

## AUDIT COMMITTEE CHARTER

### I. PURPOSE

The primary functions of the Audit Committee are to assist the Board of Directors of Kestrel Heat, LLC (the “Board”) in fulfilling its oversight responsibilities by reviewing: the financial reports and other financial information provided by Star Group, L.P., a Delaware limited partnership (the “Partnership”) to any governmental body or the public; the Partnership’s systems of internal controls regarding financial, accounting, legal compliance and ethics that management and the Board have established; and the Partnership’s auditing, accounting and financial reporting processes generally. Consistent with this function, the Audit Committee should encourage continuous improvement of, and should foster adherence to the Partnership’s policies, procedures and practices at all levels. The Audit Committee’s primary duties and responsibilities are to:

- Serve as an independent and objective party to monitor the Partnership’s financial reporting process and internal controls system.
- Select, monitor, evaluate and, where appropriate, replace the independent auditors (which shall be a registered public accounting firm as defined under the Sarbanes-Oxley Act of 2002).
- Oversee the Partnership’s internal auditing department.
- Provide an open avenue of communication among the independent auditors, financial and senior management, the internal auditing department and the Board of Directors.
- Monitor compliance by the Partnership with legal and regulatory requirements that could have a significant impact on the Partnership’s financial statements.

The Audit Committee will primarily fulfill these responsibilities by carrying out the activities enumerated in Section IV of this Charter.

The Audit Committee is responsible for the duties set forth in this Charter but is not responsible for either the preparation of the financial statements or the auditing of the financial statements. Management has the responsibility for preparing the financial statements and implementing internal controls. The independent auditors are responsible for planning and carrying out a proper audit of the Partnership’s annual financial statements, reviewing the Partnership’s quarterly financial statements prior to the filing of each quarterly report on Form 10-Q, monitoring the effectiveness of internal controls and other procedures. In fulfilling their responsibilities hereunder, it is recognized that members of the Audit Committee are not full-time employees of the Partnership. As such, it is not the duty or responsibility of the Audit Committee or its members to conduct “field work” or other types of auditing or accounting reviews or procedures, and each member of the Audit Committee shall be entitled to rely on (i) the integrity of those persons and organizations within and outside the Partnership from which it receives information, (ii) the accuracy of the financial and other information provided to the Audit Committee by such persons or organizations absent actual knowledge to the contrary (which shall be promptly reported to the Board of Directors) and (iii) representations made by management as to any information technology, internal audit and other non-audit services provided by the auditors to the Partnership. In carrying out its responsibilities, the Audit Committee believes its policies and procedures should remain flexible in order to best react to a changing environment.

The Audit Committee shall have the authority to engage independent counsel and other professional advisors to assist it in discharging the Committee's functions.

## II. COMPOSITION

The Audit Committee shall be comprised of three or more directors, none of whom is an officer or employee of the Partnership, as determined by the Board, each of whom shall be independent directors, and free from any relationship that, in the affirmative determination of the Board as reflected in its minutes, would interfere with the exercise of his or her independent judgment as a member of the Committee. The criteria used by the Board in assessing "independence" are included in the Partnership's Governance Guidelines, as adopted by the Board and as amended from time to time. All members of the Audit Committee shall comply with the applicable independence standards of the New York Stock Exchange, Inc. ("NYSE") and the federal securities laws. All members of the Committee shall have a working familiarity with basic finance and accounting practices, and at least one member of the Committee shall be a "financial expert", as defined in rules promulgated by the Securities and Exchange Commission ("SEC"), unless the Board determines in its judgment (i) that the Audit Committee and Board is capable of carrying out its duties and responsibilities without such a "financial expert," (ii) that a "financial expert" is not required by applicable law or NYSE rules and (iii) that any required public disclosures about the non-existence of a "financial expert" on the Audit Committee can be timely made. Committee members may enhance their familiarity with finance and accounting by participating in educational programs conducted by the Partnership or an outside consultant.

Except as otherwise directed by the Board, a director selected as a Committee member shall continue to be a member as long as he or she remains a director or until his or her earlier resignation or removal from the Committee. Any vacancy on the Committee shall be filled by a majority vote of the Board. No member of the Committee shall be removed except by majority vote of the Board. Unless a Chair is elected by a majority vote of the full Board, the members of the Committee may designate a Chair by majority vote of the full Committee membership.

## III. MEETINGS

The Committee shall meet at least four times annually, or more frequently as circumstances dictate. As part of its job to foster open communication, the Committee shall meet at least annually with management, the director of the internal auditing department and the independent auditors in separate executive sessions to discuss any matters that the Committee or each of these groups believe should be discussed privately. In addition, the Committee shall meet with management quarterly to review the Partnership's financial statements consistent with Section IV below.

The Chairman of the Audit Committee will preside at each meeting of the Committee and, in consultation with the other members of the Committee, shall set the frequency and length of each meeting and the agenda of items to be addressed at each meeting. The Chairman will ensure that the agenda for each meeting is circulated in advance of the meeting. The majority of the members of the Audit Committee shall constitute a quorum for the meeting. Members of the Audit Committee may participate in a meeting of the Audit Committee by means of a conference call or similar communications equipment by means of which all persons participating in the meeting can hear each other. The Audit Committee may also act by unanimous written consent in lieu of a meeting.

The Audit Committee may request on an unrestricted basis any officer or employee of the Partnership or the Partnership's outside counsel or independent auditors to attend a meeting of the Audit Committee or to meet with any members of, or consultants to, the Audit Committee.

Minutes shall be prepared for each meeting of the Committee, which minutes shall be submitted to the Committee for approval at a later meeting. The minutes of all meetings of the Committee shall be sent to the Secretary of the Partnership for filing.

#### IV. RESPONSIBILITIES AND DUTIES

Among its specific duties and responsibilities, the Audit Committee shall, consistent with and subject to applicable law and rules and regulations promulgated by the SEC, NYSE or other regulatory authority:

##### **Documents/Reports Review**

1. Review and update the Charter periodically, and at least annually, as conditions dictate.
2. Review the Partnership's annual financial statements and any reports or other financial information prior to their submission to any governmental body, or the public, including any certification, report, opinion, or review rendered by the independent auditors.
3. Review the quarterly reports provided to the Audit Committee by the Director of Internal Audit.
4. Review with financial management and the independent auditors each form 10-Q and each form 10-K and the related press releases prior to their filing or prior to the release of earnings. Review of forms 10-Q and 10-K shall occur at each of the four (4) regularly-scheduled meetings of the Audit Committee at which a quorum is present. Discuss with financial management earnings guidance, if any, provided to analysts and ratings agencies.
5. Report regularly to the Board of Directors and circulate copies of the minutes of Audit Committee meetings to the Board of Directors.

##### **Independent Auditors**

1. Establish procedures and be directly responsible for the appointment, compensation, retention and oversight of the work of any independent auditors engaged (including resolution of disagreements between management and the auditors regarding financial

reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Partnership.

2. At least annually, obtain and review a report by the independent auditors describing: the firm's internal quality-control procedures; any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues; and (to assess the auditor's independence) all relationships between the independent auditors and the Partnership.
3. Establish procedures for and obtain the assessment of the independent auditors of the Partnership's critical accounting policies and practices, alternate treatments of financial information within GAAP that have been discussed with management (including the effect thereof and the treatment preferred by the external auditor) and any disagreements between management and the independent auditors.
4. Review the performance of the independent auditors and approve any proposed discharge of the independent auditors when circumstances warrant.
5. Periodically consult with the independent auditors out of the presence of management about internal controls and the completeness and accuracy of the organization's financial statements.
6. Pre-approve all audit and non-audit services to be performed by the independent auditor in accordance with the provisions of the Sarbanes-Oxley Act of 2002 and the rules and regulations promulgated thereunder. Retention of permissible non-audit services may be approved by the Chairman, provided that his decision is presented to the full Audit Committee at its next meeting.

### **Internal Audit**

1. Review and approve the internal audit plan for the coming year.
2. Review the organizational structure, qualifications of the internal audit department and performance.

### **Financial Reporting Processes**

1. Receive and review from the CEO and CFO an annual certification as to any significant deficiencies or material weakness in the Partnership's internal controls and with respect to any possible internal fraud or accounting regularities.
2. In consultation with the independent auditors and the internal auditors, review the integrity of the organization's financial reporting processes, both internal and external.
3. Consider the independent auditors' judgments about the quality and appropriateness of the Partnership's accounting principles as applied in its financial reporting.

4. Consider and approve, if appropriate, major changes to the Partnership's auditing and accounting principles and practices as suggested by the independent auditors, management, or the internal auditing department.

### **Process Improvement**

1. Establish regular and separate processes of reporting to the Audit Committee by each of management, the independent auditors and the internal auditors regarding the appropriateness of any significant judgments made in management's preparation of the financial statements.
2. Following completion of the annual audit, review separately with each of management, the independent auditors and the internal auditing department any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information.
3. Review with the independent auditors, the internal auditing department and management the extent to which changes or improvements in financial or accounting practices, as approved by the Audit Committee, have been implemented. (This review should be conducted at an appropriate time subsequent to implementation of changes or improvements, as decided by the Committee.)
4. Review with management and obtain its assessment of the internal control process. Review such assessment with the independent auditors and obtain the required attestation report from them regarding management's assertions of its internal control process.

### **Ethical and Legal Compliance**

1. Establish, review and update periodically a Code of Business Conduct and Ethics and ensure that management has established a system to enforce this Code. Such system shall include a requirement that the receipt of gifts, gratuities and the like that go beyond the common courtesies normally associated with accepted business practice and that could compromise an employee's ability to make fair and objective business decisions is prohibited. Similarly, the giving of such gifts or gratuities on behalf of the Partnership is prohibited.
2. Review management's monitoring of the Partnership's compliance with the organization's Code of Business Conduct and Ethics, and ensure that management has the proper review system in place to ensure that the Partnership's financial statements, reports and other financial information disseminated to governmental organizations, and the public satisfy legal requirements.
3. Review, with the organization's counsel, legal compliance matters including corporate securities trading policies.

4. Review, with the organization's counsel, any legal matter that could have a significant impact on the organization's financial statements.
5. Perform any other activities consistent with this Charter, the Partnership's Agreement of Limited Partnership and governing law, as the Committee or the Board deems necessary or appropriate.
6. Establish procedures for the receipt, retention and treatment of complaints received by the Partnership regarding accounting, internal accounting controls, or auditing matters; and the confidential, anonymous submission by employees of the Partnership regarding questionable accounting or auditing matters.
7. Discuss with management policies with respect to risk assessment and risk management.
8. Set clear hiring policies by the Partnership for employees or former employees of the independent auditors.

**Payment**

1. The Partnership shall pay all compensation to any persons engaged by the Audit Committee to the extent such engagement is authorized by this Charter and to the extent approved by the Audit Committee.

**Annual Review**

1. Conduct an annual performance evaluation of the Audit Committee.