24/97	Bucyrus International Inc	Pvd fund mgmt & fin adv svcs	193.30	262.15
07/31/97	10/03/97	Delaware Otsego Corp	Investor group	53.40	62.54
07/31/97	10/23/97	Sterling House Corp	Pvd residential care svcs	170.00	151.79
08/04/97	10/24/97	Columbus Realty Trust	Real estate investment trust	600.00	565.32
08/04/97	12/23/97	Perkins Family Restaurant LP	Own, operate restaurants	76.30	215.01
08/04/97	11/12/97	Sullivan Dental Products Inc	Whl med supplies	312.80	314.55
08/08/97	12/22/97	Titan Holdings Inc	Insurance holding company	278.10	277.43
08/11/97	12/19/97	Amscan Holdings Inc	Investment company	334.90	390.42
08/11/97	09/30/97	National Sanitary Supply Co	Wholesale printing paper	155.90	149.31
08/11/97	12/22/97	Vacation Break USA Inc	Construct vacation resorts	178.10	239.94
08/12/97	09/17/97	Isomedix Inc	Mnfr sterile processing sys	139.80	136.20
08/12/97	03/03/98	LIN Television Corp	Leverage buyout firm	1,960.60	1,988.60

Premium						
Date	Date	1 Day Prior	1 Week Prior	4 Weeks Prior	3 Months Prior	1 Year Prior

Announced	Effective	Target Name	to Annnc. Date	to Annnc. Date	to Annnc. Date	to Annnc. Date	to Annnc. Date
05/22/97	07/09/98	Chaparral Steel Co (Texas Ind)	20.39	25.25	29.17	5.08	29.17
05/22/97	11/20/97	Mail Boxes, Etc	39.20	40.99	38.31	52.84	33.27
05/23/97	10/06/97	Palmer Wireless Inc	45.08	55.56	64.71	(15.15)	27.27
05/27/97	08/08/97	Alamco Inc	7.69	11.50	16.67	44.83	11.50
05/27/97	12/18/97	HFS Inc	5.93	2.99	5.23	(3.97)	(12.17)
05/28/97	02/10/98	CommNet Cellular Inc	21.78	28.64	39.81	449.62	605.88
05/28/97	07/03/97	Fibreboard Corp	15.79	22.22	49.66	120.00	65.41
06/02/97	07/15/97	Acordia Inc (Anthem Inc)	12.68	11.50	25.98	317.39	207.69
06/03/97	01/15/98	Faulding Inc (FH Faulding & Co)	25.58	22.73	45.95	111.76	56.52
06/04/97	07/28/97	Maxis Inc	2.27	2.27	40.63	(50.55)	18.42
06/06/97	10/14/97	Telco Communications Group Inc	32.91	23.77	26.44		61.32
06/09/97	10/01/97	American States Financial Corp	45.74	48.62	57.32	104.35	41.89
06/09/97	09/12/97	Amrion Inc	8.12	19.22	47.04	68.37	43.69
06/09/97	07/15/97	Prime Service Inc	28.64	29.95	31.28		60.00
06/10/97	09/30/97	Numar Corp	90.94	99.35	95.65	126.40	115.62
06/11/97	10/31/97	Pacific Greystone Corp	75.27	83.30	98.45		110.67
06/12/97	10/01/97	Giddings & Lewis Inc	10.53	9.80	0.60	24.44	46.09
06/13/97	03/26/97	Bally's Grand Inc	27.88	29.85	31.06	32.70	66.14
06/16/97	08/29/97	Core Industries Inc	26.58	37.93	49.25	76.99	60.00
06/16/97	10/10/97	Multicare Cos Inc	9.27	13.71	34.94	38.27	55.56
06/17/97	07/24/97	McFarland Energy Inc	11.58	41.33	44.78	89.04	57.87
06/17/97	07/25/97	Seda Specialty Packaging Corp	31.82	36.47	52.63	40.61	68.12
06/19/97	08/15/97	Advanced Logic Research Inc	29.17	30.53	34.78	87.88	67.57
06/20/97	03/30/98	Wheelabrator Technologies Inc	26.92	28.16	30.69	4.76	15.79
06/23/97	10/17/97	Integon Corp	173.68	92.59	74.79	30.00	73.33
06/23/97	08/29/97	Tandem Computer Inc	49.33	51.86	51.86	113.33	99.11
06/24/97	10/14/97	American Exploration Co	12.99	15.03	21.60	28.97	41.87
06/24/97	09/29/97	SMT Health Services Inc	4.44	2.17	8.05	43.69	44.62
06/26/97	11/26/97	Rhone-Poulenc Rorer Inc	22.11	22.79	29.33	44.51	29.12
06/30/97	10/09/97	Fusion Systems Corp	11.43	9.86	24.30	57.58	50.00
06/30/97	12/23/97	Rykoff-Sexton Inc	24.40	26.00	27.65	69.81	38.50
	09/23/97	American Filtrona Corp	8.82	2.24	3.38	53.79	3.38
07/03/97	08/05/97	Duty Free International Inc		39.13	50.00		
07/03/97	08/06/97	Wyle Electronics	16.79	38.41	35.14	52.67	49.25
07/07/97	11/06/97	Cairn Energy USA Inc	22.30	28.97	26.67	(5.84)	13.19
07/07/97	10/21/97	RoTech Medical Corp	19.79	12.70	22.22	25.61	15.95
07/08/97	10/24/97	Equitable of Iowa Cos	18.52	20.35	21.70	86.30	38.78
07/09/97	09/23/97	Control Data Systems Inc	29.08	30.65	35.00	28.57	31.71
07/09/97	12/23/97	Seaman Furniture Co	21.46	25.25	21.46	43.14	27.64
07/10/97	11/18/97	Kinetic Concepts Inc	6.94	7.69	9.22	24.19	32.76
07/10/97	12/31/97	Reading & Bates Corp	16.55	14.52	30.47	53.19	69.09
07/15/97	10/02/97	DH Technology Inc	57.48	56.25	57.48	6.38	45.99
07/15/97	10/28/97	Intl Imaging Materials	67.35	60.18	64.89	32.69	69.88
07/15/97	09/04/97	Ply-Gem Industries Inc	20.00	16.42	19.08	30.00	48.57
07/17/97	10/22/97	Louisiana Land & Exploration	20.76	25.47	39.98	17.72	48.08
07/17/97	09/29/97	Octel Communications Corp	15.89	37.40	41.31	54.04	87.88
07/23/97	12/18/97	Alliance Imaging Inc	7.32	3.53	14.29	134.67	44.26
07/24/97	09/15/97	Nellcor Puritan-Bennett	36.12	43.40	57.24	26.67	67.65
07/28/97	02/02/98	Chips and Technologies Inc	25.00	32.08	68.68	77.22	115.38
07/28/97	11/17/97	Cyrix Corp	30.31	29.54	29.54	97.79	34.66
07/28/97	12/22/97	Freeport-McMoRan Inc	14.35	13.55	5.20	(16.77)	5.21
07/28/97	10/08/97	Regency Health Services Inc	34.35	50.43	43.09	104.65	107.06
07/30/97	09/18/97	Amdahl Corp	4.97	22.47	25.57		(49.13)
07/30/97	02/02/98	Plasti-Line Inc	36.47	36.47	30.34	84.13	65.71
07/31/97	09/24/97	Bucyrus International Inc	33.33	46.94	71.43	108.70	94.59
07/31/97	10/03/97	Delaware Otsego Corp	0	15.03	17.33	160.28	32.33
07/31/97	10/23/97	Sterling House Corp	30.36	29.47	40.46	48.69	88.44
08/04/97	10/24/97	Columbus Realty Trust	4.23	4.23	4.51	247.75	191.08
08/04/97	12/23/97	Perkins Family Restaurant LP	28.74	26.55	31.77	17.89	5.66
08/04/97	11/12/97	Sullivan Dental Products Inc	28.85	40.71	66.20	186.70	79.19
08/08/97	12/22/97	Titan Holdings Inc	15.99	19.06	24.85	57.29	30.26
08/11/97	12/19/97	Amscan Holdings Inc	36.08	37.50	46.67		23.36
08/11/97	09/30/97	National Sanitary Supply Co	(6.67)	20.00	47.37		
08/11/97	12/22/97	Vacation Break USA Inc	41.57	39.09	95.75	80.18	147.75
08/12/97	09/17/97	Isomedix Inc	5.81	15.49	13.89	47.75	38.98
08/12/97	03/03/98	LIN Television Corp	15.85	18.75	18.01		

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Merger Premiums to Market Value Analysis  
Mergers with Target Price Equal to or Greater than \$10 per Share  
Announced and Completed 1/1/96-10/9/98  
(continued)

Date Announced	Date Effective	Target Name	Target Business Description	Acquiror Name
08/14/97	12/13/97	Allied Capital Commercial Corp	Real estate investment trusts	Allied Capital Lending Corp
08/14/97	12/31/97	Allied Capital Corp	Pvd bus, personal fin svcs	Allied Capital Lending Corp
08/14/97	09/16/97	American Medserve Corp	Wholesale pharmaceuticals	Omicare Inc
08/14/97	09/24/97	Talbert Medical Management	Own, op medical, dental clinics	MedPartners Inc
08/14/97	12/29/97	Tuesday Morning Corp	Own, operate giftware stores	Madison Dearborn Partners
08/14/97	12/05/97	Uniforce Services Inc	Pvd temporary personnel svcs	Comforce Corp
08/18/97	11/04/97	Monterey Resources Inc	Oil and gas exploration, prodn	Texaco Inc
08/21/97	01/14/98	Boston Technology Inc	Mnfr voice processing systems	Converse Technology Inc
08/25/97	10/21/97	ACC Consumer Finance Corp	Pvd auto financing services	Household International Inc
08/25/97	12/17/97	Mosince Paper Corp	Manufacture paper	Wausau Paper Mills
08/26/97	12/22/97	Savannah Foods & Industries	Produce sugar, sugar by-prod	Imperial Holly Corp
08/28/97	12/23/97	Evans Withycombe Residential	Real estate investment trust	Equity Residential Pptys Trust
08/28/97	02/25/98	Value Property Trust	Real estate investment trust	Wellsford Real Properties Inc
08/28/97	10/10/97	Versa Technologies Inc	Mnfr rubber components, molds	Applied Power Inc
08/29/97	12/29/97	Rexel Inc	Whl electrical components	Rexel SA (Pinault-Printemps)
09/03/97	12/30/97	Zytec Corp	Mnfr electric power supplies	Computer Products Inc
09/04/97	01/09/98	Hudson Foods Inc	Produce poultry products	Tyson Foods Inc
09/05/97	11/26/97	Medic Computer Systems Inc	Pvd mgmt info sys design svcs	Misys PLC
09/05/97	01/16/98	Technology Modeling Assoc Inc	Dvlp simulation software	Avant! Corp

09/08/97	02/02/98	CompuServe Inc (H&R Block)	Internet service provider	WorldCom Inc
09/08/97	12/31/97	Fuqua Enterprises Inc	Manufacture tanned leather	Graham-Field Health Products
09/10/97	11/28/97	Data Documents Inc	Manufacture tabulating cards	Corporate Express Inc
09/10/97	12/02/97	Tinsley Laboratories Inc	Mnfr optical instr, lenses	Silicon Valley Group Inc
09/11/97	12/22/97	Fieldcrest Cannon Inc	Mnfr broadwoven fabrics	Pillowtex Corp
09/12/97	12/09/97	Unison Software Inc	Develop network mgmt software	Tivoli Systems Inc (IBM Corp)
09/12/97	01/16/98	WHG Resort & Casino Inc	Own, op resorts and casino	Patriot Amer Hosp/Wyndham Intl
09/12/97	02/25/98	Western National Corp	Insurance holding co	American General Corp
09/15/97	12/19/97	Beacon Properties Corp	Real estate investment trust	Equity Office Properties Trust
09/16/97	11/04/97	All American Communications	Pvd motion picture & video svc	Pearson PLC
09/16/97	02/02/98	Quick & Reilly Group Inc	Securities brokerage firm	Fleet Financial Group Inc, MA
09/18/97	12/16/97	Guaranty National Corp	Insurance company	Orion Capital Corp
09/18/97	12/22/97	USLD Communications Corp	Pvd long distance commun svcs	LCI International Inc
09/19/97	01/16/98	Sterling Electronics Corp	Whl electronic components	Marshall Industries
09/21/97	12/16/97	Computer Data Systems Inc	Design computer program data	Affiliated Computer Services
09/22/97	12/05/97	Washington National Corp	Insurance company	Conseco Inc
09/23/97	01/12/98	Tejas Gas Corp	Own, op natural gas lines	Shell Oil (Royal Dutch Petro)
09/24/97	11/24/97	Allergan Ligand Retinoid	Manufacture pharmaceuticals	Ligand Pharmaceuticals Inc
09/24/97	12/12/97	Game Financial Corp	Pvd fund access svcs	Travelers Express Co (Viad)
09/24/97	11/28/97	Salomon Inc	Investment bank, finl advisory	Travelers Group Inc
09/25/97	02/19/98	Talley Industries Inc	Mnfr guided missiles, space veh	Carpenter Technology Corp
09/29/97	12/22/97	Graphic Industries Inc	Pvd financial printing svcs	Wallace Computer Services Inc
09/29/97	12/23/97	HPR Inc	Pvd computer programming svcs	HBO & Co
09/29/97	12/01/97	Morningstar Group Inc	Produce dairy products	Suiza Foods Corp
09/30/97	11/26/97	Arbor Health Care Co	Own and operate nursing homes	AHC Acquisition Corp
10/01/97	01/29/98	Brooks Fiber Properties Inc	Pvd communication installation	WorldCom Inc
10/01/97	09/14/98	MCI Communications Corp	Pvd telecommunication services	WorldCom Inc
10/02/97	04/30/98	Kapson Senior Quarters Corp	Provide residential care svcs	Prometheus Senior Quarters
10/03/97	12/29/97	Natl Health Enhancement Sys	Develop healthcare software	HBO & Co
10/06/97	01/28/98	Caliber Systems Inc	Trucking holding company	FDX Corp
10/06/97	12/19/97	EndoVascular Technologies Inc	Mnfr surgical instruments	Guidant Corp
10/06/97	03/20/98	Orion Network Systems Inc	Pvd Communications svcs	Loral Space & Communications
10/08/97	04/07/98	Associates First Capital Corp	Pvd finance, leasing services	Shareholders
10/09/97	12/23/97	Melamine Chemicals Inc	Manufacture melamine crystal	Borden Chemical Inc (Borden)
10/10/97	11/19/97	Greenfield Industries Inc	Mnfr steel cutting tools	Kennametal Inc
10/13/97	01/22/98	Netcom On-Line Communication	Internet service provider	ICG Communications Inc
10/13/97	12/01/97	Network General Corp	Pvd computer sys design svcs	McAfee Associates Inc
10/15/97	12/04/97	Viewlogic Systems Inc	Dvlp automation software	Synopsys Inc
10/16/97	02/12/98	Omni Insurance Group Inc	Insurance company	Hartford Financial Services
10/17/97	12/29/97	Computational Systems Inc	Manufacture measuring devices	Emerson Electric Co
10/17/97	11/19/97	Exide Electronics Group Inc	Manufacture power supplies	BTR PLC
10/17/97	01/02/98	Infinity Financial Technology	Dvlp financial software	SunGard Data Systems Inc
10/20/97	02/24/98	ITT Corp	Own and operate hotels	Starwood Hotels & Resorts
10/20/97	03/06/98	Santa Fe Pacific Pipeline	Operate petroleum pipelines	Kinder Morgan Energy Partners
10/20/97	06/24/98	Ticketmaster Group Inc	Own, operate ticket agencies	HSN Inc
10/21/97	01/07/98	International Dairy Queen Inc	Whl dairy desserts, hamburgers	Berkshire Hathaway Inc
10/23/97	12/19/97	Premenos Technology Corp	Develop EDT software	Harbinger Corp

Date Announced	Date Effective	Target Name	Acquirer Business Description	Value of Transaction (\$ mil)	Enterprise Value (\$ mil)
08/14/97	12/13/97	Allied Capital Commercial Corp	Closed-end mgmt investment co	381.30	621.24
08/14/97	12/31/97	Allied Capital Corp	Closed-end mgmt investment co	130.00	210.64
08/14/97	09/16/97	American Medserve Corp	Whl, retail pharmaceuticals	233.20	240.47
08/14/97	09/24/97	Talbert Medical Management	Pvd medical services to HMO's	189.00	
08/14/97	12/29/97	Tuesday Morning Corp	Investors	298.60	337.36
08/14/97	12/05/97	Uniforce Services Inc	Pvd help supply services	140.70	133.72
08/18/97	11/04/97	Monterey Resources Inc	Oil and gas exploration, prodn	1,435.30	1,320.89
08/21/97	01/14/98	Boston Technology Inc	Mnfr telecommunication equip	873.90	906.34
08/25/97	10/21/97	ACC Consumer Finance Corp	Provide financial services	186.90	219.83
08/25/97	12/17/97	Mosinace Paper Corp	Manufacture, wholesale paper	446.30	512.46
08/26/97	12/22/97	Savannah Foods & Industries	Produce sugar	582.90	609.91
08/28/97	12/23/97	Evans Withycombe Residential	Real estate investment trust	932.40	1,068.03
08/28/97	02/25/98	Value Property Trust	Real estate investment trust	186.60	163.55
08/28/97	10/10/97	Versa Technologies Inc	Mnfr tools, equip, consumables	141.90	140.65
08/29/97	12/29/97	Rexel Inc	Whl radios, televisions	302.00	647.89
09/03/97	12/30/97	Zytec Corp	Design, mnfr electronic prod	412.30	428.02
09/04/97	01/09/98	Hudson foods Inc	Poultry, meat processing	648.40	1,021.87
09/05/97	11/26/97	Medic Computer Systems Inc	Manufacture computers	915.80	882.60
09/05/97	01/16/98	Technology Modeling Assoc Inc	Develop software	144.30	140.54
09/08/97	02/02/98	CompuServe Inc (H&R Block)	Pvd telecommunication svcs	1,185.90	1,052.17
09/08/97	12/31/97	Fuqua Enterprises Inc	Mnfr medical supply, healthcare	231.00	229.95
09/10/97	11/28/97	Data Documents Inc	Retail office supplies	159.40	212.19
09/10/97	12/02/97	Tinsley Laboratories Inc	Mnfr semiconductor equipment	40.50	40.89
09/11/97	12/22/97	Fieldcrest Cannon Inc	Mnfr, whl home textile products	768.20	787.17
09/12/97	12/09/97	Unison Software Inc	Dvlp systems mgmt software	183.00	180.26
09/12/97	01/16/98	WHG Resort & Casino Inc	Real estate investment trust	266.00	169.94
09/12/97	02/25/98	Western National Corp	Insurance holding company	1,215.00	2,340.92
09/15/97	12/19/97	Beacon Properties Corp	Real estate investment trust	4,039.40	3,358.85
09/16/97	11/04/97	All American Communications	Publish newspapers, periodicals	500.20	498.59
09/16/97	02/02/98	Quick & Reilly Group Inc	Bank holding company	1,525.50	1,440.08
09/18/97	12/16/97	Guaranty National Corp	Insurance company; holding co	117.20	647.41
09/18/97	12/22/97	USLD Communications Corp	Pvd telecommunications svcs	402.80	407.07
09/19/97	01/16/98	Sterling Electronics Corp	Whl electronic components	217.60	208.73
09/21/97	12/16/97	Computer Data Systems Inc	Pvd data processing services	383.70	389.58
09/22/97	12/05/97	Washington National Corp	Insurance holding company	424.00	433.68
09/23/97	01/12/98	Tejas Gas Corp	Oil and gas exploration, prodn	2,165.60	2,203.96
09/24/97	11/24/97	Allergan Ligand Retinoid	Manufacture diagnostic tests	71.40	39.70
09/24/97	12/12/97	Game Financial Corp	Pvd money order issuance svcs	50.60	42.63
09/24/97	11/28/97	Salomon Inc	Insurance firm	8,852.10	141,077.45
09/25/97	02/19/98	Talley Industries Inc	Mnfr zirconium, steel products	309.40	264.39
09/29/97	12/22/97	Graphic Industries Inc	Mnfr manifold business forms	424.50	418.75
09/29/97	12/23/97	HPR Inc	Dvlp healthcare software	389.60	376.01
09/29/97	12/01/97	Morningstar Group Inc	Produce milk, related prod	972.00	932.58
09/30/97	11/26/97	Arbor Health Care Co	Investment holding company	424.20	419.33
10/01/97	01/29/98	Brooks Fiber Properties Inc	Pvd telecommunication svcs	2,532.60	3,112.89
10/01/97	09/14/98	MCI Communications Corp	Pvd telecommunication svcs	41,906.90	43,588.51
10/02/97	04/30/98	Kapson Senior Quarters Corp	Pvd nursing care services	247.40	231.85
10/03/97	12/29/97	Natl Health Enhancement Sys	Devlp healthcare software	97.80	96.52
10/06/97	01/28/98	Caliber Systems Inc	Provide express delivery svcs	2,471.40	2,681.17
10/06/97	12/19/97	EndoVascular Technologies Inc	Mnfr cardiovascular equipment	187.80	190.46
10/06/97	03/20/98	Orion Network Systems Inc	Manufacture satellite equip	425.60	1,265.08
10/08/97	04/07/98	Associates First Capital Corp	Investor Group	26,624.60	75,189.21
10/09/97	12/23/97	Melamine Chemicals Inc	Mnfr formaldehyde, resins	119.70	87.78

10/10/97	11/19/97	Greenfield Industries Inc	Mnfr metalworking tools	957.00	1,062.17
10/13/97	01/22/98	Netcom On-Line Communication	Pvt telecommunications svcs	269.40	214.02
10/13/97	12/01/97	Network General Corp	Develop network software	1,142.50	1,113.34
10/15/97	12/04/97	Viewlogic Systems Inc	Develop automation software	530.90	492.99
10/16/97	02/12/98	Omni Insurance Group Inc	Provide insurance services	184.70	184.72
10/17/97	12/29/97	Computational Systems Inc	Mnfr appliance components	158.60	160.45
10/17/97	11/19/97	Exide Electronics Group Inc	Mnfr plastic, rubber, indl prods	583.20	590.91
10/17/97	01/02/98	Infinity Financial Technology	Provide data processing svcs	358.00	347.76
10/20/97	02/24/98	ITT Corp	Real estate investment trust	13,748.20	13,534.84
10/20/97	03/06/98	Santa Fe Pacific Pipeline	Operate natural gas pipelines	1,473.00	1,352.15
10/20/97	06/24/98	Ticketmaster Group Inc	Operate television stations	413.20	845.30
10/21/97	01/07/98	International Dairy Queen Inc	Property, casualty insurance co	596.90	558.69
10/23/97	12/19/97	Premenos Technology Corp	Dvle elctn commerce software	234.70	211.13

Date Announced	Date Effective	Target Business Description	1 Day Prior to Annnc. Date	1 Week Prior to Annnc. Date	4 Weeks Prior to Annnc. Date	3 Months Prior to Annnc. Date	1 Year Prior to Annnc. Date
08/14/97	12/13/97	Allied Capital Commercial Corp	7.49	7.77	10.64	18.18	8.90
08/14/97	12/31/97	Allied Capital Corp	7.83	7.83	9.10	19.93	23.12
08/14/97	09/16/97	American Medserve Corp	2.49	16.13	25.76		
08/14/97	09/24/97	Talbert Medical Management	10.53	18.87	36.96		72.60
08/14/97	12/29/97	Tuesday Morning Corp	22.70	25.79	11.11	197.03	28.21
08/14/97	12/05/97	Uniforce Services Inc	37.56	37.56	52.62	48.23	101.50
08/18/97	11/04/97	Monterey Resources Inc	39.42	39.42	54.13		30.23
08/21/97	01/14/98	Boston Technology Inc	(0.32)	16.22	10.37	103.42	15.71
08/25/97	10/21/97	ACC Consumer Finance Corp	35.82	34.75	29.64	125.16	96.69
08/25/97	12/17/97	Mosince Paper Corp	15.62	15.91	5.64	52.89	11.73
08/26/97	12/22/97	Savannah Foods & Industries	8.36	14.89	17.39	65.31	31.71
08/28/97	12/23/97	Evans Withycombe Residential	14.16	21.39	18.88	21.40	22.88
08/28/97	02/25/98	Value Property Trust	24.99	20.90	18.68	32.00	25.59
08/28/97	10/10/97	Versa Technologies Inc	36.81	33.11	31.33	72.84	72.84
08/29/97	12/29/97	Rexel Inc	19.21	26.32	21.62	62.16	23.29
09/03/97	12/30/97	Zytec Corp	45.35	48.22	71.17		283.18
09/04/97	01/09/98	Hudson Foods Inc	23.49	31.63	28.64	51.64	25.81
09/05/97	11/26/97	Medic Computer Systems Inc	7.69	12.00	25.00	17.15	89.19
09/05/97	01/16/98	Technology Modeling Assoc Inc	29.52	52.81	43.16		36.00
09/08/97	02/02/98	CompuServe Inc (H&R Block)	1.39	2.92	8.36	1.39	16.36
09/08/97	12/31/97	Fuqua enterprises Inc	42.32	52.82	78.75	57.24	81.87
09/10/97	11/28/97	Data Documents Inc	10.91	14.87	26.13	53.14	26.12
09/10/97	12/02/97	Tinsley Laboratories Inc	96.36	96.36	96.36	301.64	132.53
09/11/97	12/22/97	Fieldcrest Cannon Inc	1.49	8.58	31.72	86.30	76.62
09/12/97	12/09/97	Unison Software Inc	9.09	25.00	22.45	4.65	100.00
09/12/97	01/16/98	WHG Resort & Casino Inc	35.08	72.35	78.50		117.30
09/12/97	02/25/98	Western National Corp	9.58	7.43	14.41	68.88	13.62
09/15/97	12/19/97	Beacon Properties Corp	28.39	30.62	30.85	69.44	45.80
09/16/97	11/04/97	All American	12.71	41.67	37.84	175.68	100.00
09/16/97	02/02/98	Quick & Reilly Group Inc	18.23	33.10	69.63	103.58	60.91
09/18/97	12/16/97	Guaranty National Corp	10.77	23.87	27.72	125.00	44.00
09/18/97	12/22/97	USLD Communications Corp	18.86	34.13		120.92	40.10
09/19/97	01/16/98	Sterling Electronics Corp	16.26	30.23	57.01	91.74	69.70
09/21/97	12/16/97	Computer Data Systems Inc	42.54	47.63	73.68	129.64	84.54
09/22/97	12/05/97	Washington National Corp	2.70	4.11	12.24	10.37	17.70
09/23/97	01/12/98	Tejas Gas Corp	24.09	22.39	33.70	75.71	50.23
09/24/97	11/24/97	Allergan Ligand Retinoid	13.03	11.59	7.83		
09/24/97	12/12/97	Game Financial Corp	4.88	4.88		10.26	11.69
09/24/97	11/28/97	Salomon Inc	21.43	24.09	34.60	77.50	44.76
09/25/97	02/19/98	Talley Industries Inc	6.67	10.98	34.27	54.84	34.27
09/29/97	12/22/97	Graphic Industries Inc	8.75	19.18	34.88	155.88	65.71
09/29/97	12/23/97	HPR Inc	22.92	24.54	32.38	57.08	30.54
09/29/97	12/01/97	Morningstar Group Inc	14.62	11.48	53.46		
09/30/97	11/26/97	Arbor Health Care Co	15.39	19.60	26.76	92.51	39.53
10/01/97	01/29/98	Brooks Fiber Properties Inc	35.71	58.40	83.65	121.34	93.47
10/01/97	09/14/98	MCI Communications Corp	65.17	63.55	58.10	96.15	20.35
10/02/97	04/30/98	Kapsen Senior Quarters Corp	(0.86)	9.43	1.75	45.00	34.88
10/03/97	12/29/97	Natl Health Enhancement Sys	16.69	41.48	121.93	76.88	85.57
10/06/97	01/28/98	Caliber Systems Inc	13.90	19.72	42.57	284.73	68.28
10/06/97	12/19/97	EndoVascular Technologies Inc	22.14	22.14	73.91	56.86	87.13
10/06/97	03/20/98	Orion Network Systems Inc	20.16	27.94	32.62	91.91	68.16
10/08/97	04/07/98	Associates First Capital Corp	32.67	36.32	31.24	96.48	39.00
10/09/97	12/23/97	Melamine Chemicals Inc	70.83	72.63	70.83	177.97	46.43
10/10/97	11/19/97	Greenfield Industries Inc	19.69	26.67	44.08	35.71	34.22
10/13/97	01/22/98	Netcom On-Line Communication	49.75	70.94	78.52	51.00	64.73
10/13/97	12/01/97	Network General Corp	19.65	25.27	42.72		
10/15/97	12/04/97	Viewlogic Systems Inc	24.44	25.14	29.48	215.49	82.11
10/16/97	02/12/98	Omni Insurance Group Inc	78.87	75.78	130.91	252.78	154.00
10/17/97	12/29/97	Computational Systems Inc	45.08	48.25	62.47	91.29	101.02
10/17/97	11/19/97	Exide Electronics Group Inc	125.24	133.17	149.46	146.81	30.34
10/17/97	01/02/98	Infinity Financial Technology	19.00	17.93	17.40		(0.09)
10/20/97	02/24/98	ITT Corp	94.29	98.25	95.40	98.83	34.12
10/20/97	03/06/98	Santa Fe Pacific Pipeline	31.82	33.24	38.56	51.64	34.27
10/20/97	06/24/98	Ticketmaster Group Inc	32.00	28.43	56.32		68.51
10/21/97	01/07/98	International Dairy Queen Inc	11.92	9.09	9.37	35.00	8.54
10/23/97	12/19/97	Premenos Technology Corp	55.20	49.12	27.82	8.63	117.26

Merger Premiums to Market Value Analysis  
Mergers with Target Price Equal to or Greater than \$10 per Share  
Announced and Completed 1/1/96-10/9/98  
(continued)

Date Announced	Date Effective	Target Name	Target Business Description	Acquiror Name
10/23/97	04/02/98	Universal Outdoor Holdings Inc	Pvd outdoor advertising svcs	Clear Channel Communications
10/29/97	01/30/98	Carson Pirie Scott & Co	Own, op department stores	Proffitt's Inc
10/31/97	03/12/98	ILC Technology Inc	Mnfr high intensity lamps	BEC Group Inc
10/31/97	02.27/98	Xpedite Systems Inc	Pvd enhanced fax services	Premiere Technologies Inc
11/03/97	03/24/98	Oregon Metallurgical Corp	Mnfr, whl titanium	Allegheny Teledyne Inc
11/03/97	01/09/98	Sequana Therapeutics	Mnfr diagnostic substances	Arris Pharmaceuticals Corp
11/04/97	05/20/98	Safety-Kleen Corp (Laidlaw)	Pvd vehicular cleaning svcs	Laidlaw Environmental Services
11/05/97	01/16/98	Mac Frugal's Bargains	Whl, ret general merchandise	Consolidated Stores Corp
11/07/97	03/10/98	Quality Food Centers Inc	Own and operate supermarkets	Fred Meyer Inc
11/11/97	02/11/98	Healthdyne Technologies Inc	Mnfr specialized med devices	Respironics Inc
11/13/97	03/25/98	Chartwell Leisure Inc	Own, op hotels and motels	Investor Group
11/13/97	03/11/98	Hugoton Energy Corp	Oil and gas exploration prodn	Chesapeake Energy Corp
11/17/97	02/26/98	Grantic Financial Inc	Pvd business credit services	Fidelity National Financial
11/18/97	01/08/98	Jackson Hewitt	Pvd tax preparation services	Cendant Corp
11/19/97	02/27/98	Amati Communications Corp	Mnfr data communications equip	Texas Instruments Inc
11/19/97	04/01/98	Renal Treatment Centers Inc	Own, op kidney dialysis centers	Total Renal Care Holdings Inc
11/19/97	08/12/98	Telemundo Group Inc	Own, op Spanish TV stations	Investor Group
11/21/97	01/28/98	BDM International Inc	Pvd comp info technology svcs	TRW Inc
11/24/97	03/30/98	MAPCO Inc	Gas utility, petro refining	Williams Cos Inc
11/26/97	04/23/98	ACC Corp	Pvd telecommunications svcs	Teleport Communications Group
11/26/97	02/25/98	Universal Hospital Services	Pvd med equip rental services	Investor Group
11/28/97	12/30/97	Deflecta-Shield Corp	Mnfr truck accessories	Lund International Holdings
12/01/97	02/19/98	Raptor Systems Inc	Develop security mgmt software	AXENT Technologies Inc
12/02/97	06/02/98	Interstate Hotels Co	Own, op hotels and motels	Patriot Amer Hosp/Wyndam Ind
12/11/97	01/20/98	TriMas Corp	Mnfr specialty closures, caps	MascoTech Inc
12/12/97	05/29/98	Lukens Inc	Mnfr steel plates	Bethlehem Steel Corp
12/15/97	03/27/98	Gulf South Medical Supply Inc	Wholesale medical supplies	Physician Sales & Services Inc
12/15/97	05/01/98	Piper Jaffray Cos	Investment bank; holding co	U.S. Bancorp, Minneapolis, MN
12/15/97	03/02/98	Sano Corp	Mnfr pharmaceuticals	Elan Corp PLC
12/16/97	05/08/98	Ambassador Apartments Inc	Real estate investment trust	Apartment Investment & Mgmt Co
12/16/97	01/30/98	Spine-Tech Inc	Mnfr spinal implants	Sulzer Medical (Gebreuder Sulzer)
12/17/97	04/08/98	Oasis Residential Inc	Real estate investment trust	Camden Property Trust
12/17/97	01/23/98	Suburban Ostomy Supply Co Inc	Whl medical and hospital equip	InvaCare Corporation
12/19/97	03/30/98	ASR Investments Corp	Real estate investment trust	United Dominion REalty Tr Inc
12/19/97	06/17/98	Chemi-Trol Chemical Co	Mnfr steel pressure tanks	Harsco Corp
12/19/97	04/20/98	Continental Homes Holding	Construct, design homes	DR Horton Inc
12/19/97	05/01/98	IPC Information Systems Inc	Mnfr telecommunications equip	Cable Systems International
12/19/97	06/04/98	Panavision Inc	Mnfr camera systems	Mafco Holdings Inc
12/19/97	01/20/98	Showboat Inc	Own, operate hotel casinos	Harrah's Entertainment
12/19/97	01/27/98	Software Artistry Inc	Develop help-desk software	Tivoli Systems Inc (IBM Corp)
12/19/97	02/03/98	Symmetrics Industries Inc	Mnfr communications equip	Tel-Save Holdings
12/22/97	05/21/98	Dynatech Corp	Mnfr test, analysis products	Investor Group
12/22/97	09/30/98	Essex County Gas	Gas utility	Eastern Enterprises
12/23/97	04/01/98	Union Corp	Pvd adjustment collection svcs	Outsourcing Solutions Inc
01/01/98	07/31/98	GoodMark Foods Inc	Produce meat snacks	ConAgra Inc
01/05/98	07/17/98	La Quinta Inns Inc	Own, op motor inns	Medtrust Acquisition Co
01/06/98	04/01/98	Schult Homes Corp	Manufacture mobile homes	Oakwood Homes Corp
01/08/98	07/23/98	Teleport Communications Group	Pvd telecommunication services	AT&T Corp
01/12/98	02/19/98	Computer Language Research Inc	Dvlp tax processing software	Research Institute of America
01/14/98	06/01/98	Continental Can Co Inc	Mnfr metal, plastic cans	Suiza Foods Corp
01/14/98	06/19/98	Price REIT Inc	Real estate investment trust	Kimco Realty Corp
01/19/98	04/24/98	USF&G Corp	Insurance holding company	St Paul Cos Inc
01/20/98	10/05/98	Buttrey Food and Drug Stores	Own, op supermarkets, drug store	Albertson's Inc
01/20/98	04/16/98	NACT Telecommunications (GST)	Pvd telephone commun svcs	World Access Inc
01/20/98	05/27/98	Regal Cinemas Inc	Pvd movie exhibition services	Investor Group
01/21/98	05/22/98	Thermadyne Holdings Corp	Mnfr welding equip, incl mach	DLJ Merchant Bkg Partners II
01/23/98	04/13/98	Handy & Harman	Mnfr, whl metal wire, cable	WHX Corp
01/26/98	06/11/98	Digital Equipment Corp	Mnfr computers, equip	Compaq Computer Corp
01/27/98	03/03/98	State of the Art Inc	Develop financial software	Sage Group PLC
02/02/98	03/27/98	BGS Systems Inc	Develop utilities software	BMC Software Inc
02/02/98	04/20/98	Source Services Corp	Provide help supply services	Romac International Inc
02/04/98	03/20/98	Industrial Acoustics Inc	Mnfr noise reducing products	IAC Holdings Corp
02/09/98	03/31/98	Arbor Drugs Inc	Own, operate drug stores	CVS Corp
02/09/98	06/15/98	Culligan Water Technologies	Mnfr, whl purification products	United States Filter Corp
02/09/98	04/16/98	Summit Care Corp	Provide nursing services	Fountain View (Heritage)
02/10/98	06/04/98	Illinois Central Corp	Railroad transportation svcs	Canadian National Railway Co

Date Announced	Date Effective	Target Name	Acquiror Business Description	Value of Transaction (\$ mil)	Enterprise Value (\$ mil)
10/23/97	04/02/98	Universal Outdoor Holdings Inc	Own, op TV, radio bdsctg station	1,627.80	1,729.53
10/29/97	01/30/98	Carson Pirie Scott & Co	Own and operate dept stores	867.70	992.38
10/31/97	03/12/98	ILC Technology Inc	Mnfr, whl eyeglass lenses, frame	130.80	135.55
10/31/97	02.27/98	Xpedite Systems Inc	Pvd computer telephony svcs	496.40	468.79
11/03/97	03/24/98	Oregon Metallurgical Corp	Mnfr specialty materials, metal	557.20	566.80
11/03/97	01/09/98	Sequana Therapeutics	Manufacture synthetic drugs	169.40	169.97
11/04/97	05/20/98	Safety-Kleen Corp (Laidlaw)	Pvd waste removal svcs	1,804.00	2,054.95
11/05/97	01/16/98	Mac Frugal's Bargains	General merchandise ret stores	994.10	1,040.90
11/07/97	03/10/98	Quality Food Centers Inc	Own, operate department stores	1,703.40	1,671.77
11/11/97	02/11/98	Healthdyne Technologies Inc	Mnfr, whl respiratory prod	341.90	344.16
11/13/97	03/25/98	Chartwell Leisure Inc	Investor group	240.80	272.75
11/13/97	03/11/98	Hugoton Energy Corp	Oil and gas exploration, prodn	377.00	377.46
11/17/97	02/26/98	Grantic Financial Inc	Title insurance company	132.40	151.93
11/18/97	01/08/98	Jackson Hewitt	Provide discount club svcs	468.20	442.64
11/19/97	02/27/98	Amati Communications Corp	Mnfr semiconductors, computers	459.80	463.30
11/19/97	04/01/98	Renal Treatment Centers Inc	Pvd kidney dialysis services	1,362.60	1,457.03
11/19/97	08/12/98	Telemundo Group Inc	Investor group	521.40	710.48
11/21/97	01/28/98	BDM International Inc	Elec equip, credit reporting	888.00	923.01
11/24/97	03/30/98	MAPCO Inc	Gas utility	2,634.10	3,405.65
11/26/97	04/23/98	ACC Corp	Pvd telecommunication services	906.80	930.23
11/26/97	02/25/98	Universal Hospital Services	Investor group	133.00	122.73
11/28/97	12/30/97	Deflecta-Shield Corp	Mnfr automobile parts	89.80	87.26
12/01/97	02/19/98	Raptor Systems Inc	Develop software	253.70	225.83
12/02/97	06/02/98	Interstate Hotels Co	Real estate investment trust	2,055.90	2,095.27
12/11/97	01/20/98	TriMas Corp	Mnfr motor vehicle components	911.70	1,384.00
12/12/97	05/29/98	Lukens Inc	Manufacture steel products	700.20	751.93
12/15/97	03/27/98	Gulf South Medical Supply Inc	Wholesale medical equipment	678.90	629.50
12/15/97	05/01/98	Piper Jaffray Cos	Bank holding company	767.80	991.44
12/15/97	03/02/98	Sano Corp	Mnfr drug delivery systems	396.80	395.98
12/16/97	05/08/98	Ambassador Apartments Inc	real estate investment trust	663.00	620.98

12/16/97	01/30/98	Spine-Tech Inc	Mnfr medical implants	621.10	618.51
12/17/97	04/08/98	Oasis Residential Inc	Real estate investment trust	395.20	825.51
12/17/97	01/23/98	Suburban Ostomy Supply Co Inc	Mnfr surgical, medical supplies	130.80	128.54
12/19/97	03/30/98	ASR Investments Corp	real estate investment trust	277.00	264.20
12/19/97	06/17/98	Chemi-Trol Chemical Co	Mnfr scaffolding, pipes	46.10	55.83
12/19/97	04/20/98	Continental Homes Holding	Construct residential bldgs	590.20	569.49
12/19/97	05/01/98	IPC Information Systems Inc	Mnfr telecommun equip	201.70	252.03
12/19/97	06/04/98	Panavision Inc	Mnfr toilet preparation	296.60	np
12/19/97	01/20/98	Showboat Inc	Own, op hotel casinos	1,147.60	987.48
12/19/97	01/27/98	Software Artistry Inc	Dvlp systems mgmt software	201.90	190.51
12/19/97	02/03/98	Symmetrics Industries Inc	,Pvd telecommunications svcs	25.00	31.51
12/22/97	05/21/98	Dynatech Corp	Investor group	762.90	783.40
12/22/97	09/30/98	Essex County Gas	Gas utility holding company	79.20	117.58
12/23/97	04/01/98	Union Corp	Pvd outsourcing svcs	193.00	202.64
01/01/98	07/31/98	GoodMark Foods Inc	Produce meats, eggs, cooking oil	217.80	230.60
01/05/98	07/17/98	La Quinta Inns Inc	Real estate investment trust	2,907.50	3,040.50
01/06/98	04/01/98	Schult Homes Corp	Mnfr, ret factory-built homes	101.40	104.04
01/08/98	07/23/98	Teleport Communications Group	Own, op telecommunications sys	11,187.70	4,612.51
01/12/98	02/19/98	Computer Language Research Inc	Publish tax law information	325.40	320.43
01/14/98	06/01/98	Continental Can Co Inc	Produce milk, related prod	330.50	334.44
01/14/98	06/19/98	Price REIT Inc	Real estate investment trust	870.60	804.79
01/19/98	04/24/98	USF&G Corp	Insurance holding company	3,782.20	3,382.59
01/20/98	10/05/98	Buttrey Food and Drug Stores	Supermarkets, department stores	139.20	175.71
01/20/98	04/16/98	NACT Telecommunications (GST)	Pvd telecommunication services	53.10	144.63
01/20/98	05/27/98	Regal Cinemas Inc	Investor group	1,462.70	1,408.72
01/21/98	05/22/98	Thermadyne Holdings Corp	Merchant banking firm	790.00	742.65
01/23/98	04/13/98	Handy & Harman	Mnfr steel and steel prods	625.10	613.20
01/26/98	06/11/98	Digital Equipment Corp	Manufacture personal computers	9,123.70	8,620
01/27/98	03/03/98	State of the Art Inc	Dvlp, whl accounting software	245.20	244.44
02/02/98	03/27/98	BGS Systems Inc	Develop software	306.90	288.51
02/02/98	04/20/98	Source Services Corp	Pvd specialty staffing svcs	454.40	431.09
02/04/98	03/20/98	Industrial Acoustics Inc	Investment company	25.30	48.96
02/09/98	03/31/98	Arbor Drugs Inc	Own and operate drug stores	1,423.30	957.18
02/09/98	06/15/98	Culligan Water Technologies	Mnfr water treatment equip	1,474.30	1,927.57
02/09/98	04/16/98	Summit Care Corp	Own, op healthcare facilities	275.10	276.92
02/10/98	06/04/98	Illinois Central Corp	Pvd railroad services	2,931.00	2,996.58

Premium

Date Announced	Date Effective	Target Name	1 Day Prior to Ann. Date	1 Week Prior to Ann. Date	4 Weeks Prior to Ann. Date	3 Months Prior to Ann. Date	1 Year Prior to Ann. Date
10/23/97	04/02/98	Universal Outdoor Holdings Inc	2.32	5.17	20.46	20.65	21.75
10/29/97	01/30/98	Carson Pirie Scott & Co	38.83	39.30	31.80	109.29	56.87
10/31/97	03/12/98	ILC Technology Inc	108.72	107.62	108.72	125.56	128.19
10/31/97	02.27/98	Xpedite Systems Inc	69.02	73.02	68.05	78.29	73.02
11/03/97	03/24/98	Oregon Metallurgical Corp	45.50	61.66	40.62	9.12	35.05
11/03/97	01/09/98	Sequana Therapeutics	44.00	47.27	23.43	6.23	82.54
11/04/97	05/20/98	Safety-Kleen Corp (Laidlaw)	26.16	38.06	47.32		
11/05/97	01/16/98	Mac Frugal's Bargains	2.92	18.49	23.46	62.78	33.31
11/07/97	03/10/98	Quality Food Centers Inc	13.86	23.43	27.96	46.76	42.28
11/11/97	02/11/98	Healthdyne Technologies Inc	44.36	40.15	44.36	166.67	44.36
11/13/97	03/25/98	Chartwell Leisure Inc	11.29	4.55	11.29	25.45	12.20
11/13/97	03/11/98	Hugoton Energy Corp	7.68	11.04	26.91	52.34	12.25
11/17/97	02/26/98	Grantic Financial Inc	89.79	89.79	87.61	155.00	87.59
11/18/97	01/08/98	Jackson Hewitt	26.51	21.70	47.83	1,600.00	156.60
11/19/97	02/27/98	Amati Communications Corp	31.69	44.14	13.48	13.58	26.48
11/19/97	04/01/98	Renal Treatment Centers Inc	8.63	17.04	26.87	64.55	16.63
11/19/97	08/12/98	Telemundo Group Inc	19.66	29.07	24.96	47.72	30.76
11/21/97	01/28/98	BDM International Inc	31.11	43.47	38.01	19.19	13.46
11/24/97	03/30/98	MAPCO Inc	21.05	35.99	43.66	36.24	53.83
11/26/97	04/23/98	ACC Corp	14.94	19.05	84.33	65.29	71.67
11/26/97	02/25/98	Universal Hospital Services	29.17	29.17	25.25	67.57	26.53
11/28/97	12/30/97	Deflecta-Shield Corp	33.33	33.33	77.78	82.86	70.67
12/01/97	02/19/98	Raptor Systems Inc	5.40	20.73	16.49	(24.55)	22.40
12/02/97	06/02/98	Interstate Hotels Co	2.56	8.70	27.39	45.63	30.15
12/11/97	01/20/98	TriMas Corp	12.65	9.96	18.97	42.27	13.58
12/12/97	05/29/98	Lukens Inc	92.00	94.33	69.61	64.38	48.61
12/15/97	03/27/98	Gulf South Medical Supply Inc	38.50	21.97	16.04	36.44	49.07
12/15/97	05/01/98	Piper Jaffray Cos	25.21	24.17	54.01	132.81	44.66
12/15/97	03/02/98	Sano Corp	52.71	42.64	95.13	105.08	71.32
12/16/97	05/08/98	Ambassador Apartments Inc	4.44	5.42	5.42	4.10	(13.30)
12/16/97	01/30/98	Spine-Tech Inc	14.29	52.94	55.81	121.28	16.20
12/17/97	04/08/98	Oasis Residential Inc	9.47	10.72	7.95	12.32	(2.60)
12/17/97	01/23/98	Suburban Ostomy Supply Co Inc	8.05	13.25	13.25	2.17	22.08
12/19/97	03/30/98	ASR Investments Corp	4.38	1.09	2.56	3.76	(5.16)
12/19/97	06/17/98	Chemi-Trol Chemical Co	61.40	61.40	64.29	113.95	75.24
12/19/97	04/20/98	Continental Homes Holding	26.28	27.64	35.97	114.69	61.02
12/19/97	05/01/98	IPC Information Systems Inc	14.29	31.25	14.29	182.35	100.00
12/19/97	06/04/98	Panavision Inc		3.42	19.10	24.71	21.14
12/19/97	01/20/98	Showboat Inc		66.78	62.91	67.35	50.46
12/19/97	01/27/98	Software Artistry Inc		61.98	57.43	237.93	67.52
12/19/97	02/03/98	Symmetrics Industries Inc		36.36	172.73	110.53	114.29
12/22/97	05/21/98	Dynatech Corp	29.93	37.16	29.93	(41.41)	(42.38)
12/22/97	09/30/98	Essex County Gas	26.56	55.46	61.17	97.44	74.73
12/23/97	04/01/98	Union Corp	14.55	13.51	23.53	41.57	29.90
01/01/98	07/31/98	GoodMark Foods Inc	54.49	75.88	69.36	73.21	68.12
01/05/98	07/17/98	La Quinta Inns Inc	28.40	35.95	35.95	41.50	47.00
01/06/98	04/01/98	Schult Homes Corp	1.12	10.43	19.21	15.51	25.00
01/08/98	07/23/98	Teleport Communications Group	(2.45)	1.72	16.96	76.12	20.38
01/12/98	02/19/98	Computer Language Research Inc	60.71	62.16	69.81	767.47	1,025.00
01/14/98	06/01/98	Continental Can Co Inc	45.83	74.37	71.16	198.35	72.98
01/14/98	06/19/98	Price REIT Inc	13.48	14.33	18.21	26.42	17.50
01/19/98	04/24/98	USF&G Corp	18.19	22.47	14.51	18.55	17.52
01/20/98	10/05/98	Buttrey Food and Drug Stores	44.19	44.19	47.62	89.31	39.33
01/20/98	04/16/98	NACT Telecommunications (GST)	12.00	12.45	16.67		20.69
01/20/98	05/27/98	Regal Cinemas Inc	14.29	10.71	34.78	29.17	19.23
01/21/98	05/22/98	Thermadyne Holdings Corp	19.48	21.05	18.46	30.19	15.72
01/23/98	04/13/98	Handy & Harman	8.67	14.63	1.62	118.60	30.56
01/26/98	06/11/98	Digital Equipment Corp	32.06	50.25	62.45	61.07	25.65
01/27/98	03/03/98	State of the Art Inc	33.33	35.39	35.39	57.14	38.58
02/02/98	03/27/98	BGS Systems Inc	23.29	32.35	42.86	57.89	37.93
02/02/98	04/20/98	Source Services Corp	51.12	56.69	50.24	140.98	59.65
02/04/98	03/20/98	Industrial Acoustics Inc	0	4.76	10.00	2.33	10.00
02/09/98	03/31/98	Arbor Drugs Inc	1.86	14.12	18.13	82.45	30.81
02/09/98	06/15/98	Culligan Water Technologies	57.49	62.89	27.35	56.96	43.47
02/09/98	04/16/98	Summit Care Corp	14.29	31.25	37.71	97.65	27.27
02/10/98	06/04/98	Illinois Central Corp	10.64	20.00	18.86	17.74	8.71

Merger Premiums to Market Value Analysis  
Mergers with Target Price Equal to or Greater than \$10 per Share  
Announced and Completed 1/1/96-10/9/98  
(continued)

Date Announced	Date Effective	Target Name	Target Business Description	Acquiror Name
02/11/98	06/10/98	MTL Inc	Pvd tank truck carrier svcs	Sombrero Acquisition Corp
02/11/98	05/20/98	Waverly Inc	Publish books, periodicals	Wotlers Kluwer NV
02/16/98	08/04/98	Coherent Communications Sys	Mnfr voice enhancement prods	Tellabs Inc
02/17/98	05/27/98	Devon Group Inc	Pvd graphic arts services	Applied Graphics Technologies
02/17/98	06/11/98	Zurn Industries Inc	Mnfr environmental equipment	US Industries Inc
02/18/98	06/27/98	Republic Automotive Parts Inc	Mnfr, who automotive parts	Keystone Automotive Inds Inc
02/19/98	04/21/98	Mastering Inc	Provide computer training svcs	PLATINUM Technology Inc
02/23/98	06/30/98	Money Store Inc.	Provide mtg svcs, loans	First Union Corp, Charlotte, NC
02/23/98	04/28/98	Trusted Information Systems	Develop security software	Network Associates Inc
02/24/98	04/06/98	Wonderware Corp	Dvlp process control software	Siehe PLC
02/26/98	09/30/98	Dresser Industries Inc	Mnfr oil & gas field machinery	Halliburton Co
03/02/98	08/03/98	Benchmark Microelectronics Inc	Mnfr microprocessors	Unitrode Corp
03/02/98	08/17/98	DeepTech International	Oil and gas exploration, prodn	El Paso Natural Gas Co
03/02/98	05/19/98	Scopus Technology Inc	Dvlp Client/server software	Siebel Systems Inc
03/03/98	05/27/98	EVI Weatherford Inc	Provide oil field services	EVI Inc
03/05/98	05/20/98	XL Connect Solutions Inc	Pvd integrated sys design svcs	Xerox Corp
03/06/98	07/31/98	Alumax Inc	Mnfr aluminum products	Aluminum Co of America (Alcoa)
03/09/98	06/05/98	LCI International Inc	Pvd telecommunications svcs	Qwest Communications Corp
03/09/98	06/25/98	PriCellular Corp	Pvd cellular telephone svcs	American Cellular Corp
03/10/98	06/05/98	Portec Inc	Mnfr railroad track components	J Richard Industries Inc
03/11/98	07/16/98	Waste Management Inc	Pvd chemical waste mgmt svcs	USA Waste Services Inc
03/12/98	04/20/98	Metromail Corp	Pvd direct-mail advg svcs	Great Universal Stores PLC
03/13/98	07/31/98	MedCath Inc	Pvd cardiology related svcs	Investor Group
03/16/98	08/03/98	American General Hospitality	Real estate investment trust	CapStar Hotel Co
03/16/98	05/28/98	Logic Works Inc	Develop client/server software	PLATINUM Technology Inc
03/16/98	07/01/98	360 Communications Co	Pvd telecommunication svcs	ALLTEL Corp
03/17/98	07/31/98	BET Holdings Inc	Own and operate TV stations	Investor Group
03/17/98	05/27/98	ForeFront Group Inc	Develop software	CBT Group PLC
03/18/98	06/30/98	Medusa Corp	Manufacture cement	Southdown Inc
03/24/98	08/17/98	Insilco Corp	Mnfr auto, elec, & electn parts	DLJ Merchant Bkg Partners II
03/24/98	06/24/98	Walsh International Inc	Provide programming svcs	Cognizant Corp
03/27/98	07/01/98	Grand Prix Assoc Of Long Beach	Own, op motorsport facilities	Dover Downs Entertainment Inc
03/27/98	07/15/98	Intl Specialty Prods	Mnfr specialty chemicals	ISP Holdings Inc
03/30/98	05/11/98	Children's Discovery Centers	Operate child care centers	Knowledge Beginnings Inc
04/02/98	06/30/98	Security Capital Atlantic Inc	Real estate investment trust	Security Capital Pacific Trust
04/06/98	07/10/98	MoneyGram Payment Systems Inc	Pvd money wire transfer svcs	Viad Corp
04/06/98	07/31/98	Zero Corp	Manufacture metal encasements	Applied Power Inc
04/07/98	06/30/98	Beneficial Corp	Pvd consumer financing svcs	Household International Inc.
04/07/98	06/30/98	Green Tree Financial Corp	Pvd consumer, coml finance svcs	Conseco Inc
04/08/98	05/19/98	Blessings Corp	Mnfr plastic film products	Huntsman Packaging Corp
04/09/98	07/27/98	Claremont Technology Group Inc	Pvd comp integrated sys svc	Complete Business Solutions
04/09/98	05/15/98	Dart Group Corp	Own, operate auto part stores	Richfood Holdings Inc
04/13/98	07/31/98	Mariner Health Group Inc	Provide sub-acute care svcs	Paragon Health Network Inc
04/15/98	08/11/98	Harborside Healthcare Corp	Pvd long-term med services	Investcorp
04/16/98	09/28/98	Award Software International	Develop software	Phoenix Technologies Ltd
04/17/98	07/21/98	XcelleNet Inc	Dvlp remote computing software	Sterling Commerce Inc
04/20/98	09/15/98	Atria Communities Inc	Provide residential care svcs	Kapson Senior Quarters Corp
04/21/98	08/25/98	PCA International Inc	Pvd photo processing services	Investor Group
04/21/98	06/24/98	Tracor Inc	Mnfr defense electronics	General Electric Co PLC
04/27/98	07/09/98	Fluke Corp	Mnfr electronic test equipment	Danaher Corp
04/27/98	08/30/98	Vitalink Pharmacy Services Inc	Pvd health and allied svcs	Genesis Health Ventures Inc
04/27/98	06/01/98	Yuric Systems Inc	Mnfr communications equip	Lucent Technologies Inc
04/29/98	08/14/98	Neurex Corp	Mnfr, whl biopharmaceuticals	Elan Corp PLC
05/04/98	07/09/98	Echlin Inc	Mnfr, whl automotive parts	Dana Corp
05/04/98	06/29/98	Union Texas Petroleum Holdings	Oil and gas exploration, prodn	ARCO
05/06/98	08/06/98	Mountbatten Inc	Surety insurance company	Fidelity & Deposit Co of MD
05/08/98	06/15/98	Authentic Specialty Foods Inc	Whl, mnfr Mexican foods	Agrobios (Desc SA de CV)
05/13/98	06/26/98	Sage Laboratories Inc	Mnfr electronic components	Filtronic Comick PLC
05/14/98	09/25/98	New Plan Realty Trust	Real estate investment trust	Excel Realty Trust Inc
05/18/98	08/19/98	Mercantile Stores Co Inc	Own, op department stores	Dillard's Inc
05/18/98	08/07/98	RP Scherer Corp	Mnfr soft gelatin capsules	Cardinal Health Inc
05/18/98	08/26/98	Viking Office Products Inc	Whl. retail office products	Office Depot Inc.
05/25/98	10/01/98	US Surgical Corp	Manufacture surgical staples	Tyco International Ltd
05/26/98	08/24/98	Hyperion Software Corp	Develop software	Arbor Software Corp
05/27/98	09/17/98	May & Speh Inc	Pvd computer-based direct mktg	Acxiom Corp
05/28/98	07/07/98	Donnelley Enterprise Solutions	Pvd info management services	Bowne & Co Inc

Date Announced	Date Effective	Target Name	Acquiror Business Description	Value of Transaction (\$ mil)	Enterprise Value (\$ mil)
02/11/98	06/10/98	MTL Inc	Investment company	250.10	250.36
02/11/98	05/20/98	Waverly Inc	Publish newspapers, books	375.60	390.05
02/16/98	08/04/98	Coherent Communications Sys	Mnfr voice data transport sys	664.30	514.18
02/17/98	05/27/98	Devon Group Inc	Pvd digital prepress services	474.40	25.32
02/17/98	06/11/98	Zurn Industries Inc	Mnfr consumer building prods	790.80	699.54
02/18/98	06/27/98	Republic Automotive Parts Inc	Whl auto parts and supplies	62.80	85.90
02/19/98	04/21/98	Mastering Inc	Develop integrated software	198.70	180.54
02/23/98	06/30/98	Money Store Inc.	Commercial bank holding co	2,215.20	3,631.37
02/23/98	04/28/98	Trusted Information Systems	Develop network software	322.10	255.45
02/24/98	04/06/98	Wonderware Corp	Mnfr appliance controls	362.70	343.26



02/26/98	09/30/98	Dresser Industries Inc	Mnfr oil field machinery	7,783.20	8,429.13
03/02/98	08/03/98	Benchmark Microelectronics Inc	Mnfr semiconductors, capacitors	150.60	145.10
03/02/98	08/17/98	DeepTech International	Oil and gas exploration, prodn	375.40	526.65
03/02/98	05/19/98	Scopus Technology Inc	Dvlp sales automation software	490.70	455.88
03/03/98	05/27/98	EVI Weatherford Inc	Mnfr oil field products	2,670.70	2,826.43
03/05/98	05/20/98	XL Connect Solutions Inc	Mnfr business machine; fin co	88.00	348.57
03/06/98	07/31/98	Alumax Inc	manufacture aluminum products	3,944.20	3,698.41
03/09/98	06/05/98	LCI International Inc	Pvd telephone commun svcs	4,401.40	4,808.21
03/09/98	06/25/98	PriCellular Corp	Pvd cellular common services	1,385.20	1,070.55
03/10/98	06/05/98	Portec Inc	Investment firm	76.50	79.77
03/11/98	07/16/98	Waste Management Inc	Pvd waste disposal services	13,313.60	19,980.86
03/12/98	04/20/98	Metromail Corp	Own, op mail order house	837.90	830.34
03/13/98	07/31/98	MedCath Inc	Investor group	227.80	354.05
03/16/98	08/03/98	American General Hospitality	Own, operate hotels	1,211.80	979.19
03/16/98	05/28/98	Logic Works Inc	Develop integrated software	212.90	190.35
03/16/98	07/01/98	360 Communications Co	Pvd telecommunication svcs	5,948.60	6,021.37
03/17/98	07/31/98	BET Holdings Inc	Investor group	462.30	768.07
03/17/98	05/27/98	ForeFront Group Inc	Dev educational software	147.50	127.13
03/18/98	06/30/98	Medusa Corp	Mnfr cement; limestone mining	1,052.50	1,084.12
03/24/98	08/17/98	Insilco Corp	Merchant banking firm	425.30	446.51
03/24/98	06/24/98	Walsh International Inc	pvd information services	176.80	179.22
03/27/98	07/01/98	Grand Prix Assoc Of Long Beach	Own, op race track, casinos	91.00	114.96
03/27/98	07/15/98	Intl Specialty Prods	Mnfr industrial chemicals	324.50	2,125.81
03/30/98	05/11/98	Children's Discovery Centers	Own, operate child care centers	89.10	98.06
04/02/98	06/30/98	Security Capital Atlantic Inc	Real estate investment trust	1,681.40	1,688.36
04/06/98	07/10/98	MoneyGram Payment Systems Inc	Provide food catering services	293.60	268.95
04/06/98	07/31/98	Zero Corp	Mnfr tools, equip, consumables	431.60	456.24
04/07/98	06/30/98	Beneficial Corp	Provide financial services	8,703.80	21,875.73
04/07/98	06/30/98	Green Tree Financial Corp	Insurance holding company	7,358.80	8,515.19
04/08/98	05/19/98	Blessings Corp	Prod printed, laminated films	269.70	244.61
04/09/98	07/27/98	Claremont Technology Group Inc	Pvd computer programming svcs	282.50	278.53
04/09/98	05/15/98	Dart Group Corp	Wholesale groceries	193.30	565.17
04/13/98	07/31/98	Mariner Health Group Inc	Own, op nursing care facilities	622.30	1,089.72
04/15/98	08/11/98	Harborside Healthcare Corp	Investment firm	263.20	280.42
04/16/98	09/28/98	Award Software International	Develop systems software	129.50	101.81
04/17/98	07/21/98	XcelleNet Inc	Dvlp electn commerce software	214.30	196.34
04/20/98	09/15/98	Atria Communities Inc	Provide residential care svcs	238.90	501.89
04/21/98	08/25/98	PCA International Inc	Investor group	210.40	268.01
04/21/98	06/24/98	Tracor Inc	Mnfr radios and televisions	1,323.50	1,377.62
04/27/98	07/09/98	Fluke Corp	Mnfr tools, control equipment	718.90	657.51
04/27/98	08/30/98	Vitalink Pharmacy Services Inc	Own, op geriatric facilities	678.40	680.28
04/27/98	06/01/98	Yuric Systems Inc	Mnfr telecom equip, software	1,044.10	1,002.06
04/29/98	08/14/98	Neurex Corp	Mnfr drug delivery systems	824.50	800.83
05/04/98	07/09/98	Echlin Inc	Mnfr motor vehicle products	4,124.80	4,345.06
05/04/98	06/29/98	Union Texas Petroleum Holdings	Oil and gas exploration, prodn	2,741.40	3,124.56
05/06/98	08/06/98	Mountbatten Inc	Surety insurance co	43.40	41.43
05/08/98	06/15/98	Authentic Specialty Foods Inc	Mnfr, whl foods products	141.90	148.06
05/13/98	06/26/98	Sage Laboratories Inc	Mnfr mobile telephone devices	20.20	16.61
05/14/98	09/25/98	New Plan Realty Trust	Real estate investment trust	1,715.30	2,270.33
05/18/98	08/19/98	Mercantile Stores Co Inc	Own, op department stores	2,943.10	3,022.02
05/18/98	08/07/98	RP Scherer Corp	Whl pharmaceutical products	2,541.60	2,518.70
05/18/98	08/26/98	Viking Office Products Inc.	Own, op stationerly stores	3,082.20	3,049.42
05/25/98	10/01/98	US Surgical Corp	Mnfr fire protection systems	3,394.20	3,969.78
05/26/98	08/24/98	Hyperion Software Corp	Dvlp software	837.30	751.40
05/27/98	09/17/98	May & Speh Inc	Provide on-line database svcs	502.50	526.15
05/28/98	07/07/98	Donnelley Enterprise Solutions	Pvd printing svcs	105.20	114.54

Premium

Date Announced	Date Effective	Target Name	1 Day Prior to Annc. Date	1 Week Prior to Annc. Date	4 Weeks Prior to Annc. Date	3 Months Prior to Annc. Date	1 Year Prior to Annc. Date
02/11/98	06/10/98	MTL Inc	37.93	38.53	56.10	79.78	46.79
02/11/98	05/20/98	Waverly Inc	42.47	50.73	50.73	77.27	-3.11
02/16/98	08/04/98	Coherent Communications Sys	30.36	43.23	81.37	104.76	40.24
02/17/98	05/27/98	Devon Group Inc	29.19	32.03	37.91	108.07	52.10
02/17/98	06/11/98	Zurn Industries Inc	19.53	22.00	36.05	80.82	28.17
02/18/98	06/27/98	Republic Automotive Parts Inc	33.03	33.33	28.57	9.09	20.00
02/19/98	04/21/98	Mastering Inc	31.58	25.00	33.33	-1.96	36.99
02/23/98	06/30/98	Money Store Inc.	37.26	28.50	87.43	25.81	34.20
02/23/98	04/28/98	Trusted Information Systems	59.92	84.59	92.29	25.21	119.76
02/24/98	04/06/98	Wonderware Corp	50.00	59.34	79.44	125.88	32.41
02/26/98	09/30/98	Dresser Industries Inc	13.73	15.03	18.32	43.09	17.73
03/02/98	08/03/98	Benchmark Microelectronics Inc	15.77	14.02	67.22	5.97	4.86
03/02/98	08/17/98	DeepTech International	8.74	9.80	15.46	138.30	30.23
03/02/98	05/19/98	Scopus Technology Inc	58.51	93.64	100.13	2.35	84.66
03/03/98	05/27/98	EVI Weatherford Inc	39.85	59.59	41.33	74.50	6.18
03/05/98	05/20/98	XL Connect Solutions Inc	-11.11	15.11	22.14	180.70	19.40
03/06/98	07/31/98	Alumax Inc	35.08	33.26	36.25	30.83	52.85
03/09/98	06/05/98	LCI International Inc	22.18	24.21	54.84	133.33	55.20
03/09/98	06/25/98	PriCellular Corp	7.69	16.67	16.06	58.87	23.76
03/10/98	06/05/98	Portec Inc	8.48	13.78	10.35	43.82	13.27
03/11/98	07/16/98	Waste Management Inc	12.62	15.78	15.78	-12.03	5.07
03/12/98	04/20/98	Metromail Corp	32.69	28.37	30.19	117.32	77.49
03/13/98	07/31/98	MedCath Inc	15.15	10.95	34.51	26.67	26.67
03/16/98	08/03/98	American General Hospitality	56.60	58.43	52.01	27.67	37.49
03/16/98	05/28/98	Logic Works Inc	12.96	36.18	57.13	131.25	70.22
03/16/98	07/01/98	360 Communications Co	15.41	30.39	49.84	84.49	68.97
03/17/98	07/31/98	BET Holdings Inc	53.66	58.49	58.24	109.13	17.76
03/17/98	05/27/98	ForeFront Group Inc	17.27	29.36	48.50	258.63	81.91
03/18/98	06/30/98	Medusa Corp	17.16	24.29	35.28	60.58	53.29
03/24/98	08/17/98	Insilco Corp	4.65	11.11	12.85		
03/24/98	06/24/98	Walsh International Inc		36.84	53.33	105.29	59.10
03/27/98	07/01/98	Grand Prix Assoc Of Long Beach	11.81	22.06	21.55	42.21	31.37
03/27/98	07/15/98	Intl Specialty Prods	4.29	1.74	14.51	43.14	22.18
03/30/98	05/11/98	Children's Discovery Centers	20.99	16.67	25.64	139.02	28.95
04/02/98	06/30/98	Security Capital Atlantic Inc	14.88	14.88	14.20	10.31	12.56
04/06/98	07/10/98	MoneyGram Payment Systems Inc	11.49	15.67	42.36	87.57	61.40
04/06/98	07/31/98	Zero Corp	16.46	17.99	33.18	84.27	24.56
04/07/98	06/30/98	Beneficial Corp	82.38	82.10	86.06	131.23	84.34
04/07/98	06/30/98	Green Tree Financial Corp	82.51	86.12	94.23	60.39	110.14
04/08/98	05/19/98	Blessings Corp	18.73	18.31	34.94	118.18	41.77
04/09/98	07/27/98	Claremont Technology Group Inc	21.35	77.05	118.18	21.35	60.00
04/09/98	05/15/98	Dart Group Corp	14.29	11.89	19.40	71.81	46.79
04/13/98	07/31/98	Mariner Health Group Inc	6.04	10.88	28.98	139.39	27.42
04/15/98	08/11/98	Harborside Healthcare Corp	18.34	22.70	5.82	117.39	35.59
04/16/98	09/28/98	Award Software International	12.83	21.34	53.12	44.54	96.40
04/17/98	07/21/98	XcelleNet Inc	6.11	12.55	7.73		
04/20/98	09/15/98	Atria Communities Inc	2.53	7.29	-0.31	82.02	16.13
04/21/98	08/25/98	PCA International Inc	23.26	17.78	20.46	80.43	19.10
04/21/98	06/24/98	Tracor Inc	9.97	16.79	25.00	100.00	33.89

04/27/98	07/09/98	Fluke Corp	61.73	61.29	57.90	64.38	64.84
04/27/98	08/30/98	Vitalink Pharmacy Services Inc	13.57	12.15	6.51	23.29	6.51
04/27/98	06/01/98	Yuric Systems Inc	11.11	17.40	49.73	268.42	62.55
04/29/98	08/14/98	Neurex Corp	65.56	46.75	41.40	197.27	88.20
05/04/98	07/09/98	Echlin Inc	41.48	42.86	52.78	67.94	49.41
05/04/98	06/29/98	Union Texas Petroleum Holdings	41.46	46.84	36.47	53.64	49.68
05/06/98	08/06/98	Mountbatten Inc	2.46	6.18	4.29	66.86	24.26
05/08/98	06/15/98	Authentic Specialty Foods Inc	6.25	13.33	37.37		20.35
05/13/98	06/26/98	Sage Laboratories Inc	37.26	34.62	35.92	29.63	38.61
05/14/98	09/25/98	New Plan Realty Trust	13.43	15.44	14.29	29.55	11.49
05/18/98	08/19/98	Mercantile Stores Co Inc	9.12	9.59	15.42	56.48	19.40
05/18/98	08/07/98	RP Scherer Corp	17.47	23.34	30.06	83.76	51.76
05/18/98	08/26/98	Viking Office Products Inc	43.86	42.38	44.24	107.16	49.74
05/25/98	10/01/98	US Surgical Corp	7.91	25.73	39.73	35.01	51.62
05/26/98	08/24/98	Hyperion Software Corp	4.97	3.78	-3.57	114.87	-1.79
05/27/98	09/17/98	May & Speh Inc	2.65	12.58	20.35	58.64	34.23
05/28/98	07/07/98	Donnelley Enterprise Solutions	60.77	61.54	83.61	102.41	118.18

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Merger Premiums to Market Value Analysis  
Mergers with Target Price Equal to or Greater than \$10 per Share  
Announced and Completed 1/1/96-10/9/98  
(continued)

Date Announced	Date Effective	Target Name	Target Business Description	Acquiror Name
06/04/98	09/08/98	DSC Communications Corp	Dvlp, mnfr digital telecom sys	Alcatel Alsthom CGE
06/04/98	07/20/98	Pollo Tropical Inc	Own and operate restaurants	Carrols Corp
06/10/98	08/18/98	Ceanic Corp	Pvd subsea services, products	Stolt Comex Seaway SA
06/10/98	09/25/98	Manor Care Inc	Own, op nursing homes, hotels	Health Care and Retirement
06/12/98	07/21/98	Triangle Pacific Corp	Mnfr, whl wood cabinets	Armstrong World Industries Inc
06/15/98	08/31/98	Bay Networks Inc	Mnfr, whl data networking prods	Northern Telecom Ltd (BCE Inc)
06/16/98	08/31/98	Personnel Management Inc	Employment agency	Linsalata Capital Partners
06/17/98	09/24/98	Intersolv Inc	Develop software products	Micro Focus Group PLC
06/17/98	09/08/98	Nimbus CD International Inc	Mnfr compact discs	Carlton Communications PLC
06/18/98	07/28/98	ARCO Chemical Co (ARCO)	Mnfr, whl intermediate chems	Lyondell Petrochemical Co
06/18/98	09/24/98	PMT Services Inc	Pvd credit card services	NOVA Corp
06/19/98	08/31/98	Camco International Inc	Mnfr oil, gas field equipment	Schlumberger Technology Corp
06/22/98	08/31/98	Broderbund Software Inc	Dvlp, whl educational software	Learning Co Inc
06/24/98	10/05/98	Penederm Inc	Mnfr pharmaceutical products	Mylan Laboratories Inc
06/29/98	09/22/98	Dawson Production Services Inc	Oil and gas exploration, prodn	Key Energy Group Inc
06/29/98	09/30/98	Physio-Control International	Mnfr, whl cardiac defibrilator	Medtronic Inc
07/01/98	08/20/98	Leeg Inc	Provide management services	Metzler Group Inc
07/03/98	09/18/98	Saks Holdings (Investcorp Bk)	Own and operate dept stores	Proffitt's Inc
07/17/98	09/02/98	DeCrane Aircraft Holdings Inc	Mnfr avionics components	DLJ Merchant Banking Inc
07/20/98	10/06/98	General Signal Corp	Mnfr electric control equip	SPX Corp
09/29/98	10/07/98	Newmont Gold Co	Gold mining	Newmont Mining Corp

Date Announced	Date Effective	Target Name	Acquiror Business Description	Value of Transaction (\$ mil)	Enterprise Value (\$ mil)
06/04/98	09/08/98	DSC Communications Corp	Mnfr telephone, common equip	4685.30	5084.93
06/04/98	07/20/98	Pollo Tropical Inc	Own and operate restaurants	94.60	93.28
06/10/98	08/18/98	Ceanic Corp	Pvd oil/gas contracting svcs	222.80	247.21
06/10/98	09/25/98	Manor Care Inc	Own, operate nursing homes	2474.40	2986.16
06/12/98	07/21/98	Triangle Pacific Corp	Mnfr interior furnishings	1124.30	1124.59
06/15/98	08/31/98	Bay Networks Inc	Mnfr telecommunications equip	9268.60	9008.96
06/16/98	08/31/98	Personnel Management Inc	Investment firm	34.90	37.50
06/17/98	09/24/98	Intersolv Inc	Manufacture lenses, computers	532.00	511.38
06/17/98	09/08/98	Nimbus CD International Inc	Pvd motion picture prodn svcs	264.90	288.46
06/18/98	07/28/98	ARCO Chemical Co (ARCO)	Mnfr petrochems, polyolefins	5645.70	6512.54
06/18/98	09/24/98	PMT Services Inc	Pvd information retrieval svcs	1266.60	1238.70
06/19/98	08/31/98	Camco International Inc	Develop software	3376.30	3307.25
06/22/98	08/31/98	Broderbund Software Inc	Pvd serv dev consumer software	424.30	287.22
06/24/98	10/05/98	Penederm Inc	Mnfr, whl pharmaceuticals	193.10	190.48
06/29/98	09/22/98	Dawson Production Services Inc	Pvd oil well services	348.80	309.40
06/29/98	09/30/98	Physio-Control International	Mnfr medical technology prods	529.10	543.04
07/01/98	08/20/98	Leeg Inc	Pvd business consulting svcs	294.40	272.58
07/03/98	09/18/98	Saks Holdings (Investcorp Bk)	Own and operate dept stores	3282.30	3381.20
07/17/98	09/02/98	DeCrane Aircraft Holdings Inc	Merchant banking firm	181.50	174.11
07/20/98	10/06/98	General Signal Corp	Mnfr engine components, tools	2318.70	2309.41
09/29/98	10/07/98	Newmont Gold Co	Gold, coal mining, oil, gas expl	264.80	4235.41

Date Announced	Date Effective	Target Name	Premium				
			1 Day Prior to Ann. Date	1 Week Prior to Ann. Date	4 Weeks Prior to Ann. Date	3 Months Prior to Ann. Date	1 Year Prior to Ann. Date
06/04/98	09/08/98	DSC Communications Corp	81.64	111.91	98.67	46.71	105.08
06/04/98	07/20/98	Pollo Tropical Inc	10.00	7.32	18.12	66.04	37.50
06/10/98	08/18/98	Ceanic Corp	29.56	34.45		79.78	52.38
06/10/98	09/25/98	Manor Care Inc	21.77	25.31	17.97	21.29	(1.47)
06/12/98	07/21/98	Triangle Pacific Corp	26.14	26.50	24.02		

06/15/98	08/31/98	Bay Networks Inc	34.97	18.49	44.88	61.74	59.21
06/16/98	08/31/98	Personnel Management Inc	25.49	23.08	23.08	66.23	21.90
06/17/98	09/24/98	Intersolv Inc.	56.16	41.05	52.09	161.01	24.91
06/17/98	09/08/98	Nimbus CD International Inc	6.98	5.75	10.84	8.24	12.20
06/18/98	07/28/98	ARCO Chemical Co (ARCO)	14.22	12.27	3.36	23.20	18.92
06/18/98	09/24/98	BMT Services Inc	21.98	35.54	31.98	57.25	53.65
06/19/98	08/31/98	Camco International Inc	32.57	39.88	19.50	51.78	36.41
06/22/98	08/31/98	Broderbund Software Inc	21.21	16.36	18.96	(19.60)	(16.23)
06/24/98	10/05/98	Penederm Inc	38.97	39.52	88.28	76.89	75.12
06/29/98	09/22/98	Dawson Production Services In	40.70	50.54	66.67	29.63	38.61
06/29/98	09/30/98	Physio-Control International	19.57	31.74	31.34	86.44	57.14
07/01/98	08/20/98	Leeg Inc	46.50	48.98	41.77		69.08
07/03/98	09/18/98	Saks Holdings (Investcorp Bk)	34.46	39.02	40.85	39.55	(12.07)
07/17/98	09/02/98	DeCrane Aircraft Holdings Inc	30.50	28.67	33.82	33.33	31.90
07/20/98	10/06/98	General Signal Corp	19.60	22.66	19.40	(13.46)	0.28
09/29/98	10/07/98	Newmont Gold Co	(5.16)	20.81	62.37	(44.55)	4.35
		Mean:	28.1%	32.7%	39.6%	77.9%	53.2%

Source: Securities Data Company, Inc.; Three month and one-year premiums calculated using security prices from FactSet Research Systems, Inc. Commercial banks and other similar financial institutions were excluded for the purpose of this analysis.

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RELATIVE CONTRIBUTION ANALYSIS (a)  
(\$ IN THOUSANDS)

STAR GAS' AVERAGE  
GROSS PROFIT  
CONTRIBUTION

96-97	26.7%
98-99	28.8%
96-99	27.8%

STAR GAS' AVERAGE  
EBITDA CONTRIBUTION

96-97	35.4%
98-99	32.8%
96-99	34.0%

[\_] A.G. Edwards analyzed the relative pro forma contribution of both Star Gas and Petro to the ownership of capital in the pro forma entity based on Star Gas' and Petro's historical results from operations and their respective projections.

[GROSS PROFIT CHART APPEARS HERE]

[EBITDA (c) CHART APPEARS HERE]

- (a) For purposes of its analysis, A.G. Edwards converted Petro's historical December 31st fiscal year-end to a September 30th fiscal year-end for comparison purposes. Petro's projections are based on a December 31st calendar year end. Other measures of relative contribution analysis are non-meaningful.
- (b) Assumes normalized weather.
- (c) Includes only heating oil EBITDA for Petro.

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RELATIVE CONTRIBUTION ANALYSIS  
(\$ IN THOUSANDS)  
(continued)

FOR STAR GAS' CONTRIBUTION  
 OF APPROXIMATELY 27.8% OF THE  
 COMBINED ENTITY'S GROSS  
 PROFIT AND 34.0% OF THE COMBINED  
 ENTITY'S EBITDA, IT WILL RECEIVE  
 APPROXIMATELY 37.1% OF THE  
 IMPLIED FIRM VALUE.

IMPLIED FIRM VALUE  
 [PIE CHART APPEARS HERE]

DISCOUNTED CASH FLOW ANALYSIS

[\_] A.G. Edwards performed discounted cash flow analyses for Petro, Star Gas and Star Gas Pro Forma using projected tax-adjusted operating cash flows for 1999 through 2002, terminal values calculated on 2002 EBITDA, and discount rates based on the related weighted average cost of capital.

Assumptions:

- [\_] Weighted average cost of capital ("WACC")
  - Petro Stand Alone of 13.4% to 13.9% (calculated WACC of 13.6%)
  - Star Gas Stand Alone of 6.8% to 7.2% (calculated WACC of 7.0%)
  - Star Gas Pro Forma of 7.3% to 7.7% (calculated WACC of 7.5%)
  
- [\_] Terminal value EBITDA multiple
  - Petro Stand Alone of 6.0x to 8.0x (calculated normalized 1998 EBITDA multiple of 6.5x)
  - Star Gas Stand Alone and Star Gas Pro Forma of 9.0x to 11.0x (calculated normalized 1998 EBITDA multiple of 10.6x)

Discounted Cash Flow Analysis

(continued)

Petro Stand Alone						
-----						
Terminal Value EBITDA Multiple						
30 Year	-----					
	6.0x	6.5x	7.0x	7.5x	8.0x	
-----						
13.4%	\$ 64,921	\$ 81,662	\$ 98,403	\$ 115,143	\$ 131,884	
WACC 13.6%	62,511	79,110	95,709	112,308	128,908	
13.9%	60,124	76,583	93,042	109,502	125,961	
-----						

Star Gas Stand Alone						
-----						
Terminal Value EBITDA Multiple						
30 Year	-----					
	9.0x	9.5x	10.0x	10.5x	11.0x	
-----						

	6.8%	\$103,675	\$110,428	\$117,181	\$ 123,935	\$ 130,688
WACC	7.0%	102,537	109,240	115,942	122,645	129,347
	7.2%	101,410	108,062	114,714	121,367	128,019

Star Gas Pro Forma

		Terminal Value EBITDA Multiple				
	30 Year					
		9.0x	9.5x	10.0x	10.5x	11.0x
	7.3%	\$139,743	\$148,282	\$156,820	\$ 165,358	\$ 173,896
WACC	7.5%	138,338	146,815	155,291	163,767	172,243
	7.7%	136,946	145,360	153,775	162,190	170,605

DISCOUNTED CASH FLOW ANALYSIS  
 PETRO -- STAND ALONE  
 EXCLUDING DISTRIBUTIONS FROM STAR GAS  
 (\$ IN THOUSANDS)

CASH FLOW SUMMARY (a):	NORMALIZED					TERMINAL
	1998	1999	2000	2001	2002	
EBITDA	\$46,900	\$48,706	\$51,196	\$53,390	\$55,385	
Taxes	(500)	(500)	(500)	(500)	(500)	
Maintenance capital expenditures		(3,000)	(3,060)	(3,121)	(3,184)	
Working capital increases (b)		(500)	(500)	(500)	(500)	
Net operating cash flow (free cash flow)		44,706	47,136	49,269	51,201	
WEIGHTED AVERAGE COST OF CAPITAL (c)	13.6%					
Terminal EBITDA multiple (d)	6.5x					
Discount factor		0.8799	0.7742	0.6812	0.5994	0.5994
Terminal value (e)						\$360,003
PRESENT VALUE	\$355,875	\$39,337	\$36,494	\$33,564	\$30,691	\$215,791
Current net debt and preferred stock (f)	(\$276,765)					
NET PRESENT VALUE OF EQUITY	\$ 79,110					

- (a) Based on management projections.
- (b) A.G. Edwards' estimate.
- (c) Based on comparable companies' WACC.
- (d) Petro's current firm value of \$304.4 million/\$46.9 million normalized 1998 EBITDA = 6.5x, which represents a multiple of current year normalized EBITDA.
- (e) Terminal value calculated using EBITDA multiple.
- (f) Net of \$33.2 million of cash. Market value of debt used.

DISCOUNTED CASH FLOW ANALYSIS  
 PETRO - STAND ALONE USING STAR GAS' PRO FORMA WACC

EXCLUDING DISTRIBUTIONS FROM STAR GAS  
(\$ in thousands)

CASH FLOW SUMMARY (a):	NORMALIZED					TERMINAL
	1998	1999	2000	2001	2002	
EBITDA	\$46,900	\$48,706	\$51,196	\$53,390	\$55,385	
Taxes	(500)	(500)	(500)	(500)	(500)	
Maintenance capital expenditures		(3,000)	(3,060)	(3,121)	(3,184)	
Working capital increases (b)		(500)	(500)	(500)	(500)	
Net operating cash flow (free cash flow)		44,706	47,136	49,269	51,201	
WEIGHTED AVERAGE COST OF CAPITAL (c)	7.5%					
TERMINAL EBITDA MULTIPLE (d)	6.5x					
Discount factor		0.9299	0.8647	0.8041	0.7477	0.7477
Terminal value (e)						\$360,003
PRESENT VALUE	\$429,392	\$41,571	\$40,758	\$39,615	\$38,282	\$269,166
Current net debt and preferred stock (f)	(\$276,765)					
NET PRESENT VALUE OF EQUITY	\$152,627					

(a) Based on management projections.

(b) A.G. Edwards' estimate.

(c) Based on comparable companies' WACC.

(d) Petro's current term value of \$304.4 million/\$46.9 million normalized 1998 EBITDA = 6.5x, which represents a multiple of current year normalized EBITDA.

(e) Terminal value calculated using EBITDA multiple.

(f) Net of \$33.2 million of cash. Market value of debt used.

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DISCOUNTED CASH FLOW ANALYSIS  
STAR GAS - STAND ALONE  
(\$ IN THOUSANDS)

INCOME STATEMENT SUMMARY (a):	NORMALIZED					TERMINAL
	1998	1999	2000	2001	2002	
EBITDA	22,135	24,491	26,029	27,566	29,104	
% increase		10.6%	6.3%	5.9%	5.6%	
Net income	2,799	3,297	3,281	3,439	3,761	
CASH FLOW SUMMARY:						
After-tax EBI		12,108	12,658	13,317	14,141	
Depreciation and amortization		12,358	13,346	14,224	14,938	
Maintenance capital expenditures		(2,632)	(2,679)	(2,728)	(2,777)	
Working capital increases (b)		(500)	(500)	(500)	(500)	
Net operating cash flow (free cash flow)		21,334	22,825	24,313	25,802	
WEIGHTED AVERAGE COST OF CAPITAL (c)	7.0%					
TERMINAL EBITDA MULTIPLE (d)	10.6x					
Discount factor		0.9342	0.8728	0.8154	0.7618	0.7618
Terminal value (e)						\$308,502
PRESENT VALUE	\$314,355	\$19,931	\$19,922	\$19,825	\$19,656	\$235,020
Current net debt (f)	(\$109,285)					
NET PRESENT VALUE OF EQUITY	\$205,070					

Common units/Total units (g) 60.5%

EQUITY VALUE TO COMMON UNITS (h) \$123,985

- (a) Based on management projections.
- (b) A.G. Edwards' estimate.
- (c) Based on comparable companies' WACC.
- (d) Star's current firm value of \$234.1 million \$22.1 million normalized 1998 EBITDA = 10.6x, which represents a multiple of current year normalized EBITDA.
- (e) Terminal value calculated using EBITDA multiple.
- (f) Represents total projected 9/30/98 debt less cash.
- (g) Total units include common, subordinated and GP units.
- (h) Current market value of common units is 3,858 units\* \$19.563 unit price = \$75,472

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Discounted Cash Flow Analysis  
 Star Gas - Pro Forma  
 (\$ in thousands)

Income Statement Summary (a):	Normalized 1998	1999	2000	2001	2002	Terminal
EBITDA	69,535	73,697	77,725	81,456	84,989	
% increase		6.0%	5.5%	4.8%	4.3%	
Net income	(102)	(456)	(4,315)	(7,751)	(10,944)	
Cash Flow Summary:						
After-tax EBI		29,012	27,234	25,266	23,258	
Depreciation and amortization		43,661	49,466	55,166	60,705	
Maintenance capital expenditures		(5,632)	(5,739)	(5,849)	(5,961)	
Working capital increases (b)		(1,000)	(1,000)	(1,000)	(1,000)	
Net operating cash flow (free cash flow)		66,041	69,961	73,583	77,002	
Weighted average cost of capital (c)	7.5%					
Terminal EBITDA multiple (d)	10.6					
Discount factor		0.9299	0.8647	0.8041	0.7477	0.7477
Terminal value (e)						\$900,883
Present value	\$912,213	\$61,410	\$60,494	\$59,165	\$57,573	\$673,571
Less net debt (f)	(\$291,997)					
Net present value of equity	\$620,216					
Original common units/Total units (g)	26.7%					
Equity value to common units (h)	\$165,462					

- (a) Based on management projections. See Appendix K for model.
- (b) A.G. Edwards' estimate.
- (c) Based on comparable companies' WACC.
- (d) Star's current firm value of \$234.1 million/\$22.1 million normalized 1998 EBITDA = 10.6x, which represents a multiple of current year normalized EBITDA.
- (e) Terminal value calculated using EBITDA multiple.
- (f) Represents total proforma projected 9/30/98 debt less cash and cash

collateral.

- (g) Total units include common, newly issued common, senior subordinated, subordinated and GP units.
- (h) Current market value of common units is 3,858 units \*\$19.563 unit price = \$75,472.

DISCOUNTED CASH FLOW ANALYSIS  
 PETRO - STAND ALONE  
 WEIGHTED AVERAGE COST OF CAPITAL DERIVATION  
 (\$ in millions)

COMPARABLE COMPANY	LEVERED BETA (a)	TOTAL MARKET VAL. DEBT (BK = MKT)	UNIT PRICE AT (10/14/98)	TOTAL UNITS OUT. (MIL)	IMPLIED MARKET VALUE OF EQUITY	TOTAL DEBT/ TOTAL EQUITY	TOTAL DEBT AS % OF TOTAL CAPITAL	UN-LEVERED BETA
AmeriGas Partners, L.P.	0.42	\$711.1	\$24.125	41.9	\$1,031.2	69.0%	40.8%	0.249
Cornerstone Propane Partners, L.P.	0.45	240.9	18.000	19.9	365.2	66.0%	39.8%	0.271
Ferrellgas Partners, L.P.	0.46	504.1	20.000	31.3	638.6	78.9%	44.1%	0.257
Heritage Propane Partners, L.P.	0.42	177.8	20.813	8.5	180.0	98.8%	49.7%	0.211
National Propane Partners, L.P.	0.61	145.5	9.438	11.2	108.2	134.5%	57.4%	0.260
Star Gas Partners, L.P.	0.39	109.8	19.563	6.3	124.9	87.9%	46.8%	0.208
Suburban Propane Partners, L.P.	0.40	427.9	19.625	28.7	575.3	74.4%	42.7%	0.229
Comparable group's average unlevered beta:				0.24	Petro's capitalization - at market			
Petro's debt - to - equity ratio:				1123.5%	Total debt (b)	\$310.0	91.8%	
Petro's debt as a percent of total capital:				91.8%	Common equity	27.6	8.2%	
Comparable group's beta relevered for Petro's capital structure:				2.945%		\$337.6	100.0%	

DERIVATION OF WEIGHTED AVERAGE COST OF CAPITAL:

		MARKET RISK PREMIUM RANGE (e)		
		11.3%	12.3%	13.3%
Petro's theoretical levered beta (d):	2.945			
Assumed % of equity in Petro's capital structure:	8.2%			
Risk - free rate of return (c):	4.6%			
Petro's cost of equity range (at various market risk premiums):		37.9%	40.8%	43.8%
Petro's assumed tax rate:	0.0%			
Assumed % of debt in capital structure (b):	91.8%			
Petro's estimated cost of debt (f):	11.2%			
Petro's estimated after - tax cost of debt:	11.2%	11.2%	11.2%	11.2%
Petro's weighted average cost of capital range (g):		13.4%	13.6%	13.9%

- (a) Source: Bloomberg. 143 week (maximum weekly time period allowed, or the number of weeks available, which may be less than 143) adjusted beta relative to the S&P 500 index.
- (b) Includes preferred stock; not net of cash.
- (c) Ten - year Treasury rate on October 14, 1998.
- (d) Bloomberg's reported beta for Petro is .60.
- (e) Ibbotson Associates 1997. Total returns for small company stocks of 17.7% minus the risk-free rate.
- (f) Based on Petro's current debt structure.
- (g) Calculation based upon use of the capital Asset Pricing Model (CAPM).

Discounted Cash Flow Analysis  
 Star Gas -- Stand Alone  
 Weighted Average Cost of Capital Derivation  
 (\$ in millions)

Comparable Company	Levered Beta (a)	Total Market Val. Debt (Bk=Mkt)	Unit Price at (10/14/98)	Total Units Out. (Mil)	Implied Market Value of Equity	Total Debt/ Total Equity	Total Debt as % of Total Capital	Un-levered Beta
--------------------	------------------	---------------------------------	--------------------------	------------------------	--------------------------------	--------------------------	----------------------------------	-----------------



AmeriGas Partners, L.P.	0.42	\$711.1	\$24.125	41.9	\$1,031.2	69.0%	40.8%	0.249
Cornerstone Propane Partners, L.P.	0.45	240.9	18.000	19.9	365.2	66.0%	39.8%	0.271
Ferrellgas Partners, L.P.	0.46	504.1	20.000	31.3	638.6	78.9%	44.1%	0.257
Heritage Propane Partners, L.P.	0.42	177.8	20.813	8.5	180.0	98.8%	49.7%	0.211
National Propane Partners, L.P.	0.61	145.5	9.438	11.2	108.2	134.5%	57.4%	0.260
Star Gas Partners, L.P.	0.39	109.8	19.563	6.3	124.9	87.9%	46.8%	0.208
Suburban Propane Partners, L.P.	0.40	427.9	19.625	28.7	575.3	74.4%	42.7%	0.229

Comparable group's average unlevered beta:	0.24							
Star's debt-to-equity ratio (b):	87.9%							
Star's debt as a percent of total capital (b):	46.8%							
Comparable group's beta relevered for Star's capital structure	0.378%							
	=====							

Star's capitalization - at market (b)			
Total debt	\$109.8	46.8%	
Common equity	124.9	53.2%	
	-----	-----	
	\$234.6	100.0%	

Derivation of Weighted Average Cost of Capital:

		Market Risk Premium Range (d)		
		11.3%	12.3%	13.3%
		-----	-----	-----
Star's theoretical levered beta:	0.378			
Assumed % of equity in Star's capital structure (b):	53.2%			
Risk-free rate of return (c):	4.6%			
Star's cost of equity range (at various market risk premiums):		8.9%	9.3%	9.6%
Star's assumed tax rate:	35.0%	=====	=====	=====
Assumed % of debt in capital structure (b):	46.8%			
Star's estimated cost of debt (e):	6.9%			
Star's estimated after-tax cost of debt:	4.5%	4.5%	4.5%	4.5%
		-----	-----	-----
Star's weighted average cost of capital range (f):		6.8%	7.0%	7.2%

- (a) Source: Bloomberg. 143 week (maximum weekly time period allowed, or the number of weeks available, which may be less than 143) adjusted beta relative to the S&P 500 Index.
- (b) Market value of debt is assumed to equal book value; debt is not net of cash.
- (c) Ten-year Treasury rate on October 14, 1998.
- (d) Ibbotson Associates 1997. Total returns for small company stocks of 17.7% minus the risk-free rate.
- (e) Based on Star current debt structure.
- (f) Calculation based upon use of the Capital Asset Pricing Model (CAPM).

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Discounted Cash Flow Analysis  
Star Gas - Pro Forma  
Pro Forma Weighted Average Cost of Capital Derivation  
(\$ in millions)

Comparable Company	Levered Beta (a)	Total Market Val. Debt (Bk = Mkt)	Unit Price at (10/14/98)	Total Units Out. (Mil)	Implied Market Value of Equity	Total Debt/Equity	Total Debt as % of Total Capital	Un-levered Beta
AmeriGas Partners, L.P.	0.42	\$711.1	\$24.125	41.9	\$1,031.2	69.0%	40.8%	0.249
Cornerstone Propane Partners, L.P.	0.45	240.9	18.000	19.9	365.2	66.0%	39.8%	0.271
Ferrellgas Partners, L.P.	0.46	504.1	20.000	31.3	638.6	78.9%	44.1%	0.257
Heritage Propane Partners, L.P.	0.42	177.8	20.813	8.5	180.0	98.8%	49.7%	0.211
National Propane Partners, L.P.	0.61	145.5	9.438	11.2	108.2	134.5%	57.4%	0.260
Star Gas Partners, L.P.	0.39	109.8	19.563	6.3	124.9	87.9%	46.8%	0.208
Suburban Propane Partners, L.P.	0.40	427.9	19.625	28.7	575.3	74.4%	42.7%	0.229

Comparable group's average unlevered beta:	0.24							
Pro forma debt - to - equity ratio (b):	113.5%							
Pro forma debt as a percent of total capital (b):	53.2%							
Comparable group's beta relevered for Pro Forma capital structure	0.418							
	=====							

Derivation of Weighted Average Cost of Capital:

		Market Risk Premium Range (d)		
		11.3%	12.3%	13.3%
		-----	-----	-----
Pro forma theoretical levered beta:	0.418			
Assumed % of equity in Pro forma capital structure (b):	53.2%			
Risk - free rate of return (c):	4.6%			
Pro forma cost of equity range (at various				

market risk premiums):		9.3%	9.8%	10.2%
Pro forma assumed tax rate:	35.0%	=====	=====	=====
Assumed % of debt in capital structure (b):	53.2%			
Pro forma estimated cost of debt (e):	8.6%			
Pro forma estimated after - tax cost of debt:	5.6%	5.6%	5.6%	5.6%
		-----	-----	-----
Pro forma weighted average cost of capital range (f):		7.3%	7.5%	7.7%
		-----	-----	-----

- (a) Source: Bloomberg. 143 week (maximum weekly time period allowed, or the number of weeks available, which may be less than 143) adjusted beta relative to the S&P 500 index.
- (b) Market value of debt is assumed to equal book value. See page C-6 for equity calculation.
- (c) Ten-Year Treasury rate on October 14, 1998.
- (d) Ibbotson Associates 1997. Total returns for small company stocks of 17.7% minus the risk-free rate.
- (e) Based on Pro forma debt structure.
- (f) Calculation based upon use of the Capital Asset Pricing Model (CAPM).

COMPARABLE TRANSACTIONS ANALYSIS  
FIRM VALUATION

- [\_] A.G. Edwards noted that public disclosure regarding transactions in the retail home heating oil distribution industry was extremely limited.
- [\_] A.G. Edwards analyzed the financial terms related to divestitures by Petro of certain of its retail home heating oil branches and compared them to the implied multiples of the aggregate purchase price of Petro's heating oil assets.
- [\_] Petro has sold three branches for an average EBITDA multiple of 9.0x.
- [\_] A.G. Edwards calculated the purchase price of Petro's heating oil assets and calculated multiples based on Petro's EBITDAs.

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PURCHASE PRICE OF HEATING OIL ASSETS

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Equity purchase price of heating oil assets including CUs (see page C-5)	\$25,549
Cost of Debt to be Redeemed (\$206,250 + \$2,844 premium)	209,094
Cost of Debt to be Assumed	69,646
Cost of Preferred stock at Redemption Value	31,767
Consent Fees	2,110
Transaction Fees	19,343
Aggregate purchase price of heating oil assets	\$ 357,509
	=====

-----		Multiples	Notes
Multiples		-----	-----
1997 Normalized EBITDA (a)	43,040	8.3 x	As a multiple of aggregate transaction value
Normalized 1998 EBITDA budget (a)	46,900	7.6 x	As a multiple of aggregate transaction value
1999 Projected EBITDA (a)	48,706	7.3 x	As a multiple of aggregate transaction value
		-----	

(a) Calculated as gross profit minus SG&A expense and direct delivery

expense.

PUBLIC COMPANY ANALYSIS

[\_\_] A.G. Edwards compared certain financial and market information of Star Gas on a historical and pro forma basis to that of certain public propane master limited partnerships which A.G. Edwards deemed relevant for the purposes of this analysis. In addition to Star Gas, A.G. Edwards reviewed the trading multiples from a total of six master limited partnerships.

[\_\_] The selected propane master limited partnerships are as follows:  
 - AmeriGas Partners, L.P. - Heritage Propane Partners, L.P.  
 - Cornerstone Propane Partners, L.P. - National Propane Partners, L.P.  
 - Ferrellgas Partners, L.P. - Suburban Propane Partners, L.P.

[\_\_] No company used in the analysis is identical to Star Gas.

PUBLIC COMPARABLE COMPANIES (a)				
	STAR	PRO FORMA STAR	PUBLIC COMPANY MEDIANS	PUBLIC COMPANY RANGES
Yield	11.2%	11.8%	10.1%	9.1% to 22.3%
Firm value/LTM EBITDA	12.5x (b)	10.0x (b)	11.6x	9.0x to 12.7x
Firm value/1999E EBITDA	9.6x	7.7x	9.2x	8.4x to 11.1x
Equity Market Cap/LTM DCF	15.4x (c)	12.5x (c)	13.4x	8.1x to 15.3x
Equity Market Cap/1999E DCF	9.6x	7.4x	9.8x	4.9x to 12.2x
LTM common unit coverage	1.0x (d)	0.9x (d)	1.5x	0.6x to 1.6x
1999E common unit coverage	1.5x	1.5x	2.1x	1.1x to 2.3x
LTM total unit coverage	0.6x (d)	0.7x (d)	0.7x	0.4x to 1.2x
1999E total unit coverage	0.9x	1.1x	1.0x	0.7x to 1.2x

- (a) Public comparable companies include: APU, CNO, FGP, HPG, NPL AND SPH.
- (b) Firm value/adjusted for actual 1998 budget EBITDA.
- (c) Equity market cap/adjusted for actual 1998 budget EBITDA.
- (d) Adjusted for actual 1998 budget.

Public Company Analysis  
 (\$ in millions, except per unit data)

Company	Ticker	Closing Price on (10/14/98)	Implied Market Value of Equity	Implied Firm Value	Distribution per Unit	Yield	Common Units/ Total Units
Star Gas Partners, L.P.	(a) SGU	\$19.563	\$ 124.9	\$ 234.1	\$2.20	11.2%	60.5%
AmeriGas Partners, L.P.	APU	24.125	1,031.2	1,739.4	2.20	9.1%	52.8%
Cornerstone Propane Partners, L.P.	(c) CNO	18.000	365.2	596.7	2.16	12.0%	66.8%
Ferrellgas Partners, L.P.	(d) FGP	20.000	638.6	1,131.2	2.00	10.0%	47.0%
Heritage Propane Partners, L.P.	HPG	20.813	180.0	354.6	2.00	9.6%	56.3%
National Propane Partners, L.P.	NPL	9.438	108.2	250.9	2.10	22.3%	59.6%
Suburban Propane Partners, L.P.	(c) SPH	19.625	575.3	922.5	2.00	10.2%	75.1%
Mean						12.2%	59.6%
Median						10.1%	58.0%
Pro Forma		\$19.563	\$276.5 (f)	\$568.5 (g)	\$2.30	11.8%	74.9%
Company		LTM Common Unit Coverage	LTM Total Unit Coverage	FY99E DCF/Unit	FY99E Common Unit Coverage	FY99E Total Unit Coverage	

Star Gas Partners, L.P.	1.0x (b)	0.6x (h)	\$2.02	1.5x	0.9x
AmeriGas Partners, L.P.	1.4x	0.8x	2.39	2.1x	1.1x
Cornerstone Propane Partners, L.P.	0.8x	0.6x	1.51	1.1x	0.7x
Ferrellgas Partners, L.P.	1.5x	0.7x	2.15	2.3x	1.1x
Heritage Propane Partners, L.P.	1.5x	0.8x	2.38	2.2x	1.2x
National Propane Partners, L.P.	0.6x	0.4x	1.87	NA	0.9x
Suburban Propane Partners, L.P.	1.6x	1.2x	1.98	1.3x	1.0x
-----					
Mean	1.3x	0.7x		1.8x	1.0x
Median	1.5x	0.7x		2.1x	1.0x
-----					
Pro Forma	0.9x (b)	0.7x (b)	2.60	1.5x	1.1x

-----  
1999 estimates per A.G. Edwards' research, except for Star and Pro Forma. 1999 estimates for National Propane from Merrill Lynch research report dated July 29, 1998.

Implied Firm Value equals common, subordinated and GP units multiplied by the market price of common units plus debt, less cash.

- (a) Pro Forma for the Pearl Gas acquisition and the common unit offering.
- (b) For Star and Pro Forma only, LTM DCF figures are adjusted for actual 1998 budget DCF estimates.
- (c) Financial information pro forma for common unit offering. Maintenance capital expenditures assumed to be 8% of EBITDA due to lack of disclosure.
- (d) Maintenance capital expenditures assumed to be 8% of EBITDA due to lack of disclosure.
- (e) Financial figures exclude \$5.1 million gain from sale of minority interest.
- (f) Calculated as: (10,841 common units X \$19,563)+(2,767 senior subordinated units X \$18.52)+(857 junior subordinated and GP units X \$15.41).
- (g) \$276.5 in equity plus \$313.9 pro forma debt, less \$21.9 cash and cash collateral.

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PUBLIC COMPANY ANALYSIS  
(\$ IN MILLIONS, EXCEPT PER UNIT DATA)  
(continued)

	LONG TERM DEBT/ FIRM VALUE	LTM EBITDA/ INT. EXP.	FIRM VALUE/ LTM EBITDA	FIRM VALUE/ 1999E EBITDA	EQUITY MARKET CAP/ LTM DCF	EQUITY MARKET CAP/ 1999E DCF
STAR GAS PARTNERS, L.P.	44.8%	2.4x (a)	12.5x (a)	9.6x	15.4x (a)	9.6x
AmeriGas Partners, L.P.	39.9%	2.2x	11.8x	9.9x	14.8x	10.4x
Cornerstone Propane Partners, L.P.	39.7%	2.4x	12.7x	11.1x	15.3x	12.2x
Ferrellgas Partners, L.P.	44.1%	2.1x	11.4x	9.0x	14.2x	9.5x
Heritage Propane Partners, L.P.	49.8%	2.6x	9.7x	9.0x	12.6x	8.8x
National Propane Partners, L.P.	55.2%	2.6x	12.7x	9.3x	12.0x	4.9x
Suburban Propane Partners, L.P.	46.4%	3.3x	9.0x	8.4x	8.1x	10.1x
-----						
MEAN	45.8%	2.6x	11.2x	9.5x	12.9x	9.3x
MEDIAN	45.2%	2.5x	11.6x	9.2x	13.4x	9.8x
-----						
PRO FORMA	55.2%	2.0x (a)	10.0x (a)	7.7x	12.5x (a)	7.4x

EBITDA is defined as net income (loss) before extraordinary items plus interest, income taxes, depreciation and amortization, impairment expense, and other non-recurring and non-operating items.

- (a) For Star and Pro forma only, LTM figures use adjusted for actual 1998 budget estimates.

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AMERIGAS PARTNERS, L.P.

AmeriGas Partners operates the largest retail propane distribution business in the U.S., serving approximately 968,000 residential, commercial, industrial, agricultural, and motor-fuel customers in 45 states. AmeriGas Partners also sells propane-related supplies and equipment, including home appliances. The company owns or leases a fleet of about 385 transport trucks, 680 railroad tank cars, and 2,300 bobtail and rack trucks. It also owns or leases propane-storage facilities in Arizona and Rhode Island. AmeriGas Propane, a wholly owned subsidiary of UGI Corp., owns 58% of AmeriGas Partners.

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CORNERSTONE PROPANE PARTNERS, L.P.

Cornerstone Propane Partners, L.P. distributes propane for residential, commercial, industrial, agricultural and other retail uses; markets and distributes propane and natural gas liquids; services propane heating systems and appliances; and sells propane-related supplies, appliances and other equipment. It is the fifth largest retail marketer of propane in the U.S. in terms of volume. The partnership's operations are concentrated in the east coast, south-central and west coast regions of the U.S.

[GRAPH APPEARS HERE]

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PUBLIC COMPANY DESCRIPTIONS  
(continued)

FERRELLGAS PARTNERS, L.P.

Ferrellgas is the second largest U.S. distributor of propane serving more than 800,000 residential and commercial customers. The company also engages in propane/natural gas trading, wholesale propane marketing, and chemical feedstock marketing. It markets its products primarily in the Midwest, the Great Lakes area, and the Southeast. With a delivery fleet of approximately 4,000 vehicles, Ferrellgas sells almost 700 million gallons of fuel annually to its retail customers, which represents about 8% of all retail propane bought in the U.S. The company has acquired more than 100 companies in 11 years.

[GRAPH APPEARS HERE]

HERITAGE PROPANE PARTNERS, L.P.

Heritage Propane Partners distributes propane to more than 220,000 residential, commercial, industrial, and agricultural customers. The propane is used primarily for heating, drying, cooking, as fuel for engines, as a cutting gas for mining operations, and for curing tobacco. The company's retail operations distribute propane to customers in 23 states in the western, southeastern, and northeastern U.S. The company also distributes wholesale propane and sells, installs, and repairs propane-related equipment. Heritage has acquired 40 retail propane operations since 1989, bringing annual propane sales to over 125 million gallons.

[GRAPH APPEARS HERE]

PUBLIC COMPANY DESCRIPTIONS  
(continued)

## NATIONAL PROPANE PARTNERS, L.P.

National Propane L.P. markets propane on a retail basis to residential, commercial, industrial and agricultural customers and dealers in 25 states; and also sells propane-related supplies and equipment, including home and commercial appliances. It is the sixth largest retail marketer of propane in the U.S. in terms of volume, supplying approximately 250,000 active retail and wholesale customers in 25 states through 166 service centers located in 24 states. Operations are concentrated in the Midwest, Northeast, Southeast and Southwest regions of the U.S.

[GRAPH APPEARS HERE]

## SUBURBAN PROPANE PARTNERS, L.P.

Suburban Propane Partners markets and distributes propane to residential, commercial, industrial and agricultural customers through a retail distribution network consisting of 352 district locations in 41 states. The company, the third largest retail marketer of propane in the U.S., serves over 730,000 active customers primarily located in the east and west coast regions of the country. Suburban Propane also sells, installs and services equipment related to its propane distribution business, including heating and cooking appliances and, at some locations, propane fuel systems.

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## TRANSACTIONS SUMMARY AND ASSUMPTIONS

(In thousands except per share and per unit data)

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SUMMARY CASH FLOW AND COVERAGE ANALYSIS  
-----

(\$ on per Unit basis)

	Estimated	Normalized	Projected			
	1998	1998	1999	2000	2001	2002
STAR STAND ALONE						
EBITDA	\$ 18,781	\$ 22,135	\$ 24,491	\$ 26,029	\$ 27,566	\$ 29,104
Interest Expense	(7,922)	(7,662)	(8,811)	(9,377)	(9,878)	(10,380)
Maintenance CapEx	(2,710)	(2,710)	(2,632)	(2,679)	(2,728)	(2,777)
Other	(25)	(25)	(25)	(25)	(25)	(25)
Distributable Cash Flow	\$ 8,124	\$ 11,738	\$ 13,023	\$ 13,948	\$ 14,935	\$ 15,922
DCF per Common Unit	\$ 2.11	\$ 3.04	\$ 3.32	\$ 3.42	\$ 3.51	\$ 3.62
DCF / Common Unit MQD	0.96 x	1.38 x	1.51 x	1.55 x	1.60 x	1.65 x
DCF per Total Unit	\$ 1.27	\$ 1.84	\$ 2.02	\$ 2.11	\$ 2.20	\$ 2.30
DCF / Total MQD	0.58 x	0.84 x	0.92 x	0.96 x	1.00 x	1.04 x
Indicated Distribution per Common Unit	\$ 2.20	\$ 2.20	\$ 2.20	\$ 2.20	\$ 2.20	\$ 2.20

STAR PRO FORMA

EBITDA

-----

Star	\$ 18,781	\$ 22,135	\$ 24,491	\$ 26,029	\$ 27,566	\$ 29,104
Petro	37,650	46,900	48,706	51,196	53,390	55,385
Synergies	500	500	500	500	500	500
Total	56,911	69,535	73,697	77,725	81,456	84,989
Interest Expense	(28,307)	(28,253)	(29,468)	(31,549)	(33,017)	(34,202)
Maintenance CapEx	(5,486)	(5,486)	(5,632)	(5,739)	(5,849)	(5,961)
Other	(1,025)	(1,025)	(1,025)	(1,025)	(1,025)	(1,025)
Distributable Cash Flow	22,093	34,771	37,572	39,412	41,565	43,801
DCF per Common Unit	\$ 2.04	\$ 3.21	\$ 3.47	\$ 3.54	\$ 3.51	\$ 3.45
DCF per Sr. Sub & Common Unit	\$ 1.62	\$ 2.56	\$ 2.76	\$ 2.78	\$ 2.73	\$ 2.73
DCF per Total Unit	\$ 1.53	\$ 2.40	\$ 2.60	\$ 2.62	\$ 2.59	\$ 2.59
Indicated Distribution per Common Unit	\$ 2.30	\$ 2.30	\$ 2.30	\$ 2.30	\$ 2.30	\$ 2.30

-----  
ACCRETION/DILUTION

DCF per Unit - Star Stand Alone	\$ 1.27	\$ 1.84	\$ 2.02	\$ 2.11	\$ 2.20	\$ 2.30
DCF per Unit - Pro Forma	\$ 1.53	\$ 2.40	\$ 2.60	\$ 2.62	\$ 2.59	\$ 2.59
Accretive (\$/Unit)	\$ 0.25	\$ 0.56	\$ 0.58	\$ 0.51	\$ 0.39	\$ 0.29
Accretive (%)	20.0%	30.7%	28.6%	24.1%	17.5%	12.6%
Pro Forma Heating Oil DCF per Unit			\$ 3.06	\$ 3.02	\$ 2.87	\$ 2.79
DPUs Issued as Sr Sub Units at Beg of Year	-	-	-	303	303	-

-----  
Pro Forma Credit Analysis

EBITDA/Interest	2.01 x	2.46 x	2.50 x	2.46 x	2.47 x	2.48 x
LT Debt/EBITDA	5.43	4.45	4.68	4.73	4.72	4.71
LT Debt/EBITDA (Pro Forma for Full-Year Acquisitions)	5.27	4.32	4.44	4.50	4.50	4.50
# of Units Issued to Meet Debt Covenant	-	-	-	574	846	874

-----  
Pro Forma Coverage Ratios

MQD Coverage						
Common Unit	0.89 x	1.39 x	1.51 x	1.54 x	1.53 x	1.50 x
Senior Subordinated Units	0.71	1.11	1.20	1.21	1.19	1.18
Total Unit	0.66	1.05	1.13	1.14	1.12	1.12
Indicated Distribution Coverage						
Common Unit	0.89 x	1.39 x	1.51 x	1.54 x	1.53 x	1.50 x
Senior Subordinated Unit	0.71	1.11	1.20	1.21	1.19	1.18
Total Unit	0.66	1.05	1.13	1.14	1.12	1.12

-----  
CURRENT MODEL ASSUMPTIONS

Scenario Version	30-yrs, \$30mm @ 4.75x mid-year, \$.01 '99, \$.005 '00-'01, flat att.	
Petro Acqs/yr	\$30,000	
Star Acqs/yr	\$10,000	G.P. Interest Subordinate
Price per Petro Share	\$ 2.42	

-----  
EQUITY RESTRUCTURING

	PETRO	
	PUBLIC	INSIDERS
Securities Offered	Sr Sub	Sub & GP
Incentive Rights	76%	24%
Value Offered	\$ 2.42	\$ 2.45
Current Market	\$ 1.31	\$ 1.31
Premium to Market	84.1%	86.7%
Implied Value of Security Offered	\$18.52	\$15.41
Security Offered per Share	0.13064	0.15920
Total Shares	14,609	11,953
Insiders to Receive Sr. Sub	6,572	(6,572)
Shares to Be Converted	21,181	5,382
Units Offered	2,767	857
DPUs Offered		909
Implied Value of GP/Unit		\$15.41

-----  
SOURCES AND USES OF FUNDS  
-----

Sources:		Uses:	
Excess Cash on Hand	\$841	Repay Debt Principal	\$206,250
New Sar Debt	120,000	Redeem Preferred	31,767
New MLP Equity	139,363	Premium on Redemption/ Exchange/Defeasance	2,844
New MLP E Equity	-	Consent Fees	2,110
Equity for Contest Fees	2,110	Transaction Fees	19,343
Cash Balance	0		
	-----		-----
	\$262,314		\$262,314
	=====		=====

-----  
FINANCING SUMMARY  
-----

	AMOUNT	RATE	UNIT PRICE
New Common Raised	\$139,363		\$20.26
New Debt Raised	120,000	9.00%	

-----  
UNITS OUTSTANDING  
-----

	CURRENT		PRO FORMA	
	UNITS	%	UNITS	%
Existing Common	3,858	60.5%	3,858	26.7%
New Common	0	0.0%	6,983	48.5%
New Common for Acquisitions	0	0.0%	0	0.0%
Common to Petro Shareholders	0	0.0%	0	0.0%
Sr Sub (Petro S/Hs)	0	0.0%	2,767	19.1%
Existing Sub	2,395	37.5%	567	3.9%
Implied GP	128	2.0%	289	2.0%
	-----	-----	-----	-----
Total Units	6,382	100.0%	14,465	100.0%
	=====	=====	=====	=====

Main Model Oct-7 Rev I with new Star & AGE 30 yr Petro  
Projections and tax effect. For discussion purposes only.

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TRANSACTION SUMMARY AND ASSUMPTIONS

(in thousands except per share and per unit data)

30-yr.; \$30mm @ 4.75x mid-year; \$.01 '99, \$.005 '00-'01 flat att.

\$10,000 Star Acqs/yr  
\$30,000 Petro Acqs/yr                    G.P. Interest Subordinate  
\$2.42 /Petro Share

OPERATING ASSUMPTIONS

	PETRO	STAR	STAR NORMAL
	-----	-----	-----
Normalized Maintenance CapEx	\$2,776	\$2,710	\$2,710
Maintenance CapEx Life	15 yrs	15 yrs	
Growth CapEx Life	6.5 yrs	15 yrs	



Marginal Tax Rate	33.0%	33.0%
Deferred Tax Percent		0.0%

Required Cash at Beginning for Initial Distribution		7,956
Minimum Star Stand Alone Cash Balance		\$500
Minimum Star Pro Forma Cash Balance		\$10,142
Consolidation Savings		\$500
Annual Bank Fees	\$692	\$222
Last 20 Days Average Stock Price @ 10/14	\$1.31	\$20.26
Annual Transaction/Deal Expenses		\$450
Debt/EBITDA Bank Covenant Ratio		4.5x
Issue Equity to Meet Bank Debt Covenants (Y/N)?		yes

DEBT RESTRUCTURING

-----

		PROJECTED 12/31/97		
PRIVATES:	% TENDERED	PRINCIPAL	STRATEGY	PRICE
	-----	-----	-----	-----
11.96% Sr Notes	100.0%	60,000	Exchange	105.2%
14.10% Sr Notes	100.0%	3,100	Exchange	105.2%
14.10% Sub Notes	100.0%	3,100	Exchange	105.2%
14.33% Pfd Stock	100.0%	4,167	Neg. Tender	100.0%
PUBLICS:				
10.13% Sub Notes & Sr Notes	100.0%	50,000	Neg. Tender	100.0%
9.38% Sub Notes & Sr Notes	100.0%	75,000	Tender	100.0%
12.25% Sub Notes & Sr Notes	100.0%	81,250	Tender	103.5%
12.88% Pfd Stock	100.0%	30,000	Tender	92.0%

NEW SECURITY ASSUMPTIONS

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New MLP Equity

-----

Gross Proceeds	\$139,363
Common Units for Consent Fee	2,110
Common Units to Enron	--
	-----
Total New Equity Value	\$141,473
Common Units to Public	6,983 units

		New Star Debt	
		-----	
Gross Spread %	5.0%	Gross Proceeds	120,000
Gross Spread \$	\$6,968	Gross Spread %	3.0%
Offering Price/Share (current market price)	\$20.26	Gross Spread \$	\$3,600
		Coupon	9.00%

Main Model Oct-7 Rev 1 with new Star & AGE 30 yr Petro Projections and tax effect

ACQUISITION ASSUMPTIONS

-----

Petro	Multiple	1998	1999	2000	2001	2002
	-----	-----	-----	-----	-----	-----
Amount	4.75x	\$0	\$30,000	\$30,000	\$30,000	\$30,000
Timing		End	Mid	Mid	Mid	Mid
% EBITDA		0.0%	50.0%	50.0%	50.0%	50.0%
Amount	4.75x		\$0			
Timing			Beg			
% EBITDA in Initial Yr.			100.0%			
Units Issued at: Common		\$22.00				
Sr Sub		\$18.52				

Star Stand-Alone

-----

	Multiple	1998	1999	2000	2001	2002
	-----	-----	-----	-----	-----	-----
Weather	30 year					
Amount	6.50x	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000
Timing		End	Mid	Mid	Mid	Mid
% EBITDA in Initial Year		0.0%	50.0%	50.0%	50.0%	50.0%
Amount Financed with Equity		\$600	\$2,948	\$4,127	\$3,521	\$2,853
New Units @:		27	134	188	160	130

Units Issued at Price of:                   \$22.00       \$22.00       \$22.00       \$22.00       \$22.00

Amount                                   6.50x                                   \$0  
 Timing   Beg  
 % EBITDA in Initial Year   100.0%

EXCHANGE ASSUMPTIONS

SHAREHOLDERS OF:	EXISTING SHARES	GETS NEW UNITS OF:				
		COMMON	SR SUB	JNR SUB	G.P.	DPU's (1)
Public Class A Shareholders	14,609	0	1,909	0	0	479
Insider Class B Shares	11	0	0	0		0
Insider Class C Shareholders					0	
Class A & C Shares to Receive						
Jr Sub & GP	5,382	0	0	567	289	215
Class A Shares to Receive						
Sr Sub	6,572	0	859	0	0	215
	-----	---	-----	---	---	---
E Sr. Sub	26,574	0	2,767	567	289	909
			---			---
Total			2,767			909
			=====			===

(1) Includes 2.0% G.P. Interest.

TRANSACTION COSTS SUMMARY

New MLP Equity	\$6,968
New Star Debt	3,600
Fairness Opinion	1,000
Financial Advisory	1,500
Exchange Fees on Public Petro Debt/Preferred	1,375
Legal Fees	2,500
Printing	1,000
Accounting Fees	250
Other:	
Environmental	350
Rating Agencies	100
Roadshow	200
Asset Appraisal	250
Solicitation expenses	100
Other Bank Fees	150
	-----
	\$19,343
	=====

HEATING OIL DPU TRIGGER

DCF/Unit:            % Convert  
 \$2.90                33.3%

CONSENT FEE CALCULATION

% of Petro Stock	3.0%
New Petro Shares	797
Exchange Ratio	7.65x
	-----
New Common Units	104
Common Unit Price	\$20.26
	-----
Implied Value	\$2,110
	=====

		-----				
Summary		30-yr; \$30mm @ 4.75x mid year; \$.01 '99, \$.005 '00-'01, flat std.				
Distributions		\$10,000	Star Acqs/yr			
		\$30,000	Petro Acqs/yr	G.P. Interest Subordinate		
		\$2.42	/ Petro Share			
		-----				
		Projected				
Unitholder Class (1)	1998	1999	2000	2001	2002	
		-----				
Common Unitholders						
MQD		\$24,936	\$25,596	\$27,229	\$29,207	
Incentive Distributions		-	-	-	-	
Total		\$24,936	\$25,596	\$27,229	\$29,207	
E Capital						
Existing Sr. Sub Units		-	-	-	-	
Number of DPUs Issued as Sr Sub Units		-	-	-	-	
New Sr. Sub Units		-	-	-	-	
Total Sr. Sub Units		-	-	-	-	
Existing Common		-	-	-	-	
New Common		-	-	-	-	
Total Common		-	-	-	-	
Common MQD		-	-	-	-	
Common Incentive Distributions		-	-	-	-	
Sr. Sub MQD		-	-	-	-	
Sr. Sub Incentive Distributions		-	-	-	-	
Total Distributions		-	-	-	-	
Senior Subordinated Unitholders (1)						
Number of DPUs Issued on Sr. Sub Units		-	237	237	-	
Base MQD		\$ 6,364	\$ 6,378	\$ 6,392	\$ 6,392	
Incremental MQD from DPUs Issued as Sr. Sub Units		-	545	1,089	1,089	
Incentive Distributions		-	-	-	-	
Incremental Incentive Distributions from DPUs Issued as Sr. Sub Units		-	-	-	-	
Total		\$ 6,364	\$ 6,923	\$ 7,481	\$ 7,481	
Subordinated Unitholders (1)						
Number of DPUs Issued as Sr. Sub Units		-	60	60	-	
Base MQD		\$1,305	\$ 1,305	\$ 1,305	\$ 1,305	
Incremental MQD from DPUs Issued as Sr. Sub Units		-	138	277	277	
Incentive Distributions		-	-	-	-	
Incremental Incentive Distributions from DPUs Issued as Sr. Sub Units		-	-	-	-	
Total		\$1,305	\$ 1,443	\$ 1,582	\$ 1,582	
General Partner						
Number of DPUs Issued on Sr. Sub Units		-	-	-	-	
Base MQD		\$665	\$651	\$638	\$638	
Incremental MQD from DPUs Issued as Sr. Sub Units		-	14	28	28	
Incentive Distributions		-	-	-	-	
Incremental Incentive Distributions from DPUs Issued as Sr. Sub Units		-	-	-	-	
Total		\$665	\$665	\$665	\$665	
Unitholder Class Total						
Common Unitholders		\$24,936	\$25,596	\$27,279	\$29,207	
Senior Subordinated Unitholders		\$ 6,364	\$ 6,923	\$ 7,481	\$ 7,481	
Subordinated Unitholders		1,305	1,443	1,582	1,582	
General Partner		665	665	665	665	
Total		\$33,270	\$34,628	\$36,957	\$38,935	
Distributions to DPUs converted to Senior Subordinated Units						
MQD		\$ 0	\$ 697	\$ 1,394	\$ 1,394	
Incentive Distributions		-	-	-	-	
Total		-	697	1,394	1,394	
check		-	-	-	-	

(1) Reflects distributions for respective Unitholder class. All DPUs are issued as Senior Subordinated Units but are distributed pro rata to all Petro shareholders. Consequently, the Subordinated Unitholder class includes DPUs which have been issued as Senior Subordinated Units.

Main Model Oct-7 Rev I with new Star & AGE 30 yr Petro  
Projections and tax effect. For discussion purposes only.

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TRANSACTION SUMMARY AND ASSUMPTIONS

(in thousands except per share and per unit data)

30-yr; \$30mm @ 4.75x mid-year; \$.01 '99, \$.005 '00-'01, flat att.

RECAPITALIZATION ASSUMPTIONS

PETRO INSTRUMENTS:	LOCKUP	(D)EPEASE (T)ENDER (R)EDEEM (E)XCHANGE	PRINCIPAL AS OF	MATURITY PERIOD		COUPON/ DIVIDEND	SINKING FUND PAYMENT	YEAR START	% RED/ EXCHANGED
				9/30/98	M/D				
11.96% Sr Notes		e	\$ 60,000 v	1-Oct	0	11.960%	\$ 0	0	100.0%
14.10% Sr Notes		e	3,100 v	15-Jan	2001	14.100%	-	1997	100.0%
14.10% Sub Notes		e	3,100 v	15-Jan	2001	14.100%	-	1997	100.0%
10.13% Sub Notes & Sr Notes	0.0%	t	50,000 v	1-Apr	2003	10.130%	-	-	100.0%
9.38% Sub Notes & Sr Notes	0.0%	t	75,000 v	1-Feb	2006	9.375%	-	-	100.0%
12.25% Sub Notes & Sr Notes	0.0%	t	81,250 v	1-Feb	2005	12.250%	-	-	100.0%
8.00% Acq. & Other Notes Pay		n	14,508 v		0	8.000%	-	0	0.0%
8.25% Existing Credit Facility		n	0 v		1998	8.250%	-	-	0.0%
0.00% Other Notes		n	0 v	NA	NA	0.000%	0	NA	0.0%
			\$286,958						
PFRD STOCK:									
14.33% Pfd Stock		t	4,167 v	1-Aug	1999	14.330%	4,167	1997	100.0%
12.88% Pfd Stock	0.0%	t	30,000 v	15-Feb	2009	12.875%	0	-	100.0%
0.00%		n	0			0.000%	-	-	-
			\$ 34,167						
Total Petro			\$321,125						
STAR INSTRUMENTS:									
8.04% 1st Mortgage Notes	0.07	n	85,000 v	NA	NA	8.040%	-	0	0.0%
7.25% WC Revolver	0.00	n	4,785	NA	NA	7.250%	-	NA	0.0%
7.25% Acquisition Facility	0.01	n	9,000 v	NA	NA	7.250%	-	NA	0.0%
9.00% New Debt		n	120,000 v	NA	NA	9.000%	0	NA	0.0%
7.17% Pearl Notes	0.01	n	11,000	NA	NA	7.170%	0	NA	0.0%
			\$218,785						
Total Combined			\$539,910						

PETRO INSTRUMENTS:	RED/EXCHG	DEFEASANCE	RED/EXCHG/DEFEASE		EXCHANGED	SECURITY TYPE
	PRICE	PRICE	VALUE	PREMIUM		
11.96% Sr Notes	105.2%		\$63,126	\$ 0	9.0%	Sr Notes
14.10% Sr Notes	105.2%		3,260	-	11.5%	Sr Notes
14.10% Sub Notes	105.2%		3,260	-	11.5%	Sub Notes
10.13% Sub Notes & Sr Notes	100.0%	106.2%	50,000	-	-	Sub Notes & Sr Notes
9.38% Sub Notes & Sr Notes	100.0%	108.2%	75,000	-	-	Sub Notes & Sr Notes
12.25% Sub Notes & Sr Notes	103.5%	116.2%	84,094	2,844	-	Sub Notes & Sr Notes
8.00% Acq. & Other Notes Pay	100.0%		-	-	-	Acq. & Other Notes Pay
8.25% Existing Credit Facility	100.0%		-	-	-	Existing Credit Facility
0.00% Other Notes	0.0%		-	-	11.0%	Other Notes
				\$ 2,844		
PFRD STOCK:						
14.33% Pfd Stock	100.0%		4,167	-	-	Pfd Stock
12.88% Pfd Stock	92.0%		27,600	-	-	Pfd Stock
0.00%			-	-	-	-
				\$ 0		
Total Petro				\$ 2,844		
STAR INSTRUMENTS:						
8.04% 1st Mortgage Notes	0.0%		-	-	-	1st Mortgage Notes
7.25% WC Revolver	0.0%		-	-	-	WC Revolver
7.25% Acquisition Facility	0.0%		-	-	-	Acquisition Facility
9.00% New Debt	0.0%		-	-	-	New Notes
7.17% Pearl Notes	0.0%		-	-	-	Pearl Notes
				\$ 0		
Total Combined				\$ 2,844		
				2,843.75		

STAR STAND ALONE DISTRIBUTION ASSUMPTIONS

	Distribution
Minimum Quarterly Distribution	\$ 2.20
First Target Distribution	\$ 2.42
Second Target Distribution	\$ 2.84
Third Target Distribution	\$ 3.70
Thereafter	NM
Target Distribution Level	\$ 2.20
Annual Distribution Increase	\$ 0.00
Standard Distributions Structure ("S") or Target ("T")	t

STAR PRO FORMA DISTRIBUTION ASSUMPTIONS

	Distribution					
Minimum Quarterly Distribution	\$ 2.30					
First Target Distribution	\$ 2.42					
Second Target Distribution	\$ 2.84					
Third Target Distribution	\$ 3.70					
Thereafter	NM					
	1998	1999	2000	2001	2002	Thereafter
Annual Indicated Distribution Increase	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Target Indicated Distribution Level	\$ 2.30	\$ 2.30	\$ 2.30	\$ 2.30	\$ 2.30	
Standard Distribution Structure ("S") or Target ("T")	t					

Main Model Oct-7 Rev I with new Star & AGE 30 yr Petro Projections and tax effect. For discussion purposes only.

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Pro Forma Opening Balance Sheet  
(In thousands except per share and per unit data)

Opening Balance Sheet	Star Gas ----- 9/30/98 -----	Petro ----- 9/30/98 -----	Merger Adjustments -----	Pro Forma Star Gas 9/30/98 -----
<b>Assets</b>				
Cash	\$ 500	\$ 9,642	\$ 0	\$ 10,142
Other Current Assets	15,376	71,498	-	86,874
Total Current Assets	15,876	81,140	-	97,016
PP&E and Intangibles, Net	161,292	106,695	-	267,987
Investments in Unconsolidated Affiliates	-	1,582	(1,582)	-
Other Assets	-	12,802	-	12,802
Total Assets	177,168	202,219	(1,582)	377,805
	=====	=====		=====
<b>Liabilities</b>				
Current Liabilities	10,101	80,870	-	90,971
8.25% Existing Credit Facility	4,785	-	-	4,785
Long Term Debt	105,000	286,958	(82,804)	309,154
Total Preferred Stock	-	34,167	(34,167)	-

Other Liabilities	76	10,710	-	10,786
Total Liabilities	119,962	412,705	(116,971)	415,696
Common Shareholder's/Partner's Equity	57,206	(210,486)	115,389	(37,891)
Total Liabilities and Equity Check	\$177,168	\$202,219	(\$ 1,582)	\$377,805
	0	-		

PRO FORMA CAPITAL STRUCTURE	Star Gas	Petro			Star Gas
	9/30/98	9/30/98	% Not Tendered	Merger Adjustments	9/30/98
DEBT:					
8.04% 1st Mortgage Notes	\$ 85,000	\$0		\$ 0	\$85,000
7.25% WC Revolver	4,785	-		-	4,785
7.25% Acquisition Facility	9,000	-		-	9,000
7.17% Pearl Notes	11,000	-		-	11,000
11.96% Sr Notes	-	60,000	100.0%	(60,000)	-
14.10% Sr Notes	-	3,100	100.0%	(3,100)	-
14.10% Sub Notes	-	3,100	100.0%	(3,100)	-
10.13% Sub Notes & Sr Notes	-	50,000	100.0%	(50,000)	-
9.38% Sub Notes & Sr Notes	-	75,000	100.0%	(75,000)	-
12.25% Sub Notes & Sr Notes	-	81,250	100.0%	(81,250)	-
0.00% Other Notes	-	0		-	-
8.00% Acq. & Other Notes Pay	-	14,508		-	14,508
8.25% Existing Credit Facility	-	0		-	-
9.00% Exchange Debt	-	-		63,126	65,126
11.50% Exchanged Debt	-	-		6,520	6,520
9.00% New Debt	-	-		120,000	120,000
Total L.T. Debt	109,785	286,958		(82,804)	313,939
Preferred Stock					
14.33% Pfd. Stock	-	4,167	-	(4,167)	-
12.88% Pfd. Stock	-	30,000		(30,000)	-
Total Preferred	-	34,167		(34,167)	-
Common Equity	57,206	(210,486)		115,389	(37,891)
Total Capital	\$166,991	\$ 110,639			\$276,048

Main Model Oct-7 Rev I with new Star & AGE 30 yr Petro Projections and tax effect. For discussion purposes only.

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STAR GAS STAND ALONE INCOME STATEMENT  
(In thousands except per share and per unit data)

	Estimated	Normalized	Projected			
	1998	1998	1999	2000	2001	2002
EBITDA	\$18,781	\$22,133	\$24,491	\$26,029	\$27,566	\$29,104
Depreciation and Amortization	11,927	11,649	12,358	13,346	14,224	14,938
EBIT	6,854	10,486	12,133	12,683	13,342	14,166
Interest Expense	(7,922)	(7,662)	(8,811)	(9,377)	(9,878)	(10,380)
Interest Income	-	-	-	-	-	-
Other Income	-	-	-	-	-	-
Income Before Taxes	(1,068)	2,824	3,322	3,306	3,464	3,786
Current Income Taxes	(25)	(25)	(25)	(25)	(25)	(25)
Deferred Income Taxes	-	-	-	-	-	-
Net income Available to Common	(\$1,093)	\$ 2,799	\$ 3,297	\$ 3,281	\$ 3,439	\$ 3,761

STAR GAS STAND ALONE UNITS OUTSTANDING

Common Units						
Beginning Balance	3,832	3,832	3,858	3,990	4,174	4,330
Issuance	27	27	131	184	157	127
Buyback	0	0	0	0	0	0
Ending Balance	3,858	3,858	3,990	4,174	4,330	4,458

Average Common Units Outstanding	3,858	3,858	3,924	4,082	4,252	4,394
Subordinated Units						
Beginning Balance	2,396	2,396	2,396	2,396	2,396	2,396
Issuance	0	0	0	0	0	0
Buyback	0	0	0	0	0	0
Ending Balance	2,396	2,396	2,396	2,396	2,396	2,396
Average Subordinated Units Outstanding	2,396	2,396	2,396	2,396	2,396	2,396
GP Implied Units						
Beginning Balance	127	127	128	130	134	137
Issuance	1	1	3	4	3	3
Buyback	0	0	0	0	0	0
Ending Balance	128	128	130	134	137	140
Average Implied GP Units Outstanding	128	128	129	132	136	139
Total Units	6,382	6,382	6,516	6,704	6,864	6,993
Average Units Outstanding	6,382	6,382	6,449	6,610	6,784	6,929

Main Model Oct-7 Rev I with new Star & AGE 30 yr Petro Projections and tax effect. For discussion purposes only.

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(In thousands except per share and per unit data)

Star Gas Stand Alone Balance Sheet	Estimated	Projected			
	1998	1999	2000	2001	2002
Assets:					
Cash	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500
Other Current Assets	15,376	18,447	19,274	20,101	20,928
Total Current Assets	15,876	18,947	19,774	20,601	21,428
PP&E and Intangibles, Net	161,292	162,016	161,799	160,753	159,042
Other Assets	-	-	-	-	-
Total Assets	177,168	180,963	181,573	181,354	180,470
Liabilities:					
Current Liabilities - Excluding Working Capital Borrowing	10,101	13,172	13,999	14,826	15,653
Total Debt	109,785	118,453	125,370	132,288	139,207
Other Liabilities	76	76	76	76	76
Total Liabilities	119,962	131,701	139,445	147,190	154,936
Partner's Equity	57,206	49,262	42,128	34,164	25,534
Total Liabilities and Equity	\$177,168	\$180,963	\$181,573	\$181,354	\$180,470
Check	0	0	0	0	0
Star Gas Stand Alone Cash Flow Statement					
Net Income		\$ 3,297	\$ 3,281	\$ 3,439	\$ 3,761
Depreciation and Amortization		12,358	13,346	14,224	14,938
Deferred Taxes		-	-	-	-
Other Income		-	-	-	-
Other Assets/Liabilities		-	-	-	-
Change in Working Capital		0	-	(0)	0
Cash from Operations		15,655	16,627	17,663	18,699
Maintenance CapEx		(2,632)	(2,679)	(2,728)	(2,777)
Internal Growth CapEx		-	-	-	-
External Growth CapEx		(10,000)	(10,000)	(10,000)	(10,000)
Cash from Investments		(12,632)	(12,679)	(12,728)	(12,777)
Acquisition Borrowing		7,052	5,873	6,479	7,147
Remaining Distributions to Repay Debt		(0)	(0)	(11)	(678)
Amortization of Mortgage Notes		-	-	-	-
Borrowing to Repay Existing Debt		-	-	-	-
Borrowing for Changes in WC		(0)	-	0	(0)
Borrowing to Pay Full MQD		1,166	594	-	-
Change in Equity		2,949	4,127	3,521	2,853
Transaction/Deal Expenses		(450)	(450)	(450)	(450)
Distributions		(14,188)	(14,542)	(14,924)	(15,243)
Cash from Financing		(3,473)	(4,398)	(5,385)	(6,372)

Net Cash Flow	(450)	(450)	(450)	(450)
Initial Cash Balance	500	500	500	500
Cash Available for Paydown on WC Revolver and Acq. Facility	50	50	50	50
Minimum Cash Balance	500	500	500	500
Borrowing/(Paydown) on WC Revolver and Acq. Facility	450	450	450	450
Net Change in Cash	-	-	-	-
Ending Cash Balance	\$ 500	\$ 500	\$ 500	\$ 500

Main Model Oct-7 Rev I with new Star & AGE 30 yr Petro  
Projections and tax effect. For discussion purposes only.

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(In thousands except per share and per unit data)

	Estimated 1998	Normalized 1998	Projected				
			1999	2000	2001	2002	
STAR GAS STAND ALONE EBITDA CALCULATION (See Tab 3: Cases)							
EBITDA Growth Rate			Year 1 17.9%	Year 2 10.6%	Year 3 6.3%	Year 4 5.9%	Year 5 5.6%
Base EBITDA: Timing							
	End	1998					
	Mid	1999					
	Mid	2000					
	Mid	2001					
	Mid	2002					
	Mid	2003					
	Mid	2004					
	Mid	2005					
Total EBITDA	\$18,781	\$22,135	\$24,491	\$26,029	\$27,566	\$29,104	
Pro Forma Full-Year EBITDA for Debt Covenant Analysis	18,781	22,135	25,260	26,798	28,335	29,873	
STAR GAS STAND ALONE DEPRECIATION CALCULATION							
Existing Depreciation	\$11,927	\$11,649	\$11,649	\$11,649	\$11,649	\$11,649	
Maintenance CapEx:	1998 Normal	2,710					
	1998	2,710	\$ 0	\$ 0	\$ 181	\$ 181	
	Annual Growth 1.8%	1999	2,632	88	175	175	
		2000	2,679	89	179	179	
		2001	2,728		91	182	
		2002	2,777			93	
Internal Growth CapEx	1998	0	-	-	-	-	
	Annual Growth: 0.0%	1999	0	-	-	-	
		2000	0	-	0	0	
		2001	0		-	0	
		2002	0			-	
		2003	0				
		2004	0				
		2005	0				
External Growth CapEx:	1998	10,000	-	-	667	667	
	Annual Growth: 0.00/6	1999	10,000	333	667	667	
		2000	10,000		333	667	
		2001	10,000			667	
		2002	10,000			333	
		2003	10,000				
		2004	10,000				
		2005	10,000				
Total Depreciation:	\$11,927	\$11,649	\$12,358	\$13,346	\$14,224	\$14,938	

Main Model Oct-7 Rev I with new Star & AGE 30 yr Petro  
Projections and tax effect. For discussion purposes only.

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(In thousands except per share and per unit share)

	Estimated	Normalized	Projected				
			1998	1998	1999	2000	2001
<b>8.04% 1st Mortgage Notes</b>							
Beginning Balance	\$ 85,000	\$85,000	\$ 85,000	\$ 85,000	\$85,000	\$ 85,000	
Borrowing	0	0	0	0	0	0	
Amortization	0	0	0	0	0	0	
Ending Balance	85,000	85,000	85,000	85,000	85,000	85,000	
Interest Payment	8.04%	6,834	6,834	6,834	6,834	6,834	
Make-Whole Payment		0	0	0	0	0	
<b>7.17% Pearl Notes</b>							
Beginning Balance	\$ 0	\$ 0	\$ 11,000	\$11,000	\$11,000	\$11,000	
Borrowing	11,000	11,000	0	0	0	0	
Amortization	0	0	0	0	0	0	
Ending Balance	11,000	11,000	11,000	11,000	11,000	11,000	
Interest Payment	7.17%	613	613	789	789	789	
% of year Pearl Notes Outstanding		77.7%	77.7%	0	0	0	
<b>7.25% WC Revolver</b>							
Beginning Balance	-	-	\$ 4,785	\$ 4,785	\$ 4,785	\$ 4,785	
Borrowing for Change in WC	-	-	(0)	0	0	(0)	
Borrowing/(Payment)	4,785	4,785	0	0	0	0	
Ending Balance	4,785	4,785	4,785	4,785	4,785	4,795	
Effective Avg WC Balance	3,490	(97)	0	14	0	14	
Interest Payment	7.25%	253	(7)	0	1	1	
<b>7.25% Acquisition Facility</b>							
Beginning Balance	-	-	\$ 9,000	\$ 17,668	\$24,585	\$ 31,503	
External Acquisitions	9,400	9,400	7,052	5,873	6,479	7,147	
External Acquisitions at Beginning of 1999	-	-	-	-	-	-	
Internal Acquisitions	(400)	(400)	-	-	-	-	
Borrowing to Pay Full MQD	-	-	1,166	594	-	-	
Borrowings to Repay Existing Debt	-	-	-	-	-	-	
Borrowings/(Payment) Remaining Distributions to Repay Debt	-	-	450	450	450	450	
Ending Balance	9,000	9,000	17,668	24,585	31,503	38,422	
Interest Payment	7.25%	0	967	1,532	2,033	2,535	
<b>Total Debt</b>							
Beginning Balance	\$ 85,000	\$85,000	\$109,785	\$118,453	\$125,370	\$132,288	
Amortization of Mortgage Notes	-	-	-	-	-	-	
Borrowing for Pearl Notes	11,000	11,000	-	-	-	-	
Borrowing for Changes in WC	-	-	(0)	-	0	(0)	
Borrowing to Pay Full MQD	-	-	1,166	594	-	-	
Acquisition Borrowing	9,000	9,000	7,052	5,873	6,479	7,147	
Borrowing to Repay Existing Debt	-	-	-	-	-	-	
Remaining Distributions to Repay Debt	-	-	(0)	(0)	(11)	(678)	
Borrowing/(Payment) on WC Revolver and Acq. Facility	4,785	4,785	450	450	450	450	
Ending Balance	\$109,785	\$109,785	\$118,453	\$125,370	\$132,288	\$139,207	
<b>Interest Expense</b>							
Interest Expense	\$ 7,700	\$ 7,440	\$ 8,589	\$ 9,155	\$ 9,656	\$ 10,158	
Bank Fee	222	222	222	222	222	222	
Total Interest Payment	\$ 7,922	\$ 7,662	\$ 8,811	\$ 9,377	\$ 9,878	\$ 10,380	

Main Model Oct-7 Rev I with new Star & AGE 30 yr Petro Projections and tax effect. For discussion purposes only.

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Star Gas Stand Alone Schedule of Actual Distributions  
(In thousands except per share and per unit data)

ASSUMES REVISED TARGET DISTRIBUTION STRUCTURE	Estimated	Normalized	Projected				
			1998	1998	1999	2000	2001
Distributable Cash							
Cash from Operations	\$10,834	\$14,448	\$15,655	\$16,627	\$17,663	\$18,699	

Maintenance CapEx	(2,710)	(2,710)	(2,632)	(2,679)	(2,728)	(2,777)
Other	0	0	0	0	0	0
Total MLP Distributable Cash Flow	8,124	11,738	13,023	13,948	14,935	15,922
Distributable Cash Flow / Unit	\$ 1.27	\$ 1.84	\$ 2.02	\$ 2.11	\$ 2.20	\$ 2.30
Average Units for Calculating Annual						
-----						
Distributions			2	2	2	2
-----						
Common Units	3,858	3,858	3,924	4,082	4,252	4,394
Subordinated Units	2,396	2,396	2,396	2,396	2,396	2,396
General Partner Interest Unit Equivalent	128	128	129	132	136	139
-----						
Total Units Outstanding	6,382	6,382	6,449	6,610	6,784	6,929
Distribution Levels						
-----						
MQD	\$ 2.20	\$ 2.20	\$ 2.20	\$ 2.20	\$ 2.20	\$ 2.20
First Target	\$ 2.42	\$ 2.42	\$ 2.42	\$ 2.42	\$ 2.42	\$ 2.42
Second Target	\$ 2.84	\$ 2.84	\$ 2.84	\$ 2.84	\$ 2.84	\$ 2.84
Third Target	\$ 3.70	\$ 3.70	\$ 3.70	\$ 3.70	\$ 3.70	\$ 3.70
Indicated Cash Distribution	\$ 2.20	\$ 2.20	\$ 2.20	\$ 2.20	\$ 2.20	\$ 2.20
Distribution of MQD						
-----						
Cash Available	8,124	11,738	13,023	13,948	14,935	15,922
Cash Borrowed to Pay Full MQD,	5,917	2,303	1,166	594	0	0
Allocation to:						
Common Units	8,489	8,489	8,633	8,980	9,354	9,667
Subordinated Units	5,271	5,271	5,271	5,271	5,271	5,271
General Partner Interest	281	281	284	291	298	305
First Target Distribution						
-----						
Cash Available	0	0	0	0	11	678
Cash Required for Target Distribution	0	0	0	0	1,492	1,524
Cash Required for Indicated Distribution	0	0	0	0	0	0
Actual Cash Distributed	0	0	0	0	0	0
Allocation to:						
Common units	0	0	0	0	0	0
Subordinated Units	0	0	0	0	0	0
General Partner Interest	0	0	0	0	0	0
Second Target Distribution						
-----						
Cash Available	0	0	0	0	0	0
Cash Required for Target Distribution	0	0	0	0	0	0
Cash Required for Indicated Distribution	0	0	0	0	0	0
Actual Cash Distributed	0	0	0	0	0	0
Allocation to:						
Common Units	0	0	0	0	0	0
Subordinated Units	0	0	0	0	0	0
General Partner Interest	0	0	0	0	0	0
Incentive Distribution	0	0	0	0	0	0
Third Target Distribution						
-----						
Cash Available	0	0	0	0	0	0
Cash Required for Target Distribution	0	0	0	0	0	0
Cash Required for Indicated Distribution	0	0	0	0	0	0
Actual Cash Distributed	0	0	0	0	0	0
Allocation to:						
Common Units	0	0	0	0	0	0
Subordinated Units	0	0	0	0	0	0
General Partner Interest	0	0	0	0	0	0
Incentive Distribution	0	0	0	0	0	0

Main Model Oct-7 Rev I with new Star & AGE 30 yr Petro Projections and tax effect. For discussion purposes only.

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Star Gas Stand Alone Schedule of Actual Distributions (cont'd)

(In thousands except per share and per unit data)

Estimated	Normalized	Projected			
		1999	2000	2001	2002
-----	-----	-----	-----	-----	-----
1998	1998	1999	2000	2001	2002
-----	-----	-----	-----	-----	-----
Remaining Distributions					
-----					

Cash Available	0	0	0	0	0	0
Allocation to:						
Common Units	0		0	0	0	0
Subordinated Units	0	0	0	0	0	0
General Partner Interest	0	0	0	0	0	0
Incentive Distribution	0	0	0	0	0	0
Repay Indebtedness	(0)	(0)	0	0	11	678

Total Distributions

Common Units	8,489	8,489	8,633	8,980	9,354	9,667
Subordinated Units	5,271	5,271	5,271	5,271	5,271	5,271
General Partner Interest	281	281	284	291	298	305
Incentive Distribution	0	0	0	0	0	0
Total Distributions	<u>\$14,041</u>	<u>\$14,041</u>	<u>\$14,188</u>	<u>\$14,542</u>	<u>\$14,924</u>	<u>\$15,243</u>

Total Distributions Per Unit

Common Unit	\$ 2.20	\$ 2.20	\$ 2.20	\$ 2.20	\$ 2.20	\$ 2.20
Subordinated Unit	2.20	2.20	2.20	2.20	2.20	2.20
GP Unit	2.20	2.20	2.20	2.20	2.20	2.20

Main Model Oct-7 Rev I with new Star & AGE 30 yr Petro  
Projections and tax effect. For discussion purposes only.

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(In thousands except per share and per unit data)

Petro EBITDA Calculation		Estimated	Normalized	Projected			
		1998	1998	1999	2000	2001	2002
-----							
			Year 1	Year 2	Year 3	Year 4	Year 5
-----							
EBITDA Growth Rate							
-----							
Base EBITDA:	Timing						
Acquisitions:	End 1998	\$ 0					
	Mid 1999	30,000					
	Mid 2000	30,000					
	Mid 2001	30,000					
	Mid 2002	30,000					
	Mid 2003	30,000					
	Mid 2004	30,000					
	Mid 2005	30,000					
Total EBITDA.		<u>\$37,630</u>	<u>\$46,900</u>	<u>\$48,706</u>	<u>\$51,196</u>	<u>\$53,390</u>	<u>\$55,385</u>
-----							
Pro Forma Full-Year EBITDA for Debt Covenant Analysis		37,630	46,900	51,864	54,354	56,548	58,543
-----							
Petro Depreciation Calculation							
Existing Depreciation		\$28,710	\$28,710	\$28,710	\$28,710	\$28,710	\$28,710
Maintenance CapEx:	1998	\$ 2,776	-	185	185	185	185
Annual Growth: 2.0%	1999	3,000		100	200	200	200
	2000	3,060			102	204	204
	2001	3,121				104	208
	2002	3,184					106
	2003	3,247					
	2004	3,312					
	2005	3,378					
Internal Growth CapEx:	1998	\$ 0	-	-	-	-	-
Annual Growth: 0.0%	1999	0		-	-	-	-
	2000	0			-	-	-
	2001	0				-	-
	2002	0					-
	2003	0					
	2004	0					
	2005	0					
External Growth CapEx:	1998	\$ 0	-	0	0	0	0
Annual Growth: 0.0%	1999	30,000		2,308	4,615	4,615	4,615
	2000	30,000			2,308	4,615	4,615
	2001	30,000				2,308	4,615
	2002	30,000					2,308
	2003	30,000					
	2004	30,000					
	2005	30,000					
Total Depreciation:		<u>28,710</u>	<u>28,710</u>	<u>31,303</u>	<u>36,120</u>	<u>40,942</u>	<u>45,767</u>
-----							

Main Model Oct-7 Rev I with new Star & AGE 30 yr Petro  
Projections and tax effect. For discussion purposes only.

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(in thousands except per share and per unit data)

STAR PRO FORMA INCOME STATEMENT	ESTIMATED		PROJECTED			
	1998	NORMALIZED 1998	1999	2000	2001	2002
Combined EBITDA	\$ 56,411	\$ 69,035	\$ 73,197	\$ 77,225	\$ 80,956	\$ 84,489
Consolidated Savings	500	500	500	500	500	500
Pro Forma EBITDA	56,911	69,535	73,697	77,725	81,456	84,989
Depreciation and Amortization	40,637	40,359	43,661	49,466	55,166	60,705
EBIT	16,274	29,176	30,036	28,259	26,290	24,284
Interest Expense	(28,307)	(28,253)	(29,468)	(31,549)	(33,017)	(34,202)
Interest Income	-	-	-	-	-	-
Other Income	-	-	-	-	-	-
EBT	(12,033)	923	569	(3,290)	(6,726)	(9,919)
Current Income Taxes	(1,025)	(1,025)	(1,025)	(1,025)	(1,025)	(1,025)
Deferred Income Taxes	-	-	-	-	-	-
Net Income Available to Common	\$ (13,058)	\$ (102)	\$ (456)	\$ (4,315)	\$ (7,751)	\$ (10,944)
Pro Forma Full-Year EBITDA for Debt Covenant Analysis	56,911	69,535	77,624	81,652	85,383	88,916
STAR PRO FORMA UNITS OUTSTANDING						
Common Units						
Beginning Balance		10,842	10,842	10,842	11,416	12,261
Issuance		-	-	-	-	-
Issued to Meet Debt Covenant Ratio		-	-	574	846	874
Issued to E		-	-	-	-	-
Buyback		-	-	-	-	-
Ending Balance	10,842	10,842	10,842	11,416	12,261	13,136
Average Common Units Outstanding	10,842	10,842	10,842	11,129	11,839	12,699
Deferred Participation Units						
Beginning Balance	-	-	909	909	606	303
DPUs Issued at Beginning of Year	-	-	-	(303)	(303)	-
Ending Balance	-	-	909	606	303	303
SR Subordinated Units						
Beginning Balance - Sr Sub Units		2,767	2,767	2,767	3,070	3,373
DPUs Issued		-	-	303	303	-
Sr. Sub Issuance		-	-	-	-	-
Sr. Sub to E		-	-	-	-	-
Sr. Sub Converted to G.P. Interest		-	-	-	-	-
Ending Balance	2,767	2,767	2,767	3,070	3,373	3,373
Average Sr Subordinated Units Outstanding	2,767	2,767	2,767	3,070	3,373	3,373
Subordinated Units						
Beginning Balance		567	567	567	567	567
Issuance		-	-	-	-	-
Buyback		-	-	-	-	-
Ending Balance	567	567	567	567	567	567
Average Subordinated Units Outstanding	567	567	567	567	567	567
GP Implied Units						
Beginning Balance		289	289	289	289	289
Issued in conjunction with DPUs		-	-	-	-	-
Issued to Meet Debt Covenant Ratio		-	-	-	-	-
Issued in conjunction with E Equity		-	-	-	-	-
Buyback		-	-	-	-	-
Ending Balance	289	289	289	289	289	289
Average Implied GP Units Outstanding	289	289	289	289	289	289
Total Units Outstanding	14,465	14,465	14,465	15,343	16,491	17,366
Average Total Units Outstanding	14,465	14,465	14,465	15,055	16,068	16,928
Pro Forma Heating Oil Units Used for DPU Issue Calculation			8,016	8,446	9,285	10,000

(In thousands except per share and per unit data)

STAR PRO FORMA BALANCE SHEET	Estimated	Projected			
		1998	1999	2000	2001
<b>ASSETS</b>					
Cash	\$ 10,142	\$ 10,142	\$ 10,142	\$ 10,142	\$ 10,142
Other Current Assets	86,874	92,319	97,589	102,470	107,092
Total Current Assets	97,016	102,461	107,731	112,612	117,354
PP&E and Intangibles, Net	267,987	269,958	266,231	256,915	242,170
Other Assets	12,802	12,802	12,802	12,802	12,802
Total Assets	377,805	385,221	386,764	382,329	372,206
<b>LIABILITIES</b>					
Current Liabilities	90,978	96,416	101,686	106,567	111,189
8.25% Existing Credit Facility	4,785	4,785	4,785	4,785	4,785
Total LT Debt	309,154	344,852	367,434	384,224	400,122
Other Liabilities	10,786	10,786	10,786	10,786	10,786
Total Liabilities	415,696	456,839	484,691	506,361	\$ 526,882
<b>PREFERRED STOCK</b>					
Common Shareholder's Equity	(37,891)	(71,618)	(97,927)	(124,033)	(154,676)
Total Liabilities and Equity	\$ 377,805	\$ 385,221	\$ 386,764	\$ 382,329	\$ 372,206
Check	-	-	0	(0)	(0)
<b>STAR PRO FORMA CASH FLOW STATEMENT</b>					
Net Income		(\$456)	(\$4,315)	(\$7,751)	(10,944)
Depreciation and Amortization		43,661	49,466	55,366	60,705
Deferred Taxes		-	-	-	-
Other Assets/Liab		-	-	-	-
Change in Non-Cash Working Capital		-	-	-	-
Cash from Operations		43,204	45,151	47,414	49,762
Maintenance CapEx		(5,632)	(5,739)	(5,849)	(5,961)
Internal Growth CapEx		-	-	-	-
External Growth CapEx		(40,000)	(40,000)	(40,000)	(40,000)
Cash from Investments		(45,632)	(45,739)	(45,849)	(45,961)
Acquisition Borrowing		40,000	40,000	40,000	40,000
Remaining Distributions to Repay Debt		(4,302)	(4,785)	(4,608)	(4,866)
Amortization of Existing Debt		(6,127)	(8,141)	(60)	(60)
Borrowing to Repay Existing Debt		6,127	8,141	60	60
Borrowing for Changes in WC		-	-	-	-
Change in Common Equity & GP Interest		-	12,634	18,603	19,236
Repayment of Preferred Stock		-	-	-	-
Distributions		(33,270)	(34,628)	(36,957)	(38,935)
Cash from Financing		2,428	13,221	17,038	15,435
Net Cash Flow		0	12,634	18,603	19,236
Initial Cash Balance		10,142	10,142	10,142	10,142
Cash Available for Paydown on WC Revolver and Acq. Facility		10,142	22,776	28,745	29,378
Minimum Cash Balance		10,142	10,142	10,142	10,142
Borrowing (Paydown) on WC Revolver and Acq. Facility		0	(12,634)	(18,603)	(19,236)
Ending Cash Balance		10,142	10,142	10,142	10,142
Net Change in Cash		\$ 0	\$ 0	\$ 0	\$ 0

Main Model Oct-7 Rev I with new Star & AGE 30 yr Petro Projections and tax effect. For discussion purposes only.

(In thousands except per share and per unit data)

Star Pro Forma Debt Schedule	Estimated	Normalized	Projected			
			1998	1999	2000	2001
8.04% 1 st Mortgage Notes						
Beginning Balance	\$85,000	\$85,000	85,000	\$85,000	\$85,000	\$85,000

Borrowing		-	-	-	-	-	-
Amortization		-	-	-	-	-	-
Ending Balance		85,000	85,000	85,000	85,000	85,000	85,000
Interest Payment	8.04%	6,834	6,834	6,834	6,834	6,834	6,834
7.17% Pearl Notes							
Beginning Balance		11,000	11,000	11,000	11,000	11,000	11,000
Borrowing		-	-	-	-	-	-
Amortization		-	-	-	-	-	-
Ending Balance		11,000	11,000	11,000	11,000	11,000	11,000
Interest Payment	7.17%	613	613	789	789	789	789
% of year Pearl Notes Outstanding		77.7%	77.7%				
10.13% Sub Notes & Sr Notes							
Beginning Balance		50,000	50,000	-	-	-	-
Borrowing		-	-	-	-	-	-
Amortization		(50,000)	(50,000)	-	-	-	-
Ending Balance		-	-	-	-	-	-
Interest Payment	10.13%	-	-	-	-	-	-
9.38% Sub Notes & Sr Notes							
Beginning Balance		75,000	75,000	-	-	-	-
Borrowing		-	-	-	-	-	-
Amortization		(75,000)	(75,000)	-	-	-	-
Ending Balance		-	-	-	-	-	-
Interest Payment	9.38%	-	-	-	-	-	-
12.25% Sub Notes & Sr Notes							
Beginning Balance		81,250	81,250	-	-	-	-
Borrowing		-	-	-	-	-	-
Amortization		(81,250)	(81,250)	-	-	-	-
Ending Balance		-	-	-	-	-	-
Interest Payment	12.25%	-	-	-	-	-	-
9.00% New Debt							
Beginning Balance		-	-	120,000	126,127	134,268	134,328
Borrowing		120,000	120,000	6,127	8,141	60	60
Amortization		-	-	-	-	-	-
Ending Balance		120,000	120,000	126,127	134,268	134,328	134,388
Interest Payment	9.00%	10,800	10,800	11,076	11,718	12,087	12,092
Exchange of 11.96% Senior Notes							
Beginning Balance		-	-	63,126	63,126	63,126	63,126
Borrowing		63,126	63,126	-	-	-	-
Amortization		-	-	-	-	-	-
Ending Balance		63,126	63,126	63,126	63,126	63,126	63,126
Interest Payment	9.00%	5,681	5,681	5,681	5,681	5,681	5,681
8.00% Acq. & Other Notes Pay							
Beginning Balance		16,507	16,507	14,508	8,381	240	180
Borrowing		-	-	-	-	-	-
Amortization		(1,999)	(1,999)	(6,127)	(8,141)	(60)	(60)
Ending Balance		14,508	14,508	8,381	240	180	120
Interest Payment	8.00%	1,241	1,241	916	345	17	12

Main Model Oct-7 Rev I with new Star & AGE 30 yr Petro Projections and tax effect. For discussion purposes only.

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(In thousands except per share and per unit data)

Star Pro Forma Debt Schedule (cont'd)	Estimated	Normalized	Projected			
	1998	1998	1999	2000	2001	2002
Exchange of 14.10% Senior Notes						
Beginning Balance	-	-	6,520	6,520	6,520	6,520
Borrowing	6,520	6,520	-	-	-	-
Amortization	-	-	-	-	-	-
Ending Balance	6,520	6,520	6,520	6,520	6,520	6,520
Interest Payment	11.50%	750	750	750	750	750
7.25% WC Revolver						
Beginning Balance	-	-	4,785	4,785	4,785	4,785
Borrowing for Change in WC	-	-	-	-	-	-
Borrowing to Pay Full MQD	-	-	-	-	-	-

Borrowing (Payment)		4,785	4,785	-	-	-	-
Ending Balance		4,785	4,785	4,785	4,785	4,785	4,785
Effective Avg WC Balance		23,600	23,600	10,814	9,393	9,393	9,393
Interest Payment	7.25%	1,711	1,711	784	681	681	681
7.25% Acquisition Facility							
Beginning Balance		-	-	9,000	44,698	67,280	84,069
External Acquisitions		9,400	9,400	40,000	40,000	40,000	40,000
External Acquisitions at Beginning of 1999		-	-	-	-	-	-
Internal Growth CapEx		(400)	(400)	-	-	-	-
Payment		-	-	(0)	(12,634)	(18,603)	(19,236)
Remaining Distributions to Repay Debt		-	(1,501)	(4,302)	(4,785)	(4,608)	(4,866)
Ending Balance		9,000	7,499	44,698	67,280	84,069	99,968
Interest Payment	7.25%	(\$15)	(\$69)	\$ 1,947	\$ 4,059	\$ 5,486	\$ 6,671
Total Pro Forma Debt							
Beginning Balance		\$ 318,757	\$ 318,757	\$313,939	\$349,637	\$372,219	\$389,009
Amortization of Existing Debt		(208,249)	(208,249)	(6,127)	(8,141)	(60)	(60)
Exchange of Notes		69,646	69,646	-	-	-	-
Borrowing for Changes in WC		-	-	-	-	-	-
Acquisition Borrowing		9,000	9,000	40,000	40,000	40,000	40,000
Borrowing to Pay Full MQD		-	-	-	-	-	-
Borrowing to Repay Existing Debt		120,000	120,000	6,127	8,141	60	60
Remaining Distributions to Repay Debt		-	(1,501)	(4,302)	(4,785)	(4,608)	(4,866)
Borrowing (Payments) on WC Revolver and Acq. Facility		4,785	4,785	(0)	(12,634)	(18,603)	(19,236)
Ending Balance		313,939	312,439	349,637	372,219	389,009	404,907
Preferred Stock							
Beginning Balance		34,167	34,167	-	-	-	-
Repayments		(34,167)	(34,167)	-	-	-	-
Ending Balance		-	-	-	-	-	-
Dividend Payment	14.33%	-	-	-	-	-	-
Interest Expense/Dividends		27,615	27,561	28,776	30,857	32,325	33,510
Chase Fees		692	692	692	692	692	692
Total Interest Payment/Dividends		\$ 28,307	\$ 28,253	\$ 29,468	\$ 31,549	\$ 33,017	\$ 34,202

Main Model Oct-7 Rev I with new Star & AGE 30 yr Petro Projections and tax effect. For discussion purposes only.

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#### STAR PRO FORMA DISTRIBUTION SCHEDULE OF ACTUAL DISTRIBUTIONS

(In thousands except per share and per unit data)

	Estimated	Normalized	Projected			
	1998	1998	1999	2000	2001	2002
Distributable Cash						
Cash from Operations (excl chg in WC)	27,579	40,257	\$ 43,204	\$ 45,151	\$ 47,414	\$49,762
Maintenance CapEx	(5,486)	(5,486)	(5,632)	(5,739)	(5,849)	(5,961)
Other	-	-	-	-	-	-
Total MLP Distributable Cash Flow	22,093	34,771	37,572	39,412	41,565	43,801
Distributable Cash Flow Unit	\$ 1.53	\$ 2.40	\$ 2.60	\$ 2.62	\$ 2.59	\$ 2.59
Distributable Cash Flow / Unit Pro Forma for DPU Conversion						
Average Units for Calculating Annual Distribution						
Common Units	10,842	10,842	10,842	11,129	11,839	12,699
SR Subordinated Units	2,767	2,767	2,767	3,070	3,373	3,373
Subordinated Units	567	567	567	567	567	567
General Partner Interest Unit Equivalent	289	289	289	289	289	289
Total Units Outstanding	14,465	14,465	14,465	15,055	16,068	16,928
Distribution Levels	\$ 2.30	\$ 2.30	\$ 2.30	\$ 2.30	\$ 2.30	\$ 2.30
MQD	\$ 2.30	\$ 2.30	\$ 2.30	\$ 2.30	\$ 2.30	\$ 2.30
First Target	\$ 2.42	\$ 2.42	\$2.42	\$ 2.42	\$ 2.42	2.42
Second Target	\$ 2.84	\$ 2.84	\$2.84	\$ 2,84	\$ 2.84	2.84
Third Target	\$ 3.70	\$ 3.70	\$ 170	\$ 3.70	\$ 3.70	\$ 3.70
Indicated Cash Distribution	\$ 2.30	\$ 2.30	\$2.30	\$ 2.30	\$ 2.30	\$ 2.30
Distribution of MQD						
Cash Available	22,093	34,771	37,572	39,412	41,565	43,801

Allocation to:						
Common Units	22,093	24,936	24,936	25,596	27,229	29,207
SR Subordinated Units	0	6,364	6,364	7,061	7,758	7,758
Subordinated Units	0	1,305	1,305	1,305	1,305	1,305
General Partner Interest	0	665	665	665	665	665
First Target Distribution						
-----						
Cash Available	0	1,501	4,302	4,785	4,608	4,866
Cash Required for Target Distribution	0	1,736	1,736	1,808	1,932	2,037
Cash Required for Indicated Distribution						
Distribution	0	0	0	0	0	0
Actual Cash Distributed	0	0	0	0	0	0
Allocation to:						
Common Units	0	0	0	0	0	0
SR Subordinated Units	0	0	0	0	0	0
Subordinated Units	0	0	0	0	0	0
General Partner Interest	0	0	0	0	0	0
Total Distributions to:						
Common Units	0	0	0	0	0	0
Sr. Subordinated Units	0	0	0	0	0	0
Subordinated Units	0	0	0	0	0	0
General Partner Interest	0	0	0	0	0	0

Main Model Oct-7 Rev I with new Star & AGE 30 yr Petro  
Projections and tax effect. For discussion purposes only.

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STAR GAS PRO FORMA SCHEDULE OF ACTUAL DISTRIBUTIONS (CONT'D)

(In thousands except per share and per unit data)

	Estimated	Normalized	Projected			
	1998	1998	1999	2000	2001	2002
-----						
Second Target Distribution						
-----						
Cash Available	0	0	0	0	0	0
Cash Required for Target Distribution	0	0	0	0	0	0
Cash Required for Indicated Distribution	0	0	0	0	0	0
Actual Cash Distributed	0	0	0	0	0	0
Allocation to:						
Common Units	0	0	0	0	0	0
SR Subordinated Units	0	0	0	0	0	0
Subordinated Units	0	0	0	0	0	0
General Partner Interest	0	0	0	0	0	0
Incentive Right	0	0	0	0	0	0
Incentive Right to GP Interest	0	0	0	0	0	0
Incentive Right to Sub Units	0	0	0	0	0	0
Incentive Right to Sr. Sub Units	0	0	0	0	0	0
Total Distributions to:						
Common Units	0	0	0	0	0	0
Sr. Subordinated Units	0	0	0	0	0	0
Subordinated Units	0	0	0	0	0	0
General Partner Interest	0	0	0	0	0	0
Third Target Distribution						
-----						
Cash Available	0	0	0	0	0	0
Cash Required for Target Distribution	0	0	0	0	0	0
Cash Required for Indicated Distribution	0	0	0	0	0	0
Actual Cash Distributed	0	0	0	0	0	0
Allocation to:						
Common Units	0	0	0	0	0	0
Sr. Subordinated Units	0	0	0	0	0	0
Subordinated Units	0	0	0	0	0	0
General Partner Interest	0	0	0	0	0	0
Incentive Right	0	0	0	0	0	0
Incentive Right to GP Interest	0	0	0	0	0	0
Incentive Right to Sub Units	0	0	0	0	0	0
Incentive Right to Sr. Sub Units	0	0	0	0	0	0
Total Distributions to:						
Common Units	0	0	0	0	0	0
Sr. Subordinated Units	0	0	0	0	0	0
Subordinated Units	0	0	0	0	0	0
General Partner Interest	0	0	0	0	0	0
Remaining Distribution						
-----						
Cash Available	0	0	0	0	0	0
Cash Required for Indicated Distribution						
Distribution	0	0	0	0	0	0
Actual Cash Distributed	0	0	0	0	0	0
Allocation to:						



Common Units	0	0	0	0	0	0
Sr. Subordinated Units	0	0	0	0	0	0
Subordinated Units	0	0	0	0	0	0
General Partner Interest	0	0	0	0	0	0
Incentive Right	0	0	0	0	0	0
Incentive Right to GP Interest	0	0	0	0	0	0
Incentive Right to Sub Units	0	0	0	0	0	0
Incentive Right to Sr. Sub Units	0	0	0	0	0	0
Repay Indebtedness	0	1,501	4,302	4,785	4,608	4,866
Total Distributions to:						
Common Units	0	0	0	0	0	0
Sr. Subordinated Units	0	0	0	0	0	0
Subordinated Units	0	0	0	0	0	0
General Partner Interest	0	0	0	0	0	0

Main Model Oct-7 Rev I with new Star & AGE 30 yr Petro  
Projections and tax effect. For discussion purposes only.

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STAR GAS PRO FORMA SCHEDULE OF ACTUAL DISTRIBUTIONS (CONT,D)

(In thousands except per share and per unit data)

	Estimated	Normalized	Projected			
	1998	1998	1999	2000	2001	2002
-----						
Total Distributions						
-----						
Common units	\$22,093	\$24,936	\$24,936	\$25,596	\$27,229	\$29,207
SR Subordinated Units	0	6,364	6,364	7,061	7,758	7,758
Subordinated Units	0	1,305	1,305	1,305	1,305	1,305
General Partner Interest	0	665	665	665	665	665
Total Distributions	\$22,093	\$33,270	\$33,270	\$34,628	\$36,957	\$38,935
-----						
Total Distributions Per Units	14,041	14,041	14,188	14,542	14,924	15,243
-----						
Common Units	\$ 2.04	\$ 2.30	\$ 2.30	\$ 2.30	\$ 2.30	\$ 2.30
SR Subordinated Units	0.00	2.30	2.30	2.30	2.30	2.30
Subordinated & GP Units	0.00	2.30	2.30	2.30	2.30	2.30

Main Model Oct-7 Rev I with new Star & AGE 30 yr Petro  
Projections and tax effect. For discussion purposes only.

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PETRO PRO FORMA, WORKING CAPITAL REQUIREMENTS  
(IN 000S, EXCEPT PER SHARE AMOUNTS)

-----  
ASSUMPTIONS  
-----

DEBT ATTRIBUTED TO PETRO:

	9/30/98 Pro Forma Balance	Interest Rate	Annual Interest
-----			
8.00 % Acquisition & Other Notes Pay	\$ 14,508	8.00%	\$ 1,161
9.00 % Exchanged Debt	63,126	9.00%	5,681
11.50% Exchanged Debt	6,520	11.50%	750
9.25% New Debt (a)	120,000	9.25%	11,100
			-----
			\$18,692

NEW COMMON UNITS TO REFINANCE OLD DEBT & CONSENT FEE:

Amount to be Raised	Price Per Share	Number of Units	MQD	Annual Distribution
\$141,473	\$20.259	6,983	\$2.30	\$16,061
INCREASE IN MQD ON OLD COMMON UNITS				
		Number of Units	Increase in MQD	Annual Distribution
Old Common Units		3,832	\$0.10	\$ 383
OPERATING WORKING CAPITAL REQUIRE	\$ 500			
Tax Liability:	\$ 5,000			
(a) AGE assumed rate of 9.25%				

REQUIREMENT CALCULATION

	Closing Date		
	Jan 31 1999	Feb 28 1999	Mar 31 1999
Interest on Debt Attributed to Petro:	\$ 17,134	\$ 15,576	\$14,019
MQD on New Common Units	16,061	16,061	16,061
Increase in MQD on old Common Units	383	383	383
Operating Working Capital Requirement	500	500	500
Tax Liability	5,000	5,000	5,000
Sub Total	\$ 39,078	\$ 37,521	\$35,963
Petro EBITDA			
Historical Quarter Ended:			
6/30/98	(\$6,355)	(\$6,355)	(\$ 6,355)
9/30/97	(20,908)	(20,908)	(20,908)
12/31/97	16,716	16,716	16,716
Projected Month Ended:			
2/28/99	20,434		
3/31/99	13,281	13,281	
Sub Total	\$ 23,168	\$ 2,734	(\$10,547)
TOTAL	\$ 15,910	\$ 34,787	\$46,510
WORKING CAPITAL REQUIREMENT	18,000	35,000	46,500
Projected Month Ended Working Capital:			
Standard Calculation	\$ 20,670	\$ 36,836	\$47,341
Excess Cash Assuming a March 31 Close			\$ 841

Appendix II to

FAIRNESS OPINION PRESENTATION TO THE  
SPECIAL COMMITTEE OF THE BOARD OF DIRECTORS OF  
STAR GAS CORPORATION

Analyses performed under 15-year weather scenario  
Changed Pages Only

CONFIDENTIAL

A,G. EDWARDS & SONS, INC.  
INVESTMENT BANKING

October 16, 1998

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Please note: Appendix II follows the same page numbering format as Appendix I and contains only those pages that changed as a result of performing the analyses under the 15-year weather scenario. Appendix II should be read in conjunction with Appendix I.

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Overview of Petro EBITDA Projections (\$ in thousands)	

---

Adjusted for		Projected			
Actual	Normalized				
1998	1998	1999	2000	2001	2002

---

EBITDA \$37,630 \$44,749 \$46,463 \$48,897 \$51,040 \$52,989

Major Assumptions for 1999 - 2002

- 15 Year Weather
- Flat Attrition.
- \$30 million of acquisitions at 4.75x EBITDA multiple using half-year convention.
- Increase in gross profit margin of \$0.01 in 1999 and \$0.005 in 2000 to 2002.

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Overview of Star Gas

EBITDA Projections

(\$ in thousands)

	Adjusted for Actual	Normalized	Projected			
	1998	1998	1999	2000	2001	2002
EBITDA	\$18,781	\$20,731	\$23,032	\$24,465	\$25,898	\$27,331

Major Assumptions for 1999 - 2002

- 15 Year Weather
- No growth in base business.
- \$10 million of acquisitions at 6.5x EBITDA multiple using half-year convention.
- No increase in gross profit margin.

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PRO FORMA MERGER ANALYSIS

- A.G. Edwards analyzed the impact of the Transaction on the Partnership's distributable cash flow per unit, the related accretion, common unit coverage and total unit coverage on a pro forma basis.

	STAR GAS STAND-ALONE	STAR GAS PRO FORMA
DCF PER UNIT		
1998 Adjusted for Actual (a)	\$1.27	\$1.53
1998 Normalized (b)	1.62	2.15
1999 Projected	1.77	2.31
ACCRETION / DILUTION		
1998 Adjusted for Actual (a)		\$0.26
1998 Normalized (b)		0.53
1999 Projected		0.54
COMMON UNIT COVERAGE		
1998 Adjusted for Actual (a)	0.96x	0.89x
1998 Normalized (b)	1.22	1.25
1999 Projected	1.30	1.33
TOTAL UNIT COVERAGE		

1998 Adjusted for Actual (a)	0.58x	0.66x
1998 Normalized (b)	0.74	0.94
1999 Projected	0.81	1.00

- 
- (a) Projected results are adjusted for year to date actual performance.
  - (b) Adjusted to represent normal weather.

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RELATIVE CONTRIBUTION ANALYSIS (a)  
(\$ in thousands)

[\_] A.G. Edwards analyzed the relative pro forma contribution of both Star Gas and Petro to the ownership of capital in the pro forma entity based on Star Gas' and Petro's historical results from operations and their respective projections.

Star Gas' Average Gross Profit Contribution	GROSS PROFIT [GRAPH APPEARS HERE]
96-97	26.7%
98-99	29.0%
96-99	27.8%

Star Gas' Average EBITDA Contribution	EBITDA (c) [GRAPH APPEARS HERE]
96-97	35.4%
98-99	32.4%
96-99	33.8%

- 
- (a) For purposes of its analysis, A.G. Edwards converted Petro's historical December 31 st fiscal year-end to a September 30th fiscal year-end for comparison purposes. Petro's projections are based on a December 31st calendar year end. Other measures of relative contribution analysis are non-meaningful.
  - (b) Assumes normalized weather.
  - (c) Includes only heating oil EBITDA for Petro.

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RELATIVE CONTRIBUTION ANALYSIS  
(\$ IN THOUSANDS)  
(continued)

FOR STAR GAS' CONTRIBUTION OF APPROXIMATELY 27.8% OF THE COMBINED ENTITY'S GROSS PROFIT AND 33.8% OF THE COMBINED ENTITY'S EBITDA, IT WILL RECEIVE APPROXIMATELY 37.1% OF THE IMPLIED FIRM VALUE.	IMPLIED FIRM VALUE          [PIE CHART APPEARS HERE]
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## DISCOUNTED CASH FLOW ANALYSIS

[\_] A.G. Edwards performed discounted cash flow analyses for Petro, Star Gas and Star Gas Pro Forma using projected tax-adjusted operating cash flows for 1999 through 2002, terminal values calculated on 2002 EBITDA, and discount rates based on the related weighted average cost of capital.

## Assumptions:

- [\_] Weighted average cost of capital ("WACC")
- Petro Stand Alone of 13.4% to 13.9% (calculated WACC of 13.6%)
  - Star Gas Stand Alone of 6.8% to 7.2% (calculated WACC of 7.0%)
  - Star Gas Pro Forma of 7.3% to 7.7% (calculated WACC of 7.5%)
- [\_] Terminal value EBITDA multiple
- Petro Stand Alone of 6.0x to 8.0x (calculated normalized 1998 EBITDA multiple of 6.5x)
  - Star Gas Stand Alone and Star Gas Pro Forma of 9.0x to 11.0x (calculated normalized 1998 EBITDA multiple of 10.6x)

DISCOUNTED CASH FLOW ANALYSIS  
(continued)

		PETRO STAND ALONE				
15 Year		Terminal Value EBITDA Multiple				
		6.0x	6.5x	7.0x	7.5x	8.0x
	13.4%	\$49,406	\$65,422	\$81,439	\$97,455	\$113,472
WACC	13.6%	47,103	62,984	78,865	94,746	110,628
	13.9%	44,822	60,570	76,317	92,064	107,812

		STAR GAS STAND ALONE				
15 Year		Terminal Value EBITDA Multiple				
		9.0x	9.5x	10.0x	10.5x	11.0x
	6.8%	\$92,914	\$99,255	\$105,597	\$111,939	\$118,281
WACC	7.0%	91,847	98,141	104,436	110,730	117,024
	7.2%	90,790	97,037	103,284	109,532	115,779

STAR GAS PRO FORMA

15 Year	Terminal Value EBITDA Multiple				
	9.0x	9.5x	10.0x	10.5x	11.0x
7.3%	\$128,663	\$136,782	\$144,902	\$153,021	\$161,141
WACC 7.5%	127,328	135,389	143,449	151,510	159,570
7.7%	126,006	134,008	142,010	150,012	158,014

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DISCOUNTED CASH FLOW ANALYSIS  
 PETRO - STAND ALONE  
 EXCLUDING DISTRIBUTIONS FROM STAR GAS  
 (\$ IN THOUSANDS)

Cash Flow Summary (a):	Normalized 1998	1999	2000	2001	2002	Terminal
EBITDA	\$44,749	\$46,463	\$ 48,897	\$51,040	\$52,989	
Taxes		(500)	(500)	(500)	(500)	
Maintenance capital expenditures		(3,000)	(3,060)	(3,121)	(3,184)	
Working capital increases (b)		(500)	(500)	(500)	(500)	
Net operating cash flow (free cash flow)		42,463	44,837	46,919	48,805	
Weighted average cost of capital (c)	13.6%					
Terminal EBITDA multiple (d)	6.5x					
Discount factor		0.8799	0.7742	0.6812	0.5994	0.5994
Terminal value (e)						\$344,429
Present value	\$339,749	\$37,363	\$34,714	\$31,963	\$29,254	\$206,455
Current net debt and preferred stock (f)	(\$276,765)					
Net present value of equity	\$62,984					

- (a) Based on management projections.
- (b) A.G. Edwards' estimate.
- (c) Based on comparable companies' WACC.
- (d) Petro's current firm value of \$304.4 million/\$46.9 million normalized 30-year weather 1998 EBITDA = 6.5x, which represents a multiple of current year normalized EBITDA.
- (e) Terminal value calculated using EBITDA multiple.
- (f) Net of \$33.2 million of cash. Market value of debt used.

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DISCOUNTED CASH FLOW ANALYSIS  
 PETRO - STAND ALONE USING STAR GAS' PRO FORMA WACC  
 EXCLUDING DISTRIBUTIONS FROM STAR GAS  
 (\$ IN THOUSANDS)

Cash Flow Summary (a):	Normalized 1998	1999	2000	2001	2002	Terminal
EBITDA	\$ 44,749	\$ 46,463	\$ 48,897	\$ 51,040	\$ 52,989	
Taxes		(500)	(500)	(500)	(500)	
Maintenance capital expenditures		(3,000)	(3,060)	(3,121)	(3,184)	
Working capital increases (b)		(500)	(500)	(500)	(500)	
Net operating cash flow (free cash flow)		42,463	44,837	46,919	48,805	
Weighted average cost of capital (c)	7.5%					
Terminal EBITDA multiple (d)	6.5x					
Discount factor		0.9299	0.8647	0.8041	0.7477	0.7477
Terminal value (e)						\$ 344,429
Present value	\$ 409,993	\$ 39,486	\$ 38,770	\$ 37,725	\$ 36,490	\$ 257,522
Current net debt and preferred stock (f)	\$ (276,765)					
Net present value of equity	\$ 133,228					

- (a) Based on management projections.  
(b) A.G. Edwards' estimate.  
(c) Based on comparable companies' WACC.  
(d) Petro's current firm value of \$304.4 million/\$46.9 million normalized 30-year weather 1998 EBITDA = 6.5x, which represents a multiple of current year normalized EBITDA.  
(e) Terminal value calculated using EBITDA multiple.  
(f) Net of \$33.2 million of cash. Market value of debt used.

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Discounted Cash Flow Analysis  
Star Gas - Stand Alone  
(\$ in thousands)

Income Statement Summary (a):	Normalized 1998	1999	2000	2001	2002	Terminal
EBITDA	20,731	23,032	24,465	25,898	27,331	
% increase		11.1%	6.2%	5.9%	5.5%	
Net income	1,395	2,075	2,213	2,305	2,560	
Cash Flow Summary:						
After-tax EBI		10,649	11,097	11,656	12,379	
Depreciation and amortization		12,358	13,343	14,217	14,927	
Maintenance capital expenditures		(2,657)	(2,705)	(2,753)	(2,803)	
Working capital increases (b)		(500)	(500)	(500)	(500)	
Net operating cash flow (free cash flow)		19,850	21,235	22,620	24,003	
Weighted average cost of capital (c)	[ 7.0%]					
Terminal EBITDA multiple (d)	[ 10.6x]					
Discount factor		0.9342	0.8728	0.8154	0.7618	0.7618
Terminal value (e)						\$289,709
Present value	[\$294,513]	\$18,545	\$18,534	\$18,445	\$18,286	\$220,703
Current net debt (f)	(\$109,285)					
Net present value of equity	\$185,228					
Common units/Total units (g)	60.5%					
Equity value to common units (h)	[\$111,989]					

- (a) Based on management projections.  
(b) A.G. Edwards' estimate.  
(c) Based on comparable companies' WACC.  
(d) Star's current firm value of \$234.1 million/\$22.1 million normalized 30-year weather 1998 EBITDA=10.6x, which represents a multiple of current year normalized EBITDA.  
(e) Terminal value calculated using EBITDA multiple.  
(f) Represents total projected 9/30/98 debt less cash.  
(g) Total units include common, subordinated and GP units.  
(h) Current nearest value of common units is 3,858 units \* \$19.563 unit



DISCOUNTED CASH FLOW ANALYSIS  
 STAR GAS - PRO FORMA  
 (\$ IN THOUSANDS)

INCOME STATEMENTS SUMMARY (a):	NORMALIZED					TERMINAL
	1998	1999	2000	2001	2002	
EBITDA	65,980	69,995	73,862	77,438	80,820	
% increase		6.1%	5.5%	4.8%	4.4%	
Net income	(3,711)	(3,694)	(7,056)	(10,430)	(13,719)	
Cash Flow Summary:						
After-tax EBI		25,310	23,373	21,255	19,101	
Depreciation and amortization		43,661	49,463	55,159	60,694	
Maintenance capital expenditures		(5,657)	(5,765)	(5,874)	(5,987)	
Working capital increases (b)		(1,000)	(1,000)	(1,000)	(1,000)	
Net operating cash flow (free cash flow)		62,314	66,071	69,540	72,808	
Weighted average cost of capital (c)	7.5%					
Terminal EBITDA multiple (d)	10.6x					
Discount factor		0.9299	0.8647	0.8041	0.7477	0.7477
Terminal value (e)						\$856,692
Present value	\$865,956	\$57,945	\$57,131	\$55,914	\$54,437	\$640,530
Less net debt (f)	(\$291,997)					
Net present value of equity	\$573,959					
Original common units/Total units (g)	26.7%					
Equity value to common units (h)	\$153,122					

- (a) Based on management projections. See Appendix K for model.  
 (b) A.G. Edwards' estimate  
 (c) Based on comparable companies' WACC.  
 (d) Star's current firm value of \$234.1 million/\$22.1 million normalized 30-year weather 1998 EBITDA = 10.6x, which represents a multiple of current year normalized EBITDA.  
 (e) Terminal value calculated using EBITDA multiple.  
 (f) Represents total proforma projected 9/30/98 debt less cash and cash collateral.  
 (g) Total units include common, newly issued common, senior subordinated, subordinated and GP units.  
 (h) Current market value of common units is 3,858 units\* \$19.563 unit price = \$75,472.

COMPARABLE TRANSACTIONS ANALYSIS  
 FIRM VALUATION

- [\_] A.G. Edwards noted that public disclosure regarding transactions in the retail home heating oil distribution industry was extremely limited.
- [\_] A.G. Edwards analyzed the financial terms related to divestitures by Petro of certain of its retail home heating oil branches and compared them to the implied multiples of the aggregate purchase price of Petro's heating oil assets.
- [\_] Petro has sold three branches for an average EBITDA multiple of 9.0x.
- [\_] A.G. Edwards calculated the purchase price of Petro's heating oil assets and calculated multiples based on Petro's EBITDAs.

Purchase Price of Heating Oil Assets	
Equity purchase price of heating oil assets including CUs	\$ 25,549
Cost of Debt to be Redeemed (\$206,250 + \$2,844 premium)	209,094
Cost of Debt to be Assumed	69,646
Cost of Preferred stock at Redemption Value	31,767
Consent Fees	2,110
Transaction Fees	19,343
Aggregate purchase price of heating oil assets	\$ 357,509

Multiples		Multiples	Notes
Normalized 1998 EBITDA budget (a)	44,749	8.0 x	As a multiple of aggregate transaction value.
1999 Projected EBITDA (a)	46,463	7.7 x	As a multiple of aggregate transaction value.

(a) Calculated as gross profit minus SG&A expense and direct delivery expense.

PUBLIC COMPANY ANALYSIS

[\_] A.G. Edwards compared certain financial and market information of Star Gas on a historical and pro forma basis to that of certain public propane master limited partnerships which A.G. Edwards deemed relevant for the purposes of this analysis. A.G. Edwards reviewed the trading multiples from a total of six master limited partnerships.

[\_] The selected propane master limited partnerships are as follows:

- AmeriGas Partners, L.P.
- Cornerstone Propane Partners, L.P.
- Ferrellgas Partners, L.P.
- Heritage Propane Partners, L.P.
- National Propane Partners, L.P.
- Suburban Propane Partners, L.P.

[\_] No company used in the analysis is identical to Star Gas.

PUBLIC COMPARABLES COMPANIES (a)				
	Star	Pro forma Star	Public Company Medians	Public Company Ranges
Yield	11.2%	11.8%	10.1%	9.1% to 22.3%
Firm value/LTM EBITDA	12.5x (b)	10.0x (b)	11.6x	9.0x to 12.7x
Firm value/1999E EBITDA	10.2x	8.1x	9.2x	8.4x to 11.7x
Equity Market Cap/LTM DCF	15.4x (c)	12.5x (c)	13.4x	8.1x to 15.3x
Equity Market Cap/1999E DCF	10.6x	8.1x	9.8x	4.9x to 12.2x
LTM common unit coverage	1.0x (d)	0.9x (d)	1.5x	0.6x to 1.6x
1999E common unit coverage	1.3x	1.3x	2.1x	1.1x to 2.3x
LTM total unit coverage	0.6x (d)	0.7x (d)	0.7x	0.4x to 1.2x
1999E total unit coverage	0.8x	1.0x	1.0x	0.7x to 1.2x

(a) Public comparable companies include APU, CNO, FGP, HPG, NPL and SPH.

(b) Firm value/adjusted for actual 1998 budget EBITDA.

(c) Equity market cap/adjusted for actual 1998 budget EBITDA.

PUBLIC COMPANY ANALYSIS  
(\$ IN MILLIONS, EXCEPT PER UNIT DATA)

Company	Ticker	Closing Price on (10/14/98)	Implied Market Value of Equity	Implied Firm Value	Distribution per unit	Yield	Common Units/ Total Units
Star Gas Partners, L.P.	(a) SGU	\$19.563	\$ 124.9	\$ 234.1	\$2.20	11.2%	60.5%
AmeriGas Partners, L.P.	APU	24.125	1,031.2	1,739.4	2.20	9.1%	52.8%
Cornerstone Propane Partners, L.P.	(c) CNO	18.000	365.2	596.7	2.16	12.0%	66.8%
Ferrellgas Partners, L.P.	(d) FGP	20.000	638.6	1,131.2	2.00	10.0%	47.0%
Heritage Propane Partners, L.P.	HPG	20.813	180.0	354.6	2.00	9.6%	56.3%
National Propane Partners, L.P.	NPL	9.438	108.2	250.9	2.10	22.3%	59.6%
Suburban Propane Partners, L.P.	(e) SPH	19.625	575.3	922.5	2.00	10.2%	75.1%

Mean						12.2%	59.6%
Median						10.1%	58.0%

Pro Forma		\$19.563	\$ 276.5(f)	\$ 568.5(g)	\$2.30	11.8%	74.9%
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	LTM Common Unit Coverage	LTM Total Unit Coverage	FY99E DCF/Unit	FY99E Common Unit Coverage	FY99E Total Unit Coverage
Star Gas Partners, L.P.	(a) 1.0x (b)	0.6x (b)	\$1.77	1.3x	0.8x
AmeriGas Partners, L.P.	1.4x	0.8x	2.39	2.1x	1.1x
Cornerstone Propane Partners, L.P.	(c) 0.8x	0.6x	1.51	1.1x	0.7x
Ferrellgas Partners, L.P.	(d) 1.5x	0.7x	2.15	2.3x	1.1x
Heritage Propane Partners, L.P.	1.5x	0.8x	2.38	2.2x	1.2x
National Propane Partners, L.P.	0.6x	0.4x	1.87	NA	0.9x
Suburban Propane Partners, L.P.	(e) 1.6x	1.2x	1.98	1.3x	1.0x

Mean	1.3x	0.7x		1.8x	1.0x
Median	1.5x	0.7x		2.1x	1.0x

Pro Forma	0.9x(b)	0.7x(b)	2.31	1.3x	1.0x
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1999 estimates per A. G. Edwards' research, except for Star and Pro Forma. 1999 estimates for National Propane from Merrill Lynch research report dated July 29, 1998.

Implied Firm Value equals common, subordinated and GP units, multiplied by the market price of common units plus debt, less cash.

- (a) Pro forma for the Pearl Gas acquisition and the common unit offering.
- (b) For Star and Pro Forma only, LTM DCF figures are adjusted for actual 1998 budget DCF estimates.
- (c) Financial information pro forma for common unit offering. Maintenance capital expenditures assumed to be 8% of EBITDA due to lack of disclosure.
- (d) Maintenance capital expenditures assumed to be 8% of EBITDA due to lack of disclosure.
- (e) Financial figures exclude \$5.1 million gain from sale of minority interest.
- (f) Calculated as: (10,841 common units x \$19.563) + (2,767 senior subordinated units x \$18.52) + (857 junior subordinated and GP units x \$15.41).
- (g) \$276.5 in equity plus \$313.9 pro forma debt, less \$21.9 in cash and cash collateral.

	Long Term Debt/ Firm Value	LTM EBITDA/ Int. Exp.	Firm Value/ LTM EBITDA	Firm Value/ 1999E EBITDA	Equity Market Cap/ LTM DCF	Equity Market Cap/ 1999E DCF
Star Gas Partners, L.P.	44.8%	2.4x (a)	12.5x (a)	10.2x	15.4x (a)	10.6x
AmeriGas Partners, L.P.	39.9%	2.2x	11.8x	9.9x	14.8x	10.4x
Cornerstone Propane Partners, L.P.	39.7%	2.4x	12.7x	11.1x	15.3x	12.2x
Ferrellgas Partners, L.P.	44.1%	2.1x	11.4x	9.0x	14.2x	9.5x
Heritage Propane Partners, L.P.	49.8%	2.6x	9.7x	9.0x	12.6x	8.8x
National Propane Partners, L.P.	55.2%	2.6x	12.7x	9.3x	12.0x	4.9x
Suburban Propane Partners, L.P.	46.4%	3.3x	9.0x	8.4x	8.1x	10.1x
Mean	45.8%	2.6x	11.2x	9.5x	12.9x	9.3x
Median	45.2%	2.5x	11.6x	9.2x	13.4x	9.8x
Pro Forma	55.2%	2.0x (a)	10.0x (a)	8.1x	12.5x (a)	8.1x

EBITDA is defined as net income (loss) before extraordinary items plus interest, income taxes, depreciation and amortization, impairment expense, and other non-recurring and non-operating items.

(a) For Star and Pro forma only, LTM figures use adjusted for actual 1998 budget estimates.

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TRANSACTION SUMMARY AND ASSUMPTIONS

(in thousands except per share and per unit data)

SUMMARY CASH FLOW AND COVERAGE ANALYSIS

(\$ on per Unit basis)

	ESTIMATED	NORMALIZED	PROJECTED			
	1998	1998	1999	2000	2001	2002
<b>STAR STAND ALONE</b>						
EBITDA	\$ 18,781	\$ 20,731	\$ 23,032	\$ 24,465	\$ 25,898	\$27,331
Interest Expense	(7,922)	(7,662)	(8,574)	(8,884)	(9,351)	(9,819)
Maintenance CapEx	(2,710)	(2,710)	(2,657)	(2,705)	(2,753)	(2,803)
Other	(25)	(25)	(25)	(25)	(25)	(25)
Distributable Cash Flow	\$ 8,124	\$ 10,334	\$ 11,776	\$ 12,851	\$ 13,769	\$ 14,684
DCF per Common Unit	\$ 2.11	\$ 2.68	\$ 2.87	\$ 2.85	\$ 2.87	\$ 2.90
DCF / Common Unit MQD	0.96 x	1.22 x	1.30 x	1.30 x	1.31 x	1.32 x
DCF per Total Unit	\$ 1.27	\$ 1.62	\$ 1.77	\$ 1.83	\$ 1.88	\$ 1.93
DCF / Total MQD	0.58 x	0.74 x	0.81 x	0.83 x	0.85 x	0.88 x
Indicated Distribution per Common Unit	\$ 2.20	\$ 2.20	\$ 2.20	\$ 2.20	\$ 2.20	\$ 2.20
<b>STAR PRO FORMA</b>						
EBITDA						
Star	\$ 18,781	\$ 20,731	\$ 23,032	\$ 24,465	\$ 25,898	\$ 27,331
Petro	37,630	44,749	46,463	48,897	51,040	52,989
Synergies	500	500	500	500	500	500
Total	56,911	65,980	69,995	73,862	77,438	80,820
Interest Expense	(28,307)	(28,307)	(29,004)	(30,429)	(31,685)	(32,820)
Maintenance CapEx	(5,486)	(5,486)	(5,657)	(5,765)	(5,874)	(5,987)
Other	(1,025)	(1,025)	(1,025)	(1,025)	(1,025)	(1,025)
Distributable Cash Flow	22,093	31,162	34,309	36,643	38,854	40,988
DCF per Common Unit	\$ 2.04	\$ 2.87	\$ 3.06	\$ 3.02	\$ 2.95	\$ 2.87
DCF per Sr. Sub & Common Unit	\$ 1.62	\$ 2.29	\$ 2.45	\$ 2.46	\$ 2.44	\$ 2.41
DCF per Total Unit	\$ 1.53	\$ 2.15	\$ 2.31	\$ 2.33	\$ 2.32	\$ 2.29
Indicated Distribution per Common Unit	\$ 2.30	\$ 2.30	\$ 2.30	\$ 2.30	\$ 2.30	\$ 2.30
<b>ACCRETION/DILUTION</b>						
DCF per Unit - Star Stand Alone	\$ 1.27	\$ 1.62	\$ 1.77	\$ 1.83	\$ 1.88	\$ 1.93
DCF per Unit - Pro Forma	\$ 1.53	\$ 2.15	\$ 2.31	\$ 2.33	\$ 2.32	\$ 2.29
ACCRETIVE (\$/UNIT)	\$ 0.25	\$ 0.54	\$ 0.54	\$ 0.50	\$ 0.44	\$ 0.36
Accretive (%)	20.0%	33.0%	30.2%	27.5%	23.4%	18.9%
PRO FORMA HEATING OIL DCF PER UNIT			\$ 2.74	\$ 2.73	\$ 2.66	\$ 2.56
DPUs ISSUED AS Sr SUB UNITS AT BEG OF YEAR	-	-	-	-	-	-

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 PRO FORMA CREDIT ANALYSIS  
 -----

EBITDA/Interest	2.01 x	2.33 x	2.41 x	2.43 x	2.44 x	2.46 x
LT Debt/EBITDA	5.43	4.69	4.74	4.73	4.72	4.71
LT Debt/EBITDA (Pro Forma for Full-Year Acquisitions)	5.27	4.55	4.50	4.50	4.50	4.50
# of Units Issued to Meet Debt Covenant	-	-	772	1,007	1,075	1,126

-----  
 PRO FORMA COVERAGE RATIOS  
 -----

MQD Coverage						
Common Unit	0.89 x	1.25 x	1.33 x	1.31 x	1.28 x	1.25 x
Senior Subordinated Unit	0.71	1.00	1.07	1.07	1.06	1.05
Total Unit	0.66	0.94	1.00	1.01	1.01	1.00
Indicated Distribution Coverage						
Common Unit	0.89 x	1.25 x	1.33 x	1.31 x	1.28 x	1.25 x
Senior Subordinated Unit	0.71	1.00	1.07	1.07	1.06	1.05
Total Unit	0.66	0.94	1.00	1.01	1.01	1.00

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 CURRENT MODEL ASSUMPTIONS  
 -----

Scenario Version: 15-yr; \$30mm @ 4.75x mid-year; \$.01 '99, \$.005 '00-'01, flat att.  
 Petro Acqs/yr \$30,000  
 Star Acqs/yr \$10,000 G.P. Interest Subordinate  
 Price per Petro Share \$ 2.42

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 EQUITY RESTRUCTURING  
 -----

	PETRO	
	PUBLIC	INSIDERS
Securities Offered	Sr Sub	Sub & GP
Incentive Rights	76%	24%
Value Offered	\$ 2.42	\$ 2.45
Current Market	\$ 1.31	\$ 1.31
Premium to Market	84.1%	86.7%
Implied Value of Security Offered	\$ 18.52	\$ 15.41
Security Offered per Share	0.13064	0.15920
Total Shares	14,609	11,953
Insiders to Receive Sr. Sub	6,572	(6,572)
Shares to Be Converted	21,181	5,382
Units Offered	2,767	857
DPUs Offered		909
Implied Value of GP/Unit		\$ 15.41

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 SOURCES AND USES OF FUNDS  
 -----

SOURCES:		USES:	
Excess Cash on Hand	\$ 841	Repay Debt Principal	\$206,250
New Star Debt	120,000	Redeem Preferred	31,767
New MLP Equity	139,363	Premium on Redemption/ Exchange/Defeasance	2,844
New MLP E Equity	-	Consent Fees	2,110
Equity for Consent Fees	2,110	Transaction Fees	19,343
Cash Balance	0		
	-----		-----
	\$262,314		\$262,314
	=====		=====

-----  
 FINANCING SUMMARY  
 -----

AMOUNT	RATE	UNIT PRICE
--------	------	------------

New Common Raised	\$ 139,363		\$ 20.26
New Debt Raised	120,000	9.00%	

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 UNITS OUTSTANDING  
 -----

	CURRENT		PRO FORMA	
	UNITS	%	UNITS	%
Existing Common	3,858	60.5%	3,858	26.7%
New Common	0	0.0%	6,983	48.3%
New Common for Acquisitions	0	0.0%	0	0.0%
Common to Petro Shareholders	0	0.0%	0	0.0%
Sr Sub (Petro S/H's)	0	0.0%	2,767	19.1%
Existing Sub	2,396	37.5%	567	3.9%
Implied GP	128	2.0%	289	2.0%
<b>Total Units</b>	<b>6,382</b>	<b>100.0%</b>	<b>14,465</b>	<b>100.0%</b>

Main Model Oct-7 Rev I with new Star & AGE 30 yr Petro Projections and tax effect. For discussion purposes only.

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 TRANSACTION SUMMARY AND ASSUMPTIONS  
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(in thousands except per share and per unit data)      15-yr;\$30mm @ 4.75x mid-year; \$.01 '99,\$.005 '00-'01, flat att.

\$10,000	Star Acqs/yr	
\$30,000	Petro Acqs/yr	G.P. Interest Subordinate
\$2.42	/ Petro Share	

OPERATING ASSUMPTIONS  
 -----

	PETRO	STAR	STAR NORMAL
Normalized Maintenance CapEx	\$2,776	\$ 2,710	\$2,710
Maintenance CapEx Life	15 yrs	15 yrs	
Growth CapEx Life	6.5 yrs	15 yrs	
Marginal Tax Rate	33.0%	33.0%	
Deferred Tax Percent		0.0%	
Required Cash at Beginning for Initial Distribution		7,956	
Minimum Star Stand Alone Cash Balance		\$ 500	
Minimum Star Pro Forma Cash Balance		\$10,142	
Consolidation Savings		\$ 500	
Annual Bank Fees	\$ 692	\$ 222	
Last 20 Days Average Stock Price @ 10/14	\$ 1.31	\$ 20.26	
Annual Transaction/Deal Expenses		\$ 450	
Debt/EBITDA Bank Covenant Ratio		4.5x	
Issue Equity to Meet Bank Debt Covenants (Y/N)?		yes	

DEBT RESTRUCTURING  
 -----

PRIVATES:	% TENDERED	PROJECTED 12/31/97		
		PRINCIPAL	STRATEGY	PRICE
11.96% Sr Notes	100.0%	60,000	Exchange	105.2%
14.10% Sr Notes	100.0%	3,100	Exchange	105.2%
14.10% Sub Notes	100.0%	3,100	Exchange	105.2%
14.33% Pfd Stock	100.0%	4,167	Neg. Tender	100.0%
PUBLICS:				
10.13% Sub Notes & Sr Notes	100.0%	50,000	Neg. Tender	100.0%
9.38% Sub Notes & Sr Notes	100.0%	75,000	Tender	100.0%
12.25% Sub Notes & Sr Notes	100.0%	81,250	Tender	103.5%
12.88% Pfd Stock	100.0%	30,000	Tender	92.0%

NEW SECURITY ASSUMPTIONS

NEW MLP EQUITY

Gross Proceeds	\$139,363
Common Units for Consent Fee	2,110
Common Units to Enron	-
Total New Equity Value	-----
Common Units to Public	\$141,473
	6,983 units

NEW STAR DEBT

Gross Spread %	5.0%	Gross Proceeds	120,000
Gross Spread \$	\$6,968	Gross Spread %	3.0%
Offering Price/Share (current market price)	\$20.26	Gross Spread \$	\$ 3,600
		Coupon	9.00%

ACQUISITION ASSUMPTIONS

PETRO	MULTIPLE	1998	1999	2000	2001	2002
Amount	4.75x	\$ 0	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000
Timing		End	Mid	Mid	Mid	Mid
% EBITDA		0.0%	50.0%	50.0%	50.0%	50.0%
Amount	4.75x		\$ 0			
Timing			Beg			
% EBITDA in Initial Year			100.0%			
Units Issued at:						
Common		\$ 22.00				
Sr. Sub.		\$ 18.52				
STAR STAND-ALONE						
Weather	15 Year					
Amount	6.50x	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000
Timing		End	Mid	Mid	Mid	Mid
% EBITDA in Initial Year		0.0%	50.0%	50.0%	50.0%	50.0%
Amount Financed with Equity		\$ 600	\$ 11,169	\$ 6,641	\$ 6,375	\$ 6,082
New Units @:		27	508	302	290	276
Units Issued at Price of:		\$ 22.00	\$ 22.00	\$ 22.00	\$ 22.00	\$ 22.00
Amount	6.50x		\$ 0			
Timing			Beg			
% EBITDA in Initial Year			100.0%			

EXCHANGE ASSUMPTIONS

SHAREHOLDERS OF:	EXISTING SHARES	GETS NEW UNITS OF:				
		COMMON	SR SUB	JNR SUB	G.P.	DPUs (1)
Public Class A Shareholders	14,609	0	1,909	0	0	479
Insider Class B Shares	11	0	0	0		0
Insider Class C Shareholders					0	
Class A & C Shares to Receive Jr Sub & GP	5,382	0	0	567	289	215
Class A Shares to Receive Sr Sub	6,572	0	859	0	0	215
	-----	-----	-----	-----	-----	-----
E Sr. Sub	26,574	0	2,767	567	289	909
			-----	-----	-----	-----
Total			2,767			909
			=====			=====

(1) Includes 2.0% G.P. Interest.

TRANSACTION COSTS SUMMARY

New MLP Equity	\$ 6,968
New Star Debt	3,600
Fairness Opinion	1,000
Financial Advisory	1,500
Exchange Fees on Public Petro Debt/Preferred	1,375
Legal Fees	2,500
Printing	1,000
Account Fees	250
Other:	
-----	
Environmental	350
Rating Agencies	100
Roadshow	200
Asset Appraisal	250
Solicitation expenses	100
Other Bank Fees	150
	-----
	\$19,343
	=====

HEATING OIL DPU TRIGGER

DCF/Unit	% Convert
\$2.90	33.3%

CONSENT FEE CALCULATION

% of Petro Stock	3.0%
New Petro Shares	797
Exchange Ratio	7.65x
	-----
New Common Units	104
Common Unit Price	\$20.26
	-----
Implied Value	\$2,110
	=====

Main Model Oct-8 Rev 2 with new Star & AGE 15 yr Petro Projections and tax effect. For discussion purposes only.

SUMMARY DISTRIBUTIONS

(in thousands except per share and per unit data)

15-yr; \$30mm @ 4.75x mid-year; \$.01 '99, \$.005'00-'01, flat att.

\$10,000	Star Acqs/yr	
\$30,000	Petro Acqs/yr	G.P. Interest Subordinate
\$2.42	/ Petro Share	

UNITHOLDER CLASS (1)

	PROJECTED				
	1998	1999	2000	2001	2002
	-----	-----	-----	-----	-----

COMMON UNITHOLDERS



MQD	\$25,823	\$27,869	\$30,264	\$32,796
Incentive Distributions	-	-	-	-
Total	\$25,823	\$27,869	\$30,264	\$32,796
CAPITAL				
Existing Sr. Sub Units	-	-	-	-
Number of DPUs Issued as Sr Sub Units	-	-	-	-
New Sr. Sub Units	-	-	-	-
Total Sr. Sub Units	-	-	-	-
Existing Common	-	-	-	-
New Common	-	-	-	-
Total Common	-	-	-	-
Common MQD	-	-	-	-
Common Incentive Distributions	-	-	-	-
Sr. Sub MQD	-	-	-	-
Sr. Sub. Incentive Distributions	-	-	-	-
Total Distributions	-	-	-	-
SENIOR SUBORDINATED UNITHOLDERS (1)				
Number of DPUs Issued as Sr Sub Units	-	-	-	-
Base MQD	\$ 6,364	\$ 6,364	\$ 6,364	\$ 6,364
Incremental MQD from DPUs Issued as Sr. Sub Units	-	-	-	-
Incentive Distributions	-	-	-	-
Incremental Incentive Distributions from DPUs Issued as Sr. Sub Units	-	-	-	-
Total	\$ 6,364	\$ 6,364	\$ 6,364	\$ 6,364
SUBORDINATED UNITHOLDERS (1)				
Numbers of DPUs Issued as Sr Sub Units	-	-	-	-
Base MQD	\$ 1,305	\$ 1,305	\$ 1,305	\$ 1,211
Incremental MQD from DPUs Issued as Sr. Sub Units	-	-	-	-
Incentive Distributions	-	-	-	-
Incremental Incentive Distributions from DPUs Issued as Sr. Sub Units	-	-	-	-
Total	\$ 1,305	\$ 1,305	\$ 1,305	\$ 1,211
GENERAL PARTNER				
Numbers of DPUs Issued as Sr Sub Units	-	-	-	-
Base MQD	\$ 665	\$ 665	\$ 665	\$ 617
Incremental MQD from DPUs Issued as Sr. Sub Units	-	-	-	-
Incentive Distributions	-	-	-	-
Incremental Incentive Distributions from DPUs Issued as Sr. Sub Units	-	-	-	-
Total	\$ 665	\$ 665	\$ 665	\$ 617
UNITHOLDER CLASS TOTAL				
Common Unitholders	\$25,823	\$27,869	\$30,264	\$32,796
Senior Subordinated Unitholders	6,364	6,364	6,364	6,364
Subordinated Unitholders	1,305	1,305	1,305	1,211
General Partner	665	665	665	617
Total	\$34,158	\$36,204	\$38,599	\$40,988
DISTRIBUTIONS TO DPUS CONVERTED TO SENIOR SUBORDINATED UNITS				
MQD	\$ 0	\$ 0	\$ 0	\$ 0
Incentive Distributions	-	-	-	-
Total	-	-	-	-
	check	-	-	-

(1) Reflects distributions for respective Unitholder class. All DPUs are issued as Senior Subordinated Units but are distributed pro rata to all Petro shareholders. Consequently, the Subordinated Unitholder class includes DPUs which have been issued as Senior Subordinated Units.

Main Model Oct-8 Rev 2 with new Star & AGE 15 yr Petro Projections and tax effect. For discussion purposes only.

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TRANSACTION SUMMARY AND ASSUMPTIONS  
(in thousands per share and per unit data)

15-yr; \$30mm @ 4.75x mid-year; \$.01'99, \$.005 00-'01, flat att.

RECAPITALIZATION ASSUMPTIONS

PETRO INSTRUMENTS:	LOCKUP	PREMIUM	(N)OTHING	(D)EFEASE (T)ENDER (R)EDEEM (E)XCHANGE	PRINCIPAL AS OF	MATURITY PERIOD		COUPON/ DIVIDEND	SINKING FUND PAYMENT	
						M/D	YR		PAYMENT	YEAR START
					9/30/98					

11.96% Sr Notes		e	\$ 60,000 v	1-Oct	0	11.960%	\$ 0	0
14.10% Sr Notes		e	3,100 v	15-Jan	2001	14.100%	-	1997
14.10% Sub Notes		e	3,100 v	15-Jan	2001	14.100%	-	1997
10.13% Sub Notes & Sr Notes	0.0%	t	50,000 v	1-Apr	2003	10.130%	-	-
9.38% Sub Notes & Sr Notes	0.0%	t	75,000 v	1-Feb	2006	9.375%	-	-
12.25% Sub Notes & Sr Notes	0.0%	t	81,250 v	1-Feb	2005	12.250%	-	-
8.00% Acq. & Other Notes Pay		n	14,508 v		0	8.000%	-	0
8.25% Existing Credit Facility		n	0 v		1998	8.250%	-	-
0.00% Other Notes		n	0 v	NA	NA	0.000%	0	NA
			-----					
			\$286,958					

PFRD STOCK:

14.33% Pfd Stock		t	4,167 v	1-Aug	1999	14.330%	4,167	1997
12.88% Pfd Stock	0.0%	t	30,000 v	15-Feb	2009	12.875%	0	-
0.00%		n	0			0.000%	-	-
			-----					
			\$ 34,167					
			-----					
Total Petro			\$321,125					

STAR INSTRUMENTS:

8.04% 1st Mortgage Notes	0.07	n	85,000 v	NA	NA	8.040%	-	0
7.25% WC Revolver	0.00	n	4,785	NA	NA	7.250%	-	NA
7.25% Acquisition Facility	0.01	n	9,000 v	NA	NA	7.250%	-	NA
9.00% New Debt		n	120,000 v	NA	NA	9.000%	0	NA
7.17% Pearl Notes	0.01	n	11,000	NA	NA	7.170%	0	NA
			-----					
	8.21%		\$218,785					
			-----					
Total Combined			\$539,910					

PETRO INSTRUMENTS:

	% RED./EXCHANGED	RED/EXCHG PRICE	DEFEASANCE PRICE	RED/EXCHG/DEFEASE		EXCHNAGED	
				VALUE	PREMIUM	INT RATE	SECURITY TYPE
11.96% Sr Notes	100.0%	105.2%		\$63,126	\$ 0	9.0%	Sr Notes
14.10% Sr Notes	100.0%	105.2%		3,260	-	11.5%	Sr Notes
14.10% Sub Notes	100.0%	105.2%		3,260	-	11.5%	Sub Notes
10.13% Sub Notes & Sr Notes	100.0%	100.0%	106.2%	50,000	-		Sub Notes & Sr Notes
9.38% Sub Notes & Sr Notes	100.0%	100.0%	108.2%	75,000	-		Sub Notes & Sr Notes
12.25% Sub Notes & Sr Notes	100.0%	103.5%	116.2%	84,094	2,844		Sub Notes & Sr Notes
8.00% Acq. & Other Notes Pay	0.0%	100.0%		-	-		Acq. & Other Notes Pay
8.25% Existing Credit Facility	0.0%	100.0%		-	-		Existing Credit Facility
0.00% Other Notes	0.0%	0.0%		-	-	11.0%	Other Notes
				-----			
				\$ 2,844			

PFRD STOCK:

14.33% Pfd Stock	100.0%	100.0%		4,167	-		Pfd Stock
12.88% Pfd Stock	100.0%	92.0%		27,600	-		Pfd Stock
0.00%				-	-		-
				-----			
				\$ 0			
				-----			
Total Petro				\$ 2,844			

STAR INSTRUMENTS:

8.04% 1st Mortgage Notes	0.0%	0.0%		-	-		1st Mortgage Notes
7.25% WC Revolver	0.0%	0.0%		-	-		WC Revolver
7.25% Acquisition Facility	0.0%	0.0%		-	-		Acquisition Facility
9.00% New Debt	0.0%	0.0%		-	-		New Debt
7.17% Pearl Notes	0.0%	0.0%		-	-		Pearl Notes
				-----			
				\$ 0			
				-----			
Total Combined				\$ 2,844			
				-----			
				2,843.75			

STAR STAND ALONE DISTRIBUTION ASSUMPTIONS

	Distribution
Minimum Quarterly Distributions	\$2.20
First Target Distribution	\$2.42
Second Target Distribution	\$2.84
Third Target Distribution	\$3.70
Thereafter	NM
Target Distribution Level	\$2.20
Annual Distribution Increase	\$0.00

Standard Distribution Structure ("S") or Target ("T") t

STAR PRO FORMA DISTRIBUTION ASSUMPTIONS

	Distribution					
	1998	1999	2000	2001	2002	Thereafter
Minimum Quarterly Distribution	\$2.30					
First Target Distribution	\$2.42					
Second Target Distribution	\$2.84					
Third Target Distribution	\$3.70					
Thereafter	NM					
Annual Indicated Distribution Increase	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Target Indicated Distribution Level	\$2.30	\$2.30	\$2.30	\$2.30	\$2.30	\$0.00
Standard Distribution Structure ("S") or Target ("T")	t					

Main Model Oct.8 Rev 2 with new Star & AGE 15 yr Petro Projections and tax effect. For discussion purposes only.

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PRO FORMA OPENING BALANCE SHEET

(in thousands except per share and per unit data) 15-yr; \$30mm @ 4.75x mid-year; \$0.1 '99, \$.005 '00-'01, flat att.

OPENING BALANCE SHEET	STAR GAS 9/30/98	PETRO 9/30/98	MERGER ADJUSTMENTS	PRO FORMA STAR GAS 9/30/98
<b>ASSETS:</b>				
Cash	\$500	\$9,642	\$0	\$10,142
Other Current Assets	15,376	71,498	-	86,874
Total Current Assets	15,876	81,140	-	97,016
PP&E and Intangibles, Net	161,292	106,695	-	267,987
Investments in Unconsolidated Affiliates	-	1,582	(1,582)	-
Other Assets	-	12,802	-	12,802
Total Assets	177,168	202,219	(1,582)	377,805
<b>LIABILITIES:</b>				
Current Liabilities	10,101	80,870	-	90,971
8.25% Existing Credit Facility	4,785	-	-	4,785
Long Term Debt	105,000	286,958	(82,804)	309,154
Total Preferred Stock	-	34,167	(34,167)	-
Other Liabilities	76	10,710	-	10,786
Total Liabilities	119,962	412,705	(116,971)	415,696
Common Shareholder's/Partner's Equity	57,206	(210,486)	115,389	(37,891)
Total Liabilities and Equity	\$177,168	\$202,219	(\$1,582)	\$377,805
check	0	-	-	-

PRO FORMA CAPITAL STRUCTURE

	STAR GAS 9/30/98	PETRO 9/30/98	% NOT TENDERED	MERGER ADJUSTMENTS	STAR GAS 9/30/98
<b>DEBT:</b>					
8.04% 1st Mortgage Notes	\$85,000	\$0		\$0	\$85,000
7.25% WC Revolver	4,785	-		-	4,785
7.25% Acquisition Facility	9,000	-		-	9,000
7.17% Pearl Notes	11,000	-		-	11,000
11.96% Sr Notes	-	60,000	100.0%	(60,000)	-
14.10% Sr Notes	-	3,100	100.0%	(3,100)	-
14.10% Sub Notes	-	3,100	100.0%	(3,100)	-

10.13% Sub Notes & Sr Notes	-	50,000	100.0%	(50,000)	-
9.38% Sub Notes & Sr Notes	-	75,000	100.0%	(75,000)	-
12.25% Sub Notes & Sr Notes	-	81,250	100.0%	(81,250)	-
0.00% Other Notes	-	0	-	-	-
8.00% Acq. & Other Notes Pay	-	14,508	-	-	14,508
8.25% Existing Credit Facility	-	0	-	-	-
9.00% Exchanged Debt	-	-	-	63,126	63,126
11.50% Exchanged Debt	-	-	-	6,520	6,520
9.00% New Debt	-	-	-	120,000	120,000
Total L.T. Debt	-----	-----	-----	-----	-----
	109,785	286,958		(82,804)	313,939
PREFERRED STOCK:					
14.33% Pfd Stock	-	4,167		(4,167)	-
12.88% Pfd Stock	-	30,000		(30,000)	-
Total Preferred	-----	-----	-----	-----	-----
	-	34,167		(34,167)	-
Common Equity	-----	-----	-----	-----	-----
	57,206	(210,486)		115,389	(37,891)
	-----	-----	-----	-----	-----
	\$166,991	\$ 110,639			\$276,048
	=====	=====			=====
Total Capital					

Main Model Oct-8 Rev 2 with new Star & AGE 15 yr Petro Projections and tax effect. For discussion purposes only.

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(in thousands except per share and per unit data)

15-yr; \$30mm @ 4.75x mid-year; \$.01 '99, \$.005 '00-01, flat att.

STAR GAS STAND ALONE INCOME STATEMENT	ESTIMATED		PROJECTED			
	1998	1998	1999	2000	2001	2002
EBITDA	\$18,781	\$20,731	\$23,032	\$24,465	\$25,898	\$27,331
Depreciation and Amortization	11,927	11,649	12,358	13,343	14,217	14,927
EBIT	6,854	9,082	10,674	11,122	11,681	12,404
Interest Expense	(7,922)	(7,662)	(8,574)	(8,884)	(9,351)	(9,819)
Interest Income	-	-	-	-	-	-
Other Income	-	-	-	-	-	-
Income Before Taxes	(1,068)	1,420	2,100	2,238	2,330	2,585
Current Income Taxes	(25)	(25)	(25)	(25)	(25)	(25)
Deferred Income Taxes	-	-	-	-	-	-
Net Income Available to Common	-----	-----	-----	-----	-----	-----
	(\$1,093)	\$ 1,395	\$ 2,075	\$ 2,213	\$ 2,305	\$ 2,560
STAR GAS STAND ALONE UNITS OUTSTANDING						
Common Units						
Beginning Balance	3,832	3,832	3,858	4,356	4,652	4,936
Issuance	27	27	498	296	284	271
Buyback	0	0	0	0	0	0
Ending Balance	-----	-----	-----	-----	-----	-----
	3,858	3,858	4,356	4,652	4,936	5,207
Average Common Units Outstanding	-----	-----	-----	-----	-----	-----
	3,858	3,858	4,107	4,504	4,794	5,071
Subordinated Units						
Beginning Balance	2,396	2,396	2,396	2,396	2,396	2,396
Issuance	0	0	0	0	0	0
Buyback	0	0	0	0	0	0
Ending Balance	-----	-----	-----	-----	-----	-----
	2,396	2,396	2,396	2,396	2,396	2,396
Average Subordinated Units Outstanding	-----	-----	-----	-----	-----	-----
	2,396	2,396	2,396	2,396	2,396	2,396
GP Implied Units						
Beginning Balance	127	127	128	138	144	150
Issuance	1	1	10	6	6	6
Buyback	0	0	0	0	0	0
Ending Balance	-----	-----	-----	-----	-----	-----
	128	128	138	144	150	155
Average Implied GP Units Outstanding	-----	-----	-----	-----	-----	-----
	128	128	133	141	147	152
Total Units	-----	-----	-----	-----	-----	-----
	6,382	6,382	6,890	7,192	7,481	7,758
Average Units Outstanding	-----	-----	-----	-----	-----	-----
	6,382	6,382	6,636	7,041	7,337	7,620

Main Model Oct-8 Rev 2 with new Star & AGE 15 yr Petro Projections and tax

effect. For discussion purposes only.

===== (in thousands except per share and per unit data) 15-yr; \$30mm @ 4.75x mid-year; \$.01 '99, \$.005'00-'01, flat att. =====

STAR GAS STAND ALONE BALANCE SHEET	ESTIMATED		PROJECTED		
	1998	1999	2000	2001	2002
<b>ASSETS:</b>					
Cash					
Other Current Assets	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500
Total Current Assets	15,376	17,662	18,433	19,204	19,974
	15,876	18,162	18,933	19,704	20,474
PP&E and Intangibles, Net	161,292	162,041	161,853	160,839	159,165
Other Assets	-	-	-	-	-
Total Assets	177,168	180,203	180,786	180,543	179,639
<b>LIABILITIES:</b>					
Current Liabilities - Excluding Working Capital Borrowings	10,101	12,387	13,158	13,929	14,699
Total Debt	109,785	111,890	118,337	124,783	131,231
Other Liabilities	76	76	76	76	76
Total Liabilities	119,962	124,353	131,571	138,788	146,007
Partner's Equity	57,206	55,850	49,215	41,755	33,633
Total Liabilities and Equity	\$ 177,168	\$180,203	\$180,786	\$180,543	\$179,639
Check	0	0	0	0	0
<b>STAR GAS STAND ALONE CASH FLOW STATEMENT</b>					
Net Income		\$ 2,075	\$ 2,213	\$ 2,305	\$ 2,560
Depreciation and Amortization		12,358	13,343	14,217	14,927
Deferred Taxes		-	-	-	-
Other Income		-	-	-	-
Other Assets/Liabilities		-	-	-	-
Change in Working Capital		(0)	0	-	-
Cash from Operations		14,433	15,556	16,522	17,487
Maintenance CapEx		(2,657)	(2,705)	(2,753)	(2,803)
Internal Growth CapEx		-	-	-	-
External Growth CapEx		(10,000)	(10,000)	(10,000)	(10,000)
Cash from Investments		(12,657)	(12,705)	(12,753)	(12,803)
Acquisition Borrowing		(1,169)	3,359	3,625	3,918
Remaining Distributions to Repay Debt		0	(0)	0	(0)
Amortization of Mortgage Notes		-	-	-	-
Borrowing to Repay Existing Debt		-	-	-	-
Borrowing for Changes in WC		0	(0)	-	-
Borrowing to Pay Full MQD		2,824	2,638	2,371	2,080
Change in Equity		11,169	6,641	6,375	6,082
Transaction/Deal Expenses		(450)	(450)	(450)	(450)
Distributions		(14,599)	(15,490)	(16,141)	(16,763)
Cash from Financing		(2,226)	(3,301)	(4,219)	(5,134)
Net Cash Flow		(450)	(450)	(450)	(450)
Initial Cash Balance		500	500	500	500
Cash Available for Paydown on WC Revolver and Acq. Facility		50	50	50	50
Minimum Cash Balance		500	500	500	500
Borrowing/(Paydown) on WC Revolver and Acq. Facility		450	450	450	450
Net Change in Cash		-	-	-	-
Ending Cash Balance		\$ 500	\$ 500	\$ 500	\$ 500

Main Model Oct-8 Rev 2 with new Star & AGE 15 yr Petro Projections and tax effect. For discussion purposes only.

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(in thousands except per share and per unit data)

15-yr; \$30mm @ 4.75x mid-year; \$.01 '99, \$.005 '00-'01, flat att.

	ESTIMATED	NORMALIZED	PROJECTED			
	1998	1998	1999	2000	2001	2002

STAR GAS STAND ALONE EBITDA CALCULATION  
(See Tab 3: Cases)

EBITDA Growth Rate		Year 1	Year 2	Year 3	Year 4	Year 5	
		10.4%	11.1%	6.2%	5.9%	5.5%	
Base EBITDA:	Timing						
	-----						
	End 1998						
	Mid 1999						
	Mid 2000						
	Mid 2001						
	Mid 2002						
	Mid 2003						
	Mid 2004						
	Mid 2005						
Total EBITDA		\$18,781	\$20,731	\$23,032	\$24,465	\$25,898	\$27,331
Pro Forma Full-Year EBITDA for Debt Covenant Analysis		18,781	20,731	23,748	25,181	26,614	28,047

STAR GAS STAND ALONE DEPRECIATION CALCULATION

Existing Depreciation			\$11,927	\$11,649	\$11,649	\$11,649	\$11,649	\$11,649
Maintenance CapEx:	1998 Normal	2,710						
	1998	2,710	\$ 0	\$ 0	\$ 181	\$ 181	\$ 181	\$ 181
Annual Growth: 1.8%	1999	2,657		89	177	177	177	177
	2000	2,705			90	180	180	180
	2001	2,753				92	184	184
	2002	2,803					93	93
Internal Growth CapEx:	1998	0	-	-	-	-	-	-
Annual Growth: 0.0%	1999	0		-	-	-	-	-
	2000	0			-	0	0	0
	2001	0				-	0	0
	2002	0					-	-
	2003	0						
	2004	0						
	2005	0						
External Growth CapEx:	1998	10,000	-	-	667	667	667	667
Annual Growth: 0.0%	1999	10,000		333	667	667	667	667
	2000	10,000			333	667	667	667
	2001	10,000				333	667	667
	2002	10,000					333	333
	2003	10,000						
	2004	10,000						
	2005	10,000						
Total Depreciation:			\$11,927	\$11,649	\$12,358	\$13,343	\$14,217	\$14,927

Main Model Oct-8 Rev 2 with new Star & AGE 15 yr Petro Projections and tax effect. For discussion purposes only.

STAR GAS STAND ALONE DEBT SCHEDULE

(in thousands except per share and per unit data)

15-yr; \$30mm @ 4.75x mid-year; \$.01 '99, \$.005 '00-'01, flat att.

		ESTIMATED	NORMALIZED	PROJECTED			
		1998	1998	1999	2000	2001	2002
8.04% 1st Mortgage Notes							
Beginning Balance		\$ 85,000	\$ 85,000	\$ 85,000	\$ 85,000	\$ 85,000	\$ 85,000
Borrowing		0	0	0	0	0	0
Amortization		0	0	0	0	0	0
Ending Balance		85,000	85,000	85,000	85,000	85,000	85,000
Interest Payment	8.04%	6,834	6,834	6,834	6,834	6,834	6,834
Make-Whole Payment		0	0	0	0	0	0
7.17% Pearl Notes							
Beginning Balance		\$ 0	\$ 0	\$ 11,000	\$ 11,000	\$ 11,000	\$ 11,000
Borrowing		11,000	11,000	0	0	0	0
Amortization		0	0	0	0	0	0
Ending Balance		11,000	11,000	11,000	11,000	11,000	11,000
Interest Payment	7.17%	613	613	789	789	789	789
% of year Pearl Notes Outstanding		77.7%	77.7%	0	0	0	0

7.25% WC Revolver						
Beginning Balance	-	-	\$ 4,785	\$ 4,785	\$ 4,785	\$ 4,785
Borrowing for Change in WC	-	-	0	(0)	-	-
Borrowing/(Payment)	4,785	4,785	0	0	0	0
Ending Balance	4,785	4,785	4,785	4,785	4,785	4,785
Effective Avg WC Balance	3,490	(97)	14	0	0	14
Interest Payment	7.25% 253	(7)	1	0	0	1
7.25% Acquisition Facility						
Beginning Balance	-	-	\$ 9,000	\$ 11,105	\$ 17,552	\$ 23,998
External Acquisitions	9,400	9,400	(1,169)	3,359	3,625	3,918
Beginning of 1999	-	-	-	-	-	-
Internal Acquisitions	(400)	(400)	-	-	-	-
Borrowing to Pay Full MQD	-	-	2,824	2,638	2,371	2,080
Borrowings to Repay Existing Debt	-	-	-	-	-	-
Borrowings/(Payment)	-	-	450	450	450	450
Remaining Distributions to Repay Debt	-	-	0	(0)	0	(0)
Ending Balance	9,000	9,000	11,105	17,552	23,998	30,446
Interest Payment	7.25% 0	0	729	1,039	1,506	1,974
TOTAL DEBT						
Beginning Balance	\$ 85,000	\$ 85,000	\$109,785	\$111,890	\$118,337	\$124,783
Amortization of Mortgage Notes	-	-	-	-	-	-
Borrowing for Pearl Notes	11,000	11,000	-	-	-	-
Borrowing for Changes in WC	-	-	0	(0)	-	-
Borrowing to Pay Full MQD	-	-	2,824	2,638	2,371	2,080
Acquisition Borrowing	9,000	9,000	(1,169)	3,359	3,625	3,918
Borrowing to Repay Existing Debt	-	-	-	-	-	-
Remaining Distributions to Repay Debt	-	-	0	(0)	0	(0)
Borrowing/Payment on WC Revolver and Acq. Facility	4,785	4,785	450	450	450	450
Ending Balance	\$109,785	\$109,785	\$111,890	\$118,337	\$124,783	\$131,231
INTEREST EXPENSE						
Interest Expense	\$ 7,700	\$ 7,440	\$ 8,352	\$ 8,662	\$ 9,129	\$ 9,597
Bank Fee	222	222	222	222	222	222
Total Interest Payment	\$ 7,922	\$ 7,662	\$ 8,574	\$ 8,884	\$ 9,351	\$ 9,819

Main Model Oct-8 Rev 2 with new Star & AGE 15 yr Petro Projections and tax effect. For discussion purposes only.

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STAR GAS STAND ALONE SCHEDULE OF ACTUAL DISTRIBUTIONS						
15-yr; \$30mm @ 4.75x mid-year; \$.01 '99, \$.005 '00-'01, flat att.						
(in thousands except per share and per unit data)						
ASSUMES REVISED TARGET DISTRIBUTIONS STRUCTURE	ESTIMATED NORMALIZED		PROJECTED			
	1998	1998	1999	2000	2001	2002
Distributable Cash						
Cash from Operations	\$ 10,834	\$ 13,044	\$ 14,433	\$ 15,556	\$ 16,522	\$ 17,487
Maintenance CapEx	(2,710)	(2,710)	(2,657)	(2,705)	(2,753)	(2,803)
Other	0	0	0	0	0	0
Total MLP Distributable Cash Flow	8,124	10,334	11,776	12,851	13,769	14,684
Distributable Cash Flow/Unit	\$ 1.27	\$ 1.62	\$ 1.77	\$ 1.83	\$ 1.88	\$ 1.93
Average Units for Calculating Annual Distributions						
Common Units	3,858	3,858	4,107	4,504	4,794	5,071
Subordinated Units	2,396	2,396	2,396	2,396	2,396	2,396
General Partner Interest Unit Equivalent	128	128	133	141	147	152
Total Units Outstanding	6,382	6,382	6,636	7,041	7,337	7,620
Distribution Levels						
MQD	\$ 2.20	\$ 2.20	\$ 2.20	\$ 2.20	\$ 2.20	\$ 2.20
First Target	\$ 2.42	\$ 2.42	\$ 2.42	\$ 2.42	\$ 2.42	\$ 2.42
Second Target	\$ 2.84	\$ 2.84	\$ 2.84	\$ 2.84	\$ 2.84	\$ 2.84
Third Target	\$ 3.70	\$ 3.70	\$ 3.70	\$ 3.70	\$ 3.70	\$ 3.70
Indicated Cash Distribution	\$ 2.20	\$ 2.20	\$ 2.20	\$ 2.20	\$ 2.20	\$ 2.20
Distribution of MQD						
Cash Available	8,124	10,334	11,776	12,851	13,769	14,684
Cash Borrowed to Pay Full MQD	5,917	3,707	2,824	2,638	2,371	2,080
Allocation to:						
Common Units	8,489	8,489	9,036	9,909	10,546	11,157
Subordinated Units	5,271	5,271	5,271	5,271	5,271	5,271
General Partner Interest	281	281	292	310	323	335
First Target Distribution						
Cash Available	0	0	0	0	0	0
Cash Required for Target Distribution	0	0	0	0	0	0

Cash Required for Indicated Distribution	0	0	0	0	0	0
Actual Cash Distributed	0	0	0	0	0	0
Allocation to:						
Common Units	0	0	0	0	0	0
Subordinated Units	0	0	0	0	0	0
General Partner Interest	0	0	0	0	0	0
Second Target Distribution						
-----						
Cash Available	0	0	0	0	0	0
Cash Required for Target Distribution	0	0	0	0	0	0
Cash Required for Indicated Distribution	0	0	0	0	0	0
Actual Cash Distributed	0	0	0	0	0	0
Allocation to:						
Common Units	0	0	0	0	0	0
Subordinated Units	0	0	0	0	0	0
General Partner Interest	0	0	0	0	0	0
Incentive Distribution	0	0	0	0	0	0

Main Model Oct-8 rev 2 with new Star & AGE 15yr Petro Projections and tax effect. For discussion purposes only.

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STAR GAS STAND ALONE SCHEDULE OF ACTUAL DISTRIBUTIONS (CONT'D) 15-yr; 30 mm @ 4.75x mid-year ; \$ 0.1 '99, \$.005 '00-01, flat att  
(in thousands except per share and per unit data)

	ESTIMATED	NORMALIZED	PROJECTED			
			1999	2000	2001	2002
	1998	1998	1999	2000	2001	2002
	-----	-----	-----	-----	-----	-----
REMAINING DISTRIBUTION						
Cash Available	0	0	0	0	0	0
Allocation to:						
Common Units	0	0	0	0	0	0
Subordinated Units	0	0	0	0	0	0
General Partner Interest	0	0	0	0	0	0
Incentive Distribution	0	0	0	0	0	0
Repay Indebtedness	(0)	(0)	(0)	0	(0)	0
TOTAL DISTRIBUTIONS						
Common Units	8,489	8,489	9,036	9,909	10,546	11,157
Subordinated Units	5,271	5,271	5,271	5,271	5,271	5,271
General Partner Interest	281	281	292	310	323	335
Incentive Distribution	0	0	0	0	0	0
Total Distributions	----- \$14,041	----- \$14,041	----- \$14,599	----- \$15,490	----- \$16,141	----- \$16,763
TOTAL DISTRIBUTION PER UNIT						
Common Unit	\$2.20	\$2.20	\$2.20	\$2.20	\$2.20	\$2.20
Subordinated Unit	2.20	2.20	2.20	2.20	2.20	2.20
GP Unit	2.20	2.20	2.20	2.20	2.20	2.20

Main Model Oct-8 Rev 2 with new Star & AGE 15yr Petro Projections and tax effect. For discussion purposes only.

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(in thousands except per share and per unit data)

15-yr; \$30mm @ 4.75x mid-year; \$.01 '99, \$.005 '00-'01, flat att.

	Estimated	Normalized	Projected			
			1999	2000	2001	2002
	1998	1998	1999	2000	2001	2002
	-----	-----	-----	-----	-----	-----
PETRO EBITDA CALCULATION						
-----						
EBITDA Growth Rate						
-----						
		Year 1	Year 2	Year 3	Year 4	Year 5
-----						
Base EBITDA:	Timing					
-----						
Acquisitions:	End 1998	\$ 0				
	Mid 1999	30,000				
	Mid 2000	30,000				



Mid	2001	30,000
Mid	2002	30,000
Mid	2003	30,000
Mid	2004	30,000
Mid	2005	30,000

Total EBITDA			-----	-----	-----	-----	-----	-----
			\$ 37,630	\$ 44,749	\$ 46,463	\$ 48,897	\$ 51,040	\$ 52,989
			=====	=====	=====	=====	=====	=====
Pro Forma Full-Year EBITDA for Debt Covenant Analysis			37,630	44,749	49,534	51,968	54,111	56,060
PETRO DEPRECIATION CALCULATION								
Existing Depreciation			\$ 28,710	\$ 28,710	\$ 28,710	\$ 28,710	\$ 28,710	\$ 28,710
Maintenance CapEx:	1998	\$ 2,776	-	-	185	185	185	185
Annual Growth: 2.0%	1999	3,000			100	200	200	200
	2000	3,060				102	204	204
	2001	3,121					104	208
	2002	3,184						108
	2003	3,247						
	2004	3,312						
	2005	3,378						
Internal Growth CapEx:	1998	\$ 0	-	-	-	-	-	-
Annual Growth: 0.0%	1999	0			-	-	-	-
	2000	0				-	-	-
	2001	0					-	-
	2002	0						-
	2003	0						
	2004	0						
	2005	0						
External Growth CapEx:	1998	\$ 0	-	-	0	0	0	0
Annual Growth: 0.0%	1999	30,000			2,308	4,615	4,615	4,615
	2000	30,000				2,308	4,615	4,615
	2001	30,000					2,308	4,615
	2002	30,000						2,308
	2003	30,000						
	2004	30,000						
	2005	30,000						
Total Depreciation			-----	-----	-----	-----	-----	-----
			28,710	28,710	31,303	36,120	40,942	45,767
			=====	=====	=====	=====	=====	=====

Main Model Oct-8 Rev 2 with new Star & AGE 15 yr Petro Projections and tax effect. For discussion purposes only.

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(in thousands except per share and per unit data)

15-YR: \$30MM @ 4.75X MID-YEAR; \$.01 '99, \$.005 '00-'01, FLAT ATT.

STAR PRO FORMA INCOME STATEMENT

	ESTIMATED	NORMALIZED	PROJECTED			
	1998	1998	1999	2000	2001	2002
Combined EBITDA	\$56,411	\$65,480	\$69,495	\$73,362	\$76,938	\$80,320
Consolidated Savings	500	500	500	500	500	500
Pro Forma EBITDA	56,911	65,980	69,995	73,862	77,438	80,820
Depreciation and Amortization	40,637	40,359	43,661	49,463	55,159	60,694
EBIT	16,274	25,621	26,334	24,399	22,279	20,126
Interest Expense	(28,307)	(28,307)	(29,004)	(30,429)	(31,685)	(32,820)
Interest Income	-	-	-	-	-	-
Other Income	-	-	-	-	-	-
EBT	(12,033)	(2,686)	(2,669)	(6,031)	(9,045)	(12,694)
Current Income Taxes	(1,025)	(1,025)	(1,025)	(1,025)	(1,025)	(1,025)
Deferred Income Taxes	-	-	-	-	-	-
Net Income Available to Common	(\$13,058)	(\$3,711)	(\$3,694)	(\$7,056)	(\$10,430)	(\$13,719)
Pro Forma Full-Year EBITDA for Debt Covenant Analysis	56,911	65,980	73,782	77,649	81,225	84,607
STAR PRO FORMA UNITS OUTSTANDING						
Common Units						
Beginning Balance		10,842	10,842	11,614	12,621	13,696
Issuance		-	-	-	-	-
Issued to Meet Debt Covenant Ratio		-	772	1,007	1,075	1,126
Issued to E		-	-	-	-	-
Buyback		-	-	-	-	-
Ending Balance		10,842	11,614	12,621	13,696	14,822
Average Common Units Outstanding		10,842	11,228	12,117	13,158	14,259
Deferred Participation Units						
Beginning Balance		-	909	909	909	909
DPUs Issued at Beginning of Year		-	-	-	-	-

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Ending Balance	-	-	909	909	909	909
SR Subordinated Units						
Beginning Balances - Sr Sub Units	2,767	2,767	2,767	2,767	2,767	2,767
DPUs Issued	-	-	-	-	-	-
Sr Sub Issuance	-	-	-	-	-	-
Sr Sub to E	-	-	-	-	-	-
Sr Sub Converted to G.P. Interest	-	-	-	-	-	-
Ending Balance	2,767	2,767	2,767	2,767	2,767	2,767
Average Sr Subordinated Units Outstanding	2,767	2,767	2,767	2,767	2,767	2,767
Subordinated Units						
Beginning Balance	567	567	567	567	567	567
Issuance	-	-	-	-	-	-
Buyback	-	-	-	-	-	-
Ending Balance	567	567	567	567	567	567
Average Subordinated Units Outstanding	567	567	567	567	567	567
GP Implied Units						
Beginning Balance	289	289	289	289	289	289
Issued in conjunction with DPUs	-	-	-	-	-	-
Issued to Meet Debt Covenant Ratio	-	-	-	-	-	-
Issued in conjunction with E Equity	-	-	-	-	-	-
Buyback	-	-	-	-	-	-
Ending Balance	289	289	289	289	289	289
Average Implied GP Units Outstanding	289	289	289	289	289	289
Total Units Outstanding	14,465	14,465	15,237	16,245	17,320	18,446
Average Total Units Outstanding	14,465	14,465	14,851	15,741	16,782	17,883
Pro Forma Heating Oil Units Used for DPUs Issue Calculation			8,215	8,700	9,446	10,263

Main Model Oct-8 Rev 2 with new Star & AGE 15 yr Petro Projections and tax effect. For discussion purposes only.

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(in thousands except per share and per unit data)

15-yr; \$30mm @ 4.75x mid-year; \$.01 '99, \$.005 '00-'01, flat att.

STAR PRO FORMA BALANCE SHEET	ESTIMATED	PROJECTED			
	1998	1999	2000	2001	2002
<b>ASSETS:</b>					
Cash	\$ 10,142	\$ 10,142	\$ 10,142	\$ 10,142	\$ 10,142
Other Current Assets	86,874	92,410	97,741	102,672	107,335
Total Current Assets	97,016	102,552	107,883	112,814	117,477
PP&E and Intangibles, Net	267,987	269,983	266,285	257,001	242,293
Other Assets	12,802	12,802	12,802	12,802	12,802
Total Assets	377,805	385,337	386,971	382,617	372,572
<b>LIABILITIES:</b>					
Current Liabilities	90,971	96,507	101,838	106,769	111,432
8.25% Existing Credit Facility	4,785	4,785	4,785	4,785	4,785
Total LT Debt	309,154	332,019	349,421	365,513	380,732
Other Liabilities	10,786	10,786	10,786	10,786	10,786
Total Liabilities	415,696	444,097	466,830	487,852	507,734
Preferred Stock	-	-	-	-	-
Common Shareholder's Equity	(37,891)	(58,760)	(79,859)	(105,236)	(135,162)
Total Liabilities and Equity	\$377,805	\$385,337	\$386,971	\$ 382,617	\$ 372,572
Check	-	-	-	0	0
<b>STAR PRO FORMA CASH FLOW STATEMENT</b>					
Net Income		(53,694)	(\$7,056)	(\$10,430)	(\$13,719)
Depreciation and Amortization		43,661	49,463	55,159	60,694
Deferred Taxes		-	-	-	-
Other Assets/Liab		-	-	-	-
Change in Non-Cash Working Capital		-	-	-	-
Cash from Operations		39,966	42,408	44,728	46,975
Maintenance CapEx		(5,657)	(5,765)	(5,874)	(5,987)
Internal Growth CapEx		-	-	-	-
External Growth CapEx		(40,000)	(40,000)	(40,000)	(40,000)
Cash from Investments		(45,657)	(45,765)	(45,874)	(45,987)
Acquisition Borrowing		40,000	40,000	40,000	40,000

Remaining Distributions to Repay Debt	(151)	(438)	(255)	(0)
Amortization of Existing Debt	(6,127)	(8,141)	(60)	(60)
Borrowing to Repay Existing Debt	6,127	8,141	60	60
Borrowing for Changes in WC	-	-	-	-
Change in Common Equity & GP Interest	16,984	22,160	23,653	24,781
Repayment of Preferred Stock	-	-	-	-
Distributions	(34,158)	(36,204)	(38,599)	(40,988)
Cash from Financing	22,675	25,518	24,799	23,793
Net Cash Flow	16,984	22,160	23,653	24,781
Initial Cash Balance	10,142	10,142	10,142	10,142
Cash Available for Paydown on WC Revolver and Acq. Facility	27,126	32,302	33,795	34,923
Minimum Cash Balance	10,142	10,142	10,142	10,142
Borrowing/(Paydown) on WC Revolver and Acq. Facility	(16,984)	(22,160)	(23,653)	(24,781)
Ending Cash Balance	10,142	10,142	10,142	10,142
Net Change in Cash	\$ 0	(\$0)	(\$0)	\$ 0

Main Model Oct-8 Rev 2 with new Star & AGE 15 yr Petro Projections and tax effect. For discussion purposes only.

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(in thousands except per share and per unit data)

15-YR; \$30MM @ 4.75X MID-YEAR; \$.01 '99, \$.005 '00-'01, FLAT ATT.

STAR PRO FORMA DEBT SCHEDULE		ESTIMATED	NORMALIZED	PROJECTED			
		1998	1998	1999	2000	2001	2002
8.04% 1st Mortgage Notes							
Beginning Balance		\$ 85,000	\$ 85,000	\$ 85,000	\$ 85,000	\$ 85,000	\$ 85,000
Borrowing		-	-	-	-	-	-
Amortization		-	-	-	-	-	-
Ending Balance		85,000	85,000	85,000	85,000	85,000	85,000
Interest Payment	8.04%	6,834	6,834	6,834	6,834	6,834	6,834
7.17% Pearl Notes							
Beginning Balance		11,000	11,000	11,000	11,000	11,000	11,000
Borrowing		-	-	-	-	-	-
Amortization		-	-	-	-	-	-
Ending Balance		11,000	11,000	11,000	11,000	11,000	11,000
Interest Payment	7.17%	613	613	789	789	789	789
% of year Pearl Notes Outstanding		77.7%	77.7%				
10.13% Sub Notes & Sr Notes							
Beginning Balance		50,000	50,000	-	-	-	-
Borrowing		-	-	-	-	-	-
Amortization		(50,000)	(50,000)	-	-	-	-
Ending Balance		-	-	-	-	-	-
Interest Payment	10.13%	-	-	-	-	-	-
9.38% Sub Notes & Sr Notes							
Beginning Balance		75,000	75,000	-	-	-	-
Borrowing		-	-	-	-	-	-
Amortization		(75,000)	(75,000)	-	-	-	-
Ending Balance		-	-	-	-	-	-
Interest Payment	9.38%	-	-	-	-	-	-
12.25% Sub Notes & Sr Notes							
Beginning Balance		81,250	81,250	-	-	-	-
Borrowing		-	-	-	-	-	-
Amortization		(81,250)	(81,250)	-	-	-	-
Ending Balance		-	-	-	-	-	-
Interest Payment	12.25%	-	-	-	-	-	-
9.00% New Debt							
Beginning Balance		-	-	120,000	126,127	134,268	134,328
Borrowing		120,000	120,000	6,127	8,141	60	60
Amortization		-	-	-	-	-	-
Ending Balance		120,000	120,000	126,127	134,268	134,328	134,388
Interest Payment	9.00%	10,800	10,800	11,076	11,718	12,087	12,092
Exchange of 11.96% Senior Notes							
Beginning Balance		-	-	63,126	63,126	63,126	63,126
Borrowing		63,126	63,126	-	-	-	-
Amortization		-	-	-	-	-	-
Ending Balance		63,126	63,126	63,126	63,126	63,126	63,126
Interest Payment	9.00%	5,681	5,681	5,681	5,681	5,681	5,681
8.00% Acq. & Other Notes Pay							

Beginning Balance		16,507	16,507	14,508	8,381	240	180
Borrowing		-	-	-	-	-	-
Amortization		(1,999)	(1,999)	(6,127)	(8,141)	(60)	(60)
Ending Balance		14,508	14,508	8,381	240	180	120
Interest Payment	8.00%	1,241	1,241	916	345	17	12

Main Model Oct-8 Rev 2 with new Star & AGE 15 yr Petro Projections and tax effect. For discussion purposes only.

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(in thousands except per share and per unit data)

15-yr; \$30mm @ 4.75x mid-year; \$.01 '99, \$.005 '00-'01, flat att.

STAR PRO FORMA DEBT SCHEDULE (CONT'D)		ESTIMATED	NORMALIZED	PROJECTED			
		1998	1998	1999	2000	2001	2002
Exchange of 14.10% Senior Notes							
Beginning Balance		-	-	6,520	6,520	6,520	6,520
Borrowing		6,520	6,520	-	-	-	-
Amortization		-	-	-	-	-	-
Ending Balance		6,520	6,520	6,520	6,520	6,520	6,520
Interest Payment	11.50%	750	750	750	750	750	750
7.25% WC Revolver							
Beginning Balance		-	-	4,785	4,785	4,785	4,785
Borrowing for Change in WC		-	-	-	-	-	-
Borrowing to Pay full MQD		-	-	-	-	-	-
Borrowing/(Payment)		4,785	4,785	-	-	-	-
Ending Balance		4,785	4,785	4,785	4,785	4,785	4,785
Effective Avg WC Balance		23,600	23,600	10,828	9,379	9,379	9,379
Interest Payment	7.25%	1,711	1,711	785	680	680	680
7.25% Acquisition Facility							
Beginning Balance		-	-	9,000	31,865	49,266	65,358
External Acquisitions		9,400	9,400	40,000	40,000	40,000	40,000
External Acquisitions at Beginning of 1999		-	-	-	-	-	-
Internal Growth CapEx		(400)	(400)	-	-	-	-
Payment		-	-	(16,984)	(22,160)	(23,653)	(24,781)
Remaining Distributions to Repay Debt		-	-	(151)	(438)	(255)	(0)
Ending Balance		9,000	9,000	31,865	49,266	65,358	80,577
Interest Payment	7.25%	(\$15)	(\$15)	\$ 1,481	\$ 2,941	\$ 4,155	\$ 5,290
Total Pro Forma Debt							
Beginning Balance		\$ 318,757	\$ 318,757	\$ 313,939	\$ 336,804	\$ 354,206	\$ 370,298
Amortization of Existing Debt		(208,249)	(208,249)	(6,127)	(8,141)	(60)	(60)
Exchange of Notes		69,646	69,646	-	-	-	-
Borrowing for Changes in WC		-	-	-	-	-	-
Acquisition Borrowing		9,000	9,000	40,000	40,000	40,000	40,000
Borrowing to Pay Full MQD		-	-	-	-	-	-
Borrowing to Repay Existing Debt		120,000	120,000	6,127	8,141	60	60
Remaining Distribution to Repay Debt		-	-	(151)	(438)	(255)	(0)
Borrowing/(Payment) on WC Revolver and Acq. Facility		4,785	4,785	(16,984)	(22,160)	(23,653)	(24,781)
Ending Balance		313,939	313,939	336,804	354,206	370,298	385,517
Preferred Stock							
Beginning Balance		34,167	34,167	-	-	-	-
Repayment		(34,167)	(34,167)	-	-	-	-
Ending Balance		-	-	-	-	-	-
Dividend Payment	14.33%	-	-	-	-	-	-
Interest Expense/Dividends		27,615	27,615	28,312	29,737	30,993	32,128
Chase Fees		692	692	692	692	692	692
Total Interest Payment/Dividends		\$ 28,307	\$ 28,307	\$ 29,004	\$ 30,429	\$ 31,685	\$ 32,820

Main Model Oct-8 Rev 2 with new Star & AGE 15 yr Petro Projections and tax effect. For discussion purposes only.

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(in thousands except per share and per unit data)

15-yr \$30mm @ 4.75x mid-year; \$.01 '99, \$.005 '00-'01, flat att.

STAR PRO FORMA DISTRIBUTION SCHEDULE OF ACTUAL DISTRIBUTIONS

	Estimated	Normalized	Projected			
			1998	1999	2000	2001
<b>Distributable Cash</b>						
Cash from Operations (excl chg in WC)	27,579	36,648	\$39,966	\$42,408	\$44,728	\$46,975
Maintenance CapEx	(5,486)	(5,486)	(5,657)	(5,765)	(5,874)	(5,987)
Other	-	-	-	-	-	-
<b>Total MLP Distributable Cash Flow</b>	<b>22,093</b>	<b>31,162</b>	<b>34,309</b>	<b>36,643</b>	<b>38,854</b>	<b>40,988</b>
Distributable Cash Flow / Unit	\$ 1.53	\$ 2.15	\$ 2.31	\$ 2.33	\$ 2.32	\$ 2.29
Distributable Cash Flow / Unit Pro Forma for DPU Conversion						
<b>Average Units for Calculating Annual Distributions</b>						
Common Units	10,842	10,842	11,228	12,117	13,158	14,259
SR Subordinated Units	2,767	2,767	2,767	2,767	2,767	2,767
Subordinated Units	567	567	567	567	567	567
General Partner Interest Unit Equivalent	289	289	289	289	289	289
<b>Total Units Outstanding</b>	<b>14,465</b>	<b>14,465</b>	<b>14,851</b>	<b>15,741</b>	<b>16,782</b>	<b>17,883</b>
<b>Distribution Levels</b>						
MQD	\$ 2.30	\$ 2.30	\$ 2.30	\$ 2.30	\$ 2.30	\$ 2.30
First Target	\$ 2.42	\$ 2.42	\$ 2.42	\$ 2.42	\$ 2.42	\$ 2.42
Second Target	\$ 2.84	\$ 2.84	\$ 2.84	\$ 2.84	\$ 2.84	\$ 2.84
Third Target	\$ 3.70	\$ 3.70	\$ 3.70	\$ 3.70	\$ 3.70	\$ 3.70
Indicated Cash Distribution	\$ 2.30	\$ 2.30	\$ 2.30	\$ 2.30	\$ 2.30	\$ 2.30
<b>Distribution of MQD</b>						
Cash Available	22,093	31,162	34,309	36,643	38,854	40,988
Allocation to:						
Common Units	22,093	24,936	25,823	27,869	30,264	32,796
SR Subordinated Units	0	6,226	6,364	6,364	6,364	6,364
Subordinated Units	0	0	1,305	1,305	1,305	1,211
General Partner Interest	0	0	665	665	665	617
<b>First Target Distribution</b>						
Cash Available	0	0	151	438	255	0
Cash Required for Target Distribution	0	0	1,783	1,892	2,020	0
Cash Required for Indicated Distribution	0	0	0	0	0	0
Actual Cash Distributed	0	0	0	0	0	0
Allocation to:						
Common Units	0	0	0	0	0	0
SR Subordinated Units	0	0	0	0	0	0
Subordinated Units	0	0	0	0	0	0
General Partner Interest	0	0	0	0	0	0
Total Distributions to:						
Common Units	0	0	0	0	0	0
Sr. Subordinated Units	0	0	0	0	0	0
Subordinated Units	0	0	0	0	0	0
General Partner Interest	0	0	0	0	0	0

Main Model Oct-8 Rev 2 with new Star & AGE 15 yr Petro Projections and tax effect . For discussion purposes only.

(in thousands except per share and per unit data)

STAR GAS PRO FORMA SCHEDULE OF ACTUAL DISTRIBUTIONS (CONT'D)

15-yr; \$30mm @ 4.75x mid-year; \$.01 '99, \$.005 '00-'01, flat att

	ESTIMATED	NORMALIZED	PROJECTED			
			1998	1999	2000	2001
<b>Second Target Distribution</b>						
Cash Available	0	0	0	0	0	0
Cash Required for Target Distribution	0	0	0	0	0	0
Cash Required for Indicated Distribution	0	0	0	0	0	0
Actual Cash Distributed	0	0	0	0	0	0
Allocation to:						
Common Units	0	0	0	0	0	0
SR Subordinated Units	0	0	0	0	0	0
Subordinated Units	0	0	0	0	0	0
General Partner Interest	0	0	0	0	0	0

Incentive Right	0	0	0	0	0	0
Incentive Right to GP Interest	0	0	0	0	0	0
Incentive Right to Sub Units	0	0	0	0	0	0
Incentive Right to Sr. Sub Units	0	0	0	0	0	0
Total Distributions to:						
Common Units	0	0	0	0	0	0
Sr. Subordinated Units	0	0	0	0	0	0
Subordinated Units	0	0	0	0	0	0
General Partner Interest	0	0	0	0	0	0
Third Target Distribution						
-----						
Cash Available	0	0	0	0	0	0
Cash Required for Target Distribution	0	0	0	0	0	0
Cash Required for Indicated Distribution	0	0	0	0	0	0
Actual Cash Distributed	0	0	0	0	0	0
Allocation to:						
Common Units	0	0	0	0	0	0
Sr. Subordinated Units	0	0	0	0	0	0
Subordinated Units	0	0	0	0	0	0
General Partner Interest	0	0	0	0	0	0
Incentive Right	0	0	0	0	0	0
Incentive Right to GP Interest	0	0	0	0	0	0
Incentive Right to Sub Units	0	0	0	0	0	0
Incentive Right to Sr. Sub Units	0	0	0	0	0	0
Total Distributions to:						
Common Units	0	0	0	0	0	0
Sr. Subordinated Units	0	0	0	0	0	0
Subordinated Units	0	0	0	0	0	0
General Partner Interest	0	0	0	0	0	0
Remaining Distribution						
-----						
Cash Available	0	0	0	0	0	0
Cash Required for Indicated Distribution	0	0	0	0	0	0
Actual Cash Distributed	0	0	0	0	0	0
Allocation to:						
Common Units	0	0	0	0	0	0
Sr. Subordinated Units	0	0	0	0	0	0
Subordinated Units	0	0	0	0	0	0
General Partner Interest	0	0	0	0	0	0
Incentive Right	0	0	0	0	0	0
Incentive Right to GP Interest	0	0	0	0	0	0
Incentive Right to Sub Units	0	0	0	0	0	0
Incentive Right to Sr. Sub Units	0	0	0	0	0	0
Repay Indebtedness	0	0	151	438	255	0
Total Distributions to:						
Common Units	0	0	0	0	0	0
Sr. Subordinated Units	0	0	0	0	0	0
Subordinated Units	0	0	0	0	0	0
General Partner Interest	0	0	0	0	0	0

Main Model Oct-8 Rev 2 with new Star & AGE 15 yr Petro Projections and tax effect. For discussion purposes only.

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(in thousands except per share and per unit data)

STAR GAS PRO FORMA SCHEDULE OF ACTUAL DISTRIBUTIONS (CONT'D) 15-yr; \$30mm @ 4.75x mid-year; \$.01 '99, \$.005 '00-'01, flat att.

	Estimated	Normalized	Projected			
			1998	1998	1999	2000
-----						
Total Distributions						
-----						
Common Units	\$ 22,093	\$ 24,936	\$ 25,823	\$ 27,869	\$ 30,264	\$ 32,796
SR Subordinated Units	0	6,226	6,364	6,364	6,364	6,364
Subordinated Units	0	0	1,305	1,305	1,305	1,211
General Partner Interest	0	0	665	665	665	617
Total Distributions	\$ 22,093	\$ 31,162	\$ 34,158	\$ 36,204	\$ 38,599	\$ 40,988
-----						
	14,041	14,041	14,599	15,490	16,141	16,763
-----						
Total Distributions Per Unit						
-----						
Common Units	\$ 2.04	\$ 2.30	\$ 2.30	\$ 2.30	\$ 2.30	\$ 2.30
SR Subordinated Units	0.00	2.25	2.30	2.30	2.30	2.30
Subordinated & GP Units	0.00	0.00	2.30	2.30	2.30	2.13

Main Model Oct-8 Rev 2 with new Star & AGB 15 yr Petra Projections and tax effect. For discussion purposes only.

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PETRO PRO FORMA WORKING CAPITAL REQUIREMENTS  
(IN 000S, EXCEPT PER SHARE AMOUNTS)

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ASSUMPTIONS  
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DEBT ATTRIBUTED TO PETRO:

	9/30/98 Pro Forma Balance	Interest Rate	Annual Interest
8.00 % Acquisition & Other Notes Pay	\$ 14,508	8.00%	\$ 1,161
9.00 % Exchanged Debt	63,126	9.00%	5,681
11.50 % Exchanged Debt	6,520	11.50%	750
9.25 % New Debt (a)	120,000	9.25%	11,100
			----- \$18,692

NEW COMMON UNITS TO REFINANCE OLD DEBT & CONSENT FEE:

Amount to be Raised	Price Per Share	Number of Units	MDQ	Annual Distribution
----- \$141,473	----- \$20.259	----- 6,983	----- \$2.30	----- \$16,061

INCREASE IN MDQ ON OLD COMMON UNITS

	Number of Units	Increase in MDQ	Annual Distribution
Old Common Units	3,832	\$0.10	\$383

OPERATING WORKING CAPITAL REQUIRE     \$ 500

TAX LIABILITY:                                 \$ 5,000

(a) AGE assumed rate of 9.25%

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REQUIREMENT CALCULATION  
-----

	Closing Date		
	Jan 31 1999	Feb 28 1999	Mar 31 1999
Interest on Debt Attributed to Petro:	\$17,134	\$15,576	\$14,019
MDQ on New Common Units	16,061	16,061	16,061
Increase in MDQ on old Common Units	383	383	383
Operating Working Capital Requirement	500	500	500
Tax Liability	5,000	5,000	5,000
	-----	-----	-----
Sub Total	\$39,078	\$37,521	\$35,963
Petro EBITDA			
Historical Quarter Ended:			
6/30/98	(\$6,355)	(\$6,355)	(\$6,355)
9/30/97	(20,908)	(20,908)	(20,908)
12/31/97	16,716	16,716	16,716
	-----	-----	-----
Projected Month Ended:			
2/28/99	20,434		
3/31/99	13,281	13,281	
	-----	-----	-----
Sub Total	\$23,168	\$ 2,734	(\$10,547)
TOTAL	\$15,910	\$34,787	\$46,510
----- WORKING CAPITAL REQUIREMENT -----	----- 18,000	----- 35,000	----- 46,500
Projected Month Ended Working Capital:			
Standard Calculation	\$20,670	\$36,836	\$47,341
Excess Cash Assuming a March 31 Close			\$ 841





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FOR IMMEDIATE RELEASE

STAR GAS PARTNERS, L.P. AND PETROLEUM HEAT AND POWER CO., INC.  
ANNOUNCE AGREEMENT IN PRINCIPLE TO COMBINE

STAMFORD, CT (August 14, 1998) - Star Gas Partners, L.P., ("Star" or the "Partnership") (NYSE:SGU) and Petroleum Heat and Power Co., Inc. ("Petro" or the "Company") (NASDAQ:HEAT), jointly announced today that they have reached an agreement in principle to enter into a strategic business combination in which Petro would become a wholly-owned subsidiary of Star. This transaction would be effected through Petro shareholders exchanging their approximately 26.6 million shares of Petro Common Stock for approximately 3.6 million Star master limited partnership units which will be subordinated to the existing Star Common Units.

Star Gas currently distributes to its partners, on a quarterly basis, all of its Available Cash, which is generally all of the cash receipts of the Partnership less all cash disbursements, with a targeted Minimum Quarterly Distribution ("MQD") of \$0.55 per Unit, or \$2.20 per Unit on an annualized basis. In connection with the Petro transaction, the Partnership will increase the MQD to \$.575 per unit or \$2.30 per Unit on an annualized basis. This increase in the MQD reflects the expectation that the transaction will be accretive to the Partnership. The increase in the MQD will also serve to raise the threshold needed to end the subordination period.

Of the 3.6 million subordinated Partnership units anticipated to be distributed to Petro shareholders, 2.8 million will be Senior Subordinated Units and approximately 857,000 will be Junior Subordinated Units and General Partnership Interests. The Senior

Subordinated Units will be publicly registered and tradable (they are expected to be listed on the NYSE) and will be subordinated in distributions to Star's Common Units. The Junior Subordinated Units and General Partnership Interests will not be registered nor publicly tradable and will be subordinated to both the Common Units and the Senior Subordinated Units. The Senior Subordinated Units will be exchanged with holders of Petro's publicly traded Class A common stock and the Junior Subordinated Units and General Partnership Interests will be exchanged with individuals that currently own Petro's Class C common stock. Certain holders of the Company's Class C Common Stock will also exchange their shares of Senior Subordinated Units.

It is currently contemplated that 21,177,000 shares of Petro Common Stock will be exchanged for 2,767,000 Star Senior Subordinated Units. 5,386,000 shares of Petro common stock, held by certain individuals who currently own Petro Class C common stock, including Irik P. Sevin, Chairman of Petro and Star and other members of a group that currently controls Petro, will be exchanged for 579,000 Junior Subordinated Units and General Partnership Interests which are economically equivalent to 279,000 Junior Subordinated Units.

Under the partnership subordination provision, distributions on Star Senior Subordinated Units may be made only after distributions of Available Cash on

Common Units meet the MQD requirement. Distributions on Star Junior Subordinated Units and to the General Partner may be made only after distributions of Available Cash on Common Units and Senior Subordinated Units meet the MQD requirement. The Subordination Period will extend until the Partnership earns and pays its MQD for three years. In any event, as a condition of this transaction, the Partnership agreement will be amended so that no distribution will be paid on the Senior Subordinated Units, Junior Subordinated Units, or to the General Partner except to the extent Available Cash is earned from operations.

Like many other publicly traded master limited partnerships, the Partnerships contains a provision which provides the General Partner with incentive distributions in excess of certain targeted amounts. This provision will be modified so that should there be any such incentive distributions, they will be made pro rata to the Senior Subordinated Units and Junior Subordinated Units as well as to the General Partner.

In connection with the Transaction, the Senior Subordinated Units, Junior Subordinated Units and General Partnership Interests can earn, pro rata, 303,000 additional Senior Subordinated Units each year that Petro provides \$.50 per unit accretion to Star to a maximum of 909,000 additional Senior Subordinated Units.

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In connection with the transaction, Star intends to raise approximately \$140 million through a public offering of Common Units and \$120 million through a public or private offering of debt securities. The net proceeds from these offerings will be used primarily to redeem approximately \$240 million in Petro public and private debt and preferred stock. Any such offering will be made only by means of a prospectus or in transactions not requiring registration under securities laws. This announcement does not constitute an offer to sell any securities. As part of this recapitalization, Petro also intends to restructure \$66.2 million of privately held notes.

Petro has reached an agreement with institutional holders of an aggregate of \$149 million or 63.1% of such public debt and preferred stock to permit their redemption of such securities at the closing of the Star Gas/Petro Transaction. This agreement allows Petro to redeem its 9 3/8% Subordinated Debentures, 10 1/8% Subordinated Notes and 12 1/4% Subordinated Debentures at 100%, 100% and 103.5% of principal amount, respectively, and to redeem its 12 7/8% Preferred Stock at \$23 per share. In consideration for this early redemption right, Petro has agreed to issue to such holders 3.37 shares of newly issued Petro Junior Convertible Preferred Stock for each \$1,000 in principal amount or liquidation preference of such securities. Each share of Petro Junior Convertible Preferred Stock will be exchangeable into .13 of a Star common Unit at the conclusion of this transaction representing a maximum 104,000 MLP units. Should the transaction not be consummated, the Junior Preferred Stock will be converted into a like number of shares of Class A Common Stock.

Petro will offer to the remaining holders of its publicly traded debt and preferred stock the same right of early redemption under the same terms and conditions as agreed to by the consenting holders. This proposal will be made through an exchange offer that is expected to commence shortly. This transaction and the associated Petro recapitalization are subject to receiving an agreement to the early redemption from at least 90% of the outstanding publicly traded debt and preferred stock.

Petro currently has a 40.7% equity interest in the Partnership and a subsidiary of Petro is its general partner. After completion of the transaction, the Petro shareholders will own approximately 26% of Star's equity through Subordinated Units and General Partnership Interests. The holders of the Partnership's Common Units (including an estimated 6.4 million Common Units that will be sold in the Partnerships \$140 million public offering) will own an aggregate approximately 74% equity interest in the Partnership following the completion of the transaction. The General Partner of the Partnership will be a newly organized Delaware limited liability company that will be owned by members of Petro's current group.

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In commenting on the proposed transaction, Joseph Cavanaugh, President of Star, "We believe that this strategic combination will have a number of benefits for the Partnership. Firstly, we are pleased with having achieved our goal of

structuring a transaction which we believe will be immediately accretive, enabling us to increase the Partnership's MQD to \$2.30 annually. Secondly, we believe this strategic combination will provide an additional source of attractive acquisition opportunities. Petro is the largest retail heating oil company in the country and the primary consolidator of that highly fragmented industry. Over the past nineteen years Petro has acquired 189 distributorships. As such, we believe this combination should provide the Partnership with a platform to increase its acquisition activities. Thirdly, over the past two and one-half years, in an effort to take advantage of its size, Petro has regionalized its operations, accessed developments in computer and communication technology, and entered into cross-marketing partnerships. These programs have provided attractive productivity, operational and marketing results which should continue to benefit the Partnership. Finally, this combination significantly increases the size and market capitalization of the Partnership."

Irik P. Sevin, CEO of Petro stated, "We believe the proposed transaction will enable Petro to achieve its stated objective of accessing equity to recapitalize and delever. This should permit us to continue our historically active acquisition program and facilitate the funding of our operational and marketing initiatives. In addition, the MLP structure should provide a better valuation format for Petro which is cash flow oriented and which has been the only publicly traded company in its industry. The transaction should provide our shareholders with the resumption of annual cash distributions which Petro had historically made."

The Board of Directors of Star has appointed an independent committee of directors to represent Star Gas in this matter. This committee has retained A.G. Edwards & Sons, Inc. to act as its financial advisor and to determine the fairness of this transaction to the Star Common Unit holders. The Board of Directors of Petro has retained PaineWebber Incorporated as its financial advisor and Dain Rauscher Wessels to render an opinion as to the fairness to Petro of this transaction.

The completion of the Transaction is subject to the negotiation and execution of definitive agreements, the receipt of regulatory approvals, the approval of Star's nonaffiliated common unit holders and Petro's nonaffiliated common shareholders, other necessary partnership and corporate approvals, fairness opinions from A.G. Edwards & Sons, Inc. and Dain Rauscher Wessels, and the agreement to early redemption by the holders of 90% of Petro's

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publicly traded debt and preferred stock.

Petro and Star will continue to operate as separate business units and this transaction will not have an impact on the day-to-day operations of either entity. There will be no reduction in the number of employees as a result of this transaction.

Petroleum Heat and Power Co., Inc. is the largest retail distributor of home heating oil in the nation, serving approximately 350,000 customers in the Northeast and Mid-Atlantic states, including the metropolitan areas of New York, Boston, Washington, D.C., Baltimore, and Providence. Star Gas Partners L.P., the eighth largest retail propane distributor serves more than 166,000 customers throughout 74 locations in the Northeast, from Maine to Southern New Jersey. Star operates under several trademarks and trade names, including: Star Gas Service, Silgas, Blue Flame L.P. Gas, Maingas, Arrow Gas, Mid-Hudson Valley Propane, Coleman Gas Service, H&S Gas, Wilhoite L.P. Gas, Rural Natural Gas, Pearl Gas, Bay State-Arrow Gas, Knowles L.P. Gas and Lowe Bros. & Dad.

This Press Release includes "forward-looking statements," within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act, which represent Petro and Star's expectations or beliefs concerning future events that involve risks and uncertainties. Although Petro and Star Gas believe that the expectations reflected in such forward-looking statements are reasonable, Petro and Star Gas can give no assurance that such expectations will prove to have been correct. Investors and prospective investors should read this Press Release in conjunction with Petro and Star Gas' Forms 10-K and 10-Q which include additional information that could affect Petro and Star Gas' financial results.

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