

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

FORM 8-K / A

CURRENT REPORT

Pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934

Date of report (Date of earliest event reported) March 26, 1999

Star Gas Partners, L.P.

(Exact name of registrant as specified in its charter)

Delaware 33-98490 06-1437793

(State or other jurisdiction (Commission File Number) (IRS Employer
of incorporation) 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

Not Applicable

(Former name or former address, if changed since last report.)

Item 7. Financial Statements and Exhibits

(b) Pro Forma Financial Information

Star Gas Partners, L.P. condensed consolidated pro forma financial
statements including:

- . the unaudited pro forma condensed consolidated balance sheet
as of December 31, 1998;
- . the unaudited pro forma condensed consolidated statement of
operations for the twelve months ended September 30, 1998;
- . the unaudited pro forma condensed consolidated statement
of operations for the three months ended December 31,
1998.

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UNAUDITED PRO FORMA CONDENSED
CONSOLIDATED FINANCIAL INFORMATION

The following unaudited pro forma condensed consolidated financial information gives effect to the acquisition of Petro by Star Gas Partners, the transaction, including the equity offering after giving effect to the partial exercise of the over-allotment option, the debt offering and the application of the net proceeds from these offerings. 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, contained in the annual and quarterly reports and other information that Star Gas Partners has filed with the SEC.

The unaudited pro forma condensed consolidated balance sheet was prepared as if the transaction had occurred on December 31, 1998. The unaudited pro forma condensed consolidated statement of operations for the twelve months ended September 30, 1998 was prepared as if the transaction had occurred on October 1, 1997. The unaudited pro forma condensed consolidated statement of operations for the three months ended December 31, 1998 was prepared as if the transaction had occurred on October 1, 1998.

The pro forma adjustments are based upon the events that transpired as a result of the Star Gas / Petro Transaction. Management believes that the pro forma adjustments provide a reasonable basis for representing the significant effects of the transaction and are properly applied in the unaudited pro forma condensed consolidated financial information. The unaudited pro forma condensed consolidated balance sheet and statement of operations are not necessarily indicative of the financial position or results of operations of Star Gas Partners if the transaction had actually occurred on the dates indicated above. Likewise, the unaudited pro forma condensed consolidated financial information is not necessarily indicative of future financial combined position or future results of combined operations of Star Gas Partners.

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Star Gas Partners, L.P. and Subsidiaries

Pro Forma Condensed Consolidated Balance Sheet
(unaudited)
December 31, 1998
(In thousands)

	Star Gas Partners L.P.	Petro	Pro Forma Adjustments	Pro Forma Combined	Star Gas The Offerings	Star Gas Partners, L.P. Adjusted Pro Forma
	-----	-----	-----	-----	-----	-----
ASSETS						
Current assets:						
Cash.....	\$ 5,831	\$ 2,004		\$ 7,835	\$ 87,678 (g)	\$ 17,366
					119,229 (h)	
					(209,176) (o)	
					11,800 (o)	
Restricted cash.....		4,900		4,900	(4,900) (o)	
Accounts receivable.....	9,153	56,845		65,998		65,998
Inventories.....	9,898	17,534		27,432		27,432
Prepaid expenses and other current assets.....	632	7,023		7,655		7,655
Total current assets.....	25,514	88,306		113,820	4,631	118,451
Cash collateral account.....		6,900		6,900	(6,900) (o)	
Property and equipment, net.....	109,475	28,124	\$ 11,985 (f)	149,584		149,584
Intangible and other assets, net...	50,414	76,201	227,663 (f)	354,278	2,322 (g)	356,600
Total assets.....	\$185,403	\$ 199,531	\$239,648	\$624,582	\$ 53	\$624,635
LIABILITIES AND PARTNERS' CAPITAL						
Current liabilities:						
Current debt and preferred stock...	\$ 1,384	\$ 12,188		\$ 13,572	\$ (9,726) (o)	\$ 3,846
Bank credit facility borrowings....	10,720	--		10,720		10,720
Accounts payable.....	3,608	10,129		13,737		13,737
Unearned service contract revenue..		15,430		15,430		15,430
Accrued expenses and income taxes..	2,500	31,652	\$ 4,600 (d)	42,479	(3,727) (o)	38,752
			3,727 (e)			
			648 (a)	3,038		3,038
Accrued interest and dividends.....	2,390	--		3,038		3,038
Customer credit balances.....	4,684	27,884		32,568		32,568
Total current liabilities.....	25,286	97,283	8,975	131,544	(13,453)	118,091
Long-term debt.....	103,616	278,731	(6,499) (b)	375,848	90,000 (g)	277,555
					(188,293) (o)	
Deferred income taxes.....	--	--	40,000 (d)	40,000		40,000
Other long-term liabilities.....	53	10,764	(3,500) (d)	7,317		7,317
Redeemable and exchangeable preferred stock.....		28,578	(15,750) (b)	12,828	(7,430) (o)	--
Partners' capital					(5,398) (p)	
Common unitholders.....	57,347		1,459 (c)	46,454	119,229 (h)	171,081
			(12,352) (e)		5,398 (p)	
Subordinated unitholders.....	(962)		19,252 (f)	9,888		9,888
			(8,402) (f)			

General partner.....	63		1,570 (f)	703		703
			(930) (f)			
Petro's stockholders' deficiency..	(215,825)		(648) (a)			
			22,249 (b)			
			(1,459) (c)			
			(41,100) (d)			
			(3,727) (e)			
			240,510 (f)			
Total partners' capital.....	56,448	(215,825)	216,422	57,045	124,627	181,672
Total liabilities and partners' capital.....	\$185,403	\$ 199,531	\$239,648	\$624,582	\$ 53	\$624,635

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Star Gas Partners, L.P. and Subsidiaries

Pro Forma Condensed Consolidated Statement of Operations
(unaudited)
Twelve Months Ended September 30, 1998
(In thousands, except per unit data)

	Star Gas Partners L.P.	Propans Acquisitions	Combined Propans Operations	Petro (j)	Pro Forma Adjustments	Pro Forma Combined	The Offerings
Sales.....	\$ 111,685	\$ 4,386	\$ 116,071	\$ 452,765	\$ (2,681) (k)	\$ 566,155	
Costs and expenses:							
Cost of sales.....	49,498	1,972	51,470	299,987	(1,985) (k)	349,472	
Operating expenses.	43,281	1,090	44,371	117,849	(669) (k)	161,551	
Restructuring charges.....				2,085		2,085	
Transaction expenses.....				1,029		1,029	
Corporate identity expenses.....				1,100		1,100	
Provision for supplemental benefits				409		409	
Depreciation and amortization.....	11,462	548	12,010	27,514	(87) (k)	34,719	
Net gain (loss) on sales of assets...	(271)		(271)	11,507	(11,284) (k)	(48)	--
Operating income.....	7,173	776	7,949	14,299	(6,506)	15,742	
Interest (income) expense, net.....	7,927	427	8,354	30,803		39,157	\$ (16,444) (g)
Amortization of debt issuance costs.....	176	--	176	1,432	--	1,608	(1,160) (n)
Income (loss) before income taxes.....	(930)	349	(581)	(17,936)	(6,506)	(25,023)	17,604
Income tax expense...	25		25	475		500	
Income before equity interest in Star Gas Corporation.....				(18,411)			
Share of income (loss) of Star Gas Corporation.....				(317)	317 (m)		
Net income (loss)....	\$ (955)	\$ 349	\$ (606)	\$ (18,728)	\$ (6,189)	\$ (25,523)	\$ 17,604
General partner's interest in net income (loss).....	\$ (19)						
Limited partners' interest in net income (loss).....	\$ (936)						
Basic and diluted net income (loss) per limited partner unit.....	\$ (0.16)						
Weighted average number of limited partner units outstanding.....	6,035	220	6,255		103 (c)	6,723	8,950 (h)
					(2,396) (f)		401 (p)
					345 (f)		
					2,477 (f)		
					(61) (f)		

	Star Gas Partners, L.P. Adjusted Pro Forma -----
Sales.....	\$ 566,155
Costs and expenses:	
Cost of sales.....	349,472
Operating expenses.	161,551
Restructuring charges.....	2,085
Transaction ex- penses.....	1,029
Corporate identity expenses.....	1,100
Provision for supplemental benefits	409
Depreciation and amortization.....	34,719
Net gain (loss) on sales of assets...	(48)
Operating income.....	15,742
Interest (income) expense, net.....	22,713
Amortization of debt issuance costs.....	448
Income (loss) before income taxes.....	(7,419)
Income tax expense...	500
Income before equity interest in Star Gas Corporation.....	
Share of income (loss) of Star Gas Corporation.....	--
Net income (loss)....	\$ (7,919) =====
General partner's interest in net income income (loss).....	\$ (158) =====
Limited partners' interest in net income (loss).....	\$ (7,761) =====
Basic and diluted net income (loss) per limited partner unit.....	\$ (0.48) (r) =====
Weighted average number of limited partner units outstanding.....	16,074 (r)

Star Gas Partners, L.P. and Subsidiaries

Pro Forma Condensed Consolidated Statement of Operations
(unaudited)
Three Months Ended December 31, 1998
(In thousands, except per unit data)

	Star Gas Partners, L.P.	Petro (j)	Pro Forma Adjustments	Pro Forma Combined	The Offerings	Star Gas Partners, L.P. Adjusted Pro Forma -----
Sales.....	\$30,237	\$116,540		\$146,777		\$146,777
Costs and expenses:						
Cost of sales.....	11,978	74,018		85,996		85,996
Operating expenses....	11,724	30,123		41,847		41,847
Transaction expenses..	--	3,794		3,794		3,794
Provision for supplemental benefits		90		90		90
Depreciation and						

amortization.....	3,008	6,166	\$ (489) (l)	8,685		8,685
Net gain (loss) on sales of assets.....	(4)	(15)		(19)		(19)
Operating income	3,523	2,334	489	6,346		6,346
Interest expense, net...	2,178	7,820		9,998	\$ (3,945) (q)	6,053
Amortization of debt issuance costs.....	45	335		380	(268) (n)	112
Income (loss) before income taxes.....	1,300	(5,821)	489	(4,032)	4,213	181
Income tax expense.....	6	75		81		81
Income before equity interest in Star Gas Corporation.....		(5,896)				
Share of income (loss) of Star Gas Corporation		770	(770) (m)			
Net income (loss).....	\$ 1,294	\$ (5,126)	\$ (281)	\$ (4,113)	\$ 4,213	\$ 100
General partner's interest in net income (loss).....	\$ 26					\$ 2
Limited partners' interest in net income (loss).....	\$ 1,268					\$ 98
Basic and diluted net income (loss) per limited partner unit...	\$ 0.20					\$ --
Weighted average number of limited partner units outstanding.....	6,255		103 (c) (2,396) (f) 345 (f) 2,477 (f) (61) (f)	6,723	8,950 (h) 401 (p)	16,074

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Star Gas Partners, L.P. and Subsidiaries

Notes to Pro Forma Condensed Consolidated Financial Information

The following pro forma adjustments give effect to:

- (1) the offering of 809,000 common units by Star Gas Partners on December 16, 1997;
- (2) the acquisition of Petro;
- (3) the debt offering; and
- (4) the equity offering, including the sale of 230,000 common units upon the partial exercise of the underwriters' over-allotment option as if each transaction had taken place on December 31, 1998, in the case of the pro forma condensed consolidated balance sheet, or as of October 1, 1997, in the case of the pro forma condensed consolidated statement of operations for the twelve months ended September 30, 1998, or as of October 1, 1998, in the case of the pro forma condensed consolidated statement of operations for the three months ended December 31, 1998.

The pro forma adjustments are based upon currently available information, estimates and assumptions and a preliminary determination and allocation of the total purchase price for Petro and therefore the actual results may differ from the pro forma results. However, management believes that the assumptions provide a reasonable basis for presenting the significant effects of the transactions as contemplated, and that the pro forma adjustments give appropriate effect to those assumptions and are properly applied in the proforma financial information.

Transaction Related Adjustments

(a) Reflects the accrued dividends payable on Petro's 1989 preferred stock and 12 7/8% preferred stock.

(b) Reflects the negotiated discount of approximately \$15.8 million to redeem Petro's 12 7/8% preferred stock, the negotiated discount of approximately \$9.4 million to refinance Petro's public debt and the negotiated premium to refinance Petro's private debt of approximately \$2.9 million.

(c) Reflects the issue of 0.8 million shares of junior preferred stock of Petro, which was converted into 103,000 common units upon completion of the transaction at an assumed value of \$14.1875 per unit. The junior preferred stock was issued to the holders of Petro's 9 3/8% subordinated debentures, 10 1/8% subordinated notes, and 12% subordinated debentures, and 12 7/8% preferred stock as consideration for consenting to the early redemption of those securities.

The Transaction (Merger and Exchange)

(d) Represents:

(1) the estimated amount of current federal and state taxes to be incurred of \$4.6 million;

(2) the estimated amount of deferred federal and state income taxes to be recognized of \$40.0 million; and

(3) the elimination of the tax liability associated with the Pearl Gas conveyance of \$3.5 million.

(e) Reflects the estimated additional amount of \$3.7 million to be recorded by Petro for legal, professional and advisory fees incurred by Petro and Star Gas Partners in the transaction. Total estimated expenses are \$8.5 million. As of September 30, 1998 Petro has recorded \$1.1 million in transaction expenses. For the three months December 31, 1998, Petro has recorded \$3.8 million in transaction expenses.

(f) Represents the exchange of 26.2 million shares of Petro's Class A common stock and Class C common stock valued at \$20.8 million for 2.5 million Star Gas Partners senior subordinated units, 0.3 million Star Gas Partners junior subordinated units and 0.3 million general partner units. The 2.4 million Star Gas Partners subordinated units outstanding prior to the transaction will be contributed to Star Gas Partners by Petro. As a result of the transaction, 61,000 common units owned by Petro will be treated as treasury stock.

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The following table summarizes the preliminary allocation by Star Gas Partners of the excess of purchase price over book value related to the acquisition of Petro. The allocation of the purchase price is based on the results of a preliminary appraisal of property, plant and equipment, customer lists and the December 31, 1998 recorded values for tangible assets and liabilities. The closing date of the transaction was March 26, 1999. This purchase price allocation will be updated for changes in current assets and liabilities based on Petro's operating results from January 1, 1999 to March 26, 1999. From January 1, 1999 to the closing date, it is expected that Petro will generate net income and positive cash flows and that working capital will increase. As a result, the amount of goodwill to be recorded on the closing date will decrease. Subject to Petro's operating results which could be impacted by weather, among other factors, it is estimated that the increase in working capital for Petro from January 1, 1999 to the closing date will range between \$35 million to \$40 million.

The preliminary allocation is as follows: (In thousands)

Consideration given for the exchange of Petro shares.....	\$	20,822
Transaction expenses (1).....		8,547

Total consideration.....		29,369

Fair market value of Petro's assets and liabilities as of December 31, 1998:

Current assets..... (93,126)

Cash collateral account.....	(6,900)
Property, plant and equipment (2).....	(40,109)
Value of Petro's investment in Star Gas.....	(21,684)
Current liabilities.....	97,283
Accrued income taxes.....	4,600
Accrued preferred dividends.....	648
Long-term debt.....	272,232
Deferred income taxes.....	40,000
Other liabilities.....	7,264
Preferred stock.....	12,828
Junior preferred stock.....	1,459

Subtotal.....	274,495

Total value assigned to intangibles and other assets.....	303,864
Carrying amount of intangibles and other assets.....	(76,201)

Allocation of excess purchase price to intangibles.....	\$ 227,663
	=====
Consisting of:	
Customer lists.....	\$ 94,000
Goodwill.....	208,899
Other assets.....	965

Total intangibles and other assets.....	\$ 303,864
	=====

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(1) Transaction expenses include legal, accounting, investment advisory and asset appraisal costs.

(2) Includes fair market value adjustment of \$12.0 million.

The fair market value for property plant and equipment, excluding real estate, was established using the cost approach method. The market approach was used in valuing the real estate. The value assigned to customer lists was derived using a discounted cash flow analysis. The cash flows attributable to the customer lists were discounted back at an equity risk adjusted cost of capital to the net present value. Any excess was attributable to goodwill.

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The Debt Offering and The Equity Offering

(g) Reflects the net proceeds to Petro of approximately \$87.7 million from the \$90.0 million debt offering, net of underwriting discounts and commissions of approximately \$1.4 million and offering expenses of approximately \$0.9 million. These costs are being amortized over the term of the related debt which is 8.5 years.

(h) Reflects the net proceeds to Star Gas Partners of approximately \$119.2 million from the issuance and sale of 8.9 million common units in the equity offering, including the over-allotment option, at an offering price of \$14.1875 per common unit, net of underwriting discounts and commissions of approximately \$6.3 million and offering expenses of approximately \$1.4 million.

The Propane Acquisitions

(i) Represents the results of certain propane distributors acquired by Star Gas Partners in fiscal 1998 from October 1, 1997 to their dates of acquisition. Results of these distributors from the dates of acquisition to September 30, 1998 are included in Star Gas Partners' twelve months ended September 30, 1998 results adjusted for:

(1) cost savings of \$0.3 million, primarily executive compensation and legal expenses relating to selling shareholders;

(2) additional depreciation and amortization of \$0.5 million; and

(3) additional interest expense of \$0.4 million.

There were no propane acquisitions completed in the three months ended December 31, 1998.

The Transaction (Acquisition of Petro)

(j) Represents the results of operations of Petro for the twelve months ended September 30, 1998 or the three months ended December 31, 1998. Approximate expenses of \$8.5 million to be incurred by Petro as a direct result of its acquisition by Star Gas Partners will be included in Petro's actual statement of operations. For the twelve months ended September 30, 1998, Petro has recorded \$1.1 million of these expenses. For the three months ended December 31, 1998, Petro has recorded \$3.8 million of these expenses.

(k) Adjustment to reflect the disposition of Petro's Hartford, Connecticut operations in November 1997. Petro received cash proceeds of \$15.6 million and recorded a gain of \$11.3 million. The carrying value of these assets at the time of sale was \$4.3 million.

(l) Adjustment to depreciation and amortization expense attributable to the acquisition of Petro.

Star Gas Partners believes that the amortization periods assigned to the assets below are appropriate. However, if the final amortization periods assigned to the tangible and intangible assets were of shorter duration, the amount of depreciation and amortization would increase and reduce net income. For the twelve months ended September 30, 1998, the following table summarizes the effect on depreciation and amortization of the acquisition of Petro.

	Net Book Value Amount per Petro's Financials			Amount per Appraisal			Difference
	Asset (1)	Life	Depreciation (2)	Asset (1)	Life	Depreciation (2)	
Property and equipment, net							Depreciation
Land.....	\$ 2,092		\$ --	\$ 3,300		\$ --	\$ --
Buildings.....	4,788	20-45 years	419	4,300	30 years	143	(276)
Fleet.....	5,908	5 to 7 years	2,866	12,800	6 years	2,135	(731)
Leasehold.....	4,270	term of leases	562	5,900	term of leases	457	(105)
Computer, furniture and fixtures.....	7,377	5 to 7 years	2,491	9,700	5 to 7 years	1,661	(830)
Service & other equipment.....	3,689	5 to 13 years	692	4,109	5 to 13 years	557	(135)
Total property and equipment.....	\$28,124		\$ 7,030	\$ 40,109		\$ 4,953	\$(2,077)
Intangible and other assets, net							Amortization
Customer list.....	\$52,596	6.5 years	\$17,364	\$ 94,000	10 years	\$ 9,400	\$(7,964)
Goodwill.....	9,013	25 years	1,129	208,899	25 years	8,356	7,227
Covenants not to compete.....	2,855	5 to 7 years	1,904	--		--	(1,904)
Other assets.....	965		--	965		--	--
Total intangible and other assets.....	\$65,429		\$20,397	\$303,864		\$17,756	\$(2,641)
Totals.....			\$27,427			\$22,709	\$(4,718)

- (1) As of December 31, 1998.
- (2) For the twelve months ended September 30, 1998.

Petro's property, plant and equipment is being depreciated using a historical cost which is approximately \$80 million. The fair market value of these assets is \$40.1 million. When depreciation expense is calculated based on the fair market value, this expense is \$2.1 million lower than historical depreciation. Pro forma depreciation is less than historical depreciation due to decline in the asset base being depreciated and an extension of the useful lives of those assets. The remaining lives assigned to property, plant and equipment were determined by an independent appraisal firm. All property, plant and equipment is depreciated using the straight-line method.

Pro forma customer list amortization is less than historical amortization due to a longer life and a lower amortization asset. The original cost used to amortize historical customer list was approximately \$120 million. The longer life represents Petro's improved retention rate as well as the retention of customers obtained through internal marketing, which have a higher retention rate than for

customers acquired through acquisition. Petro's previous acquisitions represented the acquisition of customers. The acquisition of Petro by Star Gas Partners is an acquisition of an on-going business. The appraisal assigned a greater allocation to goodwill than what was previously allocated by Petro in their purchase of a 188 relatively small fuel oil dealers. This resulted in approximately \$7.8 million of additional amortization, largely offsetting the \$7.9 million of less customer list amortization. Restrictive covenants were not assigned a value under the pro forma intangibles due to the minimal amount of the asset value expected at closing. Intangibles are amortized on a straight-line basis.

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For the three months ended December 31, 1998, the following table summarizes the effect on depreciation and amortization of the acquisition of Petro.

	Net Book Value Amount per Petro's Financials			Amount per Appraisal			Difference
	Asset(1)	Life	Depreciation(2)	Asset(1)	Life	Depreciation(2)	
Property and equipment, net							
Land.....	\$ 2,092		\$ --	\$ 3,300		\$ --	\$ --
Buildings.....	4,788	20-45 years	76	4,300	30 years	36	(40)
Fleet.....	5,908	5 to 7 years	676	12,800	6 years	534	(142)
Leasehold.....	4,270	term of leases	148	5,900	term of leases	114	(34)
Computer, furniture and fixtures.....	7,377	5 to 7 years	655	9,700	5 to 7 years	415	(240)
Service & other equipment.....	3,689	5 to 13 years	219	4,109	5 to 13 years	139	(80)
Total property and equipment.....	\$28,124		\$1,774	\$ 40,109		\$1,238	\$ (536)
Intangible and other assets, net							
Customer list.....	\$52,596	6.5 years	\$3,703	\$ 94,000	10 years	\$2,350	\$(1,353)
Goodwill.....	9,013	25 years	248	208,899	25 years	2,089	1,841
Covenants not to compete.....	2,855	5 to 7 years	441	--		--	(441)
Other assets.....	965		--	965		--	--
Total intangible and other assets.....	\$65,429		\$4,392	\$303,864		\$4,439	\$ 47
Totals.....			\$6,166			\$5,677	\$ (489)

(1) As of December 31, 1998.

(2) For the three months ended December 31, 1998.

(m) Reflects the elimination of Petro's equity interest in Star Gas Partners.

The Offerings

(n) Reflects the net adjustment for the twelve months ended September 30, 1998 to amortization of debt issuance costs of \$1.2 million attributable to the debt offering and the acquisition of Petro. Amortization of debt issuance costs is decreased by \$1.4 million relating to the repayment of Petro debt and is increased by \$0.3 million relating to the 7.92% notes. For the three months ended December 31, 1998, amortization of debt issuance costs is decreased by \$0.3 million relating to the repayment of Petro debt and is increased by \$0.1 million relating to the 7.92% notes.

(o) Reflects the use of the net proceeds from the equity offering, including the partial exercise of the over-allotment option, and, the debt offering to repay \$79.5 million of Petro's 12 1/4% Senior Subordinated Debentures due 2005 to repay \$46.1 million of Petro's 10 1/8% Senior Subordinated Notes due 2003, to repay \$68.3 million of Petro's 9 3/8% Senior Subordinated Debentures due 2006, to retire \$7.4 million of Petro's 12 7/8% Exchangeable Preferred Stock, to retire \$4.2 million of Petro's 14.33% Exchangeable Preferred Stock and to pay \$3.7 million of transaction expenses. As of December 31, 1998 Petro had paid \$4.9 million in transaction expenses. As a result of the transaction, both Petro's current and long-term restricted cash balances become available for

general business purposes. In addition, Petro has entered into private debt agreements with the private noteholders of:

(i) its outstanding senior notes in the aggregate principal amount of \$60 million; and

(ii) its Petro private debt in the aggregate principal amount of \$4.1 million (after payment of the January 1999 installment).

Under the private debt agreements at the effective time of the transaction:

(i) the holders of the senior notes exchanged those notes for \$62.7 million aggregate principal amount of new 9% notes; and

(ii) the holders of the 14.1% notes exchanged those notes for \$4.2 million aggregate principal amount of 10 1/4% notes. The new private notes have been guaranteed by Star Gas Partners and Petro Holdings.

(p) Reflects the exchange of \$5.4 million of Petro's 12 7/8% exchangeable preferred stock for 0.4 million common units in lieu of cash.

(q) Reflects the net reduction to interest expense of \$16.4 million for the twelve months ended September 30, 1998. This amount reflects \$7.1 million of additional interest expense annually on the \$90.0 million in principal amount of the notes at an interest rate of 7.92%. This amount also reflects an annual reduction in interest expense of \$21.9 million due to the repayment of \$203.2 million of Petro public debt, excluding negotiated discounts, with the proceeds of this offering and the debt offering and a reduction in the interest rate attributable to the private debt agreements described above. In addition interest expense is reduced by \$0.1 million, as \$2.3 million of Petro's cash is used to finance the transaction.

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The following table summarizes the effect on interest expense of the transaction for the twelve months ended September 30, 1998:

	Amount	Interest Rate	Interest Expense
	-----	-----	-----
Debt Repaid or Modified			
Petro 12 1/4% senior subordinated debentures(1)....	\$80,155	12.25%	\$ 9,819
Petro 10 1/8% senior subordinated notes.....	48,739	10.125%	4,934
Petro 9 3/8% senior subordinated debentures.....	74,334	9.375%	6,968
Petro 11.96% notes(2).....	60,000	11.96%	7,176
Petro 14.10% notes(2).....	6,884	14.10%	971
Lower letter of credit fees on acquisition notes...			191

Total reductions to interest expense.....			\$30,059

	Amount	Interest Rate	
	-----	-----	
New Debt Issued and Cash Balance Reduction			
Petro 7.92% notes.....	\$90,000	7.92%	\$(7,128)
Petro 9.0% senior notes(2).....	62,697	9.0%	(5,643)
Petro 10.25% senior and subordinated notes(2).....	7,064	10.25%	(724)
Lower invested cash balances.....	2,269	5.31%	(120)

Net reduction to interest expense.....			\$16,444
			=====

(1) Excludes prepayment premium of \$2.8 million.

(2) Notes exchanged under the private debt agreement.

The following table summarizes the effect on interest expense of the transaction for the three months ended December 31, 1998:

	Amount	Interest Rate	Interest Expense
	-----	-----	-----
Debt Repaid or Modified			
Petro 12 1/4% senior subordinated debentures(1)....	\$80,155	12.25%	\$ 2,455
Petro 10 1/8% senior subordinated notes.....	48,739	10.125%	1,234
Petro 9 3/8% senior subordinated debentures.....	74,334	9.375%	1,742
Petro 10.90% notes(2).....	60,000	10.90%	1,635
Petro 14.10% notes(2).....	6,200	14.10%	219
Lower letter of credit fees on acquisition notes...			48

Total reductions to interest expense.....			\$ 7,333

	Amount	Interest Rate	
	-----	-----	
New Debt Issued and Cash Balance Reduction			
Petro 7.92% notes.....	\$90,000	7.92%	\$(1,783)
Petro 9.0% senior notes(2).....	62,697	9.0%	(1,412)
Petro 10.25% senior and subordinated notes(2).....	6,380	10.25%	(163)
Lower invested cash balances.....	2,269	5.31%	(30)

Net reduction to interest expense.....			\$ 3,945
			=====

(1) Excludes prepayment premium of \$2.8 million.

(2) Notes exchanged under the private debt agreement.

(r) The partnership agreement provides that for each non-overlapping four quarter period that occurs after the first anniversary of the transaction, but before the fifth anniversary of the transaction, in which the dollar amount of Petro Adjusted Operating Surplus per Petro Unit equals or exceeds \$2.90. Star Gas Partners will issue 303,000 senior subordinated units, pro rata, or 303,000 Class B common units, pro rata, if such issuance occurs after the end of the subordination period. These additional senior subordinated units will be issued to the current holders of the senior subordinated units, junior subordinated units and the general partner units. Star Gas Partners may not issue more than an aggregate of 909,000 senior subordinated units or Class B common units under this provision. In addition, Star Gas Partners has agreed to issue to the holders of Petro's 12 7/8% exchangeable preferred stock 175,000 senior subordinated units contingent upon Star Gas Partners earning \$2.40 per unit in distributable cash flow over four consecutive quarters during this period commencing on January 1, 2000 and ending on December 31, 2002. The issuance of these senior subordinated units will not generate any additional proceeds to Star Gas Partners. When these units are issued, an additional amount of goodwill will be recorded. Assuming 303,000 senior subordinated units are issued, the amount of goodwill to be recorded will be \$4.9 million. As a result, annual amortization expense would increase by \$0.2 million and would decrease net income per limited partner unit by \$0.01 per unit. If these senior subordinated units are issued and they are converted into Class B common units, the Class A common units would be diluted in terms of available cash to be used for payment of the quarterly distributions.