

AMERIGAS PARTNERS LP

FORM 8-K (Current report filing)

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 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): January 30, 2013

AmeriGas Partners, L.P.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation)

1-13692
(Commission File Number)

23-2787918
(IRS Employer Identification No.)

**460 No. Gulph Road,
King of Prussia, Pennsylvania**
(Address of principal executive offices)

19406
(Zip Code)

Registrant's telephone number, including area code: (610) 337-7000

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 9.01 **Financial Statements and Exhibits.**

(a) Financial Statements of Business Acquired

The Audited Combined Financial Statements of Heritage Operating, L.P. and Subsidiaries and Titan Energy Partners, L.P. and Subsidiaries as of December 31, 2011 and 2010, and for the years ended December 31, 2011, 2010 and 2009.

(b) Pro Forma Financial Information

The Unaudited Pro Forma Condensed Combined Financial Information of AmeriGas Partners, L.P. and subsidiaries for the year ended September 30, 2012.

(d) Exhibits

23.1 Consent of Grant Thornton LLP.

99.1 Audited Combined Financial Statements of Heritage Operating, L.P. and Subsidiaries and Titan Energy Partners, L.P. and Subsidiaries as of December 31, 2011 and 2010, and for the years ended December 31, 2011, 2010 and 2009.

99.2 Unaudited Pro Forma Condensed Combined Statement of Operations for the year ended September 30, 2012.

SIGNATURE

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.

Dated: January 30, 2013

AmeriGas Partners, L.P.
By: John S. Iannarelli

By: /s/ John S. Iannarelli

Name: John S. Iannarelli
Title: Vice President—Finance and Chief
Financial Officer of AmeriGas
Propane, Inc., the general partner of
AmeriGas Partners, L.P.

Exhibit Index

| <u>Exhibit No.</u> | <u>Description</u> |
|--------------------|---|
| 23.1 | Consent of Grant Thornton LLP. |
| 99.1 | Audited Combined Financial Statements of Heritage Operating, L.P. and Subsidiaries and Titan Energy Partners, L.P. and Subsidiaries as of December 31, 2011 and 2010, and for the years ended December 31, 2011, 2010 and 2009. |
| 99.2 | Unaudited Pro Forma Condensed Combined Statement of Operations for the year ended September 30, 2012. |

CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

We have issued our report dated April 27, 2012, with respect to the combined financial statements of Heritage Operating, L.P. and subsidiaries and Titan Energy Partners, L.P. and subsidiaries as of December 31, 2011 and 2010, and for each of the three years in the period ended December 31, 2011, included in this Current Report of AmeriGas Partners, L.P. on Form 8-K. We hereby consent to the incorporation by reference of said report in the Registration Statements of AmeriGas Partners, L.P. on Forms S-3 (File No. 333-180096, File No. 333-178879, and File No. 333-159076) and on Forms S-8 (File No. 333-168604 and File No. 333-104939).

/s/ GRANT THORNTON LLP

Kansas City, Missouri
January 30, 2013

HERITAGE OPERATING, L.P. AND SUBSIDIARIES and
TITAN ENERGY PARTNERS, L.P. AND SUBSIDIARIES

INDEX TO FINANCIAL STATEMENTS

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Partners

Heritage Operating, L.P.

Titan Energy Partners, L.P.

We have audited the accompanying combined balance sheets of Heritage Operating, L.P. and subsidiaries, and Titan Energy Partners, L.P. and subsidiaries (both Delaware limited partnerships and wholly-owned subsidiaries of Energy Transfer Partners, L.P.) (collectively, “the Partnerships”) as of December 31, 2011 and 2010, and the related combined statements of operations and comprehensive income, partners’ capital, and cash flows for each of the three years in the period ended December 31, 2011. These financial statements are the responsibility of the Partnerships’ management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America established by the American Institute of Certified Public Accountants. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Partnerships’ internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 combined financial statements referred to above present fairly, in all material respects, the financial position of Heritage Operating, L.P. and subsidiaries, and Titan Energy Partners, L.P. and subsidiaries as of December 31, 2011 and 2010 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2011 in conformity with accounting principles generally accepted in the United States of America.

/s/ Grant Thornton LLP

Kansas City, Missouri

April 27, 2012

**HERITAGE OPERATING, L.P. AND SUBSIDIARIES and
TITAN ENERGY PARTNERS, L.P. AND SUBSIDIARIES**

COMBINED BALANCE SHEETS

(in thousands)

| | December 31, | |
|---|--------------|-------------|
| | 2011 | 2010 |
| <u>ASSETS</u> | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 54,123 | \$ 31,141 |
| Marketable securities | 1,218 | 2,020 |
| Accounts receivable, net of allowance for doubtful accounts | 130,270 | 151,098 |
| Accounts receivable from related companies | — | 70,930 |
| Inventories | 101,821 | 91,015 |
| Price risk management assets | — | 6,864 |
| Prepaid expenses and other current assets | 22,007 | 15,686 |
| Total current assets | 309,439 | 368,754 |
| PROPERTY, PLANT AND EQUIPMENT | 1,243,879 | 1,184,373 |
| ACCUMULATED DEPRECIATION | (461,958) | (394,451) |
| | 781,921 | 789,922 |
| GOODWILL | 619,445 | 613,106 |
| INTANGIBLES AND OTHER ASSETS, net | 161,291 | 164,654 |
| Total assets | \$1,872,096 | \$1,936,436 |
| <u>LIABILITIES AND PARTNERS' CAPITAL</u> | | |
| CURRENT LIABILITIES: | | |
| Accounts payable | \$ 45,546 | \$ 49,546 |
| Accounts payable to related companies | 27,770 | 109,143 |
| Customer advances and deposits | 79,529 | 70,989 |
| Accrued wages and benefits | 20,458 | 20,657 |
| Price risk management liabilities | 4,061 | — |
| Accrued and other current liabilities | 44,162 | 37,131 |
| Current maturities of long-term debt | 24,117 | 35,265 |
| Total current liabilities | 245,643 | 322,731 |
| LONG-TERM DEBT, less current maturities | 57,542 | 77,403 |
| OTHER NON-CURRENT LIABILITIES | 3,546 | 2,720 |
| COMMITMENTS AND CONTINGENCIES (Note 7) | 306,731 | 402,854 |
| PARTNERS' CAPITAL: | | |
| Limited Partners | 1,565,132 | 1,526,276 |
| General Partners | — | — |
| Accumulated other comprehensive income | 233 | 7,306 |
| Total partners' capital | 1,565,365 | 1,533,582 |
| Total liabilities and partners' capital | \$1,872,096 | \$1,936,436 |

The accompanying notes are an integral part of these combined financial statements.

HERITAGE OPERATING, L.P. AND SUBSIDIARIES and
TITAN ENERGY PARTNERS, L.P. AND SUBSIDIARIES
COMBINED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
(in thousands)

| | Years Ended December 31, | | |
|--|--------------------------|-------------------|-------------------|
| | 2011 | 2010 | 2009 |
| REVENUES: | | | |
| Retail fuel | \$1,360,653 | \$1,314,973 | \$1,190,523 |
| Wholesale fuel | 9,487 | 8,331 | 7,143 |
| Other | 108,107 | 106,883 | 103,823 |
| Total revenues | <u>1,478,247</u> | <u>1,430,187</u> | <u>1,301,489</u> |
| COSTS AND EXPENSES: | | | |
| Cost of products sold—retail fuel (excluding depreciation) | 839,127 | 752,926 | 574,854 |
| Cost of products sold—wholesale fuel (excluding depreciation) | 9,053 | 7,841 | 6,479 |
| Cost of products sold—other (excluding depreciation) | 21,196 | 21,816 | 21,148 |
| Operating expenses | 349,208 | 343,022 | 347,761 |
| Depreciation and amortization | 83,018 | 82,640 | 84,203 |
| Selling, general and administrative | 46,777 | 45,937 | 41,941 |
| Total costs and expenses | <u>1,348,379</u> | <u>1,254,182</u> | <u>1,076,386</u> |
| OPERATING INCOME | 129,868 | 176,005 | 225,103 |
| OTHER INCOME (EXPENSE): | | | |
| Affiliated interest | — | 1,636 | 617 |
| Interest expense | (8,716) | (11,954) | (16,046) |
| Gains (losses) on disposal of assets | (2,837) | (1,027) | 1,074 |
| Other, net | 595 | 303 | 534 |
| INCOME BEFORE INCOME TAX EXPENSE | 118,910 | 164,963 | 211,282 |
| Income tax expense | 3,593 | 1,654 | 1,998 |
| NET INCOME | 115,317 | 163,309 | 209,284 |
| Change in value of available-for-sale securities | (803) | (4,023) | 4,941 |
| Reclassification to earnings of gains and losses on derivative instruments accounted for as cash flow hedges | (10,142) | (11,724) | (4,022) |
| Change in value of derivative instruments accounted for as cash flow hedges | 3,872 | 9,502 | 12,632 |
| | <u>(7,073)</u> | <u>(6,245)</u> | <u>13,551</u> |
| COMPREHENSIVE INCOME | <u>\$ 108,244</u> | <u>\$ 157,064</u> | <u>\$ 222,835</u> |

The accompanying notes are an integral part of these combined financial statements.

**HERITAGE OPERATING, L.P. AND SUBSIDIARIES and
TITAN ENERGY PARTNERS, L.P. AND SUBSIDIARIES**

COMBINED STATEMENTS OF PARTNERS' CAPITAL

(in thousands)

| | <u>Limited Partners</u> | <u>General Partners</u> | <u>Accumulated Other Comprehensive Income</u> | <u>Total</u> |
|---|-----------------------------|-----------------------------|---|--------------|
| Balance, December 31, 2008 | \$1,337,611 | \$ — | \$ — | \$1,337,611 |
| Distributions to partners | (81,697) | — | — | (81,697) |
| Non-cash unit-based compensation | 2,959 | — | — | 2,959 |
| Other comprehensive income, net of tax | — | — | 13,551 | 13,551 |
| Net income | 209,284 | — | — | 209,284 |
| Balance, December 31, 2009 | \$1,468,157 | \$ — | \$ 13,551 | \$1,481,708 |
| Distributions to partners | (110,000) | — | — | (110,000) |
| Non-cash unit-based compensation | 4,810 | — | — | 4,810 |
| Other comprehensive loss, net of tax | — | — | (6,245) | (6,245) |
| Net income | 163,309 | — | — | 163,309 |
| Balance, December 31, 2010 | \$1,526,276 | \$ — | \$ 7,306 | \$1,533,582 |
| Contribution of units in connection with certain acquisitions | 3,000 | — | — | 3,000 |
| Non-cash distributions to partners | (79,583) | — | — | (79,583) |
| Non-cash unit-based compensation | 122 | — | — | 122 |
| Other comprehensive loss, net of tax | — | — | (7,073) | (7,073) |
| Net income | 115,317 | — | — | 115,317 |
| Balance, December 31, 2011 | \$1,565,132 | \$ — | \$ 233 | \$1,565,365 |

The accompanying notes are an integral part of these combined financial statements.

HERITAGE OPERATING, L.P. AND SUBSIDIARIES and
TITAN ENERGY PARTNERS, L.P. AND SUBSIDIARIES

COMBINED STATEMENTS OF CASH FLOWS

(in thousands)

| | Years Ended December 31, | | |
|--|--------------------------|------------------|------------------|
| | 2011 | 2010 | 2009 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Net income | \$ 115,317 | \$ 163,309 | \$ 209,284 |
| Reconciliation of net income to net cash provided by operating activities: | | | |
| Depreciation and amortization | 83,018 | 82,640 | 84,203 |
| Amortization of finance costs charged to interest | 293 | 500 | 547 |
| Provision for losses on accounts receivable | 3,702 | 3,727 | 2,993 |
| (Gains) losses on disposal of assets | 2,837 | 1,027 | (1,074) |
| Non-cash unit-based compensation expense | 122 | 4,810 | 2,959 |
| Other non-cash | 1,329 | 1,142 | (17) |
| Changes in assets and liabilities, net of effect of acquisitions: | | | |
| Accounts receivable | 18,768 | (17,976) | 7,112 |
| Accounts receivable from related companies | 4,183 | (577) | 16,797 |
| Inventories | (10,088) | (9,108) | (5,026) |
| Prepaid expenses and other current assets | (6,299) | (2,870) | 12,138 |
| Intangibles and other assets | 2,259 | 158 | 58 |
| Accounts payable | (3,043) | (780) | 4,788 |
| Accounts payable to related companies | (50,144) | 51,365 | (1,829) |
| Customer advances and deposits | 8,028 | (175) | (16,546) |
| Accrued wages and benefits | (198) | 2,451 | (11,276) |
| Accrued and other current liabilities | 6,559 | (2,883) | (3,029) |
| Other non-current liabilities | (145) | — | (128) |
| Price risk management assets and liabilities, net | 4,715 | 2,706 | (46,603) |
| Net cash provided by operating activities | <u>181,213</u> | <u>279,466</u> | <u>255,351</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Cash paid for acquisitions, net of cash acquired | (27,264) | (28,107) | (6,306) |
| Capital expenditures | (56,164) | (59,207) | (63,851) |
| Proceeds from the sale of assets | 5,392 | 5,902 | 7,553 |
| Net cash used in investing activities | <u>(78,036)</u> | <u>(81,412)</u> | <u>(62,604)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | |
| Proceeds from borrowings | 365 | 2,760 | 16,440 |
| Proceeds from related company borrowings | 144,696 | 128,760 | 157,910 |
| Principal payments on debt | (36,496) | (55,082) | (63,049) |
| Principal payments on related company debt | (188,760) | (177,245) | (261,710) |
| Distributions to partners | — | (110,000) | (81,697) |
| Net cash used in financing activities | <u>(80,195)</u> | <u>(210,807)</u> | <u>(232,106)</u> |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 22,982 | (12,753) | (39,359) |
| CASH AND CASH EQUIVALENTS, beginning of year | 31,141 | 43,894 | 83,253 |
| CASH AND CASH EQUIVALENTS, end of year | <u>\$ 54,123</u> | <u>\$ 31,141</u> | <u>\$ 43,894</u> |
| NON-CASH INVESTING AND FINANCING ACTIVITIES: | | | |
| Long-term debt assumed and noncompete agreement notes payable issued in acquisitions | \$ 4,166 | \$ 2,740 | \$ 790 |
| Contribution of assets from parent in connection with certain acquisitions | \$ 3,000 | \$ — | \$ — |
| Non-cash distribution to partners | \$ (79,583) | \$ — | \$ — |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION: | | | |
| Cash paid for interest | \$ 8,688 | \$ 11,838 | \$ 15,777 |
| Cash paid for taxes | \$ 2,723 | \$ 2,394 | \$ 2,148 |

The accompanying notes are an integral part of these combined financial statements.

**HERITAGE OPERATING, L.P. AND SUBSIDIARIES and
TITAN ENERGY PARTNERS, L.P. AND SUBSIDIARIES**

NOTES TO COMBINED FINANCIAL STATEMENTS

(Dollar amounts in thousands, except per unit data)

1. OPERATIONS AND ORGANIZATION :

Business Operations

Heritage Operating, L.P. (“HOLP”) and Titan Energy Partners, L.P. (“Titan L.P.”) are both Delaware limited partnerships. HOLP and Titan Propane LLC (“Titan”), a wholly-owned subsidiary of Titan L.P., sell propane and propane-related products to residential, commercial, industrial, and agricultural customers in the United States. HOLP is also a wholesale propane supplier in the United States.

As of December 31, 2011, Energy Transfer Partners, L.P. (“ETP”) owned a 100% limited partner interest in HOLP and Energy Transfer Partners, GP, L.P. (“ETP GP”) was the General Partner of HOLP with a 0.0% economic interest. As of December 31, 2011 ETP owned a 99.99% limited partner interest and a 0.01% general partner interest in Titan L.P. Titan Energy GP, LLC was the General Partner of Titan L.P. Energy Transfer Equity, L.P. (“ETE”) owns ETP GP and approximately 22% of the limited partner units of ETP.

On January 12, 2012, ETP contributed HOLP and Titan L.P. to AmeriGas Partners, L.P. (“AmeriGas”). ETP received approximately \$1.5 billion in cash and approximately 29.6 million AmeriGas common units, representing approximately 34% of the common units of AmeriGas. AmeriGas assumed approximately \$71,000 of existing HOLP debt. Immediately prior to this transaction, HOLP distributed its cylinder exchange business to Heritage Propane Express, LLC, an indirect wholly-owned subsidiary of ETP.

As of January 12, 2012, AmeriGas owns 100% limited partner interests in HOLP and Heritage GP, LLC, the newly formed general partner of HOLP. Heritage GP, LLC has a 0.001% general partner interest in HOLP. As of January 12, 2012, AmeriGas owns 100% limited partner interests in Titan L.P. and Titan Energy GP, LLC, the newly formed general partner of Titan L.P. Titan Energy GP, LLC has a 0.01% general partner interest in Titan L.P.

The accompanying combined financial statements include the accounts and operations of HOLP and Titan L.P. and their respective wholly-owned subsidiaries, as follows:

HOLP

- Heritage Service Corp.—manages the assets generating the non-qualifying income (including income such as derivative gains from trading activities, service income, tank rentals and others) of the operating partnership.
- Metro Lawn, LLC – was formed in March 2011 and markets propane powered commercial lawn mower conversions.
- Heritage Energy Resources, L.L.C. (“HER”)—buys and sells financial instruments related to natural gas liquids (“NGLs”).

Titan L.P.

- Titan—manages the operational activities for Titan L.P.
- Titan Propane Services, Inc.—manages the assets generating the non-qualifying income (including income such as derivative gains from trading activities, service income, tank rentals and others) of the operating partnership.

HOLP and Titan L.P. and their subsidiaries are collectively referred to in this report as “we”, “us”, “propane operations” or the “Propane Partnerships”.

2. SIGNIFICANT ACQUISITIONS:

2011

During the year ended December 31, 2011, we acquired substantially all of the assets of eight propane businesses. The aggregate purchase price for these acquisitions totaled \$36,021, which included \$26,691 of cash paid, net of cash acquired, liabilities assumed of \$5,549 and 66,499 ETP Common Units issued valued at \$3,000. During the year ended December 31, 2011, we also recorded \$781 of gains on bargain purchases for 2011 acquisitions and paid cash of \$573 related to purchase price holdbacks from 2010 acquisitions. The cash paid for acquisitions was derived primarily from our operating cash flows. The operations of the acquired businesses have been included in the combined statements of operations and comprehensive income from their respective acquisition dates.

The following table presents the allocation of the acquisition cost to the assets acquired and liabilities assumed based on their fair values for the 2011 acquisitions described above, net of cash acquired:

| | Acquisitions (Aggregated) |
|---|--------------------------------------|
| Accounts receivable | \$ 1,641 |
| Inventories | 717 |
| Prepaid expenses and other current assets | 26 |
| Property, plant, and equipment | 17,236 |
| Intangible assets | 10,062 |
| Goodwill | 6,339 |
| Total assets acquired | <u>36,021</u> |
| Customer advances and deposits | 511 |
| Accrued and other current liabilities | 1,049 |
| Long-term debt | 3,989 |
| Total liabilities assumed | <u>5,549</u> |
| Net assets acquired | <u>\$ 30,472</u> |

The purchase prices have been allocated based on the fair values of the assets acquired and liabilities assumed at the date of acquisition. We recorded the following intangible assets and goodwill in conjunction with these acquisitions:

| | Acquisitions (Aggregated) |
|---|--------------------------------------|
| Intangible assets: | |
| Noncompete agreements (5 to 10 years) | \$ 732 |
| Customer lists (15 years) | 7,440 |
| Non-amortizable intangible assets—Trademarks | 1,890 |
| Total intangible assets | <u>10,062</u> |
| Goodwill | 6,339 |
| Total intangible assets and goodwill acquired | <u>\$ 16,401</u> |

Goodwill was warranted because these acquisitions enhance our current operations and are expected to reduce costs through synergies with existing operations. This goodwill is expected to be deductible for tax purposes.

The allocation of the purchase price of certain acquisitions is based on preliminary data and could change when final valuations are completed. Changes to final asset valuation of prior year acquisitions have been included in our combined financial statements, but are not material.

2010

During the year ended December 31, 2010, we acquired substantially all of the assets of four propane businesses which included H&H Gas and three other smaller companies. We also acquired one production facility for our cylinder exchange business. The aggregate purchase price for these acquisitions totaled \$32,038, which included \$28,107 of cash paid, net of cash acquired, and liabilities assumed of \$3,517. During the year ended December 31, 2010, we also recorded a \$414 gain on a bargain purchase. Operating cash flows were primarily used to pay for the

acquisitions. The operations of the acquired businesses have been included in the combined statements of operations and comprehensive income from their respective acquisition dates.

The following table presents the allocation of the acquisition cost to the assets acquired and liabilities assumed based on their fair values for the 2010 acquisitions described above, net of cash acquired:

| | H&H Gas Acquisition | Other Acquisitions (Aggregated) |
|---|------------------------------------|--|
| Accounts receivable | \$ 22 | \$ 154 |
| Inventories | 242 | 788 |
| Prepaid expenses and other current assets | 67 | 10 |
| Property, plant, and equipment | 6,044 | 6,383 |
| Intangible assets | 7,334 | 1,863 |
| Goodwill | 8,350 | 781 |
| Total assets acquired | <u>22,059</u> | <u>9,979</u> |
| Customer advances and deposits | 41 | 40 |
| Accrued and other current liabilities | 529 | 167 |
| Long-term debt | 1,762 | 978 |
| Total liabilities assumed | <u>2,332</u> | <u>1,185</u> |
| Net assets acquired | <u>\$ 19,727</u> | <u>\$ 8,794</u> |

The purchase prices have been allocated based on the fair values of the assets acquired and liabilities assumed at the date of acquisition.

We recorded the following intangible assets and goodwill in conjunction with these acquisitions:

| | H&H Gas Acquisition | Other Acquisitions (Aggregated) |
|---|------------------------------------|--|
| Intangible assets: | | |
| Noncompete agreements (10 years) | \$ 210 | \$ 268 |
| Customer lists (15 years) | 6,018 | 1,081 |
| Non-amortizable intangible assets—Trademarks | 1,106 | 514 |
| Total intangible assets | <u>7,334</u> | <u>1,863</u> |
| Goodwill | 8,350 | 781 |
| Total intangible assets and goodwill acquired | <u>\$ 15,684</u> | <u>\$ 2,644</u> |

Goodwill was warranted because these acquisitions enhance our current operations and are expected to reduce costs through synergies with existing operations. This goodwill is expected to be deductible for tax purposes.

2009

During the year ended December 31, 2009, we acquired substantially all of the assets of three propane businesses. The aggregate purchase price for these acquisitions totaled \$6,487, which included \$5,234 of cash paid, net of cash acquired, and liabilities assumed of \$1,236. During the year ended December 31, 2009, we also recorded a \$17 gain on a bargain purchase and paid cash of \$1,072 related primarily to purchase price holdbacks from 2008 acquisitions. The cash paid for acquisitions was financed primarily with HOLP's Senior Revolving Credit Facility. The operations of the acquired businesses have been included in the combined statements of operations and comprehensive income from their respective acquisition dates.

The following table presents the allocation of the acquisition cost to the assets acquired and liabilities assumed based on their fair values for the 2009 acquisitions described above, net of cash acquired:

| | Acquisitions (Aggregated) |
|---------------------------------------|--------------------------------------|
| Accounts receivable | \$ 313 |
| Inventories | 152 |
| Property, plant, and equipment | 4,631 |
| Intangible assets | 1,358 |
| Goodwill | 33 |
| Total assets acquired | <u>6,487</u> |
| Accounts payable | 380 |
| Customer advances and deposits | 85 |
| Accrued and other current liabilities | 66 |
| Long-term debt | 705 |
| Total liabilities assumed | <u>1,236</u> |
| Net assets acquired | <u>\$ 5,251</u> |

The purchase prices have been allocated based on the fair values of the assets acquired and liabilities assumed at the date of acquisition. We recorded the following intangible assets and goodwill in conjunction with these acquisitions:

| | Acquisitions (Aggregated) |
|---|--------------------------------------|
| Intangible assets: | |
| Noncompete agreements (5 to 7 years) | \$ 188 |
| Customer lists (15 years) | 848 |
| Non-amortizable intangible assets—Trademarks | 322 |
| Total intangible assets | <u>1,358</u> |
| Goodwill | 33 |
| Total intangible assets and goodwill acquired | <u>\$ 1,391</u> |

Goodwill was warranted because these acquisitions enhance our current operations and are expected to reduce costs through synergies with existing operations. This goodwill is expected to be deductible for tax purposes.

3. **ESTIMATES, SIGNIFICANT ACCOUNTING POLICIES AND BALANCE SHEET DETAIL :**

Principles of Consolidation and Combination

The combined financial statements of the Propane Partnerships include the accounts of their subsidiaries. All significant inter-company transactions and accounts have been eliminated in consolidation and combination.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the accrual for and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Some of the significant estimates made by management include, but are not limited to, allowances for doubtful accounts, the fair value of derivative instruments, useful lives for depreciation and amortization, purchase accounting allocations and subsequent realizability of intangible assets, fair value measurements used in goodwill and trademark impairment tests, market value of inventory and contingency reserves. Actual results could differ from those estimates.

Revenue Recognition

Revenues for sales of propane and propane appliances, parts, and fittings are recognized at the later of the time of delivery of the product to the customer or the time of sale or installation. Revenue from service labor is recognized upon completion of the service. Tank rent is recognized ratably over the period it is earned. We do not separately charge shipping and handling costs to customers. Our customer base includes residential, commercial, industrial and agricultural customers.

Cash and Cash Equivalents

Cash and cash equivalents include all cash on hand, demand deposits, and investments with original maturities of three months or less. We consider cash equivalents to include short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

We place our cash deposits and temporary cash investments with high credit quality financial institutions. At times, our cash and cash equivalents may be uninsured or in deposit accounts that exceed the Federal Deposit Insurance Corporation ("FDIC") insurance limit.

Marketable Securities

Marketable securities are classified as available-for-sale securities and are reflected as a current asset on the combined balance sheets at fair value. Unrealized holding losses of \$803 and \$4,023, and gains of \$4,941 were recorded through accumulated other comprehensive income ("AOCI"), based on the market value of the securities, for the years ended December 31, 2011, 2010 and 2009, respectively.

Accounts Receivable

We grant credit to our customers for the purchase of propane and propane-related products. Accounts receivable are primarily trade accounts receivable arising from our retail and wholesale propane operations and receivables arising from liquids marketing activities. Accounts receivable are recorded at amounts billed to customers less an allowance for doubtful accounts. The allowance for doubtful accounts reflects management's assessment of the realizability of customer accounts, based on the overall creditworthiness of our customers and any specific disputes.

Accounts receivable consisted of the following:

| | December 31, | |
|--|------------------|------------------|
| | 2011 | 2010 |
| Accounts receivable | \$136,857 | \$157,507 |
| Less – allowance for doubtful accounts | (6,587) | (6,409) |
| Total, net | <u>\$130,270</u> | <u>\$151,098</u> |

The activity in the allowance for doubtful accounts consisted of the following:

| | Years Ended December 31, | | |
|--|--------------------------|-----------------|-----------------|
| | 2011 | 2010 | 2009 |
| Balance, beginning of year | \$ 6,409 | \$ 6,339 | \$ 8,750 |
| Accounts receivable written off, net of recoveries | (3,524) | (3,657) | (5,404) |
| Provision for loss on accounts receivable | 3,702 | 3,727 | 2,993 |
| Balance, end of year | <u>\$ 6,587</u> | <u>\$ 6,409</u> | <u>\$ 6,339</u> |

Inventories

Inventories are valued at the lower of cost or market. The cost of propane inventories is determined using the weighted-average cost of propane delivered to the customer service locations and includes storage fees and inbound freight costs, while the cost of appliances, parts, and fittings is determined by the first-in, first-out method.

Inventories consisted of the following:

| | December 31, | |
|--|------------------|-----------------|
| | 2011 | 2010 |
| Propane | \$ 86,958 | \$76,341 |
| Appliances, parts and fittings and other | 14,863 | 14,674 |
| Total inventories | <u>\$101,821</u> | <u>\$91,015</u> |

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Expenditures for maintenance and repairs that do not add capacity or extend the useful life are expensed as incurred. Expenditures to refurbish tanks that either extend the useful lives of the tanks or prevent environmental contamination are capitalized and depreciated over the remaining useful life of the tanks. Additionally, we capitalize certain costs directly related to the installation of company-owned tanks, including internal labor costs. When property, plant and equipment are retired or sold, any gain or loss is included in our results of operations.

We review property, plant and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. If such a review should indicate that the carrying amount of long-lived assets is not recoverable, we reduce the carrying amount of such assets to fair value. No impairment of long-lived assets was required during the periods presented in these combined financial statements.

Components and useful lives of property, plant and equipment were as follows:

| | December 31, | |
|--|-------------------|-------------------|
| | 2011 | 2010 |
| Land and improvements | \$ 68,607 | \$ 66,963 |
| Buildings and improvements (20 to 40 years) | 81,327 | 75,153 |
| Bulk storage, equipment and facilities (5 to 30 years) | 205,677 | 193,664 |
| Tanks and other equipment (10 to 30 years) | 642,575 | 623,126 |
| Vehicles (3 to 20 years) | 175,774 | 165,173 |
| Furniture and fixtures (3 to 10 years) | 35,018 | 28,729 |
| Other (10 years) | 9,247 | 8,149 |
| | <u>1,218,225</u> | <u>1,160,957</u> |
| Less – Accumulated depreciation | <u>(461,958)</u> | <u>(394,451)</u> |
| | 756,267 | 766,506 |
| Plus – Construction work-in-process | 25,654 | 23,416 |
| Property, plant and equipment, net | <u>\$ 781,921</u> | <u>\$ 789,922</u> |

We recognized the following amounts of depreciation expense for the periods presented:

| | Years Ended December 31, | | |
|----------------------|--------------------------|-----------------|-----------------|
| | 2011 | 2010 | 2009 |
| Depreciation expense | <u>\$73,004</u> | <u>\$72,681</u> | <u>\$72,376</u> |

Goodwill

Goodwill is tested for impairment annually or more frequently if circumstances indicate that goodwill might be impaired. Our annual impairment test is performed as of August 31. No goodwill impairments were recorded for the periods presented in these combined financial statements.

Changes in the carrying amount of goodwill were as follows:

| | |
|-----------------------------------|-------------------------|
| Balance, December 31, 2009 | \$603,975 |
| Goodwill acquired | <u>9,131</u> |
| Balance, December 31, 2010 | 613,106 |
| Goodwill acquired | <u>6,339</u> |
| Balance, December 31, 2011 | <u>\$619,445</u> |

Goodwill is recorded at the acquisition date based on a preliminary purchase price allocation and generally may be retrospectively adjusted when the purchase price allocation is finalized.

Intangibles and Other Assets

Intangibles and other assets are stated at cost net of amortization computed on the straight-line method. We eliminate from our combined balance sheets the gross carrying amount and the related accumulated amortization for any fully amortized intangibles in the year they are fully amortized. Components and useful lives of intangibles and other assets were as follows:

| | <u>December 31, 2011</u> | | <u>December 31, 2010</u> | |
|--|--------------------------|-------------------------------------|--------------------------|-------------------------------------|
| | <u>Gross Amount</u> | <u>Accumulated Amortization</u> | <u>Gross Amount</u> | <u>Accumulated Amortization</u> |
| Amortizable intangible assets: | | | | |
| Noncompete agreements (3 to 15 years) | \$ 15,431 | \$ (7,835) | \$ 21,165 | \$ (11,888) |
| Customer lists (15 to 30 years) | <u>112,248</u> | <u>(45,843)</u> | <u>104,802</u> | <u>(38,250)</u> |
| Total amortizable intangible assets | 127,679 | (53,678) | 125,967 | (50,138) |
| Non-amortizable assets—Trademarks | <u>79,339</u> | <u>—</u> | <u>77,445</u> | <u>—</u> |
| Total intangible assets | 207,018 | (53,678) | 203,412 | (50,138) |
| Other long-term assets: | | | | |
| Financing costs (5 to 20 years) | 755 | (409) | 3,822 | (3,182) |
| Other | <u>7,605</u> | <u>—</u> | <u>10,740</u> | <u>—</u> |
| Total intangible and other assets | <u>\$215,378</u> | <u>\$ (54,087)</u> | <u>\$217,974</u> | <u>\$ (53,320)</u> |

Aggregate amortization expense of intangible and other assets was as follows:

| | <u>Years Ended December 31,</u> | | |
|---|---------------------------------|----------------|-----------------|
| | <u>2011</u> | <u>2010</u> | <u>2009</u> |
| Reported in depreciation and amortization | <u>\$10,014</u> | <u>\$9,959</u> | <u>\$11,827</u> |
| Reported in interest expense | <u>\$ 293</u> | <u>\$ 500</u> | <u>\$ 547</u> |

Estimated aggregate amortization expense for the next five years is as follows:

| Years Ending December 31: | |
|----------------------------------|---------|
| 2012 | \$9,563 |
| 2013 | 9,110 |
| 2014 | 8,646 |
| 2015 | 8,084 |
| 2016 | 7,286 |

We review amortizable intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. If such a review should indicate that the carrying amount of amortizable intangible assets is not recoverable, we reduce the carrying amount of such assets to fair value. We review non-amortizable intangible assets for impairment annually as of August 31, or more frequently if circumstances dictate. No impairment of intangible assets was required during the periods presented in these combined financial statements.

Asset Retirement Obligation

We have determined that we are obligated by contractual requirements to remove facilities or perform other remediation upon retirement of certain assets. Determination of the amounts to be recognized is based upon numerous estimates and assumptions, including expected settlement dates, future retirement costs, future inflation rates and the credit-adjusted risk-free interest rates. However, management was not able to reasonably measure the fair value of the asset retirement obligations as of December 31, 2011 or 2010 because the settlement dates were indeterminable. We will record an asset retirement obligation in the periods in which management can reasonably determine the settlement dates.

Customer Advances and Deposits

We receive deposits or advances from customers as security or prepayments for future propane deliveries. Prepayments and security deposits may also be required when customers exceed their credit limits or do not qualify for open credit.

Accrued and Other Current Liabilities

Accrued and other current liabilities consisted of the following:

| | December 31, | |
|--|---------------------|-----------------|
| | 2011 | 2010 |
| Interest payable | \$ 1,006 | \$ 1,271 |
| Deferred tank rent | 12,196 | 12,191 |
| Taxes other than income taxes | 8,901 | 10,479 |
| Insurance reserve | 18,157 | 10,170 |
| Income taxes payable | 986 | 975 |
| Other | 2,916 | 2,045 |
| Total accrued and other current liabilities | \$44,162 | \$37,131 |

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, accounts receivable and accounts payable approximate fair value. Assets and liabilities from liquids marketing and price risk management assets and liabilities are recorded at fair value.

Based on the estimated borrowing rates currently available to us for loans with similar terms and average maturities, the aggregate fair value and carrying amount of our debt obligations as of December 31, 2011 was \$89,440 and \$81,659, respectively. As of December 31, 2010 the aggregate fair value and carrying amount of long-term debt was \$125,372 and \$112,668, respectively.

We have marketable securities and commodity derivatives that are accounted for as assets and liabilities at fair value in our combined balance sheets. We determine the fair value of our assets and liabilities subject to fair value measurement by using the highest possible “level” of inputs. Level 1 inputs are observable quotes in an active market for identical assets and liabilities. We consider the valuation of marketable securities transacted through a clearing broker with a published price from the appropriate exchange as a Level 1 valuation. Level 2 inputs are inputs observable for similar assets and liabilities. We value our forward propane contracts using the New York Mercantile Exchange (“NYMEX”). Therefore, we consider these over-the-counter (“OTC”) commodity derivatives entered into directly with third parties as a Level 2 valuation since the values of these derivatives are quoted on an exchange for similar transactions. Level 3 valuations include significant unobservable inputs. We currently do not have any fair value measurements that are considered Level 3 valuations.

The following table summarizes the fair value of our financial assets and liabilities measured and recorded at fair value on a recurring basis as of December 31, 2011 and 2010 based on inputs used to derive their fair values:

| Description | Fair Value Measurements at December 31, 2011 Using | | | Fair Value Measurements at December 31, 2010 Using | | |
|-----------------------|---|---|---|---|---|---|
| | Fair Value Total | in Active Markets for Identical Assets and Liabilities (Level 1) | Significant Other Observable Inputs (Level 2) | Fair Value Total | in Active Markets for Identical Assets and Liabilities (Level 1) | Significant Other Observable Inputs (Level 2) |
| Assets | | | | | | |
| Marketable Securities | \$ 1,218 | \$ 1,218 | \$ — | \$2,020 | \$ 2,020 | \$ — |
| Commodity Derivatives | 9 | — | 9 | 6,971 | — | 6,971 |
| Liabilities | | | | | | |
| Commodity Derivatives | (4,131) | \$ — | \$ (4,131) | (29) | \$ — | \$ (29) |
| | <u>\$(2,904)</u> | <u>\$ 1,218</u> | <u>\$ (4,122)</u> | <u>\$8,962</u> | <u>\$ 2,020</u> | <u>\$ 6,942</u> |

Costs and Expenses

Costs of products sold include actual cost of fuel sold, adjusted for the effects of commodity derivative activities, storage fees and inbound freight and the cost of appliances, parts and fittings. Operating expenses include all costs incurred to provide products to customers, including compensation for operations personnel, insurance costs, vehicle maintenance, advertising costs, shipping and handling costs, purchasing costs and plant operations. Selling, general and administrative expenses include all partnership related expenses and compensation for executive, partnership and administrative personnel.

We record the collection of taxes, principally sale and use taxes, to be remitted to governmental authorities on a net basis.

Income Taxes

The Propane Partnerships are limited partnerships. As a result, their earnings or losses for federal and state income tax purposes are included in the tax returns of the individual partners. Accordingly, no recognition has been given to income taxes in our accompanying financial statements except those incurred by corporate subsidiaries of us that are subject to income taxes. Net earnings for financial statement purposes may differ significantly from taxable income reportable to partners as a result of differences between the tax basis and financial reporting basis of assets and liabilities, in addition to the allocation requirements related to taxable income under the Propane Partnerships’ agreements, as amended.

As limited partnerships, we are generally not subject to income tax. We are, however, subject to a statutory requirement that our non-qualifying income (including income such as derivative gains from trading activities, service income, tank rentals and others) cannot exceed 10% of our total gross income, determined on a calendar year basis under the applicable income tax provisions. If the amount of our non-qualifying income exceeds this statutory limit, we would be taxed as a corporation. Accordingly, certain activities that generate non-qualifying income are conducted through taxable corporate subsidiaries (“C corporations”). These C corporations are subject

to federal and state income tax and pay the income taxes related to the results of their operations. For the years ended December 31, 2011, 2010 and 2009, our non-qualifying income did not exceed the statutory limit.

Those subsidiaries which are taxable corporations follow the asset and liability method of accounting for income taxes, under which deferred income taxes are recorded based upon differences between the financial reporting and tax basis of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the underlying assets are received and liabilities settled.

Accounting for Derivative Instruments

All derivatives are recognized in the combined balance sheets as either an asset or liability measured at fair value.

In the course of normal operations, we routinely enter into contracts such as forward physical contracts for the purchase and sale of propane that qualify for and are designated as a normal purchase and sales contracts. Such contracts are exempted from the fair value accounting requirements. In addition, HER buys and sells derivative instruments that are not designated as accounting hedges.

We enter into propane sales commitments with a portion of our retail customers that provide for a contracted price agreement for a specified period of time, typically no longer than one year. These commitments can expose the operations to product price risk if not offset by a propane purchase commitment. To hedge a significant portion of these sales commitments entered into under our customer prebuy programs, Titan enters into financial instruments (swap agreements) to lock in margins.

For qualifying hedges, we formally document, designate and assess the effectiveness of transactions that receive cash flow hedge accounting treatment and the gains and losses offset related results on the hedged item in the statement of operations. The market prices used to value our financial derivatives and related transactions have been determined using independent third party prices, readily available market information, and appropriate valuation techniques.

At inception of a hedge, we formally document the relationship between the hedging instrument and the hedged item, the risk management objectives, and the methods used for assessing and testing effectiveness and how any ineffectiveness will be measured and recorded. We also assess, both at the inception of the hedge and on a quarterly basis, whether the derivatives that are used in our hedging transactions are highly effective in offsetting changes in cash flows. If it is determined that a derivative is no longer highly effective as a hedge, we would discontinue hedge accounting prospectively by including changes in the fair value of the derivative in net income for the period.

Cash flows from derivatives accounted for as cash flow hedges are reported as cash flows from operating activities, in the same category as the cash flows from the items being hedged.

If we designate a derivative financial instrument as a cash flow hedge and it qualifies for hedge accounting, the change in the fair value is deferred in AOCI until the underlying hedged transaction occurs. Any ineffective portion of a cash flow hedge's change in fair value would be recognized each period in earnings. Gains and losses deferred in AOCI related to cash flow hedges remain in AOCI until the underlying physical transaction occurs, unless it is probable that the forecasted transaction will not occur by the end of the originally specified time period or within an additional two-month period of time thereafter. For financial derivative instruments that do not qualify for hedge accounting, the change in fair value is recorded in cost of products sold in the combined statements of operations and comprehensive income.

Inherent in the contractual portfolio are certain business risks, including market risk and credit risk. Market risk is the risk that the value of the portfolio will change, either favorably or unfavorably, in response to changing market conditions. Credit risk is the risk of loss from nonperformance by suppliers, customers, or financial counterparties to a contract. We take an active role in managing and controlling market and credit risk over our commodity-related activities, and we have established control procedures, which are reviewed on an ongoing basis. We monitor market risk of commodity-related activities through a variety of techniques, including routine reporting to senior management. We attempt to minimize credit risk exposure through credit policies and periodic monitoring procedures.

New Accounting Standards

In September 2011, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update No. 2011-08, *Intangibles – Goodwill and Other (Topic 350): Testing Goodwill for Impairment* (“ASU 2011-08”), which simplifies how entities test goodwill for impairment. ASU 2011-08 give entities the option, under certain circumstances, to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether further impairment testing is necessary. ASU 2011-08 is effective for fiscal years beginning after December 15, 2011. We did not early adopt this standard for our annual impairment tests for August 31, 2011.

4. LONG-TERM DEBT :

Our debt obligations consist of the following:

| | December 31, | | Maturities |
|---|------------------|------------------|---|
| | 2011 | 2010 | |
| HOLP Senior Secured Notes: | | | |
| 8.55% Senior Secured Notes | \$ — | \$ 12,000 | Annual payments of \$12,000 due each June 30 through 2011. Interest is paid semi-annually. |
| Medium Term Note Program: | | | |
| 7.26% Series B Senior Secured Notes | 2,000 | 4,000 | Annual payments of \$2,000 due each November 19 through 2012. Interest is paid semi-annually. |
| Senior Secured Promissory Notes: | | | |
| 8.67% Series D Senior Secured Notes | 12,950 | 25,400 | Annual payments of \$12,450 due August 15, 2011 and \$12,950 due August 15, 2012. Interest is paid quarterly. |
| 8.75% Series E Senior Secured Notes | 4,000 | 5,000 | Annual payments of \$1,000 due each August 15 through 2015. Interest is paid quarterly. |
| 8.87% Series F Senior Secured Notes | 32,727 | 36,364 | Annual payments of \$3,636 due each August 15 through 2020. Interest is paid quarterly. |
| 7.89% Series H Senior Secured Notes | 3,636 | 4,364 | Annual payments of \$727 due each May 15 through 2016. Interest is paid quarterly. |
| 7.99% Series I Senior Secured Notes | 16,000 | 16,000 | One payment due May 15, 2013. Interest is paid quarterly. |
| Other Long-Term Debt: | | | |
| Notes payable on noncompete agreements with interest imputed at rates averaging 6.77% and 8.14% at December 31, 2011 and 2010, respectively | 9,260 | 7,935 | Due in installments through 2021. |
| Other | 1,086 | 1,605 | Due in installments through 2024. |
| | 81,659 | 112,668 | |
| Current maturities of long-term debt | (24,117) | (35,265) | |
| | <u>\$ 57,542</u> | <u>\$ 77,403</u> | |

The following table reflects future maturities of long-term debt for each of the next five years and thereafter. These amounts exclude maturities of long-term debt for prepayments on senior secured notes related to ETP's contribution of HOLP and Titan L.P. to AmeriGas, as discussed below.

| | |
|------------|-----------------|
| 2012 | \$22,926 |
| 2013 | 23,181 |
| 2014 | 6,259 |
| 2015 | 6,107 |
| 2016 | 4,523 |
| Thereafter | 15,653 |
| | <u>\$78,649</u> |

HOLP Senior Secured Notes

All receivables, contracts, equipment, inventory, general intangibles, cash concentration accounts, and the capital stock of HOLP and its subsidiaries secure the HOLP Senior Secured, Medium Term, and Senior Secured Promissory Notes (collectively, the "HOLP Senior Secured Notes"). On January 12, 2012, as part of AmeriGas' assumption of the approximately \$71,000 of HOLP Senior Secured Notes, principal prepayments of \$3,010 were made on the 8.67% Series D and 7.89% Series H Senior Secured Notes.

HOLP Credit Facility

HOLP previously had a \$75,000 Senior Revolving Facility (the "HOLP Credit Facility"), which was terminated in February 2011. An intercompany loan agreement was put in place between ETP and HOLP to allow borrowings by HOLP to meet its future liquidity needs. There were no intercompany loans from ETP to HOLP during the year ended December 31, 2011. On January 12, 2012, due to ETP's contribution of HOLP and Titan L.P. to AmeriGas, we will meet our future liquidity needs through intercompany loans from AmeriGas.

Covenants Related to Agreements

The agreements related to the HOLP Senior Secured Notes were amended in February 2011 to revise the financial covenants and to allow for intercompany loans from ETP on a subordinated basis. The amended agreements contain customary restrictive covenants including the maintenance of financial covenants and limitations on substantial disposition of assets, changes in ownership, the level of additional indebtedness and creation of liens. The amended financial covenants require HOLP to maintain ratios of Consolidated Funded Indebtedness to Consolidated EBITDA (as these terms are similarly defined in the amended agreements related to the HOLP Senior Secured Notes) of not more than 3.25 to 1 and Consolidated EBITDA to Consolidated Interest Expense (as these terms are similarly defined in the amended agreements related to the HOLP Senior Secured Notes) of not less than 2.25 to 1. These amended debt agreements also provide that HOLP may declare, make, or incur a liability to make restricted payments during each fiscal quarter, if: (a) the amount of such restricted payment, together with all other restricted payments during such quarter, do not exceed the amount of Available Cash (as defined in the amended agreements related to the HOLP Senior Secured Notes) with respect to the immediately preceding quarter (which amount is required to reflect a reserve equal to 50% of the interest to be paid on the HOLP Senior Secured Notes during the last quarter and in addition, in the third, second and first quarters preceding a quarter in which a scheduled principal payment is to be made on the HOLP Senior Secured Notes, and a reserve equal to 25%, 50%, and 75%, respectively, of the principal amount to be repaid on such payment dates), (b) no default or event of default exists before such restricted payments, and (c) the amounts of HOLP's restricted payment is not disproportionately greater than the payment amount from Energy Transfer Company ("ETC OLP") utilized to fund payment obligations of ETP and its general partner with respect to ETP's Common Units.

Failure to comply with the various restrictive and affirmative covenants of the amended note agreements related to the HOLP Senior Secured Notes could require us to pay debt balances prior to scheduled maturity and could negatively impact our ability to incur additional debt.

We were in compliance with all requirements, tests, limitations and covenants related to our debt agreements for HOLP's Senior Secured Notes as of December 31, 2011.

On January 12, 2012, due to ETP's contribution of HOLP and Titan L.P. to AmeriGas, the agreements related to the HOLP Senior Secured Notes were amended to replace references to ETP with AmeriGas.

5. PARTNERS' CAPITAL AND UNIT-BASED COMPENSATION PLANS :

Limited Partner and General Partner interests in the Propane Partnerships entitle the holders thereof to the rights and privileges specified in HOLP and Titan L.P.'s partnership agreements, as amended.

For the purposes of maintaining the capital accounts and in determining the rights of the Partners among themselves, items of income, gain, loss and deductions shall generally be allocated among the Partners in accordance with their respective percentage interests of the Propane Partnerships.

No person is entitled to preemptive rights in respect of issuances of securities by the Propane Partnerships, except that the General Partners may, but are not obligated to, make additional capital contributions to HOLP and Titan L.P.

Quarterly Distributions of Available Cash

HOLP and Titan L.P.'s partnership agreements, as amended, require the Propane Partnerships to distribute all of their Available Cash to their Limited Partners and their General Partner within forty-five days following the end of each fiscal quarter. The term Available Cash generally means, with respect to any of our fiscal quarters, all cash on hand at the end of such quarter, plus working capital borrowings after the end of the quarter, less reserves established by the General Partner in its sole discretion to provide for the proper conduct of our businesses, to comply with applicable laws or any debt instrument or other agreement, or to provide funds for future distributions to partners with respect to any one or more of the next four quarters. No cash distributions were made by HOLP during the year ended December 31, 2011. Distributions totaling \$110,000 and \$81,697 were made by HOLP during the years ended December 31, 2010 and 2009, respectively. There were no cash distributions made by Titan L.P.

Accumulated Other Comprehensive Income

The following table presents the components of accumulated other comprehensive income ("AOCI"), net of tax:

| | <u>December 31,</u> | |
|---|---------------------|----------------|
| | <u>2011</u> | <u>2010</u> |
| Unrealized gains on available-for-sale securities | \$115 | \$ 918 |
| Net gains on commodity related hedges | 118 | 6,388 |
| Total AOCI, net of tax | <u>\$233</u> | <u>\$7,306</u> |

Unit-Based Compensation Plans

ETP has issued equity incentive plans for employees, officers and directors, which provide for various types of awards, including options to purchase ETP Common Units, restricted units, phantom units, Common Units, distribution equivalent rights ("DERs"), Common Unit appreciation rights, and other unit-based awards. Certain HOLP and Titan employees participate in these plans. As of December 31, 2011, an aggregate total of 2,788,181 ETP Common Units remain available to be awarded under ETP's equity incentive plans.

Unit Grants

ETP previously granted restricted unit awards to employees that vested over a specified time period, typically a five-year period at 20% per year, with vesting based on continued employment as of each applicable vesting date. Upon vesting, ETP Common Units are issued.

Award Activity

The following table shows the activity of the awards granted to HOLP and Titan employees:

| | Number of Units | Weighted Average Grant-Date Fair Value Per Unit |
|---|--------------------|---|
| Unvested awards as of December 31, 2010 | 372,317 | \$ 42.41 |
| Awards granted | 5,000 | 52.54 |
| Awards vested | (98,156) | 41.36 |
| Awards forfeited | (39,486) | 41.49 |
| Unvested awards as of December 31, 2011 | <u>239,675</u> | 43.20 |

During the years ended December 31, 2011, 2010 and 2009, the weighted average grant-date fair value per unit award granted was \$52.54, \$49.98 and \$44.15, respectively. The total fair value of awards vested was \$4,060, \$3,661 and \$3,048, respectively, based on the market price of ETP Common Units as of the vesting date.

During the year ended December 31, 2011, we reversed all previously recognized compensation expense related to awards that were unvested as of December 31, 2011. Forfeiture rates were adjusted to reflect forfeitures expected upon the change in control that occurred in January 2012; therefore, no compensation expense will be recognized with respect to these awards in future periods.

6. MAJOR CUSTOMERS AND SUPPLIERS :

Concentrations of customers may impact our overall exposure to credit risk, either positively or negatively. Management believes that our portfolio of accounts receivable is sufficiently diversified to minimize any potential credit risk. No single customer accounted for 10% or more of our revenue.

We had gross purchases as a percentage of total purchases from major suppliers as follows:

| | December 31, | | |
|--------------|--------------|-------|-------|
| | 2011 | 2010 | 2009 |
| Unaffiliated | | | |
| Targa | 10.4% | 12.9% | 14.3% |
| MP Oils | 15.5% | 13.3% | 15.1% |
| Affiliated | | | |
| Enterprise | 55.2% | 53.5% | 50.3% |

Substantially all agreements with Targa Liquids Marketing and Trade (“Targa”) have a maximum duration of one year.

In connection with the sale of MP Oils in October 2007, HOLP executed a propane purchase agreement for approximately 90.0 million gallons per year through 2015.

Enterprise Products Partners L.P. (together with its subsidiaries “Enterprise”) is a related party as discussed in Note 11. The propane operations have an agreement with Enterprise to supply a portion of our propane requirements.

This concentration of suppliers may impact our overall operations either positively or negatively. However, management believes that the diversification of suppliers is sufficient to enable us to purchase all of our supply needs at market prices without a material disruption of operations if supplies are interrupted from any of our existing sources. Although no assurances can be given that supplies of propane will be readily available in the future, we expect a sufficient supply to continue to be available.

7. **COMMITMENTS, CONTINGENCIES AND ENVIRONMENTAL LIABILITIES :**

Commitments

We have entered into several propane purchase and supply commitments, which are typically one year agreements with varying terms as to quantities, prices and expiration dates. We believe that the terms of these agreements are commercially reasonable and will not have a material adverse effect on our financial position or results of operations.

We have certain non-cancelable leases for property and equipment, which require fixed monthly rental payments and expire at various dates through 2034. Rental expense under these operating leases has been included in operating expenses in the combined statements of operations and comprehensive income and totaled approximately \$5,028, \$4,904 and \$5,176 for the years ended December 31, 2011, 2010 and 2009, respectively.

Future minimum lease commitments for such leases are:

| <u>Years Ending December 31:</u> | |
|----------------------------------|---------|
| 2012 | \$4,574 |
| 2013 | 3,155 |
| 2014 | 1,868 |
| 2015 | 1,221 |
| 2016 | 624 |
| Thereafter | 722 |

The propane operations have an agreement with Enterprise (see Note 11) to supply a portion of our propane requirements. The agreement will continue until March 2015 and includes an option to extend the agreement for an additional year.

In connection with the sale of MP Oils in October 2007, HOLP executed a propane purchase agreement for approximately 90.0 million gallons per year through 2015 at market prices plus a nominal fee.

Litigation and Contingencies

We may, from time to time, be involved in litigation and claims arising out of our operations in the normal course of business. Propane is a flammable, combustible gas. Serious personal injury and significant property damage can arise in connection with its storage, transportation or use. In the ordinary course of business, we are sometimes threatened with or named as a defendant in various lawsuits seeking actual and punitive damages for product liability, personal injury and property damage. We maintain liability insurance with insurers in amounts and with coverage and deductibles management believes are reasonable and prudent, and which are generally accepted in the industry. However, there can be no assurance that the levels of insurance protection currently in effect will continue to be available at reasonable prices or that such levels will remain adequate to protect us from material expenses related to product liability, personal injury or property damage in the future.

We are a party to various legal proceedings and/or regulatory proceedings incidental to our businesses. For each of these matters, we evaluate the merits of the case, our exposure to the matter, possible legal or settlement strategies, the likelihood of an unfavorable outcome and the availability of insurance coverage. If we determine that an unfavorable outcome of a particular matter is probable and can be estimated we accrue the contingent obligation as well as any expected insurance recoverable amounts related to the contingency. As of December 31, 2011 and 2010, accruals of approximately \$18,157 and \$10,170, respectively, were reflected on our combined balance sheets related to these contingent obligations. As new information becomes available, our estimates may change. The impact of these changes may have a significant effect on our results of operations in a single period.

The outcome of these matters cannot be predicted with certainty and there can be no assurance that the outcome of a particular matter will not result in the payment of amounts that have not been accrued for the matter. Furthermore, we may revise accrual amounts prior to resolution of a particular contingency based on changes in facts and circumstances or changes in the expected outcome.

No amounts have been recorded in our December 31, 2011 or 2010 combined balance sheets for contingencies and current litigation, other than amounts disclosed herein.

Environmental Matters

Petroleum-based contamination or environmental wastes are known to be located on or adjacent to six sites, on which HOLP presently has, or formerly had, retail propane operations. These sites were evaluated at the time of their acquisition. In all cases, remediation operations have been or will be undertaken by others, and in all six cases, HOLP obtained indemnification for expenses associated with any remediation from the former owners or related entities. We have not been named as a potentially responsible party at any of these sites, nor have our operations contributed to the environmental issues at these sites. Accordingly, no amounts have been recorded in our December 31, 2011 or 2010 combined balance sheets related to this. Based on information currently available to us, such projects are not expected to have a material adverse effect on our financial condition or results of operations.

In July 2001, HOLP acquired a company that had previously received a request for information from the U.S. Environmental Protection Agency (the "EPA") regarding potential contribution to a widespread groundwater contamination problem in San Bernardino, California, known as the Newmark Groundwater Contamination. Although the EPA has indicated that the groundwater contamination may be attributable to releases of solvents from a former military base located within the subject area that occurred long before the facility acquired by HOLP was constructed, it is possible that the EPA may seek to recover all or a portion of groundwater remediation costs from private parties under the Comprehensive Environmental Response, Compensation, and Liability Act (commonly called Superfund). We have not received any follow-up correspondence from the EPA on the matter since our acquisition of the predecessor company in 2001. Based upon information currently available to HOLP, it is believed that HOLP's liability if such action were to be taken by the EPA would not have a material adverse effect on our financial condition or results of operations.

In connection with the purchase of Titan Energy Partners, L.P., we took, through Titan Propane, LLC, an economic interest in SYN, Inc. ("SYN"), an entity in Chapter 7 bankruptcy proceedings (initiated in 2005 by legacy Titan management) in New York.

Our research and investigation indicates that SYN is the beneficial holder (legal title does not appear to have been perfected as to any of the properties in question) of title to three former manufactured coal gas plants located in Bennington, Vermont; Claremont, New Hampshire; and Chestertown, Maryland. It appears that Titan's predecessor, Cornerstone Propane Partners, LP, collapsed several entities which held title to properties contributed to the formation of Cornerstone Propane Partners, LP, by the owners of Synergy Gas, one of the privately held entities that contributed their assets to form Cornerstone Propane Partners, L.P., as part of Cornerstone's formation and eventual public offering.

The site in Bennington, Vermont was used from approximately the late 1980s through approximately 2004 as a retail propane facility. In 2004, the property was abandoned. The property has remained vacant since that time. Although it appears that monitoring wells were installed at the property by the prior owners, an inspection of the property in 2007 revealed the wells to be capped and inactive. The nature and extent of the contamination at the property is therefore unknown.

The Claremont, New Hampshire site was operated at a coal gas plant which serviced the entire town, which was a largely industrialized (mill) town in the late 1800s and early 1900s. A partially-destroyed brick building and the remains of a large coal tar holding tank remain at the property. The property, which abuts the Sugar River, is contaminated with coal tar and coal tar derivatives. A retail propane facility operated at the property during the time period of 1970 – 1980 but public records indicate that the site has been abandoned and unused since the late 1980s. In 2008, the City of Claremont partially dammed the Sugar River upstream of the site in order to lower the water level in connection with the improvement of the riverbed. The lowering of the water level reduced the hydrostatic pressure against the river side of the site, allowing coal tar to escape and migrate into the river. Containment work was successfully completed and the Sugar River returned to its normal level in late 2008. No additional releases have been reported.

As with the other sites, the Chestertown site is a former coal gas plant used as a retail propane facility that was found to have coal tar contamination at the approximate on-half acre site. We have agreed to further explore delineation of the coal tar contamination at the site itself and the ash pit contamination on the adjacent wetlands, which are environmentally stable.

Environmental exposures and liabilities are difficult to assess and estimate due to unknown factors such as the magnitude of possible contamination, the timing and extent of remediation, the determination of our liability in proportion to other parties, improvements in clean-up technologies and the extent to which environmental laws and

regulations may change in the future. Although environmental costs may have a significant impact on the results of operations for any single period, we believe that such costs will not have a material adverse effect on our financial position.

As of December 31, 2011 and 2010, accruals on an undiscounted basis of \$2,575 and \$2,720, respectively, were recorded in our combined balance sheets as other non-current liabilities related to environmental matters. This accrual is to cover future legal costs and any clean-up costs and settlement of the environmental matters related to the three former coal gas plants. Based on information available at this time and reviews undertaken to identify potential exposure, we believe the amount reserved for environmental matters is adequate to cover the potential exposure for clean-up costs.

Our operations are also subject to the requirements of the federal Occupational Safety and Health Act (“OSHA”), and comparable state laws that regulate the protection of the health and safety of employees. In addition, OSHA’s hazardous communication standard requires that information be maintained about hazardous materials used or produced in our operations and that this information be provided to employees, state and local government authorities and citizens. We believe that our operations are in substantial compliance with the OSHA requirements, including general industry standards, record keeping requirements, and monitoring of occupational exposure to regulated substances.

National Fire Protection Association Pamphlets No. 54 and No. 58, which establish rules and procedures governing the safe handling of propane, or comparable regulations, have been adopted as the industry standard in all of the states in which we operate. In some states, these laws are administered by state agencies, and in others, they are administered on a municipal level. With respect to the transportation of propane by truck, we are subject to regulations governing the transportation of hazardous materials under the Federal Motor Carrier Safety Act, administered by the DOT. We conduct ongoing training programs to help ensure that our operations are in compliance with applicable regulations. We believe that the procedures currently in effect at all of our facilities for the handling, storage and distribution of propane are consistent with industry standards and are in substantial compliance with applicable laws and regulations.

8. ASSETS AND LIABILITIES FROM LIQUIDS MARKETING :

HER buys and sells derivative instruments that are not designated as accounting hedges. The types of contracts we utilize in our liquids marketing operation include energy commodity forward contracts traded on OTC financial markets. These forward contracts are marked-to-market and recorded as an asset or liability on the combined balance sheets in prepaid expenses and other current assets or accrued and other current liabilities and recorded net in other revenue on the combined statements of operations and comprehensive income. Changes in the assets and liabilities from the liquids marketing activities result primarily from changes in the market prices, newly originated transactions, and the timing and settlement of contracts. We attempt to balance our contractual portfolio in terms of notional amounts and timing of performance and delivery obligations. However, net unbalanced positions can exist or are established based on management’s assessment of anticipated market movements. As of December 31, 2011, we had no outstanding contracts. As of December 31, 2010, we had a net long position of 420,000 gallons of propane with a net fair value asset of \$78. These contracts expired during 2011.

Summary of Derivative Gains and Losses

The following represents HER’s derivative activity recognized in net income:

| | <u>Years Ended December 31,</u> | | |
|---|---------------------------------|-------------|-------------|
| | <u>2011</u> | <u>2010</u> | <u>2009</u> |
| Commodity-related | | | |
| Unrealized trading gains (losses) recognized in other revenue | \$ (78) | \$ 298 | \$(1,522) |
| Realized trading gains recognized in other revenue | 757 | 1,912 | 3,283 |

9. PRICE RISK MANAGEMENT ASSETS AND LIABILITIES :

Our propane operations permit customers to guarantee the propane delivery price for the next heating season. As we execute fixed sales price contracts with our customers, Titan may enter into propane futures contracts to fix the purchase price related to these sales contracts, thereby locking in a gross profit margin. Additionally, Titan may use propane futures contracts to secure the purchase price of our propane inventory for a percentage of our anticipated propane sales.

The following table details the outstanding commodity-related derivatives as of December 31, 2011 and 2010:

| | 2011 | | 2010 | |
|--------------------------------------|-----------------|-----------|-----------------|----------|
| | Notional Volume | Maturity | Notional Volume | Maturity |
| Mark-to-Market Derivatives | | | | |
| Forwards/Swaps (Gallons) | 38,766,000 | 2012-2013 | 1,974,000 | 2011 |
| Cash Flow Hedging Derivatives | | | | |
| Forwards/Swaps (Gallons) | — | — | 32,466,000 | 2011 |

We discontinued cash flow hedge accounting during the quarter ended September 30, 2011; therefore, our commodity-related derivatives are currently accounted for using mark-to-market accounting. \$118 of unrealized gains remain in AOCI and will be reclassified into earnings over the next twelve months.

The following table provides a balance sheet overview of the derivative assets and liabilities as of December 31, 2011 and 2010:

| | Fair Value of Derivative Instruments | | | |
|---|--------------------------------------|----------|-----------------------|------|
| | Asset Derivatives | | Liability Derivatives | |
| | 2011 | 2010 | 2011 | 2010 |
| Derivatives designated as hedging instruments: | | | | |
| Commodity derivatives | \$ — | \$ 6,589 | \$ — | \$ — |
| Derivatives not designated as hedging instruments: | | | | |
| Commodity derivatives | \$ 9 | \$ 275 | \$ (4,131) | \$ — |

The commodity derivatives are recorded in price risk management assets and liabilities on the combined balance sheets.

The following tables summarize the amounts recognized with respect to our derivative financial instruments for the periods presented:

| | Change in Value Recognized in OCI on Derivatives (Effective Portion) | | |
|--|---|----------|-----------|
| | Years Ended December 31, | | |
| | 2011 | 2010 | 2009 |
| Derivatives in cash flow hedging relationships: | | | |
| Commodity derivatives | \$ 3,872 | \$ 9,502 | \$ 12,632 |

| | Location of Gain/(Loss) Reclassified from AOCI into Income (Effective Portion) | Amount of Gain/(Loss) Reclassified from AOCI into Income (Effective Portion) | | |
|--|---|--|----------|---------|
| | | Years Ended December 31, | | |
| | | 2011 | 2010 | 2009 |
| Derivatives in cash flow hedging relationships: | | | | |
| Commodity derivatives | Cost of products sold | \$(9,876) | \$11,724 | \$4,022 |

| | Location of Gain/(Loss) Reclassified from AOCI into Income (Ineffective Portion) | Amount of Gain/ (Loss) Recognized in Income on Ineffective Portion | | |
|--|---|--|------|------|
| | | Years Ended December 31, | | |
| | | 2011 | 2010 | 2009 |
| Derivatives in cash flow hedging relationships: | | | | |
| Commodity derivatives | Cost of products sold | \$ (266) | \$ — | \$ — |

| | Location of Gain/(Loss) Recognized in Income on Derivatives | Amount of Gain/(Loss) Recognized in Income on Derivatives | | |
|---|---|---|------|---------|
| | | Years Ended December 31, | | |
| | | 2011 | 2010 | 2009 |
| Derivatives not designated as hedging instruments: | | | | |
| Commodity derivatives | Cost of products sold | \$(5,893) | \$38 | \$7,025 |

We recognized in cost of products sold, \$4,673 of unrealized losses, \$3,073 of unrealized losses and \$45,636 of unrealized gains on commodity derivatives not in cash flow hedging relationships (including the ineffective portion of commodity derivatives in cash flow hedging relationships) for the years ended December 31, 2011, 2010 and 2009, respectively.

10. RETIREMENT BENEFITS :

ETP sponsors a 401(k) savings plan, which covered virtually all HOLP and Titan employees until ETP contributed HOLP and Titan L.P. to AmeriGas on January 12, 2012. Employer matching contributions under the ETP 401(k) savings plan were calculated using a formula based on employee contributions. The Propane Partnerships made matching contributions of \$4,992, \$5,001 and \$5,454 to the 401(k) savings plan for the years ended December 31, 2011, 2010 and 2009, respectively, for HOLP and Titan employees. During the three months ended March 31, 2012, HOLP and Titan employees' investments in the ETP 401(k) were transferred to the AmeriGas Savings Plan.

11. RELATED PARTY TRANSACTIONS :

Prior to ETP's contribution of HOLP and Titan L.P. to AmeriGas, ETP allocated administration expenses to its operating partnerships using the Modified Massachusetts Formula Calculation ("MMFC"). The amounts allocated to propane operations for the years ended December 31, 2011, 2010 and 2009 were \$16,013, \$14,196 and \$12,113, respectively. The amount for the year ended December 31, 2009 was offset by costs allocated to ETP from its operating partnerships for support services. The amount allocated to ETP, using the MMFC, from the propane operations for the year ended December 31, 2009 was \$412.

Enterprise was considered to be a related party to us due to Enterprise's holdings of outstanding common units of ETE. We routinely buy and sell product with Enterprise. The following table presents sales and purchases of propane from affiliates of Enterprise:

| | Years Ended December 31, | | |
|-----------|--------------------------|-----------|-----------|
| | 2011 | 2010 | 2009 |
| Sales | \$ 10,613 | \$ 15,527 | \$ 19,961 |
| Purchases | 471,046 | 415,897 | 343,540 |

As of December 31, 2011 and 2010, HER had no outstanding forward mark-to-market derivatives with Enterprise. We purchase a portion of our propane requirements from Enterprise pursuant to an agreement that was extended until March 2015, and includes an option to extend the agreement for an additional year. As of December 31, 2011 and 2010, Titan had forward mark-to-market derivatives for approximately 38,766,000 and 1,722,000 gallons of propane at a fair value liability of \$4,122 and a fair value asset of \$205, respectively, with Enterprise. In addition, as of December 31, 2010, Titan had forward derivatives accounted for as cash flow hedges of 32,466,000 gallons of propane at a fair value asset of \$6,589 with Enterprise. Our forward mark-to-market derivatives and cash flow hedges are settled on a net basis with Enterprise. We discontinued cash flow hedge accounting in July 2011; therefore, all of our forward derivatives are currently accounted for using mark-to-market accounting.

The following table summarizes the related party balances on our combined balance sheets:

| | As of December 31, | |
|--|--------------------|------------------|
| | 2011 | 2010 |
| Accounts receivable from related parties: | | |
| Enterprise | \$ — | \$ 2,327 |
| ETP | — | 68,603 |
| Total accounts receivable from related parties | <u>\$ —</u> | <u>\$ 70,930</u> |
| Accounts payable to related parties: | | |
| Enterprise | \$27,770 | \$ 22,985 |
| ETC OLP | — | — |
| ETP | — | 86,158 |
| Total accounts payable to related parties | <u>\$27,770</u> | <u>\$109,143</u> |

For cash management purposes, Titan's excess cash was swept to ETP on a daily basis. If cash was not available to meet daily operational cash requirements, ETP advanced funds back to Titan. This net activity was included in accounts receivable from related parties for ETP at December 31, 2010. However, as of December 31, 2011, this net activity was settled due to the anticipated transaction with AmeriGas. Affiliated interest income related to these transactions was \$1,636 and \$617 for the years ended December 31, 2010 and 2009, respectively. ETP determined it was no longer necessary to record affiliated interest related to these transactions and therefore no affiliated interest was incurred during 2011.

Accounts payable to related parties for ETP primarily consist of certain costs incurred by ETP on our behalf, such as, business insurance expenses, employee health insurance expenses and administration expenses as discussed above. As of December 31, 2011, accounts payable to related companies for ETP and ETC OLP were settled due to the anticipated transaction with AmeriGas.

12. **SUBSEQUENT EVENTS :**

Management has evaluated subsequent events through April 27, 2012, the date the financial statements were available to be issued.

UNAUDITED PRO FORMA CONDENSED COMBINED
STATEMENT OF OPERATIONS FOR THE YEAR ENDED SEPTEMBER 30, 2012

The following Unaudited Pro Forma Condensed Combined Statement of Operations of AmeriGas Partners, L.P. and subsidiaries (“AmeriGas Partners”) for the year ended September 30, 2012 has been prepared to give effect as of October 1, 2011 to the January 12, 2012 acquisition by AmeriGas Partners (the “Heritage Acquisition”) of substantially all of the retail propane distribution businesses of Energy Transfer Partners, L.P., a Delaware limited partnership (“ETP”), comprising the operations of Heritage Operating, L.P. (“HOLP”) and Titan Energy Partners, L.P. (“Titan,” and, together with HOLP, “Heritage Propane”) and their respective general partners and subsidiaries, pursuant to a Contribution and Redemption Agreement, as amended (the “Contribution Agreement”), between ETP, Energy Transfer Partners GP, L.P., a Delaware limited partnership and general partner of ETP (“ETP GP”), and Heritage ETC, L.P., a Delaware limited partnership (the “Heritage Contributor”), in accordance with Accounting Standards Codification (“ASC”) 805, “Business Combinations.” In accordance with the Contribution Agreement, AmeriGas Partners acquired the partner interests in HOLP and Titan and their respective general partner interests and subsidiaries, in exchange for 29,567,362 AmeriGas Partners common units and a cash distribution to ETP of approximately \$1.47 billion (after adjustments in accordance with the Contribution Agreement for working capital, cash and the amount of indebtedness of HOLP outstanding, and certain excess proceeds resulting from ETP’s sale of HOLP’s former cylinder exchange business). The limited partner interests of AmeriGas Partners are referred to herein as “Common Units.” AmeriGas Partners financed the cash distribution with the proceeds from the issuance of \$1.55 billion face amount of senior notes issued by AmeriGas Partners’ finance subsidiaries, AmeriGas Finance, LLC and AmeriGas Finance Corp., which are unconditionally guaranteed by AmeriGas Partners.

The Unaudited Pro Forma Condensed Combined Statement of Operations for the year ended September 30, 2012 does not purport to represent what the results of operations of AmeriGas Partners would have been if the Heritage Acquisition had occurred on October 1, 2011, nor does it purport to project the results of operations of AmeriGas Partners for any future period.

The Unaudited Pro Forma Condensed Combined Statement of Operations for the year ended September 30, 2012 was prepared by combining AmeriGas Partners’ audited Consolidated Statement of Operations for the year ended September 30, 2012 with HOLP and Titan’s unaudited statement of operations data for the three months ended December 31, 2011 and statement of operations data for the period from January 1, 2012 to January 11, 2012 (the “Stub Period”), to give effect to the Heritage Acquisition as though it had occurred on October 1, 2011. The pro forma adjustments only give effect to events that are (1) directly attributable to the Heritage Acquisition; (2) factually supportable; and (3) expected to have a continuing effect on the combined results. The Unaudited Pro Forma Adjustments do not give effect to any potential cost savings or other operating efficiencies from the integration of Heritage Propane with the operations of AmeriGas Partners relating to the period prior to the Heritage Acquisition. AmeriGas Partners’ historical amounts for the year ended September 30, 2012 were derived from the audited financial statements included in the Annual Report on Form 10-K filed by AmeriGas Partners on November 21, 2012 with the U.S. Securities and Exchange Commission (“SEC”).

The unaudited statement of operations data of HOLP and Titan for the three months ended December 31, 2011 was derived from data in the HOLP and Titan Audited Combined Statement of Operations for the twelve months ended December 31, 2011 included herein and excluding data in the HOLP and Titan Unaudited Combined Statement of Operations for the nine months ended September 30, 2011, which AmeriGas Partners included in a Current Report on Form 8-K filed on January 4, 2012.

The unaudited statement of operations data of HOLP and Titan for the Stub Period was derived from data in internal financial reports for HOLP and Titan.

You should read the following Unaudited Pro Forma Condensed Combined Statement of Operations in conjunction with the combined statements of HOLP and Titan, included in this Form 8-K, along with AmeriGas Partners’ financial statements and accompanying notes included in its prior SEC filings.

AMERIGAS PARTNERS, L.P. AND SUBSIDIARIES
UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS

YEAR ENDED SEPTEMBER 30, 2012
(DOLLARS IN THOUSANDS)

| | Historical AmeriGas Partners (2) | Combined Heritage and | Combined Heritage and | Reclassifications (3) | Pro Forma Adjustments | Pro Forma Combined |
|--|--|--|---|-----------------------|-----------------------------|--------------------------|
| | | Titan for the period October 1, 2011 through December 31, 2011 (2) | Titan for the period January 1, 2012 through January 11, 2012 (2) | | | |
| Revenues: | | | | | | |
| Propane | \$2,677,631 | \$ 401,217 | \$ 65,108 | \$ — | \$ — | \$3,143,956 |
| Other | 243,985 | 31,702 | 4,220 | — | — | 279,907 |
| | <u>2,921,616</u> | <u>432,919</u> | <u>69,328</u> | <u>—</u> | <u>—</u> | <u>3,423,863</u> |
| Costs and expenses: | | | | | | |
| Cost of sales—propane (excluding depreciation shown below) | 1,642,658 | 254,385 | 43,010 | — | — | 1,940,053 |
| Cost of sales—other (excluding depreciation shown below) | 77,071 | 6,539 | 991 | — | — | 84,601 |
| Operating and administrative expenses | 888,693 | 100,977 | 12,977 | — | (5,252)(4) | 997,395 |
| Depreciation and amortization | 169,123 | 20,803 | 2,128 | — | 3,320(5) | 195,374 |
| Other income, net | (26,521) | — | — | 975 | — | (25,546) |
| | <u>2,751,024</u> | <u>382,704</u> | <u>59,106</u> | <u>975</u> | <u>(1,932)</u> | <u>3,191,877</u> |
| Operating income | 170,592 | 50,215 | 10,222 | (975) | 1,932 | 231,986 |
| Loss on extinguishments of debt | (13,349) | — | — | — | — | (13,349) |
| Gains (losses) on disposals of assets | — | 326 | (1,744) | 1,418 | — | — |
| Other income, net | — | 443 | — | (443) | — | — |
| Interest expense | (142,641) | (1,756) | (199) | — | (30,778)(6) | (175,374) |
| Income before income taxes | 14,602 | 49,228 | 8,279 | — | (28,846) | 43,263 |
| Income tax expense | (1,931) | (2,821) | (170) | — | — | (4,922) |
| Net income | 12,671 | 46,407 | 8,109 | — | (34,098) | 38,341 |
| Less: net income attributable to noncontrolling interest | (1,646) | — | — | — | (570)(7) | (2,216) |
| Net income attributable to AmeriGas Partners, L.P. | <u>\$ 11,025</u> | <u>\$ 46,407</u> | <u>\$ 8,109</u> | <u>\$ —</u> | <u>\$ (29,416)</u> | <u>\$ 36,125</u> |
| General partner's interest in net income attributable to AmeriGas Partners, L.P. | <u>\$ 13,119</u> | | | | | <u>\$ 14,155</u> |
| Limited partners' interest in net income attributable to AmeriGas Partners, L.P. | <u>\$ (2,094)</u> | | | | | <u>\$ 21,970</u> |
| Income per limited partner unit—basic and diluted | | | | | | |
| Basic | <u>\$ (0.11)</u> | | | | | <u>\$ 0.22</u> |
| Diluted | <u>\$ (0.11)</u> | | | | | <u>\$ 0.22</u> |
| Average limited partner units outstanding (thousands): | | | | | | |
| Basic | <u>81,433</u> | | | | <u>8,057(8)</u> | <u>89,490</u> |
| Diluted | <u>81,433</u> | | | | <u>8,116(8)</u> | <u>89,549</u> |

See accompanying notes to unaudited proforma condensed combined statement of operations for the year ended September 30, 2012.

NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED
STATEMENT OF OPERATIONS FOR THE YEAR ENDED SEPTEMBER 30, 2012
(dollars in thousands)

Note 1. The Unaudited Pro Forma Condensed Combined Statement of Operations for the year ended September 30, 2012 of AmeriGas Partners, L.P. and subsidiaries (“AmeriGas Partners”) has been prepared to give effect as of October 1, 2011 to the January 12, 2012 (the “Acquisition Date”) acquisition by AmeriGas Partners (the “Heritage Acquisition”) of substantially all of the retail propane distribution businesses of Energy Transfer Partners, L.P., a Delaware limited partnership (“ETP”), comprising substantially all of the operations of Heritage Operating, L.P. (“HOLP”) and Titan Energy Partners, L.P. (“Titan,” and, together with HOLP, “Heritage Propane”) and their respective general partners and subsidiaries, pursuant to a Contribution and Redemption Agreement, as amended (the “Contribution Agreement”), between ETP, Energy Transfer Partners GP, L.P., a Delaware limited partnership and general partner of ETP, and Heritage ETC, L.P., a Delaware limited partnership (the “Heritage Contributor”), in accordance with Accounting Standards Codification (“ASC”) 805, “Business Combinations.” In accordance with the Contribution Agreement, AmeriGas Partners acquired the partner interests in HOLP and Titan and their related general partners and subsidiaries, in exchange for 29,567,362 AmeriGas Partners Common Units and a cash distribution to ETP of \$1,472,199 after adjustments in accordance with the Contribution Agreement for working capital, cash and the amount of indebtedness of HOLP outstanding, and certain excess proceeds resulting from ETP’s sale of HOLP’s former cylinder exchange business (“HPX”). It has been assumed for purposes of the Unaudited Pro Forma Condensed Combined Statement of Operations that the Heritage Acquisition occurred on October 1, 2011.

In addition, prior to the consummation of the Heritage Acquisition, HOLP transferred its interests in the net assets of HOLP’s HPX to Heritage Express Propane, LLC (“HEP”), an indirect wholly owned subsidiary of ETP. References to Heritage Propane herein exclude the HPX business. AmeriGas Partners financed the cash distribution to ETP in connection with the Heritage Acquisition with proceeds from the issuance of \$550,000 face value of 6.75% senior notes due 2020 and \$1,000,000 face value of 7.00% senior notes due 2022 issued by AmeriGas Partners’ finance subsidiaries, AmeriGas Finance, LLC and AmeriGas Finance Corp. and unconditionally guaranteed by AmeriGas Partners (“AmeriGas Partners Senior Notes”).

The Unaudited Pro Forma Condensed Combined Statement of Operations for the year ended September 30, 2012 does not include any adjustments to give effect to any potential cost savings or operational efficiencies from the Heritage Acquisition relating to periods prior to the Heritage Acquisition. The Unaudited Pro Forma Condensed Combined Statement of Operations for the year ended September 30, 2012 is not necessarily indicative of the operating results that would have occurred had the Heritage Acquisition been completed on October 1, 2011, nor is it necessarily indicative of future operating results. The Unaudited Pro Forma Condensed Combined Statement of Operations does not reflect any adjustment associated with HPX because any adjustment would not be material.

Note 2. These columns represent the historical results of operations of AmeriGas Partners, HOLP and Titan. AmeriGas Partners’ consolidated statement of operations for the fiscal year ended September 30, 2012 was derived from information provided in AmeriGas Partners’ Annual Report on Form 10-K filed with the SEC on November 21, 2012. The unaudited combined statement of operations data of HOLP and Titan for the three months ended December 31, 2011 was derived by subtracting data in the unaudited combined statement of operations of HOLP and Titan for the nine months ended September 30, 2011 from data in the audited combined statement of operations of HOLP and Titan for the twelve months ended December 31, 2011. The unaudited combined statement of operations of HOLP and Titan for the nine months ended September 30, 2011 was included in a Current Report on Form 8-K filed by AmeriGas Partners on January 4, 2012. The unaudited statement of operations data of HOLP and Titan for the period from January 1, 2012 through January 11, 2012 was derived from financial data in internal financial reports for HOLP and Titan.

Note 3. Reflects reclassifications of amounts included on HOLP and Titan’s statements of operations data to conform to AmeriGas Partners’ presentation.

Note 4. Reflects the removal of transaction costs associated with the Heritage Acquisition.

Note 5. Reflects pro forma adjustments to depreciation and amortization expense as follows:

| | |
|--|-----------------|
| Eliminate historical depreciation and amortization expense of Heritage Propane | \$(22,931) |
| Depreciation and amortization expense: | |
| Depreciation expense on property, plant and equipment (2 to 30 years) | 17,613 |
| Amortization expense of customer relationship and non compete intangibles (up to 15 years) | <u>8,638</u> |
| | <u>\$ 3,320</u> |

Note 6. Reflects pro forma adjustment to interest expense as follows:

| | |
|--|-----------------|
| Interest on AmeriGas Partners Senior Notes | \$29,949 |
| Amortization of debt issuance costs | 829 |
| | <u>\$30,778</u> |

The pro forma adjustment to interest expense includes interest expense from the issuance of \$550,000 face value of 6.75% of AmeriGas Partners Senior Notes due 2020 and \$1,000,000 face value of 7.00% AmeriGas Partners Senior Notes due 2022 and amortization of associated debt issuance costs.

Note 7. To adjust income attributable to noncontrolling interest to reflect the impact of the Heritage Acquisition.

Note 8. To reflect the effects on average limited partner units outstanding from the issuance of 29,567,362 AmeriGas Partners Common Units to ETP in conjunction with the Heritage Acquisition and the contribution of a combined 934,327 AmeriGas Partners Common Units by AmeriGas GP to AmeriGas Partners and AmeriGas OLP in order to maintain its 1% and 1.01% general partner interests in AmeriGas Partners and AmeriGas OLP, respectively. In addition, because the pro forma adjustments result in net income attributable to AmeriGas Partners, the average diluted limited partner units outstanding were adjusted to reflect the effects of Common Unit awards under incentive compensation plans.