

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): November 4, 2002

Star Gas Partners, L.P.

(Exact Name of Registrant as Specified in Charter)

Delaware	33-98490	06-1437793
(State or Other Jurisdiction Of Incorporation or Organization)	(Commission File Number)	(IRS Employer Identification No.)
2187 Atlantic Street, Stamford, CT		06902
(Address of Principal Executive Offices)		(Zip Code)

Registrant's telephone number, including area code: 203-328-7300

Item 5. Other Events.

In August, 2001, a subsidiary of Star Gas Partners, L.P., a Delaware limited partnership (the "Partnership"), completed the purchase of Meenan Oil Co., Inc., a Delaware corporation ("Meenan") and its affiliates for a purchase price of approximately \$131.8 million, payable in cash. The transaction was originally reported by the Partnership pursuant to a Current Report on Form 8-K dated July 31, 2001. The purpose of this Form 8-K is to update the previously filed historical and pro forma financial information relating to Meenan as set forth in Item 7 hereof.

Item 7. Financial Statements, Pro Forma Financial Information and Exhibits.

(a) Financial Statements of Businesses Acquired:

- (i) audited annual historical financial statements of Meenan as of June 30, 2001 and 2000, and for each of the years in the three-year period ended June 30, 2001;

(b) Pro Forma Financial Information:

Statement of operations for the Partnership for the fiscal year ended September 30, 2001.

(c) Exhibits:

Exhibit Number	Exhibit
23.1	Consent of KPMG LLP to Meenan financial statements.
99.1	Audited annual historical financial statements of Meenan as of June 30,

2001 and 2000, and for each of the years in the three-year period ended June 30, 2001.  
99.2 Pro forma statement of operations for the Partnership for the fiscal year ended September 30, 2001.

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#### SIGNATURES

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

STAR GAS PARTNERS, L.P.  
By: Star Gas, LLC, as General Partner

By: /s/ James Bottiglieri

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Name: James Bottiglieri  
Title: Vice President

Date: November 4, 2002

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#### INDEX TO EXHIBITS

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CONSENT OF INDEPENDENT AUDITORS

The Board of Directors  
Star Gas Partners, L.P.

We consent to the incorporation by reference in the registration statements Nos. 333-75701 and 333-57994 on Form S-3, No. 333-49751 on Form S-4 and Nos. 333-40138, 333-46714 and 333-53716 on Form S-8 of Star Gas Partners, L.P. of our report dated August 27, 2001, with respect to the consolidated balance sheets of Meenan Oil Co., L.P. and subsidiaries as of June 30, 2001 and 2000, and the related consolidated statements of income and partners' equity (deficit), comprehensive income, and cash flows for each of the years in the three-year period ended June 30, 2001, which report appears in the Form 8-K of Star Gas Partners, L.P. dated November 4, 2002.

/s/ KPMG LLP

Melville, New York  
October 30, 2002

## MEENAN OIL CO., L.P. AND SUBSIDIARIES

## Consolidated Financial Statements

June 30, 2001 and 2000

(With Independent Auditors' Report Thereon)

## Independent Auditors' Report

The Executive Committee  
Meenan Oil Co., L.P. and Subsidiaries:

We have audited the accompanying consolidated balance sheets of Meenan Oil Co., L.P. and subsidiaries as of June 30, 2001 and 2000 and the related consolidated statements of income and partners' equity (deficit), comprehensive income, and cash flows for each of the years in the three-year period ended June 30, 2001. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Meenan Oil Co., L.P. and subsidiaries as of June 30, 2001 and 2000 and the consolidated results of their operations and their cash flows for each of the years in the three-year period ended June 30, 2001 in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 1 to the consolidated financial statements, the Company adopted Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities, on July 1, 2000.

/s/ KPMG LLP

Melville, NY  
August 27, 2001

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## MEENAN OIL CO., L.P. AND SUBSIDIARIES

## Consolidated Balance Sheets

June 30, 2001 and 2000

Assets	2001	2000
	-----	-----
Current assets:		
Cash	\$ 3,239,634	605,511
Accounts receivable - trade, less allowance for doubtful accounts of \$575,000 in 2001 and \$475,000 in 2000	21,140,971	17,498,629
Inventories	7,130,302	7,713,418
Prepaid expenses and other current assets	12,452,389	1,391,522
	-----	-----
Total current assets	43,963,296	27,209,080
	-----	-----
Property, plant, and equipment, net	13,212,344	13,153,623

Customer lists and other intangible assets, net	21,780,153	22,054,161
Other, net	1,125,845	1,290,162
	22,905,998	23,344,323
Total assets	\$ 80,081,638	63,707,026
Liabilities and Partners' Deficit		
Current liabilities:		
Current maturities of long-term debt	\$ 5,102,069	144,275
Accounts payable	3,943,419	4,217,850
Customers' credit balances and deposits	4,598,200	4,283,004
Accrued expenses:		
Payroll	2,094,114	1,707,010
Other	18,727,024	6,316,312
Unearned service contract revenues	5,875,244	5,932,320
Total current liabilities	40,340,070	22,600,771
Long-term debt, less current maturities	31,175,000	36,245,000
Other long-term liabilities	5,995,472	5,973,606
Partners' equity (deficit):		
Partners' equity (deficit)	3,066,511	(1,112,351)
Accumulated other comprehensive loss	(495,415)	--
Total partners' equity (deficit)	2,571,096	(1,112,351)
	\$ 80,081,638	63,707,026

See accompanying notes to consolidated financial statements

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MEENAN OIL CO., L.P. AND SUBSIDIARIES

Consolidated Statements of Income and Partners' Equity (Deficit)

Years ended June 30, 2001, 2000 and 1999

	2001	2000	1999
Sales	\$ 254,836,010	211,384,496	139,060,199
Cost of sales	192,975,780	157,215,537	95,449,602
Gross profit	61,860,230	54,168,959	43,610,597
Selling, general, and administrative expense	42,489,448	38,294,451	32,501,990
Amortization of intangible assets	2,011,318	2,068,178	1,787,469
Depreciation and amortization	1,526,412	1,374,286	1,337,779
Bad debt expenses	1,401,262	496,311	112,295
Operating income	14,431,790	11,935,733	7,871,064
Other expense (income):			
Interest expense	4,585,880	3,942,629	3,070,099
Interest income	(393,925)	(322,498)	(304,660)
Sundry	(759,794)	(707,204)	(663,114)
Income before cumulative effect of change in accounting principle	3,432,161	2,912,927	2,102,325
Cumulative effect of change in accounting principle for adoption of SFAS No. 133	10,999,629	9,022,806	5,768,739
	57,653	--	--

Net income	11,057,282	9,022,806	5,768,739
Partners' deficit, beginning of year	(1,112,351)	(6,460,204)	(2,091,563)
Distribution to partners	(6,878,420)	(3,674,953)	(8,677,733)
Purchase of limited partnership interests	--	--	(8,359,647)
Sale of limited partnership interests	--	--	6,900,000
Partners' equity (deficit), end of year	\$ 3,066,511	(1,112,351)	(6,460,204)
	=====	=====	=====

See accompanying notes to consolidated financial statements

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MEENAN OIL CO., L.P. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

Years ended June 30, 2001, 2000 and 1999

	2001	2000	1999
	-----	-----	-----
Net income	\$ 11,057,282	9,022,806	5,768,739
Other comprehensive income:			
Unrealized loss on derivative instruments	(495,415)	--	--
Comprehensive income	\$ 10,561,867	9,022,806	5,768,739
	=====	=====	=====
Reconciliation of accumulated other comprehensive income (loss)			
Balance, beginning of year	\$ --	--	--
Cumulative effect of the adoption of SFAS No.133	444,028	--	--
Current period reclassification to earnings	(444,028)	--	--
Current period other comprehensive loss	(495,415)	--	--
Balance, end of year	\$ (495,415)	--	--
	=====	=====	=====

See accompanying notes to consolidated financial statements

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MEENAN OIL CO., L.P. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended June 30, 2001, 2000 and 1999

	2001	2000	1999
	-----	-----	-----
Cash flows from operating activities:			
Net income	\$ 11,057,282	9,022,806	5,768,739
Adjustments to reconcile net income to net cash provided by operating activities:			
Change in provision for doubtful accounts	100,000	150,000	--
Depreciation and amortization	3,537,730	3,442,464	3,125,248
Loss (gain) on sale of equipment and other assets	52,790	(16,288)	20,718
Cumulative effect of a change in accounting principle for the adoption of SFAS No. 133	(57,653)	--	--
Changes in operating assets and liabilities, net of acquisitions:			
Accounts receivable	(3,742,342)	(7,982,688)	415,329

Inventories	583,116	(662,570)	5,362,543
Prepaid expenses and other	(11,003,214)	(156,706)	(51,200)
Other assets	164,317	(53,649)	151,475
Accounts payable and accrued expenses	12,306,163	1,391,750	(746,185)
Customer credit balances and deposits	315,196	(3,236,536)	877,250
Other liabilities	(35,210)	1,283,972	524,901
	-----	-----	-----
Net cash provided by operating activities	13,278,175	3,182,555	15,448,818
	-----	-----	-----
Cash flows from investing activities:			
Proceeds from sale of equipment and other assets	293,550	32,998	60,784
Capital expenditures	(1,295,217)	(1,328,891)	(799,843)
Payments for purchase of heating oil companies	(2,651,759)	(10,924,186)	(1,000,999)
	-----	-----	-----
Net cash used in investing activities	(3,653,426)	(12,220,079)	(1,740,058)
	-----	-----	-----
Cash flows from financing activities:			
Proceeds from long-term debt	52,662	11,000,000	--
Principal payments on long-term debt	(164,868)	(226,369)	(2,281,250)
Distributions to partners	(6,878,420)	(3,674,953)	(8,677,733)
Purchase of limited partnership interests	--	--	(8,359,647)
Sale of limited partnership interests	--	--	6,900,000
	-----	-----	-----
Net cash provided by (used in) financing activities	(6,990,626)	7,098,678	(12,418,630)
	-----	-----	-----
Net increase (decrease) in cash	2,634,123	(1,938,846)	1,290,130
Cash at beginning of year	605,511	2,544,357	1,254,227
	-----	-----	-----
Cash at end of year	\$ 3,239,634	605,511	2,544,357
	=====	=====	=====

See accompanying notes to consolidated financial statements

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MEENAN OIL CO., L.P. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2001 and 2000

(1) Summary of Significant Accounting Policies and Practices

(a) Description of Business

Meenan Oil Co., L.P. (the Company) engages primarily in the retail and wholesale distribution of home heating oil. In January 1992, the Company was formed through the contribution by Meenan Oil Co., Inc. (Meenan Inc.) of substantially all of its assets in exchange for a general partnership interest in the Company. The Company is a limited partnership consisting of various limited partners with Meenan Inc. as the sole general partner. During fiscal 1999, the Company repurchased a 21.17% interest in the Company from one of its limited partners for a purchase price of \$8,359,647. Concurrently the Company sold an 18.66% interest in the Company to a group of limited partners for \$6,900,000. In fiscal 2000, the Company admitted 4 employees as Class B limited partners to the partnership. These partners were not required to make a capital contribution. As of June 30, 2001, Meenan Inc. owned a 75.07% interest in the Company.

(b) Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. Significant intercompany accounts and transactions have been eliminated in consolidation.

(c) Inventories

Inventories are valued at the lower of cost (first-in, first-out

basis) or market.

(d) Property, Plant, and Equipment

Property, plant, and equipment are stated at cost and are depreciated using the straight-line method over the estimated useful lives of the related assets as follows:

Building and improvements	20 - 31.5 years
Automotive equipment	5 - 7 years
Furniture, fixtures, and equipment	5 -10 years
Leasehold improvements	Term of leases

(e) Derivative Instruments and Hedging Activities

In June 1998, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard No. 133, Accounting for Derivative Instruments and Hedging Activities, (SFAS No. 133) as amended by SFAS No. 137 and No. 138. SFAS No. 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments, including certain derivative instruments embedded in other contracts, and hedging activities. It requires the recognition of all derivative instruments as assets or liabilities in the Company's balance sheet and measurement of those instruments at fair value and requires that a company formally document, designate, and assess the effectiveness of transactions that receive hedge accounting.

MEENAN OIL CO., L.P. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2001 and 2000

The accounting treatment of changes in fair value is dependent upon whether or not a derivative instrument is designated as a hedge, and if so, the type of hedge. For derivatives designated as Cash Flow Hedges, changes in fair value are recognized in other comprehensive income until the hedged item is recognized in earnings. For derivatives recognized as Fair Value Hedges, changes in fair value are recognized in the income statement and are offset by related changes in the fair value of the item hedged. Changes in the fair value of derivative instruments which are not designated as hedges or which do not qualify for hedge accounting are recognized currently in earnings.

The Company purchases and sells futures contracts on the New York Mercantile Exchange as a hedge against oil prices. The purpose of the hedges is to provide a measure of stability in the volatile market of oil (fair value hedges) and to manage its exposure to commodity price risk under certain existing sales commitments (cash flow hedges). Futures contracts open as of June 30, 2001 have expiration dates through June 2002. The Company adopted SFAS No. 133 on July 1, 2000, and records its derivatives at fair market value. As a result of adopting the Standard, the Company recognized current assets of \$501,681, a \$57,653 increase in net income and a \$444,028 increase in additional other comprehensive income, which were recorded as cumulative effect of a change in accounting principle. The fair value of these outstanding contracts is recorded in the Company's balance sheet. For the year ended June 30, 2001, the Company recorded a net decrease of \$495,415 to other comprehensive income for the net change in value of derivative instruments designated as cash flow hedges, and recorded a net gain of \$444,028 representing the net change in the fair value of all the derivative contracts which are no longer outstanding at June 30, 2001. The estimated net amount of existing losses currently within other comprehensive income are expected to



be reclassified into earnings within the next twelve months. In accordance with SFAS No. 133, the Company has recorded a derivative asset of approximately \$11,039,000, which is included in prepaid expenses and other current assets and a derivative liability of approximately \$11,590,000, which is included in accrued expenses - other.

(f) Customer Lists and Other Intangible Assets

The costs of customer lists and covenants not to compete are amortized over a five to fifteen-year period on a straight-line basis. Goodwill is amortized on a straight-line basis over a forty-year period.

The Company assesses the recoverability of these intangible assets by determining whether the amortization of the respective balance over its remaining life can be recovered through undiscounted future operating cash flows.

(g) Revenue Recognition

Sales of heating oil and heating oil equipment are recognized at the time of delivery of the product to the customer or installation. Revenue from repairs and maintenance service is recognized upon completion of the service. Payments received from customers for burner service contracts are deferred and amortized into income over the term of the respective contracts.

(h) Income Taxes

The Company is a limited partnership and the partners are taxed on their proportionate share of the income generated by the partnership.

MEENAN OIL CO., L.P. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2001 and 2000

(i) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

(j) Long-Lived Assets

The Company's accounting policies relating to the recording of long-lived assets including property and equipment and intangibles are discussed above. The Company accounts for long-lived assets in accordance with the provisions of SFAS No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of. SFAS No. 121 requires, among other things, that long-lived assets held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair values of the assets. Assets to be disposed of or sold are reported at the lower of the carrying amount or fair

value less costs to sell.

(k) Pension and Other Postretirement Plans

On July 1, 1999, the Company adopted SFAS No. 132, Employers' Disclosures About Pension and Other Postretirement Benefits. SFAS No. 132 revises employers' disclosures about pension and other postretirement benefit plans. SFAS No. 132 does not change the method of accounting for such plans.

(2) Property and Equipment

Property and equipment consists of the following:

	2001	2000
	-----	-----
Land	\$ 2,586,820	2,586,820
Building and improvements	10,952,340	10,700,376
Automotive equipment	13,126,478	13,407,877
Furniture, fixtures, and equipment	5,479,055	5,644,129
Leasehold improvements	820,317	831,684
	-----	-----
	32,965,010	33,170,886
Less accumulated depreciation and amortization	19,752,666	20,017,263
	-----	-----
	\$ 13,212,344	13,153,623
	=====	=====

MEENAN OIL CO., L.P. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2001 and 2000

(3) Supplemental Cash Flow Information

The following is supplemental information relating to the statements of cash flows:

	2001	2000	1999
	-----	-----	-----
Cash paid during the year for:			
Interest	\$ 4,546,711	3,788,780	2,993,477
Noncash financing activities:			
Issuance of notes payable for purchase of heating oil companies	\$ --	--	134,877

(4) Customer Lists and Other Intangible Assets

Customer lists and other intangible assets at June 30, 2001 and 2000 consists of:

	2001	2000
	-----	-----
Customer lists	\$ 33,744,755	32,257,635
Covenants not to compete	6,995,509	6,745,359
Goodwill	4,938,692	4,938,692
Other	105,343	105,343
	-----	-----
	45,784,299	44,047,029
Less accumulated amortization	24,004,146	21,992,868
	-----	-----

\$ 21,780,153                      22,054,161  
 =====                              =====

(5) Long-Term Debt

Long-term debt, less current maturities, at June 30, 2001 and 2000 consists of:

	2001	2000
	-----	-----
Senior secured notes with interest at 9.34% per annum (a)	\$ 25,000,000	25,000,000
Revolving credit agreement (b)	11,000,000	11,000,000
Other notes payable with interest at 7.0% to 8.5% per annum, maturing at various dates to August 2004	277,069	389,275
	-----	-----
	36,277,069	36,389,275
Less current maturities	5,102,069	144,275
	-----	-----
	\$ 31,175,000	36,245,000
	=====	=====

MEENAN OIL CO., L.P. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2001 and 2000

- (a) During 1996, the Company issued senior secured notes due November 1, 2007 in the amount of \$25,000,000 with a fixed rate of 9.34%. Interest only is due in semiannual payments through May 1, 2003. Principal is to be paid as follows:

Year ending June 30:	
2004	\$ 5,000,000
2005	5,000,000
2006	5,000,000
2007	5,000,000
2008	5,000,000

The notes are collateralized by the shares of common stock of Meenan Inc., the general partnership interests owned by Meenan Inc. and the accounts receivable, equipment, general intangible assets, inventory and goods of the Company. In connection with these notes, the Company is required to maintain certain levels of working capital and earnings, is restricted in other investments it may make and transactions it may enter into and must maintain certain financial ratios (see note 13, subsequent event).

- (b) The Company has an amended revolving credit agreement with two banks. The agreement is comprised of two commitments of \$11,250,000 and \$25,000,000, totaling \$36,250,000. The amount outstanding under the first commitment at June 30, 2001 was \$11,000,000. The amount available under the first commitment is reduced automatically and permanently each year as defined in the amended agreement. At June 30, 2001, the total available under the first commitment, which expires on July 1, 2003, was \$11,250,000, which will be reduced as follows:

Year ending June 30:	
2002	\$ 5,000,000
2003	5,000,000
2004	1,250,000
	-----
	\$ 11,250,000
	=====

In addition, the first commitment may be automatically and permanently reduced annually through September 28, 2002. The reduction at September 28, 2001 is based on the amount by which June 30, 2001 gross operating cash generated exceeds amounts specified in the agreement. No such reduction was made on September 28, 2000 (see note 13, subsequent event).

The second commitment, which expires on July 1, 2003, totals \$25,000,000, of which approximately \$8,368,000 was utilized for open letters of credit at June 30, 2001.

Under both commitments, the interest rate options consist of:

1.65% over the greatest of three defined rates, including prime.

2.50% over a defined adjusted Certificate of Deposit (CD) rate.

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(Continued)

MEENAN OIL CO., L.P. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2001 and 2000

1.50% to 3.0% over a defined adjusted LIBOR rate.

. 2.50% over the Agent bank's Acceptance Draft discount rate, as defined.

The weighted average interest rate on this debt at June 30, 2001 was 5.80%

In connection with this revolving credit agreement, the Company is required to pay a commitment fee of 1/2 of 1% of the unused portion of the line of credit. In addition, the Company incurred financing costs in connection with this credit agreement and the amendments thereto amounting to approximately \$1,440,000, which amount is included, net of amortization, in other assets on the consolidated balance sheet. Deferred financing costs are being amortized on a straight-line basis over the term of the related debt.

Borrowings under the revolving credit agreement are collateralized by the shares of common stock of Meenan Inc., all of the general partnership interests owned by Meenan Inc., the stock of all of the subsidiaries of the company and all of the personal property of the Company and its subsidiaries, including accounts receivable, inventory, equipment, fixtures, general intangible assets, and customer lists.

In connection with this revolving credit agreement, the Company is required to maintain certain levels of working capital and tangible net worth, is restricted in the amount of fixed assets it may acquire and other investments it may make and must maintain certain financial ratios.

Maturities of all long-term debt are as follows:

Year ending June 30:		
2002	\$	5,102,069
2003		5,070,000
2004		6,070,000
2005		5,035,000
2006		5,000,000
2007 and thereafter		10,000,000
		-----
	\$	36,277,069

(6) Leases

The Company is obligated under several noncancelable leases covering office, storage and other facilities, as well as transportation equipment for remaining periods of one to thirteen years. The Company also leases certain telephone equipment.

MEENAN OIL CO., L.P. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2001 and 2000

Future minimum lease payments for operating leases with initial or remaining terms in excess of one year are as follows:

Year ending June 30:	Operating leases -----
2002	\$ 668,890
2003	586,574
2004	555,130
2005	485,354
2006	271,862
Later years	1,146,159 -----
Total minimum lease payments	\$ 3,713,969 =====

Total rent expense for all operating leases for the years ended June 30, 2001, 2000 and 1999 totaled approximately \$2,336,000, \$2,445,000, and \$2,316,000, respectively.

(7) Income Taxes

The Company is a limited partnership and as such, Federal and state taxes payable on its income are the responsibility of the individual partners and are not reflected in the financial statements of the Company.

(8) Employee Benefit Plans

(a) Pension Benefits

The Company has a noncontributory defined benefit pension plan which provides benefits to all eligible employees. Certain other employees are covered by union retirement plans to which the Company contributes. Pension expense for these plans aggregated approximately \$1,087,000 for 2001, \$968,000 for 2000, and \$822,000 for 1999.

MEENAN OIL CO., L.P. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2001 and 2000

The following table set forth the defined benefit plan's benefit obligations, fair value of plan assets, and funded status at June 30, 2001, 2000 and 1999.

	Pension benefits		
	2001	2000	1999
Change in projected benefit obligation:			
Projected benefit obligation at beginning of year	\$ 29,398,185	29,341,414	27,193,823
Service cost	1,195,079	1,275,696	1,262,960
Interest cost	2,212,009	2,074,519	1,931,732
Actuarial (gain) loss	453,050	(2,106,796)	39,146
Benefit paid	(1,414,333)	(1,186,648)	(1,086,247)
Projected benefit obligation at end of year	\$ 31,843,990	29,398,185	29,341,414
Change in plan assets:			
Fair value of plan assets at beginning of year	\$ 31,772,529	31,558,390	29,389,382
Actual return on plan assets	(1,158,474)	1,400,787	3,255,255
Benefits paid	(1,414,333)	(1,186,648)	(1,086,247)
Fair value of plan assets at end of year	\$ 29,199,722	31,772,529	31,558,390
Funded status	\$ (2,644,268)	2,374,344	2,216,976
Unrecognized transition asset	(186,449)	(329,873)	(473,297)
Unrecognized prior service cost	(7,319)	(8,411)	(9,503)
Unrecognized net actuarial gain	(2,842,741)	(7,403,004)	(6,788,379)
Accrued in balance sheet (other long-term liabilities)	\$ (5,680,777)	(5,366,944)	(5,054,203)

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(Continued)

## MEENAN OIL CO., L.P. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

June 30, 2001 and 2000

	Pension benefits		
	2001	2000	1999
Weighted average assumptions as of June 30:			
Discount rate	7.50%	7.75%	7.25%
Rate of compensation increase	4.00%	4.00%	4.00%
Expected return on plan assets	8.50%	8.50%	8.50%
Components of net periodic benefit cost:			
Service cost	\$ 1,195,079	1,275,696	1,262,960
Interest cost	2,212,009	2,074,519	1,931,732
Expected return on plan assets	(2,635,547)	(2,627,828)	(2,448,085)
Amortization of unrecognized transition (asset) obligation	(143,424)	(143,424)	(143,424)
Amortization of prior service cost	(1,092)	(1,092)	(1,092)
Recognized net actuarial gain	(313,192)	(265,130)	(228,570)
Net periodic benefit cost	\$ 313,833	312,741	373,521

## (b) Executive Committee Bonus Plan

The Company's Executive Committee has adopted a bonus plan, which provides for cash bonuses to eligible employees based upon the operating performance of the Company. Expense under the plan

totalled approximately \$740,000 for 2001, \$654,000 for 2000, and \$436,000 for 1999. The plan for any fiscal year may be modified or terminated at any time prior to the end of such year by the Company's Executive Committee.

(9) Acquisitions

During 2001, the Company acquired the assets of five retail fuel oil businesses. The total purchase price for these acquisitions totaled approximately \$2,374,000, of which \$519,000 represented the fair value of property and equipment. The balance of \$1,855,000 was allocated to customer lists and other intangibles. During 2000, the Company acquired the assets of six retail fuel oil businesses, an environmental consulting business and a retail security alarm business. The total purchase price for these acquisitions totaled approximately \$10,924,000, of which \$3,015,000 represented the fair value of property and equipment.

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MEENAN OIL CO., L.P. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2001 and 2000

The balance of \$7,909,000 was allocated to customer lists and other intangibles. In addition, certain of the acquisitions contain contingent payout provisions based on the attainment of sales volume, for which the Company has accrued approximately \$582,000 as of June 30, 2001. These acquisitions have been accounted for using the purchase method of accounting, and their operating results which are not material to the Company, are included in the consolidated statements of income from their respective dates of acquisition.

(10) Distributions

In fiscal 2001, 2000 and 1999 the Executive Committee of the Company approved distributions to the partners of \$6,878,420, \$3,674,953, and \$8,677,733, respectively.

(11) Business and Credit Concentration

All of the Company's customers are located in New York, New Jersey, and Pennsylvania. No single customer accounted for more than 5% of the Company's sales in 2001, 2000, or 1999.

(12) Commitments and Contingencies

(a) The Company is a defendant in certain legal actions the outcome of which, in the opinion of management based in part on the opinion of counsel, is not expected to have a materially adverse impact on the Company's financial position or results of operations.

(b) The Company has elected to either self-insure or maintain high deductibles on its workers' compensation, auto and general liability insurance coverages. A liability of approximately \$4,900,000 and \$4,700,000 is included in accrued expenses - other for unpaid claims and an estimate for claims incurred but not reported as of June 30, 2001 and 2000. The Company has coverage to prevent catastrophic losses resulting from claims.

(13) Subsequent Event

On July 31, 2001, the Company entered into an equity purchase agreement with Petro, Inc. for the sale of stock of Meenan Oil Co., Inc. and subsidiaries and the limited partnership interests of Meenan Oil Co., L.P. and the stock of its subsidiary.

On August 13, 2001, in connection with the closing of the equity purchase agreement, amounts outstanding under the senior secured notes and the revolving credit agreement were repaid from the proceeds of the equity purchase, and included a prepayment fee of \$4.0 million with respect to

the senior secured notes. Under the terms of the agreement, a portion of the proceeds was held in escrow.



UNAUDITED PRO FORMA CONDENSED  
CONSOLIDATED FINANCIAL INFORMATION

The following unaudited pro forma condensed consolidated statement of operations for the year ended September 30, 2001 gives effect to the acquisition of Meenan Oil Co. L.P. ("Meenan") completed on August 12, 2001 by Star Gas Partners, L.P. ("Star Gas"). The information presented is derived from, should be read in conjunction with, and is qualified in its entirety by reference to the historical financial statements and related notes of Star Gas and Meenan.

The unaudited pro forma condensed consolidated statement of operations for the twelve months ended September 30, 2001 was prepared as if the transaction had occurred on October 1, 2000.

The pro forma adjustments are based upon currently available information and certain estimates and assumptions described below, and therefore, the actual adjustments may differ from the unaudited pro forma adjustments. However, management believes that the assumptions provide a reasonable basis for representing the significant effects of the transaction and that the unaudited pro forma adjustments give appropriate effect to those assumptions and are properly applied in the unaudited pro forma condensed consolidated financial information. The unaudited pro forma condensed consolidated statement of operations for the year ended September 30, 2001 is not necessarily indicative of the results of operations of Star Gas if the transaction had actually occurred on the dates indicated above. Likewise, the unaudited pro forma condensed consolidated statement of operations is not necessarily indicative of future financial results of combined operations of Star Gas.

(Continued)

STAR GAS PARTNERS, L.P. AND SUBSIDIARIES  
PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS (UNAUDITED)  
Year Ended September 30, 2001  
(in thousands, except per unit amounts)

	Star Gas Partners, L.P.	Meenan (a)	Pro Forma Adjustments	Star Gas Partners, L.P. Pro Forma Combined
	-----	-----	-----	-----
Sales	\$ 1,085,973	\$ 237,003	-	\$ 1,322,976
Cost and expenses				
Cost of sales	771,317	175,875	-	947,192
Operating expenses	235,830	41,960	(\$1,530) (b)	276,260
Depreciation and amortization	44,396	3,084	2,895 (c)	50,375
TG & E customer acquisition expense	1,868	-	-	1,868
Unit compensation expense	3,315	-	-	3,315
	-----	-----	-----	-----
Operating income	29,247	16,084	(1,365)	43,966
Interest expense, net	33,727	7,376	(1,709) (d)	39,394
Amortization of debt issuance costs	737	-	100 (e)	837
	-----	-----	-----	-----
Income (loss) before income taxes and cumulative effect of change in accounting principle	(5,217)	8,708	244	3,735
Income tax expense	1,498	635	-	2,133
	-----	-----	-----	-----
Income (loss) before cumulative effect of change in accounting principle	(6,715)	8,073	244	1,602
Cumulative effect of change in accounting principle for adoption of SFAS No. 133, net of income taxes	1,466	-	-	1,466
	-----	-----	-----	-----
Net income (loss)	(\$5,249)	\$ 8,073	\$ 244	\$ 3,068
	-----	-----	-----	-----
General Partner's interest in net income (loss)	(75)	110	3	38
	-----	-----	-----	-----
Limited Partners' interest in net income (loss)	(\$5,174)	\$ 7,963	\$ 241	\$ 3,030
	-----	-----	-----	-----
Net income (loss) per Limited Partner unit:				
Basic	(\$0.23)			\$ 0.12
	-----			-----
Diluted	(\$0.23)			\$ 0.12
	-----			-----
Weighted average number of Limited Partner units outstanding				
Basic	22,439		3,250 (f)	25,689
	-----		-----	-----
Diluted	22,439		3,250 (f)	25,992 (g)
	-----		-----	-----

Star Gas Partners, L.P. and Subsidiaries  
Notes to Pro Forma Condensed Consolidated Financial Information  
Tables in (000s)

(a) Represents the results of operations of Meenan from October 1, 2000 to August 12, 2001, the date of acquisition by Star Gas. Subsequent to August 12, 2001, the results of operations of Meenan were included in the results of operations of Star Gas.

(b) Reflects the elimination of the salaries and related expenses for two of the executives and principal owners of Meenan that will not be employed by the Partnership as well as for other deal related expenses as follows:

	October 1, 2000 to August 12, 2001
Salaries and Related Costs	\$ 850
Other	680
Total	\$1,530
	=====

(c) Reflects the net adjustment for the period from October 1, 2000 to August 12, 2001 to depreciation and amortization expense of \$2.9 million attributable to the acquisition of Meenan.

(d) Reflects the net reduction to interest expense of \$1.7 million for the period from October 1, 2000 to August 12, 2001. This amount reflects \$4.40 million of additional interest expense on \$61.0 million in principal amount of the senior secured notes issued at an interest rate of 8.25%. These notes were issued to fund the acquisition of Meenan. This amount also reflects a reduction in interest expense of \$2.0 million due to the repayment by the sellers of \$25.0 million of debt with a weighted average interest rate of 9.34% and the elimination from the pro forma financial statements of \$4.0 million associated with a prepayment penalty incurred at Meenan for the early termination for these notes.

The following table summarizes the effect on interest expense of the acquisition of Meenan and offerings from October 1, 2000 to August 12, 2001:

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	Amount	Interest Rate	Interest Expense
Debt Repaid			
Meenan Notes .....	\$25,000	9.34%	\$ (2,021)
Elimination of Prepayment Penalty .....			(4,045)
Total Reductions to Interest Expense .....			\$ (6,066)
			=====
New Debt Issued			
8.25% Senior Secured Notes .....	\$61,000	8.25%	\$ 4,357
Net Reduction to Interest Expense .....		\$ (1,709)	\$ (1,709)
		=====	=====

(e) Reflects the net adjustment for the period from October 1, 2000 to August 12, 2001 to amortization of debt issuance costs of \$0.10 million attributable to the debt offering and the acquisition of Meenan.

(f) Reflects the additional common units sold by Star Gas used to complete the Meenan acquisition.

(g) Reflects the effect of units which were deemed anti-dilutive to actual net income (loss) per unit of Star Gas as reported September 30, 2001 and became dilutive to net income per unit as adjusted for the Meenan transaction.