SECURITIES AND EXCHANGE COMMISSION

FORM S-2/A

Registration of securities [amend]

Filing Date: **1994-01-13**
SEC Accession No. 0000950112-94-000069

(HTML Version on secdatabase.com)

FILER

PETROLEUM HEAT & POWER CO INC

CIK:**736768**| IRS No.: **061183025** | State of Incorp.:**MN** | Fiscal Year End: **1231**
Type: **S-2/A** | Act: **33** | File No.: **033-72354** | Film No.: **94501212**
SIC: **5900** Miscellaneous retail

Business Address
2187 ATLANTIC ST
STAMFORD CT 06902
2033255400

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AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON JANUARY 12, 1994

REGISTRATION NO. 33-72354

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

AMENDMENT NO. 1
TO
FORM S-2
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

PETROLEUM HEAT AND POWER CO., INC.
(Exact name of registrant as specified in charter)

<TABLE>
<S> <C> <C>

MINNESOTA	5983	06-1183025
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

</TABLE>

2187 ATLANTIC STREET
STAMFORD, CONNECTICUT 06902
(203) 325-5400
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

IRIK P. SEVIN,
PRESIDENT
PETROLEUM HEAT AND POWER CO., INC.
2187 ATLANTIC STREET
STAMFORD, CONNECTICUT 06902
(203) 325-5400
(Name and address, including zip code and telephone number, including area code of agent for service)

COPIES TO:

<TABLE>
<S> <C>

ALAN SHAPIRO, ESQ.	BETH R. NECKMAN, ESQ.
PHILLIPS, NIZER, BENJAMIN, KRIM & BALLON	LATHAM & WATKINS
31 W. 52ND STREET	885 THIRD AVENUE
NEW YORK, NEW YORK 10019-6167	NEW YORK, NEW YORK 10022-4802
(212) 977-9700	(212) 906-1200

</TABLE>

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: As soon as practicable after the effective date of the Registration Statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. / /

If the registrant elects to deliver its latest annual report to security holders, or a complete and legible facsimile thereof, pursuant to Item 11(a)(1) of this Form, check the following box. / /

CALCULATION OF REGISTRATION FEE

<TABLE>
<S> <C> <C> <C> <C>

TITLE OF SECURITIES	AMOUNT TO BE	PROPOSED MAXIMUM OFFERING PRICE	PROPOSED MAXIMUM AGGREGATE OFFERING	AMOUNT OF

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TO BE REGISTERED	REGISTERED	PER DEBENTURE(1)	PRICE(1)	REGISTRATION FEE
% Subordinated Debentures Due 2006.....	$75,000,000	100%	$75,000,000	$25,863(2)

(1) Estimated solely for the purpose of determining the registration fee pursuant to Rule 457 under the Securities Act of 1933.

(2) Previously paid.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SECTION 8(A), MAY DETERMINE.

PETROLEUM HEAT AND POWER CO., INC.
CROSS REFERENCE SHEET
PURSUANT TO S-K, ITEM 501(B)

	ITEM OF FORM S-2	PROSPECTUS LOCATION
1.	Forepart of the Registration Statement and Outside Front Cover Page of Prospectus.....	Outside Front Cover Page
2.	Inside Front and Outside Back Cover Pages of Prospectus.....	Inside Front and Outside Back Cover Pages
3.	Summary Information, Risk Factors, Ratio of Earnings to Fixed Charges.....	Prospectus Summary; Risk Factors; Selected Financial and Other Data
4.	Use of Proceeds.....	Use of Proceeds
5.	Determination of Offering Price.....	Underwriting
6.	Dilution.....	Inapplicable
7.	Selling Security Holders.....	Inapplicable
8.	Plan of Distribution.....	Outside Front Cover Page; Underwriting
9.	Description of Securities to be Registered.....	Description of Debentures
10.	Interests of Named Experts and Counsel.....	Legal Matters; Experts
11.	Information with Respect to the Registrant	
	(b)(1) Description of Business.....	Prospectus Summary; The Company; Business
	(b)(2) Financial Statements.....	Consolidated Financial Statements of Petroleum Heat and Power Co., Inc. and Subsidiaries
	(b)(3) Industry Information.....	Business
	(b)(4) Dividends and Related Stockholder Matters....	Inapplicable
	(b)(5) Selected Financial Data.....	Selected Financial and Other Data
	(b)(6) Supplementary Financial Information.....	Consolidated Financial Statements of Petroleum Heat and Power Co., Inc. and Subsidiaries
	(b)(7) Management's Discussion and Analysis of Financial Condition and Results of Operations.....	Management's Discussion and Analysis of Results of Operations and Financial Condition
	(b)(8) Disagreements with Accountants.....	Inapplicable
12.	Incorporation of Certain Information by Reference.....	Incorporation of Documents by Reference
13.	Disclosure of Commission Position on Indemnification for Securities Act Liabilities.....	Inapplicable

SUBJECT TO COMPLETION, DATED JANUARY 12, 1994 PROSPECTUS , 1994 $75,000,000*
PETROLEUM HEAT AND POWER CO., INC. % SUBORDINATED DEBENTURES DUE 2006 The % Subordinated Debentures due 2006 (the "Debentures") are being offered (the "Offering") by Petroleum Heat and Power Co., Inc. (the "Company"). Interest on the Debentures is payable semi-annually on and of each year, commencing , 1994. The Debentures are not redeemable prior to , 1999 . Thereafter, the Debentures are redeem-able, in whole or in part, at the option of the Company, at the redemption prices set forth herein, together with accrued and unpaid interest to the date of redemption. In addition, at any time prior to , 1997, the Company may redeem Debentures with the net proceeds of a public offering of Capital Stock (as defined) of the Company at a redemption price of % of the principal amount thereof, together with accrued and unpaid interest to the date of redemption, provided that at least $50.0 million of the Debentures remain outstanding immediately following any such redemption. Upon a Change of Control (as defined), the Company will be obligated to make an offer to purchase all outstanding Debentures at a price of 101% of the principal amount

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thereof, together with accrued and unpaid interest to the date of purchase. See "Description of Debentures." The Debentures will be general unsecured obligations of the Company, subordinated in right of payment to all existing and future Senior Debt (as defined) of the Company. As of September 30, 1993, after giving pro forma effect to the Offering, the use of proceeds therefrom* and the Subordinated Debt Amendments (as defined), Senior Debt of the Company* would have been approximately $42.7 million. In addition, the Debentures will* be effectively subordinated to all indebtedness and other liabilities and commitments of the Company's subsidiaries which, as of September 30, 1993, totalled approximately $9.2 million, consisting primarily of trade payables. The Debentures will rank pari passu with other subordinated indebtedness of* the Company, which, after giving pro forma effect to the Subordinated Debt* Amendments, would have aggregated approximately $92.6 million as of September* 30, 1993. SEE "RISK FACTORS" FOR A DISCUSSION OF CERTAIN FACTORS THAT SHOULD* BE CONSIDERED BY PROSPECTIVE PURCHASERS OF THE DEBENTURES OFFERED HEREBY. THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. PRICE TO THE PUBLIC(1) Per Debenture.%% Total.$$ (1) Plus accrued interest, if any, from the date of issuance. (2) See "Underwriting" for indemnification arrangements with the Underwriters. (3) Before deducting expenses payable by the Company estimated at $. The Debentures are offered by the Underwriters, subject to prior sale, when, as and if delivered to and accepted by the Underwriters, and subject to various prior conditions, including their right to reject any order in whole or part. It is expected that delivery of the Debentures will be made in New York on or about , 1994. DONALDSON, LUFKIN & JENRETTE SECURITIES CORPORATION KIDDER, PEABODY & CO. INCORPORATED CHEMICAL SECURITIES INC. MORGAN SCHIFF & CO., INC.

INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF ANY SUCH STATE.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE DEBENTURES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

WITH RESPECT TO SALES OF THE % SUBORDINATED DEBENTURES DUE 2006 BEING OFFERED HEREBY TO CALIFORNIA RESIDENTS, SUCH DEBENTURES MAY BE SOLD ONLY TO THE FOLLOWING INDIVIDUALS: (1) "ACCREDITED INVESTORS" WITHIN THE MEANING OF REGULATION D UNDER THE SECURITIES ACT OF 1933, AS AMENDED, (2) BANKS, SAVINGS AND LOAN ASSOCIATIONS, TRUST COMPANIES, INSURANCE COMPANIES, INVESTMENT COMPANIES REGISTERED UNDER THE INVESTMENT COMPANY ACT OF 1940, PENSION AND PROFIT SHARING TRUSTS, CORPORATIONS OR OTHER ENTITIES WHICH, TOGETHER WITH THE CORPORATION'S OR OTHER ENTITY'S AFFILIATES WHICH ARE UNDER COMMON CONTROL, HAVE A NET WORTH ON A CONSOLIDATED BASIS ACCORDING TO THEIR MOST RECENT REGULARLY PREPARED FINANCIAL STATEMENTS (WHICH SHALL HAVE BEEN REVIEWED, BUT NOT NECESSARILY AUDITED, BY OUTSIDE ACCOUNTANTS) OF NOT LESS THAN $14,000,000 AND SUBSIDIARIES OF THE FOREGOING OR (3) PERSONS WHO HAVE EITHER: (I) A NET WORTH (EXCLUSIVE OF HOME, HOME FURNISHINGS AND AUTOMOBILES) OF AT LEAST $250,000 AND AN ANNUAL GROSS INCOME OF AT LEAST $75,000, OR (II) IRRESPECTIVE OF ANNUAL GROSS INCOME, A NET WORTH OF AT LEAST $500,000 (EXCLUSIVE OF HOME, HOME FURNISHINGS AND AUTOMOBILES).

AVAILABLE INFORMATION

The Company is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports and other information with the Securities and Exchange Commission (the "Commission"). Reports, proxy statements and other information concerning the Company can be inspected without charge at the Public Reference Room maintained by the Commission at 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549. In addition, upon request, such reports, proxy statements and other information will be made available for inspection and copying at the Commission's public reference facilities at 500 West Madison Street, Suite 1400, Chicago, Illinois 60661 and at Seven World Trade Center, 13th Floor, New York, New York 10048. Copies of such material can be obtained at prescribed rates upon request from the Public Reference Section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549. In addition, reports, proxy statements and other information concerning the Company may be inspected and copied at the offices of the American Stock Exchange, 20 Broad

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Street, New York, New York 10005.

The Company has filed with the Commission a registration statement on Form S-2 (the "Registration Statement") under the Securities Act of 1933 (the "Securities Act") with respect to the Debentures. This Prospectus, which constitutes a part of the Registration Statement, does not contain all the information set forth in the Registration Statement, certain items of which are contained in schedules and exhibits to the Registration Statement as permitted by the rules and regulations of the Commission. Statements made in the Prospectus concerning the contents of any documents referred to herein are not necessarily complete. With respect to each such document filed with the Commission as an exhibit to the Registration Statement, reference is made to the exhibit for a more complete description, and each such statement shall be deemed qualified in its entirety by such reference.

The Company will furnish to holders of the Debentures annual reports containing audited financial statements and quarterly reports containing unaudited summary financial information for the first three quarters of each fiscal year.

PROSPECTUS SUMMARY

The following summary is qualified in its entirety by reference to the more detailed information and financial statements and notes thereto appearing elsewhere in this Prospectus and by the information and financial statements appearing in the documents incorporated by reference herein. See "Risk Factors" for a discussion of certain factors that should be considered by prospective purchasers of the Debentures offered hereby. Unless the context otherwise requires, all references in this Prospectus to the "Company" and "Petro" include Petroleum Heat and Power Co., Inc. and its subsidiaries.

THE COMPANY

Petroleum Heat and Power Co., Inc. (the "Company" or "Petro") is the largest retail distributor of home heating oil (#2 fuel oil) in the United States, with total sales of $548.9 million for the twelve months ended September 30, 1993. Petro served approximately 421,000 customers in 26 markets in the Northeast as of September 30, 1993, including the metropolitan areas of Boston, New York City, Baltimore, Providence and Washington, D.C. Despite its leading market position, Petro estimates that its customer base represents approximately 5% of the residential home heating oil customers in the Northeast. For the twelve months ended September 30, 1993, the Company sold approximately 449.7 million gallons of home heating oil and propane.

The home heating oil business has been relatively stable principally due to the following fundamental characteristics: (i) home heating oil demand has been relatively unaffected by general economic conditions due to the non-discretionary nature of home heating oil purchases, (ii) homeowners have tended to remain with their traditional distributors and (iii) customer loss to other energy sources, primarily natural gas, has been low due to the high cost of conversion. While over short periods of time weather has caused some variability in financial and operating results, the Company has typically been able to adjust gross profit margins and operating expenses to partially offset lower volumes associated with warmer winter temperatures. The Company historically has been able to pass through wholesale price increases to its customers and has minimized its exposure to oil price fluctuations by maintaining an average of no more than a ten day inventory of home heating oil. In addition, the Company has minimized its exposure to environmental liability by storing its oil in third party-owned facilities.

Management, which assumed control of the Company in 1979, assesses the Company's financial performance by, among other measures, operating income before depreciation and amortization and the amount of non-cash expenses associated with key employees' deferred compensation plans ("EBITDA") and consolidated net income (loss) plus depreciation and amortization and the amount of non-cash expenses associated with key employees' deferred compensation plans, less accrued preferred stock dividends, excluding net income (loss) derived from investments accounted for by the equity method, except to the extent of any cash dividends received by the Company ("NIDA"). Although EBITDA and NIDA should not be considered a substitute for net income (loss) as an indicator of the Company's operating performance and NIDA should not be considered a measure of the Company's liquidity, they are the principal bases upon which the Company assesses its financial performance. EBITDA increased from $3.6 million in 1980 to $51.3 million in 1992, a compound annual growth rate of 24.8%. During this same period, NIDA increased from $2.9 million in 1980 to $27.7 million in 1992, a compound annual growth rate of 20.7%. The volume of home heating oil sold by the Company has increased from 59.4 million gallons in 1980 to 423.1 million gallons in 1992, a compound annual growth rate of 17.8%. The growth in EBITDA, NIDA and volume was primarily the result of the Company's purchase of 135 home heating oil distributors during this period and its ability to rapidly integrate these acquisitions while achieving significant economies of scale. On a pro forma basis, adjusted to give effect as of January 1, 1992 to, among other

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things, the nine acquisitions completed during 1992 and the nine acquisitions completed during the nine months ended September 30, 1993, EBITDA and NIDA would have been $63.2 million and $36.4 million, respectively, for the year ended December 31, 1992. On a

pro forma basis, adjusted to give effect as of January 1, 1992 to, among other things, the nine acquisitions completed during the nine months ended September 30, 1993, EBITDA and NIDA would have been $28.4 million and $8.7 million, respectively, for the nine months ended September 30, 1993. See "Management's Discussion and Analysis of Results of Operations and Financial Condition--Overview" and Pro Forma Financial Statements included elsewhere in this Prospectus.

As a result of abnormally warm winter weather in 1990, the Company's EBITDA and volume of home heating oil sold decreased by 34.4% and 11.1%, respectively, as compared to 1989. Although 1991 was also warmer than normal and home heating oil volume declined 3.4% from 1990, EBITDA increased by 52.2% from 1990 principally due to improvement in gross profit margins and lower operating expenses. In 1992, the weather returned to more normal levels, and EBITDA increased by 28.2% to $51.3 million and the volume of home heating oil sold increased by 9.7%. For the years ended December 31, 1990, 1991 and 1992, the Company incurred net losses of $29.3 million, $16.6 million and $4.4 million, respectively. For the nine months ended September 30, 1992 and 1993, the Company incurred net losses of $9.5 million and $17.4 million, respectively. See "Management's Discussion and Analysis of Results of Operations and Financial Condition." At September 30, 1993, the Company had outstanding an aggregate of $185.4 million of long-term debt (including current portion), although $20.0 million had been deposited at that time into a cash collateral account for the repayment of a portion of such debt.

The home heating oil industry is large, highly fragmented and undergoing consolidation. According to United States Bureau of Census data, there were approximately 3,800 independently-owned and operated home heating oil distributors in the Northeast at the end of 1990. The Company's strategy, as the principal consolidator in the industry, is to grow through the acquisition and integration of distributors in new and existing markets and to emphasize customer retention and internal account growth through a variety of regionally sensitive marketing and customer service initiatives. The Company is continuously evaluating acquisition opportunities, and believes that the warm winter weather in 1990 and 1991 has enhanced its potential to make acquisitions. The Company realizes significant economies of scale from the centralization of accounting, data processing, fuel oil purchasing, credit and marketing functions. It operates under 86 trade names in 30 branch offices that maintain autonomy over oil delivery, heating equipment service and customer relations.

RECENT DEVELOPMENTS

Based upon preliminary unaudited results for the year ended December 31, 1993, Petro expects to report total sales of approximately $538.5 million with a volume of home heating oil and propane sold of approximately 443.5 million gallons. EBITDA and NIDA are expected to range from $47.7 million to $48.7 million and $22.5 million to $23.5 million, respectively. In addition, the Company anticipates a net loss ranging from $8.0 million to $9.0 million.

In December 1993, the Company acquired an approximate 29.5% equity interest in Star Gas Corporation ("Star Gas") for $16.0 million in cash. Certain other investors invested a total of $49.0 million of additional equity in Star Gas, of which $11.0 million was in the form of cash and $38.0 million resulted from the conversion of long-term debt and preferred stock into equity of Star Gas. In connection with this investment, the Company entered into a management agreement with Star Gas and acquired options to purchase all of the equity securities of the other investors.

Star Gas is the tenth largest distributor of propane in the United States, with sales of $154.2 million, representing over 169 million gallons of propane, for the year ended September 30, 1993. Star Gas served approximately 200,000 customers in the midwestern, northeastern and southeastern regions of the United States as of September 30, 1993. See "Risk Factors--Investment in Star Gas" and "Business--Investment in Star Gas."

THE OFFERING

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<TABLE>
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Securities Offered.....	$75.0 million principal amount of % Subordinated Debentures due 2006 (the "Debentures").
Maturity Date.....	, 2006.
Interest Payment Dates.....	and of each year, commencing , 1994.
Optional Redemption.....	The Debentures will be redeemable at the option of the Company, in whole or in part, at any time on or after , 1999, at the redemption prices set forth herein, plus accrued and unpaid interest to the date of redemption. In addition, at any time prior to , 1997, the Company may redeem Debentures with the net proceeds of a public offering of Capital Stock of the Company at a redemption price of % of principal amount, together with accrued and unpaid interest to the date of redemption, provided that at least $50.0 million of the Debentures remain outstanding immediately following any such redemption.
Change of Control.....	Upon a Change of Control, the Company will be obligated to make an offer to purchase all outstanding Debentures at a price of 101% of the principal amount thereof, together with accrued and unpaid interest to the date of purchase.
Ranking.....	The Debentures will be subordinated in right of payment to all existing and future Senior Debt of the Company. As of September 30, 1993, after giving pro forma effect to the Offering, the use of proceeds therefrom and the Subordinated Debt Amendments, Senior Debt of the Company would have totalled approximately $42.7 million. In addition, the Debentures will be effectively subordinated to all indebtedness and other liabilities and commitments of the Company's subsidiaries which, as of September 30, 1993, totalled approximately $9.2 million, consisting primarily of trade payables. The Debentures will rank pari passu with other subordinated indebtedness of the Company, which after giving pro forma effect to the Subordinated Debt Amendments would have aggregated approximately $92.6 million as of September 30, 1993.
Certain Covenants.....	The Indenture relating to the Debentures (the "Indenture") will restrict, among other things, dividends and certain other distributions, the purchase, redemption or retirement of Capital Stock or indebtedness that is junior to the Debentures, the incurrence of certain additional indebtedness, the creation of certain liens, certain transactions with Affiliates (as defined) and certain mergers and consolidations.
Use of Proceeds.....	The net proceeds from the sale of the Debentures will be used (i) to repurchase $50 million in aggregate principal amount of the Company's senior 9% Notes due June 1, 1994 (the "Maxwhale Notes") at a purchase price (assuming a repurchase date of January 31, 1994) equal to 101.33% of the principal amount thereof, plus accrued but unpaid interest thereon, and (ii) for general corporate purposes, including the Company's ongoing acquisition program. Pending application of the balance of the proceeds for general corporate purposes, such balance will be applied to reduce working capital borrowings. See "Use of Proceeds."

</TABLE>

SUMMARY DATA
(IN THOUSANDS, EXCEPT RATIOS)

The following tables present summary consolidated financial and operating data subsequent to the assumption of control by the Company's current management in 1979. Management's strategy is to maximize EBITDA and NIDA, rather than net income. Although EBITDA and NIDA should not be considered a substitute for net income (loss) as an indicator of the Company's operating performance and NIDA should not be considered a measure of the Company's liquidity, they are included in the following tables as they are the principal bases upon which the Company assesses its financial performance, compensates management and establishes dividends. In addition, certain covenants in the Company's borrowing arrangements are tied to similar measures.

OPERATING DATA:

<TABLE>
<CAPTION>

YEAR ENDED DECEMBER 31,	NET SALES	GROSS PROFIT	DEPRECIATION AND AMORTIZATION(1)	INTEREST EXPENSE, NET	NET INCOME (LOSS)	RATIO OF EARNINGS TO FIXED CHARGES(2)
<S>	<C>	<C>	<C>	<C>	<C>	<C>
1980.....	$ 84,582	$ 11,938	$ 1,542	$ 4	$ 1,407	6.2x
1981.....	125,946	17,229	1,336	(434)	1,612	7.2x
1982.....	168,061	28,370	2,595	245	3,690	7.0x
1983.....	159,794	33,806	3,633	375	4,723	9.3x

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1984	245,249	50,323	7,069	3,394	4,165	3.2x	
1985	283,493	59,241	11,016	5,053	1,427	1.5x	
1986	279,889	81,843	15,131	6,580	4,116	2.1x	
1987	354,508	96,444	20,782	9,212	194	1.0x	
1988	462,150	133,601	27,151	13,536	1,565	1.2x	
1989	541,521	139,343	32,093	17,915	(4,287)	--	(3)
1990	567,414	132,383	36,313	20,900	(29,267)	--	(3)
1991	523,243	144,471	35,575	20,728	(16,562)	--	(3)
1992	512,430	161,489	34,394	18,622	(4,389)	--	(3)
TWELVE MONTHS ENDED SEPTEMBER 30, 1993							
Actual	548,922	167,946	35,457	19,742	(12,225)	--	(3)
Pro Forma(4)	577,330	176,095	37,688	21,422	(13,335)	--	(3)

OTHER DATA:

YEAR ENDED DECEMBER 31,	GALLONS OF HOME HEATING OIL AND PROPANE SOLD	EBITDA(5)	NIDA(6)	RATIO OF EBITDA TO INTEREST EXPENSE, NET(7)
1980	59,399	$ 3,581	$ 2,949	N/A
1981	72,653	4,351	2,947	N/A
1982	104,583	9,713	6,285	39.6x
1983	123,019	13,560	8,357	36.2x
1984	180,998	19,756	11,234	5.8x
1985	212,183	19,106	12,443	3.8x
1986	255,319	30,274	19,247	4.6x
1987	317,380	30,557	20,976	3.3x
1988	414,535	44,470	28,717	3.3x
1989	449,040	40,076	27,573	2.2x
1990	398,989	26,307	4,639	1.3x
1991	385,557	40,036	15,744	1.9x
1992	423,354	51,325	27,721	2.8x
TWELVE MONTHS ENDED SEPTEMBER 30, 1993				
Actual	449,748	46,424	21,743	2.4x
Pro Forma(4)	478,101	51,176	24,817	2.4x

BALANCE SHEET DATA:	AT SEPTEMBER 30, 1993	
	ACTUAL	AS ADJUSTED(8)
Working capital (deficiency)	$ (7,489)	$ 22,979
Total assets	216,904	240,571
Total long-term debt (before escrow deposit)(9)	157,819	210,319
Redeemable preferred stock (long-term portion)	20,833	20,833
Stockholders' equity (deficiency)	(63,295)	(64,628)

- ------------------------------

(1) Depreciation and amortization includes depreciation and amortization of plant and equipment and amortization of customer lists and deferred charges.

(2) For purposes of calculating the ratio of earnings to fixed charges (i) earnings consist of income (loss) before income taxes, net income (loss) derived from investments accounted for by the equity method, and extraordinary items, plus fixed charges and (ii) fixed charges consist of interest expense, amortization of debt discounts and the interest factor in rental expense.

(3) Earnings were insufficient to cover fixed charges by $7.4 million, $31.1 million, $16.3 million, $4.0 million and $11.0 million for the years ended December 31, 1989, 1990, 1991 and 1992 and the twelve months ended September 30, 1993, respectively. On a pro forma basis, earnings were insufficient to cover fixed charges by $10.1 million for the twelve months ended September 30, 1993. However, if non-cash charges to income consisting of depreciation and amortization and non-cash expenses associated with key employees' deferred compensation plans were excluded, the Company's earnings would have

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exceeded fixed charges by $24.7 million, $5.2 million, $19.3 million, $32.4 million, $26.7 million and $29.7 million, respectively, for such periods.

(4) The Pro Forma Operating and Other Data for the twelve months ended September 30, 1993 represent the historical data derived from the Company's financial statements for the twelve months ended September 30, 1993, adjusted to give effect to the following transactions as if each had occurred on October 1, 1992:

<TABLE>
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(a) the acquisitions by the Company of fourteen individually insignificant distributorships during the twelve months ended September 30, 1993 (the "Twelve Month Acquisitions");

(b) the issuance in March 1993 of approximately $12.8 million of Subordinated Notes due March 1, 2000 in exchange for an equal amount of the Company's 1991 Redeemable Preferred Stock (the "Preferred Stock Exchange");

(c) the repurchase in May 1993 of approximately $12.4 million of 11.40% Subordinated Notes due July 1, 1993 and approximately $12.5 million of 14.275% Subordinated Notes due October 1, 1995 (the "Subordinated Debt Repurchases");

(d) the repurchase of the Maxwhale Notes (the "Maxwhale Notes Repurchase");

(e) the $16.0 million investment in Star Gas resulting in an approximate 29.5% equity interest in Star Gas, accounted for under the equity method (the "Star Gas Investment"), and the effect of concurrent agreements entered into in connection with such investment;

(f) the release of the $20 million cash collateral account which partially secures the Maxwhale Notes for use as unrestricted cash (the "Collateral Release");

(g) the issuance in April 1993 (the "10 1/8% Notes Issuance") of $50 million of 10 1/8% Subordinated Notes due 2003 (the "10 1/8% Notes"); and

(h) the Offering; provided, however, that the pro forma data do not give effect to approximately $3.3 million of interest expense on, or the use of, approximately $33.3 million of the Debentures, the proceeds of which are not required for acquisitions or refinancings.

The historical and pro forma net loss and the historical and pro forma NIDA for the twelve months ended September 30, 1993 include an extraordinary loss of approximately $0.9 million representing the premium paid and deferred charges written of in connection with the Subordinated Debt Repurchases. Had the Subordinated Debt Repurchases and the Maxwhale Notes Repurchase occurred on October 1, 1992, the pro forma extraordinary loss would have been approximately $4.3 million. See the Pro Forma Financial Statements included elsewhere in this Prospectus.
</TABLE>

(Footnotes continued on following page)

(Footnotes continued from preceding page)

(5) EBITDA is defined as operating income before depreciation and amortization and non-cash expenses associated with key employees' deferred compensation plans.

(6) NIDA is defined as the sum of consolidated net income (loss), plus depreciation and amortization of plant and equipment and amortization of customer lists and deferred charges, plus non-cash expenses associated with key employees' deferred compensation plans, less dividends accrued on preferred stock, excluding net income (loss) derived from investments accounted for by the equity method, except to the extent of any cash dividends received by the Company.

(7) The ratio of EBITDA to interest expense, net is calculated by dividing EBITDA by interest expense, net for such period. Pursuant to the Indenture, the Company may incur additional Funded Debt (as defined) only if its ratio of EBITDA to interest expense, net exceeds 2.0 to 1.0, subject to certain exceptions. See "Description of Debentures--Certain Covenants--Limitation on Funded Debt."

(8) As adjusted to give effect to the Offering, the Maxwhale Notes Repurchase, the Star Gas Investment and the Subordinated Debt Amendments; provided, however, that the as adjusted data includes approximately $21.0 million of working capital and principal amount of the Debentures, the proceeds of which are not required for the Maxwhale Notes Repurchase.

(9) The Company has escrowed certain amounts to partially secure the repayment of the Maxwhale Notes. The amount on deposit was $20.0 million at September 30, 1993, and $0 at September 30, 1993, as adjusted.

FINANCIAL SUMMARY

From 1980 through 1989, as indicated above, the Company's volume and EBITDA increased at compound annual growth rates of 25.2% and 30.8%, respectively. The growth in EBITDA and volume was interrupted in 1990 and 1991 by the warmest and third warmest years of this century in the Northeast. The weather affected financial and operating results, which, in turn, constrained the Company's

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access to capital and limited its acquisition program.

In order to partially offset the impact of the warm winter weather, the Company adjusted its operating strategy in 1991 and 1992. This adjustment resulted in the improvement of gross profit margins, the consolidation of 37 of its branch operations into 28 and the reduction of 12% of its personnel by March 31, 1992 from December 31, 1990. As a result, while volume decreased slightly in 1991 compared to 1990 due to the elimination of a number of low margin commercial and industrial accounts, EBITDA and NIDA increased 52.2% and 239.4%, respectively, and the Company's net loss was reduced from $29.3 million in 1990 to $16.6 million in 1991. For the year ended December 31, 1992, EBITDA and NIDA also increased 28.2% and 76.1%, respectively, over the prior year and the Company's net loss decreased from $16.6 million in 1991 to $4.4 million in 1992, as a result of a return to more normal temperatures and the Company's cost saving programs.

For the twelve months ended September 30, 1993, volume increased 6.2% compared to the twelve months ended December 31, 1992 due primarily to the Company's acquisition program. EBITDA and NIDA declined, however, due to lower than expected home heating oil gross profit margins in the first quarter of 1993, which was reversed in the second and third quarters, and a planned increase in heating equipment repair and maintenance expenses and marketing costs designed to improve the Company's customer retention rate. See "Management's Discussion and Analysis of Results of Operations and Financial Condition."

Although the Company recorded net income from 1980 through 1988, since 1989 the Company has reported net losses in each year and expects to report a net loss for 1993.

THE COMPANY

The Company is the largest retail distributor of home heating oil in the United States, with total sales of $548.9 million for the twelve months ended September 30, 1993. As of September 30, 1993, Petro served approximately 421,000 customers in 26 markets in the Northeast, including the metropolitan areas of Boston, New York City, Baltimore, Providence and Washington, D.C. For the twelve months ended September 30, 1993, the Company sold approximately 449.7 million gallons of home heating oil and propane.

In addition to sales of home heating oil and propane, the Company installs and repairs heating equipment and, to a limited extent, markets other petroleum products to commercial customers, including #4 fuel oil, #6 fuel oil, diesel fuel, kerosene and gasoline.

The Company is a Minnesota corporation. Its principal executive offices are located at 2187 Atlantic Street, Stamford, Connecticut 06902 and its telephone number is (203) 325-5400. The Company operates directly and through its subsidiaries in nine states and the District of Columbia.

RISK FACTORS

Investors should carefully consider the factors set forth below as well as the other information set forth in this Prospectus before purchasing the Debentures offered hereby.

LEVERAGE; ABILITY TO SERVICE DEBT

At September 30, 1993 (after giving effect to the Offering and the application of the net proceeds therefrom as described under "Use of Proceeds"), the Company would have had outstanding an aggregate of $210.4 million of long-term debt (including the current portion) and stockholders' deficiency of $64.6 million. Of such outstanding obligations, there are no maturities or sinking fund requirements for 1994 and 1995 and the 1996 requirement is $2.1 million. Approximately $4.2 million of the Company's 1989 Cumulative Redeemable Exchangeable Preferred Stock (the "Redeemable Preferred Stock") is subject to mandatory redemption in each of 1994, 1995 and 1996. Prior to redemption, the Company has the right to exchange shares of Redeemable Preferred Stock, in whole or in part, for subordinated notes due August 1, 1999 (the "1999 Notes"), subject to meeting certain debt incurrence tests. See "Capitalization." In addition, the Company may incur further indebtedness from time to time to finance expansion, either through capital expenditures or acquisitions, or for other general corporate purposes. The degree to which the Company is leveraged could have important consequences to holders of the Debentures, including the following: (i) a substantial portion of the Company's cash flow from operations will be dedicated to the payment of interest, principal and other repayment obligations, thereby reducing the funds available to the Company for its operations and future acquisitions, (ii) the Company's ability to obtain additional financing in the future may be impeded, and (iii) the Company's

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degree of leverage may make it vulnerable to a downturn in its business or of the economy generally. The Company believes that it will be able to meet its obligations as they come due and will not be required to refinance or restructure its debt obligations, although it may elect to do so.

The Company's earnings were insufficient to cover fixed charges by $7.4 million, $31.1 million, $16.3 million, $4.0 million and $11.0 million for the years ended December 31, 1989, 1990, 1991 and 1992 and the twelve months ended September 30, 1993, respectively. On a pro forma basis, earnings were insufficient to cover fixed charges by $10.1 million for the twelve months ended September 30, 1993. However, if non-cash charges to income consisting of depreciation and amortization and non-cash expenses associated with key employees' deferred compensation plans were excluded, the Company's earnings would have exceeded fixed charges by $24.7 million, $5.2 million, $19.3 million, $32.4 million, $26.7 million and $29.7 million, respectively, for such periods. See "--Recent Net Losses."

SUBORDINATION

The Debentures will be subordinated to the prior payment of all existing and future Senior Debt of the Company. In the event of bankruptcy, liquidation or reorganization of the Company, the assets of the Company will be available to pay obligations on the Debentures only after all Senior Debt has been paid in full, and there may not be sufficient assets remaining to pay amounts due on any or all of the Debentures then outstanding. See "Description of Debentures--Ranking."

SENSITIVITY TO WEATHER; SEASONALITY

Because the Company's business is directly related to heating, weather patterns during the winter months can have a material effect on the Company's sales of heating oil. Although temperature levels for the heating season have been relatively stable over time, variations can occur from time to time, and warmer than normal winter weather will adversely affect the Company's results. 1990 was the warmest year of this century and, as a result, volume declined for the first time since 1980. 1991 was the third warmest year of this century. Average daily temperatures in the Northeast for the year ended December 31, 1992 and for the nine months ended September 30, 1993 returned to more normal levels.

The seasonal nature of the Company's business results in the sale by the Company of approximately 50% of its volume in the first quarter and 30% in the fourth quarter of each year. The Company generally realizes positive NIDA in both of these quarters and negative NIDA during the warmer quarters ending June and September.

COMPETITION FROM ALTERNATE ENERGY SOURCES

In all of its markets, the Company competes for customers with suppliers of alternate energy products, principally natural gas and electricity. Over the past five years, the conversion by the Company's customers from fuel oil to other sources, primarily natural gas, has averaged approximately 1% per annum of the homes served by the Company. This rate of conversion is largely a function of the cost of replacing an oil fired heating system with one that uses natural gas and the relative retail prices of fuel oil and natural gas. During 1980 and 1981, when there were government controls on the price of natural gas, and for a short time in 1990 and 1991, during the Persian Gulf crisis, the Company's customers converted to gas at approximately a 2% annual rate as oil prices increased relative to the price of natural gas. See "Business--Fundamental Characteristics." However, beginning in the spring of 1991, gas conversions by the Company's customers returned to their approximate 1% historical annual rate as the prices for the two products returned to parity. As fuel oil is a less expensive heating source than electricity, the Company believes that an insignificant number of its customers switch to electric heat from oil heat. See "Business--Fundamental Characteristics."

COMPETITION FOR NEW RETAIL CUSTOMERS

The Company's business is highly competitive. The Company competes with fuel oil distributors offering a broad range of services and prices, from full service distributors, like the Company, to those offering delivery only. Competition with other companies in the fuel oil industry is based primarily on customer service and price. Long-standing customer relationships are typical in the retail home heating oil industry. Many companies in the industry, including Petro, deliver home heating oil to their customers based upon weather conditions and historical consumption patterns without the customer having to make an affirmative purchase decision each time oil is needed. In addition, most

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companies, including Petro, provide home heating equipment repair service on a 24-hour per day basis, which tends to build customer loyalty. As a result, the Company may experience difficulty in acquiring new retail customers due to existing relationships between potential customers and other home heating oil distributors. In addition, in certain instances, homeowners have formed buying cooperatives which seek to purchase fuel oil from distributors at a price lower than individual customers are otherwise able to obtain. To date, these buying groups have not had a material impact on the Company's operations.

GROWTH DEPENDENT UPON ACQUISITIONS

In recent years, home heating oil demand has been affected by conservation efforts and conversions to natural gas. In addition, as the number of new homes that use oil heat has not been significant, there has been virtually no increase in the customer base due to housing starts. As a result, the size of the home heating oil market is likely to be stagnant and may even decline in the future. The Company's growth in the past decade has been directly tied to the success of its acquisition program, and its future growth will depend on its ability to continue to identify and successfully consummate acquisitions. There is no assurance that the Company will be able to continue to identify new acquisitions or that it will have the access to capital necessary to consummate such acquisitions. As occurred in 1990 and 1991, warm winter weather can adversely affect the Company's operating and financial results which, in turn, may limit the Company's access to capital and its acquisition activities. In addition, the Company loses approximately 90% of customers acquired in an acquisition within the first six years following an acquisition; however, approximately 40% of the Company's customer losses are as a result of homeowners moving out, in which cases the Company acquires as new customers approximately 70% of the homeowners moving in. The Company's actual net loss of customers has averaged approximately 3% per annum over the past five years, as the loss of such purchased customers has been partially offset by new customers obtained through internal marketing. However, there can be no assurance that the Company will be able to maintain or reduce this average customer attrition rate in the future.

RECENT NET LOSSES

The Company incurred net losses in 1989, 1990, 1991, 1992, the twelve months ended September 30, 1993 and for the nine months ended September 31, 1993 of $4.3 million, $29.3 million, $16.6 million, $4.4 million, $12.2 million and $17.4 million, respectively, primarily as a result of the amortization expense associated with the numerous acquisitions consummated since 1980. In connection with each acquisition, the Company amortizes for book purposes 90% of the amount allocated to customer lists over a six year period and the balance over a 25 year period. In addition, the Company depreciates fixed assets on average over an eight year period. The aggregate amortization of customer lists and deferred charges and depreciation and amortization of property and equipment in 1989, 1990, 1991, 1992, the twelve months ended September 30, 1993 and for the nine months ended September 30, 1993 amounted to $32.1 million, $36.3 million, $35.6 million, $34.4 million, $35.5 million and $26.7 million, respectively. Management's strategy is to maximize EBITDA and NIDA, rather than net income, and net losses may continue in the near term. Continued net losses could adversely affect the Company. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Overview."

SUPPLY OF HOME HEATING OIL

Home heating oil is available from numerous sources, including integrated international oil companies, independent refiners and independent wholesalers. The Company purchases home heating oil from a variety of suppliers pursuant to supply contracts or on the spot market. While there can be no assurance that there will be no foreign crude oil disruptions which may adversely affect the Company's business, past disruptions have affected the price but not the availability of home heating oil to the Company. The Company historically has been able to pass through wholesale price increases to its customers and has minimized its exposure to oil price fluctuations by maintaining an average of no more than a ten day inventory. However, there can be no assurance that the Company will be able to pass on such increases in the future.

CONSERVATION AND TECHNOLOGY

The national trend toward increased conservation and technological advances, including installation of improved insulation and the development of more efficient furnaces and other heating devices, has caused a decline in demand for home heating oil by retail customers. Although the Company believes that current oil prices, which are lower than in recent periods, have resulted in decreased incentive to conserve and that most conservation efforts have already been implemented, the Company

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cannot predict the impact of future conservation measures. The Company is also unable to predict the effect that any technological advances in heating, conservation, energy generation or other devices might have on the Company's operations.

INVESTMENT IN STAR GAS

In December 1993, the Company acquired an approximate 29.5% equity interest in Star Gas for $16.0 million in cash. Certain other investors invested a total of $49.0 million of additional equity, of which $11.0 million was in the form of cash and $38.0 million resulted from the conversion of long-term debt and preferred stock into equity of Star Gas (the "Star Gas Recapitalization"). After giving effect to the Star Gas Recapitalization, on a pro forma basis, as of September 30, 1993, Star Gas would have had total long-term debt of $70.0 million and stockholders' equity of $51.1 million. In connection with this investment, the Company entered into a management agreement with Star Gas and acquired options to purchase all of the equity securities of the other investors.

The propane industry is highly competitive. For the fiscal years ended September 30, 1991, 1992 and 1993, Star Gas had net losses of $5.3 million, $7.3 million and $47.1 million (which includes an impairment of long-lived assets aggregating $33.0 million) and EBITDA of $24.7 million, $22.2 million and $18.6 million, respectively. Continued net losses could adversely affect the Company's investment in Star Gas. For the fiscal years ended September 30, 1991, 1992 and 1993, Star Gas had a ratio of EBITDA to interest expense of 1.3 to 1.0, 1.3 to 1.0 and 1.1 to 1.0, respectively. After giving effect to the Star Gas Recapitalization, Star Gas' ratio of EBITDA to interest expense on a pro forma basis would have been 2.3 to 1.0 for the fiscal year ended September 30, 1993. See "Business--Investment in Star Gas."

DEPENDENCE ON KEY PERSON

The Company is dependent on the continued services of its President, Irik P. Sevin, principally in its acquisition program. If Mr. Sevin were no longer to serve as an employee of the Company, the Company's prospects for future growth could be adversely affected. The Company does not maintain key man life insurance with respect to Mr. Sevin.

CONTROL BY PRINCIPAL STOCKHOLDERS

The directors of the Company and certain affiliated parties own 100% of the Class C Common Stock of the Company. Each share of Class A Common Stock is entitled to one vote per share and each share of Class C Common Stock is entitled to ten votes per share. The shares of Class C Common Stock owned by the directors and such affiliated parties represent, in the aggregate, 57.3% of the voting power of all of the outstanding shares of Common Stock. In addition, the directors own 34.5% of the Class A Common Stock of the Company. Consequently, the directors have the ability to control the business and affairs of the Company by virtue of their ability to elect a majority of the Company's board of directors and by virtue of their voting power with respect to other actions requiring stockholder approval.

ABSENCE OF PUBLIC MARKET

There is no existing market for the Debentures and there can be no assurance as to the liquidity of any markets that may develop for the Debentures, the ability of holders of the Debentures to sell their Debentures or the price at which holders will be able to sell their Debentures. If such a market were to develop, the Debentures could trade at prices that may be higher or lower than the initial offering price thereof depending on many factors, including prevailing interest rates, the Company's operating results and the markets for similar securities. Donaldson, Lufkin & Jenrette Securities Corporation, Kidder, Peabody & Co. Incorporated and Chemical Securities Inc. have advised the Company that they currently intend to make a market in the Debentures; however, they are not obligated to do so and any market making may be discontinued at any time without notice. The Company does not intend to apply for listing of the Debentures on any securities exchange.

USE OF PROCEEDS

The net proceeds from the sale of the Debentures are estimated to be approximately $72.3 million. The Company intends to use approximately $50.7 million of such net proceeds to repurchase $50 million in aggregate principal amount of Maxwhale Notes at a purchase price (assuming a repurchase date of January 31, 1994) equal to 101.33% of the principal amount thereof, plus accrued but unpaid interest thereon. The Maxwhale Notes bear interest at a rate of 9% per annum and are due and payable on June 1, 1994. The Company will use the

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balance of the net proceeds for general corporate purposes, including the Company's ongoing acquisition program. While the Company regularly considers and evaluates acquisitions as part of such acquisition program, the Company does not have any present agreements or commitments with respect to any acquisitions at this time. Pending application of the balance of the proceeds for general corporate purposes, such balance will be applied to reduce working capital borrowings.

CAPITALIZATION

The following table sets forth the capitalization of the Company at September 30, 1993 and as adjusted to give effect to the Offering, the Maxwhale Notes Repurchase and the Subordinated Debt Amendments.

<TABLE>
<CAPTION>

	AT SEPTEMBER 30, 1993	
	(IN THOUSANDS)	
	ACTUAL	AS ADJUSTED
<S>	<C>	<C>
Short-term obligations:		
Working capital borrowings(1)	$ --	$ --
Current maturities of long-term debt	33	33
Current maturities of Maxwhale Notes(2)	27,500	--
Current maturities of Redeemable Preferred Stock(3)	4,167	4,167
Total short-term obligations	$ 31,700	$ 4,200
Long-term debt:		
Maxwhale Notes(2)	$ 22,500	$ --
Other long-term debt	55	55
Senior notes(4)	--	42,632
% Subordinated Debentures due 2006	--	75,000
Subordinated notes payable	135,264	92,632
Total long-term debt	157,819	210,319
Redeemable Preferred Stock:		
Cumulative redeemable exchangeable preferred stock, par value $.10 per share; 409,722 shares authorized, 250,000 shares outstanding, of which 41,667 are reflected as current(3)	20,833	20,833
Stockholders' equity (deficiency):		
Preferred stock, par value $.10 per share; 5,000,000 shares authorized, none outstanding	--	--
Class A Common Stock, par value $.10 per share; 40,000,000 shares authorized, 18,992,579 shares outstanding	1,899	1,899
Class B Common Stock; par value $.10 per share; 6,500,000 shares authorized, 216,901 shares outstanding	22	22
Class C Common Stock; par value $.10 per share; 5,000,000 shares authorized, 2,545,139 shares outstanding	255	255
Additional paid-in capital	54,416	54,416
Deficit(5)	(118,607)	(119,940)
Note receivable from stockholder	(1,280)	(1,280)
Total stockholders' equity (deficiency)	(63,295)	(64,628)
Total capitalization	$ 115,357	$ 166,524

</TABLE>

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(1) The Company has available $75 million under an amended and restated credit agreement dated as of December 31, 1992 (the "Credit Agreement"). No borrowings were outstanding under the Credit Agreement at September 30, 1993. The seasonal nature of the Company's business results in the sale by the Company of approximately 50% of its volume in the first quarter and 30% in the fourth quarter of each year with corresponding increases in working capital borrowings during these periods.

(2) As of September 30, 1993, $20 million of U.S. Treasury Notes were held in a cash collateral account to partially secure the Maxwhale Notes. Pursuant to the Credit Agreement, an additional $7.5 million is scheduled to be escrowed on May 15, 1994 for this same purpose. Assuming the consummation of the

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Offering and the Maxwhale Notes Repurchase, this payment will not have to be made and the $20 million cash collateral account will be released to the Company for use as unrestricted funds.

(3) 41,667 shares of Redeemable Preferred Stock are subject to mandatory redemption in each of 1994 through 1997. Prior to redemption, the Company has the right to exchange shares of Redeemable Preferred Stock, in whole or in part, for 1999 Notes, subject to meeting certain debt incurrence tests. At September 30, 1993, the Company was not able to exchange any shares of Redeemable Preferred Stock for 1999 Notes pursuant to such tests.

(4) In connection with the Subordinated Debt Amendments, the Company has agreed to cause approximately $42.6 million in aggregate principal amount of outstanding subordinated debt to be ranked as Senior Debt. See "Description of Other Indebtedness and Redeemable Preferred Stock-- Subordinated Debt."

(5) Assuming a repurchase date of September 30, 1993, the Company would have recorded an approximate $1.3 million extraordinary loss on the early payment of the Maxwhale Notes.

SELECTED FINANCIAL AND OTHER DATA

The following table sets forth selected financial and other data of the Company and should be read in conjunction with the more detailed financial statements included elsewhere in this Prospectus. The financial data at the end of and for each of the years in the five year period ended December 31, 1992 are derived from the consolidated financial statements of the Company, which financial statements have been audited by KPMG Peat Marwick, independent auditors. The financial data at September 30, 1993 and for the nine month periods ended September 30, 1992 and September 30, 1993 are derived from the unaudited consolidated financial statements of the Company but include, in the opinion of management, all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of such data. The pro forma financial data for the year ended December 31, 1992 and for the nine months ended September 30, 1993 are derived from the historical consolidated financial statements of the Company. The Company typically generates net income and NIDA in the quarters ending in March and December and experiences net losses and negative NIDA during the non-heating season quarters ending in June and September; thus the results for interim periods are not indicative of the results that may be obtained for the entire fiscal year. Although EBITDA and NIDA should not be considered a substitute for net income (loss) as an indicator of the Company's operating performance and NIDA should not be considered a measure of the Company's liquidity, they are included in the following table as they are the bases upon which the Company assesses its financial performance, compensates management and establishes dividends. See "Management's Discussion and Analysis of Results of Operations and Financial Condition" and the Pro Forma Financial Statements included elsewhere in this Prospectus.

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,						NINE MONTHS ENDED SEPTEMBER 30,	
	1988	1989	1990	1991	1992	PRO FORMA(1) 1992	1992	1993
	(IN THOUSANDS, EXCEPT RATIOS)							
STATEMENT OF OPERATIONS DATA:								
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Net sales	$ 462,150	$ 541,521	$ 567,414	$ 523,243	$ 512,430	$ 604,491	$ 340,892	$ 377,384
Cost of sales	328,549	402,178	435,031	378,772	350,941	416,073	232,333	262,368
Gross profit	133,601	139,343	132,383	144,471	161,489	188,418	108,559	115,016
Operating expenses	89,131	99,267	106,076	104,435	110,165	125,185	77,821	89,180
Amortization of customer lists	21,646	24,604	25,571	24,840	23,496	29,018	17,470	18,236
Depreciation and amortization of plant and equipment	4,209	5,127	5,796	5,550	5,534	7,228	4,153	4,368
Amortization of deferred charges	1,296	2,362	4,946	5,185	5,363	5,953	4,054	4,137
Provision for supplemental benefit(3)	--	--	--	--	1,974	1,974	--	193
Operating income (loss)	17,319	7,983	(10,006)	4,461	14,957	19,060	5,061	(1,098)

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Interest expense--net.....	13,536	17,915	20,900	20,728	18,622	21,864	14,027	15,147
Other income (expense)--net.....	(126)	2,568	(228)	(45)	(324)	(314)	(339)	(29)
Equity in (share of loss of) Star Gas.....	--	--	--	--	--	167	--	--
Income (loss) before income taxes and extraordinary item.....	3,657	(7,364)	(31,134)	(16,312)	(3,989)	(2,951)	(9,305)	(16,274)
Income taxes (benefit).....	1,584	(3,077)	(1,867)	250	400	400	218	218
Income (loss) before extraordinary item.....	2,073	(4,287)	(29,267)	(16,562)	(4,389)	(3,351)	(9,523)	(16,492)
Extraordinary item.....	(508)	--	--	--	--	--	--	(867)
Net income (loss).....	$ 1,565	$ (4,287)	$ (29,267)	$ (16,562)	$ (4,389)	$ (3,351)	$ (9,523)	$ (17,359)
Ratio of earnings to fixed charges(4).....	1.2x	--(5)	--(5)	--(5)	--(5)	--(5)	--(5)	--(5)

<CAPTION>

	PRO FORMA(2) 1993
STATEMENT OF OPERATIONS DATA:	
Net sales.....	$ 392,005
Cost of sales.....	272,676
Gross profit.....	119,329
Operating expenses.....	90,929
Amortization of customer lists.....	18,971
Depreciation and amortization of plant and equipment.....	4,546
Amortization of deferred charges.....	4,268
Provision for supplemental benefit(3).....	193
Operating income (loss)....	422
Interest expense--net.....	16,131
Other income (expense)--net.....	(29)
Equity in (share of loss of) Star Gas.....	(3,213)
Income (loss) before income taxes and extraordinary item.....	(18,951)
Income taxes (benefit).....	218
Income (loss) before extraordinary item.....	(19,169)
Extraordinary item.....	--
Net income (loss).....	$ (19,169)
Ratio of earnings to fixed charges(4).....	--(5)

<CAPTION>

</TABLE>

<TABLE>
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	YEAR ENDED DECEMBER 31,						NINE MONTHS ENDED SEPTEMBER 30,	
						PRO FORMA(1)		
	1988	1989	1990	1991	1992	1992	1992	1993
	(IN THOUSANDS, EXCEPT RATIOS)							
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>

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OTHER DATA:														
EBITDA(6)	$ 44,470	$ 40,076	$ 26,307	$ 40,036	$ 51,325	$ 63,233	$ 30,737	$ 25,836
Interest expense, net	13,536	17,915	20,900	20,728	18,622	21,864	14,027	15,147
NIDA(7)	28,717	27,573	4,639	15,744	27,721	36,398	12,232	6,254
Ratio of EBITDA to interest expense, net(8)	3.3x	2.2x	1.3x	1.9x	2.8x	2.9x	2.2x	1.7x
Gallons of home heating oil and propane sold	414,535	449,040	398,989	385,557	423,354	492,524	280,853	307,247
EBITDA per gallon of home heating oil and propane sold	$ 0.11	$ 0.09	$ 0.07	$ 0.10	$ 0.12	$ 0.13	$ 0.11	$ 0.08

<CAPTION>

	PRO FORMA(2) 1993
OTHER DATA:	
EBITDA(6)	$ 28,400
Interest expense, net	16,131
NIDA(7)	8,701
Ratio of EBITDA to interest expense, net(8)	1.8x
Gallons of home heating oil and propane sold	318,739
EBITDA per gallon of home heating oil and propane sold	$ 0.09

</TABLE>

<TABLE>
<CAPTION>

	AT DECEMBER 31,					AT SEPTEMBER 30, 1993	
	1988	1989	1990	1991	1992	ACTUAL	AS ADJUSTED(9)
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
BALANCE SHEET DATA:							
Working capital (deficiency)	$ 12,070	$ 13,544	$ (5,520)	$ (12,038)	$ (6,744)	$ (7,489)	$ 22,979
Total assets	231,151	286,435	260,665	220,010	252,783	216,904	240,571
Senior long-term debt and capital lease obligations (before escrow deposit) (long-term portion)(10)	51,260	51,570	50,847	50,217	50,080	22,555	42,687
Subordinated notes (long-term portion)	77,376	92,418	95,346	91,613	84,978	135,264	167,632
Redeemable preferred stock (long-term portion)	--	10,000	25,000	30,023	37,718	20,833	20,833
Stockholders' equity (deficiency)	9,448	(3,287)	(40,087)	(61,444)	(33,917)	(63,295)	(64,628)

</TABLE>

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(1) The Pro Forma Statement of Operations and Other Data for the year ended December 31, 1992 represent the historical data derived from the Company's financial statements for 1992, adjusted to give effect to the following transactions as if each had occurred as of January 1, 1992:

(a) the acquisitions by the Company of nine individually insignificant distributorships during 1992 (the "1992 Acquisitions") and nine individually insignificant distributorships during the nine months ended September 30, 1993 (the "1993 Acquisitions");

(b) the Preferred Stock Exchange;

(c) the Subordinated Debt Repurchases;

(d) the Maxwhale Notes Repurchase;

(e) the Star Gas Investment and the effect of concurrent agreements entered into in connection with such investment;

(f) the Collateral Release;

(g) the 10 1/8% Notes Issuance; and

(h) the Offering; provided, however, that the pro forma data do not give effect to

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approximately $2.7 million of interest expense on, or the use of, approximately $27.4 million of the Debentures, the proceeds of which are not required for acquisitions or refinancings.

The historical and pro forma net loss and the historical and pro forma NIDA for the year ended December 31, 1992 do not include any extraordinary losses. Had the Subordinated Debt Repurchases and the Maxwhale Notes Repurchase occurred on January 1, 1992, the pro forma extraordinary loss would have been approximately $6.2 million.

(2) The Pro Forma Statement of Operations and Other Data for the nine months ended September 30, 1993 represent the historical data derived from the Company's financial statements for the nine months ended September 30, 1993, adjusted to give effect to the following transactions as if each had occurred as of January 1, 1992:

(a) the 1993 Acquisitions;

(b) the Preferred Stock Exchange;

(c) the Subordinated Debt Repurchases;

(Footnotes continued on following page)

(Footnotes continued from preceding page)

(d) the Maxwhale Notes Repurchase;

(e) the Star Gas Investment and the effect of concurrent agreements entered into in connection with such investment;

(f) the Collateral Release;

(g) the 10 1/8% Notes Issuance; and

(h) the Offering; provided, however, that the pro forma data do not give effect to approximately $2.6 million of interest expense on, or the use of, approximately $34.4 million of the Debentures, the proceeds of which are not required for acquisitions or refinancings.

The historical net loss and the historical NIDA for the nine months ended September 30, 1993 include an extraordinary loss of approximately $0.9 million representing the premium paid in connection with the Subordinated Debt Repurchases. Had the Subordinated Debt Repurchases and the Maxwhale Notes Repurchase occurred on January 1, 1992, the pro forma extraordinary loss would have been approximately $6.2 million.

(3) Represents the present value of supplemental retirement benefits.

(4) For purposes of calculating the ratio of earnings to fixed charges (i) earnings consist of income (loss) before income taxes, net income (loss) derived from investments accounted for by the equity method, and extraordinary items, plus fixed charges and (ii) fixed charges consist of interest expense, amortization of debt discount and the interest factor in rental expense.

(5) Earnings were insufficient to cover fixed charges by $7.4 million, $31.1

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million, $16.3 million, $4.0 million, $9.3 million and $16.3 million for the years ended December 31, 1989, 1990, 1991 and 1992 and the nine months ended September 30, 1992 and 1993, respectively. On a pro forma basis, earnings were insufficient to cover fixed charges by $3.1 million and $15.7 million for the year ended December 31, 1992 and the nine months ended September 30, 1993, respectively. However, if non-cash charges to income consisting of depreciation and amortization and non-cash expenses associated with key employees' deferred compensation plans were excluded, the Company's earnings would have exceeded fixed charges by $24.7 million, $5.2 million, $19.3 million, $32.4 million, $16.4 million, $10.7 million, $41.1 million and $12.2 million, respectively, for such periods.

(6) EBITDA is defined as operating income before depreciation and amortization and non-cash expenses associated with key employees' deferred compensation plans.

(7) NIDA is defined as the sum of consolidated net income (loss), plus depreciation and amortization of plant and equipment and amortization of customer lists and deferred charges, plus non-cash expenses associated with key employees' deferred compensation plans, less dividends accrued on preferred stock, excluding net income (loss) derived from investments accounted for by the equity method, except to the extent of any cash dividends received by the Company.

(8) The ratio of EBITDA to interest expense, net is calculated by dividing EBITDA by interest expense, net for such period. Pursuant to the Indenture, the Company may incur additional Funded Debt (as defined) only if its ratio of EBITDA to interest expense, net exceeds 2.0 to 1.0, subject to certain exceptions. See "Description of Debentures--Certain Covenants--Limitation on Funded Debt."

(9) As adjusted to give effect to the Offering, the Maxwhale Notes Repurchase, the Star Gas Investment and the Subordinated Debt Amendments; provided, however, that the as adjusted data includes approximately $21.0 million of working capital and principal amount of the Debentures, the proceeds of which are not required for the Maxwhale Notes Repurchase.

(10) The Company has escrowed certain amounts to partially secure the repayment of the Maxwhale Notes. The amounts on deposit at the dates indicated were as follows: $11.5 million at December 31, 1988, $0 at December 31, 1989, $0 at December 31, 1990, $5.0 million at December 31, 1991, $15.0 million at September 30, 1992, $15.0 million at December 31, 1992, $20.0 million at September 30, 1993 and $0 at September 30, 1993, as adjusted.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

OVERVIEW

In analyzing the Company's results, investors should consider the Company's active acquisition program, the rapid rate of amortization of customer lists purchased in acquisitions, the seasonal nature of the heating oil business and the general ability of heating oil distributors to pass on variations in wholesale heating oil costs to their customers. Therefore, although a company's net income (loss) calculated in accordance with generally accepted accounting principles is generally considered by investors to be an indicator of a company's operating performance, management believes that in evaluating the Company's results, two additional measures should be considered to supplement the net income (loss) analysis. The first such measure is operating income before depreciation and amortization and non-cash expenses associated with key employees' deferred compensation plans (referred to herein as EBITDA) and the second such measure is the sum of consolidated net income (loss), plus depreciation and amortization of plant and equipment and amortization of customer lists and deferred charges, plus non-cash expenses associated with key employees' deferred compensation plans, less dividends accrued on preferred stock, excluding net income (loss) derived from investments accounted for by the equity method, except to the extent of any cash dividends received from the Company (referred to herein as NIDA). Although EBITDA and NIDA should not be considered a substitute for net income (loss) as an indicator of the Company's operating performance and NIDA should not be considered a measure of the Company's liquidity, it is important for an investor to understand these concepts since management's strategy is to maximize EBITDA and NIDA, rather than net income. The computations of EBITDA and NIDA are derived from the Company's financial statements as a supplement to the Company's traditional financial statements. Because of management's acquisition and other strategies, it believes that EBITDA is an important indicator as a measure of earnings derived

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from operations before non-cash expenses and non-operating expenses, such as other expenses and income taxes. The following expands on the above and enumerates other factors that investors should consider.

First, the financial results of a given year do not reflect the full impact of that year's acquisitions. Most acquisitions are made during the non-heating season because many sellers desire to retain winter profits but avoid summer losses. Therefore, the effect of acquisitions made after the heating season are not fully reflected in the Company's sales volume and operating and financial results until the following calendar year.

Second, as stated above, the Company's objective is to maximize NIDA and EBITDA, rather than net income. The large disparity between NIDA and net income (loss) is primarily attributable to the substantial amortization of customer lists and other intangibles in connection with acquisitions. Customer lists and other intangibles acquired in connection with acquisitions represent the allocation of acquisition costs which are amortized over the future periods benefitted by such acquisitions. In general, costs are allocated to assets based upon the fair market value of the assets purchased, as determined by arms' length negotiations between the Company and the seller. Substantially all purchased intangibles are comprised of customer lists and covenants not to compete. Amortization of customer lists is a non-cash expense which represents the write-off of the amount paid for customers acquired in connection with acquisitions who later terminate their relationship with the Company. Based on the Company's analysis of historical purchased customer attrition rates, these lists are amortized 90% over a six-year period (on average, 15% per annum) and the balance over a 25-year period. However, the Company's net loss of customers has only averaged approximately 3% per annum over the past five years, as the loss of purchased accounts has been partially offset by new customers obtained through internal marketing. See "Business--Customers and Sales." The covenants not to compete are amortized over the lives of the covenants, which generally range from five to seven years.

Third, the seasonal nature of the Company's business results in the sale by the Company of approximately 50% of its volume in the first quarter and 30% in the fourth quarter of each year. The Company generally realizes positive NIDA in both of these quarters and negative NIDA during the warmer quarters ending June and September. As a result, acquisitions made during the spring and summer months generally have a negative effect on earnings and a limited impact on NIDA in the calendar year in which they are made. Most of the costs associated with an acquired distributor are incurred evenly throughout the remainder of the year, whereas a smaller percentage of the purchased company's annual volume and gross profit is realized during the same period.

Finally, changes in total dollar sales do not necessarily affect the Company's gross profit, EBITDA, net income or NIDA. Since the Company adds a per gallon margin onto its wholesale costs, variability in wholesale oil prices will affect net sales but generally do not affect EBITDA, net income, NIDA or any other measure of earnings. As a result, the Company's margins are most meaningfully measured on a per gallon basis and not as a percentage of sales. While fluctuations in wholesale prices have not significantly affected demand to date, it is possible that significant wholesale price increases over an extended period of time could have the effect of encouraging conservation. If demand were reduced and the Company was unable to increase its gross profit margin or reduce its operating expenses, the effect of the decrease in volume would be to reduce EBITDA, net income, NIDA and any other measure of earnings.

Given the Company's operating strategy to maximize EBITDA and NIDA as described above, an investor should also be aware of certain risks that are inherent in such a strategy. Although an increased level of acquisitions (which in turn adds to the Company's plant and equipment and customer lists) is expected to have a positive impact on the long term viability of the business, the near term effect of acquisitions would be to increase EBITDA and NIDA by a significantly greater amount than would be the increase, if any, of net income because of the substantial impact of depreciation and amortization expense, items which generally do not impact EBITDA or NIDA, but which do materially impact net income. A reduced level of acquisitions, which would be expected to have an adverse impact on the long term growth of the business, could lead to decreased EBITDA and NIDA, while possibly increasing net income.

In the year of an acquisition, depending on the month it is consummated, it is possible that EBITDA and NIDA would not be affected, while net income could be negatively impacted.

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To the extent future acquisitions are financed with debt, the interest expense associated with such debt would not impact EBITDA, but would reduce NIDA and net income. If the Company were to finance future acquisitions by issuing new preferred stock, the preferred stock dividends associated with the new preferred stock would not affect EBITDA or net income, but would reduce NIDA and increase the Company's stockholders' deficiency.

Since EBITDA and NIDA are not affected by depreciation and amortization, the Company's failure to replace long lived assets or its decision to delay needed capital expenditures could have the short term effect of improving net income (by minimizing depreciation and amortization expense), but could have a negative impact on the long term viability of the business. Because management is concerned with the Company's long term viability, and measures its operating performance by EBITDA and NIDA, it intends to continue making capital improvements as required.

Factors that impact the Company's ability to continue following its current operating strategy in the foreseeable future include its ability to continue to grow through acquisitions, while continuing to replace lost customers through internal marketing.

RESULTS OF OPERATIONS AND OTHER DATA

Nine Months Ended September 30, 1993 Compared to Nine Months Ended September 30, 1992

Net sales increased for the first nine months of 1993 to $377.4 million from $340.9 million in the same period in 1992. The $36.5 million increase was attributable primarily to volume growth associated with acquisitions ($40.3 million or 11.8%) and, to a lesser extent, to higher home heating oil prices ($6.2 million or 1.8%), offset by attrition in the Company's customer base and slightly warmer weather, which was 2.3% warmer than in the prior period.

During the first nine months of 1993, home heating oil volume, including propane, increased to 307.2 million gallons, 9.4% greater than the number of gallons delivered in the nine months ended September 30, 1992, due to the impact of the nine acquisitions completed in 1992 whose nine month volume was fully reflected for the first time in 1993, and to a lesser extent, the nine acquisitions completed in the nine months ended September 30, 1993. However, seven of the current period's acquisitions were completed in the spring and summer months and provided no meaningful impact on volume growth compared to the prior year. The positive impact of the acquisitions was offset by slightly warmer temperatures and by attrition in the Company's customer base. The Company continues to focus its marketing efforts on smaller, service-sensitive residential accounts and has reduced its customer attrition rate by approximately 25% from a year ago.

Gross profit increased $6.5 million (5.9%), a 3.4% decrease on a per gallon basis, from $108.6 million (38.7 per gallon) for the nine months ended 1992 to $115.0 million (37.4 per gallon) for the nine months ended 1993. While home heating oil margins increased 0.5 per gallon, which was less than historically experienced, this increase was more than offset by the higher net cost of providing heating equipment repair and maintenance service to a larger customer base and utilizing this service as part of the Company's internal marketing program. The lower than historically experienced increases in home heating oil margins was due to lower than expected home heating oil margins in the first quarter of 1993 which was reversed in the second and third quarters of 1993.

Operating expenses increased $11.4 million (14.6%) from $77.8 million in the first nine months of 1992 to $89.2 million for the first nine months of 1993. On a per gallon basis, these expenses increased 4.7% from 27.7 per gallon for the first nine months of 1992 to 29.0 for the comparable period in 1993. This increase was attributable to the expansion of the Company's marketing program, which has resulted in a significant reduction in the Company's rate of

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account attrition, and the severe weather conditions experienced in March 1993 that temporarily increased operating costs, primarily delivery expenses, during that month.

Provision for supplemental benefit for the nine months ended September 30, 1993 represents the present value of supplemental retirement benefits ($0.2 million).

Amortization of customer lists and deferred charges increased 3.9%, or $0.8 million, to $22.4 million. These non-cash expenses increased less than volume growth as certain customer lists and capitalized expenses became fully amortized. Depreciation and amortization of plant and equipment increased 5.2%, or $0.2 million, to $4.4 million for the nine months ended September 30, 1993 due to the acquisitions.

The operating loss for the first nine months of 1993 was $1.1 million as compared to operating income of $5.1 million for the same period of 1992, as the 9.4% increase in volume and the slight increase in home heating oil margins were offset by higher residential service related costs, increased delivery and marketing expenses and higher non-cash expenses.

Net interest expense for the nine months ended September 30, 1993 increased $1.1 million, 8.0%, to $15.1 million. A reduction in the average borrowing rate was offset by a $28.6 million increase in long-term borrowings from $148.9 million, at an average interest rate of 11.9%, to $177.5 million, at an

average interest rate of 11.4%. This increase in long-term borrowing was due to the conversion in March 1993 of $12.8 million of Redeemable Preferred Stock into Subordinated Notes due in 2000 and the issuance in April 1993 of $50 million of 10 1/8% Notes due in 2003. The proceeds of this public issue were used to repay $25.0 million of long-term obligations maturing in 1993 and 1995 with the balance being used to fund, in part, the Company's acquisition program. Offsetting the increase in long-term borrowings was a decline in short-term borrowings from $22.1 million, at an average interest rate of 5.8%, for the first nine months of 1992 to $11.8 million, at an average interest rate of 5.1%, for the comparable period of 1993. In addition, the Company reduced bank fees and generated interest income on higher cash balances in 1993 compared to 1992.

The loss before income taxes and extraordinary items increased 75%, or $7.0 million, to $16.3 million due to the reduction in operating income and the increase in interest expense. Income taxes of $0.2 million were the same for both periods and represent certain state income taxes applicable to profitable subsidiaries that are not included in consolidated state returns. The Company had losses for federal income tax purposes in each of these periods.

In May 1993, the Company recorded an extraordinary charge against earnings of $0.9 million. This represented the cash premium paid of $0.4 million to retire $25.0 million of the Company's long-term obligations maturing in 1993 and 1995 and the write-off of $0.5 million in debt discount and deferred charges associated with these obligations.

The net loss increased from $9.5 million for the first nine months of 1992 to $17.4 million for the comparable period of 1993 due to the increase in the operating loss, higher interest expense and the extraordinary charge. EBITDA decreased from $30.7 million for the nine months ended September 30, 1992 to $25.8 million for the comparable period in 1993 as the 9.4% increase in volume and the slight increase in home heating oil margins were offset by higher residential service related costs and increased marketing expenses.

1992 Compared to 1991

Net sales decreased in 1992 to $512.4 million from $523.2 million in 1991. This $10.8 million decrease was due to lower home heating oil prices ($37.9 million or 7.2%) as a result of lower per gallon wholesale costs, as well as to reductions in sales of products other than home heating oil to commercial accounts ($17.0 million or 3.3%), which were partially offset by an increase in home heating oil volume ($41.0 million or 7.8%). The average price of home heating oil in 1992 was approximately 14.8% below the 1991 levels, when prices were affected by the Persian Gulf crisis.

In 1992, home heating oil volume increased to 423.1 million gallons, 9.7% greater than the 385.6 million gallons delivered in 1991 due to colder temperatures (45.3 million gallons) and the impact of the nine acquisitions

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completed in 1991 whose full annual volume was realized for the first time in 1992 and from a portion of the annual volume associated with the nine additional acquisitions completed in 1992 (19.2 million gallons). The impact of the acquisitions was offset in part by attrition in the Company's customer base, as well as the loss of certain of its high volume, low margin commercial accounts, as the Company continued to focus its marketing efforts on smaller, higher margin, more service-sensitive residential customers.

Gross profit increased $17.0 million (11.8%), or 1.9% per gallon, from $144.5 million in 1991 (37.5 per gallon) to $161.5 million in 1992 (38.2 per gallon). This increase exceeded the percentage increase in home heating oil volume due to improved per gallon gross profit margins attributable to the Company's ability to add an increasing gross margin onto its wholesale costs, designed to offset the impact of inflation, account attrition and weather.

Operating expenses increased 5.5% compared to the 9.7% increase in volume and declined 3.9% on a per gallon basis from 27.1 in 1991 to 26.1 in 1992. The per gallon reduction in operating expenses

reflects the savings from the Company's cost reduction program which was begun in April 1991 and economies of scale realized from the Company's acquisition program.

Amortization of customer lists declined 5.4%, or $1.3 million, to $23.5 million in 1992 as certain customer lists became fully amortized and a greater portion of the purchase price in more recent acquisitions was allocated to restrictive covenants and included in deferred charges. As a result of this allocation, amortization of deferred charges increased 3.5% to $5.4 million in 1992. On a combined basis, amortization of customer lists and deferred charges declined 3.9% as the annual amortization associated with assets that became fully amortized was greater than the amount associated with the limited number of acquisitions in 1991 and the impact of the 1992 acquisitions was not fully realized in the current year.

Depreciation and amortization of plant and equipment was $5.5 million for 1992, approximately the same as in 1991, as reductions related to assets that became fully depreciated were offset by increases associated with assets purchased in 1991 and 1992.

Provision for supplemental benefit in 1992 represents the present value of a supplemental retirement benefit ($2.0 million) which is being paid over 10 years.

Operating income increased to $15.0 million from $4.5 million in 1991. This improvement was due to an increase in home heating oil volume and an improvement in per gallon operating income associated with higher gross profit margins, lower per gallon operating expenses and the decline in non-cash expenses, partially offset by the provision for the supplemental benefit in 1992.

Net interest expense in 1992 decreased $2.1 million, 10.2% below 1991, due to a decline in average outstanding borrowings from 1991 to 1992 of $15.6 million, which caused a reduction of $1.7 million in interest expense and to an increase in interest income ($0.4 million), generated primarily by a higher average balance in U.S. Treasury Notes held in the cash collateral account. The Company's average borrowing rate increased from 11.2% in 1991 to 11.3% in 1992. Average working capital borrowings dropped from $35.0 million in 1991 at an average interest rate of 8.2% to $17.9 million in 1992 at an average interest rate of 5.9%. Average fixed rate borrowings increased from $147.0 million in 1991 to $148.5 million in 1992 with an average interest rate of 11.9% for both years.

Pretax loss decreased $12.3 million in 1992 from 1991 due to the increase in operating income and the reduction in interest expense, partially offset by the increase in other expenses. Taxes increased from $0.3 million in 1991 to $0.4 million in 1992. Despite the pretax loss, the Company was required to pay certain state income taxes in 1992 on profitable subsidiaries that are not included in consolidated state returns. The 1992 loss, while not providing any Federal tax benefits in 1992, will increase the Company's tax loss carryforwards to approximately $43.0 million as of December 31, 1992.

Net loss decreased to $4.4 million in 1992, a $12.2 million improvement over the $16.6 million net loss in 1991.

EBITDA increased 28.2% to $51.3 million in 1992 from $40.0 million in 1991. This improvement was primarily the result of the 9.7% home heating oil volume increase and a 1.7 per gallon EBITDA margin improvement.

1991 Compared to 1990

Net sales decreased in 1991 to $523.2 million from $567.4 million in 1990. This $44.2 million decrease was due to lower home heating oil prices ($25.1 million or 4.4%), which reflected lower wholesale cost and lower volume ($19.1 million or 3.4%). Total home heating oil volume declined in 1991 to 385.6 million gallons, despite an increase in gallonage sold to residential customers,

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as the Company eliminated a number of low margin commercial and industrial accounts. Home heating oil volume sold to residential homeowners increased in 1991 due primarily to the incremental 18 million gallon impact of 12 acquisitions in 1990, the entire annual volume of which was fully realized in 1991,

and from a portion of the volume associated with nine acquisitions in 1991. The volume increase associated with the acquisitions was less than historically experienced, due to the limited number of acquisitions made in 1990 and 1991.

While 1991 was the third warmest year of this century in the Northeast, it was 3.8% colder than in 1990. This had a positive effect on 1991's sales volume compared with the prior year. Offsetting the acquisition and weather impact on the year to year comparison was the fact that the volume in 1990 was inflated by certain sales attributable to December 1989 (the second coldest December in the century) which could not be delivered in that month, but which were ultimately sold in January 1990.

1991 home heating oil volume was also negatively affected by attrition in the Company's customer base. This rate increased from historical levels due, in part, to gas conversions increasing from a normal 1.0% to 1.4% per annum, caused by the temporary but significant price advantage of natural gas over home heating oil during the Persian Gulf crisis. With the return to normal market conditions, the two products are again at parity and conversions have returned to their historical 1% annual rate. Also affecting this attrition rate was an increase from 1.2% to 1.9% of customers who did not meet the Company's credit criteria, due partially to poor economic conditions in the Northeast. While application of these standards increased the number of canceled accounts, it enabled the Company to maintain a bad debt rate of only 0.3% of sales.

Gross profit increased 9.1% from $132.4 million (33.2 per gallon) for 1990 to $144.5 million (37.5 per gallon) in 1991, attributable primarily to the Company's ability to increase per gallon gross profit margins to offset the impact the warmer than normal winter weather had on volume and per gallon operating costs.

Operating expenses decreased 1.6% to $104.4 million from the prior year but increased on a per gallon basis from 26.6 in 1990 to 27.1 in 1991, which increase was less than the rate of inflation for 1991. While these expenses declined in total in 1991, due primarily to the Company's cost reduction program, on a per gallon basis they were higher than the prior year as costs could not be further reduced in the short term to offset the decline in volume resulting from the warmer than normal weather.

Amortization of customer lists declined 2.9%, or $0.7 million, to $24.8 million, as certain customer lists became fully amortized in 1991 and 1990 and as a greater portion of the purchase price in more recent acquisitions was allocated to restrictive covenants and included in deferred charges. Primarily as a result of this allocation, amortization of deferred charges increased by $0.2 million, or 4.8%, to $5.2 million. On a combined basis, amortization of customer lists and deferred charges declined 1.6% as the value of assets that became fully amortized was greater than the amount associated with new acquisitions.

Depreciation and amortization of plant and equipment declined 4.2% from $5.8 million in 1990 to $5.6 million in 1991. Depreciation expense decreased more significantly than volume as certain assets became fully depreciated in 1990.

Operating income increased $14.5 million from a loss of $10.0 million in 1990 to a profit of $4.5 million in 1991, due to the $12.1 million increase in gross profit and the reduction in operating and non-cash expenses.

Net interest expense in 1991 declined $0.2 million due to a decrease in the Company's average working capital borrowings which declined from $36.9 million in 1990 at an average interest rate of 9.4% to $35.0 million in 1991 at an average interest rate of 8.2%. In addition, interest income rose as earnings were generated on an escrow deposit made into the cash collateral account in April 1991. The Company's average fixed rate borrowings decreased from $148.0 million in 1990 at an average interest rate of 11.6% to $147.0 million in 1991 at an average interest rate of 11.9%.

Pretax loss decreased $14.8 million in 1991 from 1990 due to improved gross profit margins and lower operating expenses, depreciation and amortization, interest and other expenses. The Company incurred a pretax loss of $16.3 million due to the $35.6 million of non-cash charges. Taxes increased from a $1.9 million benefit in 1990 to a $0.3 million expense in 1991. Despite the pretax loss, the Company was required to pay certain state income taxes in 1991. Unlike 1990, none of the 1991 losses could be carried back for Federal income tax purposes. The $16.3 million pretax loss, while not providing any Federal tax benefits in 1991, increased the Company's tax loss carryforward.

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Net loss decreased to $16.6 million in 1991, a 43.4% improvement as compared to 1990.

EBITDA increased 52.2% to $40.0 million in 1991 from $26.3 million in 1990 as a result of the improvement in gross profit margins and lower operating expenses, which offset the impact of the volume decline.

LIQUIDITY AND FINANCIAL CONDITION

The Company has financed its growth through a combination of internally generated capital, the sale of common stock, and the issuance of Redeemable Preferred Stock and debt. As indicated in the table below, the Company has financed acquisitions and other asset requirements made from January 1, 1988 to December 31, 1992, 62.6% with internally generated cash and funds from a 1992 offering of 4.3 million shares of Class A Common Stock, 20.0% with Redeemable Preferred Stock and 17.4% with long-term debt and working capital. As a result, for the year ended December 31, 1992, EBITDA was 2.8 times net interest expense.

<TABLE>
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		FUNDING SOURCES					
YEAR	ACQUISITIONS AND FIXED ASSET PURCHASES	INTERNALLY GENERATED FUNDS AND ADDITIONAL EQUITY(1)		REDEEMABLE PREFERRED STOCK		LONG-TERM DEBT AND NET WORKING CAPITAL(2)	
		(DOLLARS IN THOUSANDS)					
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
1988	$ 39,403	$ 14,392	36.5%	$ --	--%	$ 25,011	63.5%
1989	42,900	20,643	48.1	9,140	21.3	13,117	30.6
1990	33,077	(544)	(1.6)	15,000	45.3	18,621	56.3
1991	16,399	13,834	84.4	4,449	27.1	(1,884)	(11.5)
1992	48,478	64,431	132.9	7,500	15.5	(23,453)	(48.4)
Total	$ 180,257	$ 112,756	62.6%	$ 36,089	20.0%	$ 31,412	17.4%

</TABLE>

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(1) Internally generated funds consist of net income plus depreciation and amortization less dividends. Additional equity consisted of $42.7 million from the sale of Class A Common Stock in 1992.

(2) Net working capital was used for purposes other than acquisitions and long-term requirements. This column reflects only that portion of net working capital utilized to make acquisitions and purchase fixed assets.

The Company's cash flow from operations, as well as its ability to access long-term debt and equity in both the public and private markets, has provided sufficient capital to fund the Company's acquisition program. In April 1993, the Company realized net proceeds of $48.1 million from an offering of its 10 1/8% Notes and it is estimated that the net proceeds of the Offering will be $72.3 million. To the extent that internally generated funds are insufficient to fund the Company's acquisition program, it may use such net proceeds for acquisitions. As the Company continues to expand or the opportunity to refinance existing debt arises because of interest rate considerations or maturity, the Company will utilize both the public and private markets to raise capital when it deems appropriate.

Net cash provided by operating activities of $47.2 million for the nine months ended September 30, 1993, net of repayments of working capital borrowings of $32.0 million, along with the $48.1 million of net proceeds from the April 1993 public offering of the 10 1/8% Notes amounted to $63.3 million. These

funds were utilized in investing activities for acquisitions and the purchase of fixed assets of $17.4 million and in financing activities to pay dividends of $11.5 million, to repurchase subordinated debt, including premium, of $25.4 million, to deposit $5.0 million into a cash collateral account to partially secure the Maxwhale Notes, and to make principal payments on other long-term obligations of $0.4 million.

Net cash provided by operating activities of $26.7 million for the year ended December 31, 1992, net of repayments of working capital borrowings of $7.8 million, amounted to $18.9 million. These funds, along with $42.7 million of net proceeds from the sale of common stock, the $6.8 million of proceeds from the sale of subordinated notes and the $7.5 million of proceeds from the sale of Redeemable Preferred Stock, were utilized in investing activities for

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acquisitions and the purchase of fixed assets of $49.1 million and in financing activities to retire $6.8 million of subordinated notes, to deposit $10.0 million into a cash collateral account to partially secure the Maxwhale Notes, to pay cash dividends of $8.3 million and to make principal payments on other long term obligations of $0.6 million.

A consortium of banks has historically provided the Company with credit facilities, currently consisting of a $75 million credit line pursuant to the Credit Agreement. The Credit Agreement was amended in October 1993 to include a $20 million letter of credit facility for use in connection with acquisitions, which letter of credit facility expires on October 20, 1994. As of December 31, 1992, $32 million of borrowings were outstanding, but as of September 30, 1993, due in part to the seasonal nature of the Company's business, the Company did not require any working capital borrowings.

The Company's working capital deficiency at September 30, 1993 of approximately $7.5 million was generated primarily by the inclusion of $27.5 million of the Maxwhale Notes as a current liability, offset in part by the inclusion of $20 million that has been deposited in a cash collateral account as a current asset. Adjusted to give effect to the Offering, the Maxwhale Notes Repurchase, the Star Gas Investment and the Subordinated Debt Amendments, the Company's working capital would have been approximately $23.0 million at September 30, 1993.

For the remainder of 1993, the Company's financing obligations included making its investment of $16.0 million in Star Gas, principal payments on other long-term obligations of $0.1 million and paying common stock dividends of approximately $3.1 million. For 1994, after giving effect to the completion of the Offering and the application of the net proceeds therefrom, the Company's financing obligations include redeeming $4.2 million of Redeemable Preferred Stock and paying $2.8 million in dividends for such stock. In addition, the Company anticipates paying $12.0 million in Common Stock dividends. Based on the Company's current cash position, bank credit availability and expected net cash to be provided by operating activities for the remainder of 1993 and for 1994, the Company expects to be able to meet all of the above mentioned obligations in 1993 and 1994, as well as meet all of its other current obligations as they become due.

TAX MATTERS

Federal tax legislation, passed on August 10, 1993, will affect the manner in which the Company amortizes intangible assets, primarily customer lists and restrictive covenants associated with acquisitions for Federal income tax purposes. For financial reporting purposes, the Company historically has amortized 90% of acquired customer lists over a six year period and the balance over a 25 year period, and has followed substantially the same policy for Federal income tax reporting purposes.

The new tax legislation will require amortization of all intangible assets on a straight line basis over 15 years for Federal income tax reporting purposes, beginning with acquisitions made after the date of enactment. The legislation has no effect on the Company's historic results for financial reporting or for Federal income tax reporting purposes. For financial reporting purposes, the Company periodically reviews the appropriate allocation of purchase price among the assets acquired. No changes are currently contemplated in the various amortization lives for the intangible assets acquired; however the

Company periodically reviews such periods from time to time. The legislation will reduce the Company's annual Federal income tax deduction attributable to future acquisitions by requiring the amortization of such intangibles for Federal income tax purposes over a longer period than the Company currently utilizes. This could cause the Company to pay income taxes in advance of recording financial statement income in the future after utilization of the Company's available net operating loss carryforwards.

NEW ACCOUNTING PRONOUNCEMENTS

During the first quarter of 1993, the Company adopted Statement of Financial Accounting Standard No. 106 ("SFAS No. 106"), "Employers' Accounting for Post Retirement Benefits Other Than Pensions." This statement requires that the expected cost of post retirement benefits be fully accrued by the first date of full benefit eligibility, rather than expensing the benefit when payment is made. As the Company generally does not provide for post retirement benefits, other than pensions, the adoption of the new statement did not have any material effect on the Company's financial condition or results of operations.

During the first quarter of 1993, the Company also adopted Statement of

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Financial Accounting Standard No. 109, "Accounting for Income Taxes" ("SFAS No. 109"). This statement requires that deferred income taxes be recorded following the liability method of accounting and adjusted periodically when income tax rates change. Adoption of the new statement did not have any effect on the Company's financial condition or results of operations since the Company did not carry any deferred tax accounts on its balance sheet at December 31, 1992 and any net deferred tax asset set up as a result of applying SFAS No. 109 has been fully reserved.

BUSINESS

The Company is the largest retail distributor of home heating oil in the United States, with total sales of $548.9 million for the twelve months ended September 30, 1993. As of September 30, 1993, Petro served approximately 421,000 customers in 26 markets in the Northeast, including the metropolitan areas of Boston, New York City, Baltimore, Providence and Washington, D.C. Despite its market position, the Company's customer base is estimated to represent approximately 5% of the residential home heating oil customers in the Northeast. For the twelve months ended September 30, 1993, the Company sold approximately 449.7 million gallons of home heating oil and propane.

In addition to sales of home heating oil and propane, the Company installs and repairs heating equipment and, to a limited extent, markets other petroleum products to commercial customers, including #4 fuel oil, #6 fuel oil, diesel fuel, kerosene and gasoline.

Installation and repair of heating equipment is provided as a service by the Company to its heating oil customers, and has represented approximately 11% per year of the Company's net sales for the last three fiscal years. The Company considers the provision of service and installation services to be an integral part of its basic fuel oil business. Accordingly, the Company regularly provides various service incentives to obtain and retain fuel oil customers and such services are not designed to generate profits. Except in isolated instances, the Company does not provide service to any person who is not a heating oil customer.

For the years ended December 31, 1990, 1991 and 1992, and for the nine months ended September 30, 1992 and 1993, sales of home heating oil and propane (not including related installation and service) constituted approximately 78%, 80%, 83%, 82% and 83%, respectively, of the Company's net sales.

FUNDAMENTAL CHARACTERISTICS

Unaffected by General Economy

The Company's business is relatively unaffected by business cycles. As home heating oil is such a basic necessity, variations in the amount purchased as a result of general economic conditions have been limited.

Customer Stability

The Company has a relatively stable customer base due to the tendency of homeowners to remain with their traditional distributors and a majority of homebuyers tending to remain with the previous homeowner's distributor. As a result, the Company's customer base each year includes approximately 90% of the prior year's customers and homebuyers who have purchased their homes from prior Petro customers. In an acquisition, while the Company loses approximately 90% of the acquired customers within the first six years, the retention of a majority of the homes underlying such customers make the homes included in the customer list similar to the prior year.

Like many other companies in its industry, the Company delivers home heating oil to each of its customers an average of approximately six times during the year, depending upon weather conditions and historical consumption patterns, without the customer having to make an affirmative purchase decision each time oil is needed. Approximately 85% of the Company's customers receive their fuel oil pursuant to an automatic delivery system. In addition, the Company provides home heating equipment repair service on a seven days a week, 52 weeks a year basis, generally within four hours of request. Each customer requires such service an average of twice a year.

Weather Stability

Average temperatures over time have varied to a very limited extent notwithstanding the warm winter weather experienced in 1990 and 1991.

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The following table presents the average daily temperature (in degrees Fahrenheit) in the metropolitan New York City area for January through March and October through December of the year indicated (which are considered to be the heating season months):

<TABLE>
<CAPTION>

YEAR	AVERAGE TEMPERATURE
<S>	<C>
1960.....	40.4
1961.....	41.9
1962.....	40.0
1963.....	41.1
1964.....	42.1
1965.....	41.5
1966.....	41.9
1967.....	40.5
1968.....	40.2
1969.....	40.4
1970.....	39.8
1971.....	41.9
1972.....	40.5
1973.....	43.8
1974.....	41.9
1975.....	43.5
1976.....	39.3
1977.....	40.1
1978.....	39.5
1979.....	43.0
1980.....	39.8
1981.....	41.1
1982.....	42.6
1983.....	42.9
1984.....	43.4
1985.....	42.5
1986.....	42.5
1987.....	42.1
1988.....	41.1
1989.....	40.8
1990.....	47.0
1991.....	44.3
1992.....	41.9

</TABLE>

- ------------------------------

Source: National Oceanic and Atmospheric Administration

Based upon the average temperatures experienced since 1960, the Company does not believe that the 1990 and 1991 weather is necessarily indicative that higher than normal winter temperatures will prevail in the future. This belief is based in part on the fact that the weather in 1992 and for the nine months ended September 30, 1993 has returned to relatively normal levels and that the four warmest years in this century other than 1990 and 1991 occurred in 1953, 1949, 1946 and 1913.

Insulation from Oil Price Volatility

The Company has been insulated from the volatility of wholesale oil prices due to its policy of maintaining on average no more than a ten day inventory of home heating oil and by limiting its activities to the retail distribution of home heating oil. Although the price of crude oil has been volatile, this has not materially affected the Company's performance. As a retailer, the Company has been able to add an increasing gross margin onto its wholesale costs, whatever their level, designed to offset the impact of inflation, account attrition and weather.

Oil Supply

Petro's policy of contracting for a majority of its oil supply with a diverse group of domestic sources minimizes the potential impact of foreign supply disruptions. This diversity, along with purchasing a certain portion of its needs on the spot market, enables the Company to obtain supplies at the lowest possible cost without jeopardizing product security. In addition, given the low proportion of crude oil that is refined into fuel oil and the importance of home heating oil during cold periods, the Company believes that, in the event of foreign oil supply disruptions, the level of production of home heating oil will generally continue unaffected compared to other oil products.

Conversions to Natural Gas

The rate of conversion from the use of home heating oil to natural gas is primarily affected by the relative prices of the two products and the cost of replacing an oil fired heating system with one that uses natural gas. The

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Company believes that approximately 1% of its customer base annually converts from home heating oil to natural gas. Even when natural gas had a significant price advantage over home heating oil, such as in 1980 and 1981 when there were government controls on natural gas prices or, for a short time in 1990 and 1991, during the Persian Gulf crisis, the Company's customers converted to natural gas at only a 2% annual rate. During the latter part of 1991 and through 1992, natural gas

conversions have returned to their approximate 1% historical annual rate as the prices for the two products have been at parity.

In 1992, the Iroquois natural gas pipeline, which extends from Canada to Long Island, New York commenced operations. This pipeline serves the Northeast and has the capacity for transporting more than 600 million cubic feet of natural gas per day.

The following table presents the percentage of the Company's customers that have converted to natural gas annually from 1982-1992:

NATURAL GAS CONVERSIONS

<TABLE>
<CAPTION>

YEAR	PERCENT
<S>	<C>
1982	1.3%
1983	0.5
1984	0.6
1985	0.7
1986	0.8
1987	0.9
1988	1.0
1989	1.0
1990	1.5
1991	1.4
1992	1.1

</TABLE>

Environmental Matters

Petro has not incurred any significant environmental compliance costs. This is primarily due to the Company's general policy of not owning or operating fuel oil terminals and of closely monitoring its compliance with all environmental laws. While Petro has received notifications for three sites under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, two claims against the Company were voluntarily dismissed and the third was closed for $20,000.

INDUSTRY OVERVIEW

Since the 1930s, oil has been a primary source of home heat in the Northeast. The Northeast accounts for approximately two-thirds of the demand for home heating oil in the United States and, during 1991, approximately 7.7 million homes, or approximately 40% of all homes in the Northeast, were heated by oil. In recent years, demand has been affected by conservation efforts and conversions to natural gas. In addition, as the number of new homes that use oil heat has not been significant, there has been virtually no increase in the customer base due to housing starts. As a result, home heating oil consumption in the Northeast has declined from approximately 5.9 billion gallons in 1981 to approximately 4.4 billion gallons in 1991. The Company does not expect consumption to decline materially as a result of further conservation efforts and conversions to natural gas because, unless worldwide oil shortages develop, consumers have little incentive to take additional conservation measures beyond what they have already implemented. In addition, losses of customers to gas heat as an alternate energy source are presently insignificant due to the recent stabilization of retail oil prices relative to retail natural gas prices and the cost of conversion. See "Business--Fundamental Characteristics--Conversions to Natural Gas."

The home heating oil distribution business is highly fragmented and characterized by numerous local fuel oil distributors, most of which have fewer than 20 employees and operate within a 25 mile radius from their distribution facility. According to the United States Bureau of Census, there were approximately 3,800 independently-owned and operated home heating oil distributors in the Northeast at the end of 1990. Generally, these companies were established in the late 1940s and early 1950s in

response to the post-World War II suburban housing boom. Now, 45 years later, many of the proprietors of these businesses are considering retirement and selling their operations.

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BUSINESS STRATEGY

Current management assumed control of the Company in 1979 and restructured the Company by consolidating operating branches and focusing primarily on the retail sale of home heating oil. In addition, corporate overhead was significantly reduced, primarily through a reduction in the number of employees and related expenses. After this reorganization, management perceived an opportunity to achieve substantial growth and increased profitability by acquiring fuel oil distributors in new and existing markets.

Acquisition Strategy

The Company's strategy is to continue to grow through the acquisition and integration of additional distributors in existing and new markets.

The Company acquires two types of distributors. The first type are relatively small and easily integrated into the Company's branch system, resulting in significant economies of scale through the centralization of the purchasing, marketing, credit, data processing and other administrative functions of the acquired distributor. The second type are larger, stand-alone businesses that are not integratable but are usually in new markets. Acquisitions of these businesses not only provide attractive investment returns, but also provide hubs for future expansion.

From January 1, 1980 through September 30, 1993, the Company made 144 acquisitions of fuel oil distributors, of which 18 resulted in the Company's expansion into new markets and the remaining were located in existing markets. After an initial start-up period, the Company's acquisitions have been made at a relatively steady pace, with the Company acquiring an average of 14 companies annually from 1984 through 1989, which, excluding one large acquisition in 1987, averaged 3.4 million gallons annually per acquisition, and cost an average of $1.6 million per acquisition. While the Company continued to acquire distributors in 1990 and 1991, it did so at a reduced pace, despite an increase in opportunities, since the warm winter weather in those years limited the Company's internally generated capital and access to attractively priced external capital. The Company completed nine acquisitions in 1992 with an annual volume of 65.6 million gallons and completed nine acquisitions during the nine months ended September 30, 1993 with an annual volume of 25.6 million gallons.

On December 22, 1992 the Company acquired a fuel oil distribution business from Agway Energy Products. This acquired business, which has distributors in eight locations, sold, in the aggregate, approximately 15.5 million gallons of home heating oil and 10.0 million gallons of other petroleum products in 1992. Four of the distributors are also engaged in the distribution of propane, primarily for home heating. These four distributors sold approximately 5.5 million gallons of propane during 1992. The Company believes that the propane delivery business is a natural extension of its home heating oil delivery business, and it has integrated these four propane distributors into its existing operations. In December 1993, Petro acquired an approximate 29.5% interest in another propane distributor, Star Gas, for $16 million. Star Gas has a right of first refusal with respect to future acquisition opportunities in the propane industry that are offered to the Company. There can be no assurance that the investment will be profitable. The Company intends to explore the acquisition of other distributors in the propane industry. See "Risk Factors--Investment in Star Gas" and "--Investment in Star Gas."

The following table sets forth the number of acquisitions made by the Company during the 1979 to 1992 period, including the approximate number of customers acquired and the gallons which such customers purchased from the acquired distributors in the year preceding such acquisition:

<TABLE>
<CAPTION>

YEAR	NUMBERS OF ACQUISITIONS	NUMBER OF CUSTOMERS ACQUIRED	NUMBER OF GALLONS ACQUIRED (IN THOUSANDS)
<S>	<C>	<C>	<C>
1979	1	800	900
1980	3	6,950	8,910
1981	6	50,800	49,050
1982	4	19,900	23,600
1983	5	40,000	65,151
1984	13	51,300	62,420
1985	10	49,900	61,934
1986	16	46,800	53,375
1987	12	76,300	114,527
1988	20	47,300	53,287
1989	16	34,400	51,569
1990	12	35,600	42,859
1991	9	15,300	18,220
1992	9	65,200	65,618

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</TABLE>

The Company's active acquisition program is designed to capitalize on the highly fragmented nature of the home heating oil industry, Petro's acquisition expertise, as well as what management believes to be an absence of competitors with acquisition experience, reputation and access to capital equivalent to that of Petro. In the Northeast, there are approximately 3,800 independently owned and operated home heating oil distributors. Many of the proprietors of these businesses are of retirement age and may be receptive to selling their operations. Another source of acquisitions are companies that are owned by individual entrepreneurs who find expansion within the heating oil industry difficult, either operationally or financially, or who have other investment opportunities. Recently, acquisition opportunities have increased due to the effect of an increasingly difficult business environment on these independently owned and operated businesses, especially as a result of the warm 1990 and 1991 heating seasons. In addition, the retail home heating oil divisions of major oil companies, which strategically desire to concentrate their capital and management in other segments of the petroleum industry, have also become available.

The Company has an acquisition staff whose responsibility it is to develop leads, analyze potential purchases, negotiate purchase prices and contracts and oversee the integration process. This has resulted in acquisitions generally requiring only three to four weeks from the time an understanding is reached to the consummation of the transaction and the integration of the acquired distributor into Petro's operations. In August 1993, the Company added two senior managers to its acquisition staff in order to enhance the Company's ability to actively identify new acquisition opportunities.

The two principal criteria the Company uses to evaluate a potential acquisition are return on investment and operational fit. The Company determines the earnings potential of a possible acquisition using its historical home heating oil volume and gross profit margin and the Company's anticipated cost of operating the acquired distributor. Based on the anticipated earnings, the Company determines the price it will offer for the distributor to be acquired which is calculated to provide the appropriate return on investment. The Company seeks an annual EBITDA return of 25% to 30% on its capital investments. The determination of operational fit is based on the Company's evaluation of such distributor's customer profile, including annual home heating oil gallons sold, the number of customers on automatic delivery, types of service plans, customer payment patterns and other operating matters such as fleet and supply requirements and compliance with environmental and other laws.

Recognizing the service nature of the home heating oil business, Petro has attempted to retain the local identity of companies it purchases. In addition, while economies of scale are sought with each acquisition, the Company tries to minimize changes that could adversely affect customer or employee relations. By paying close attention to the operational, as well as financial, characteristics of an acquisition, the Company has avoided significant problems relating to its acquisitions over the past 13 years. This policy has not only reduced the potential monetary risks associated with an acquisition but has also enabled senior management to focus on new purchases rather than on post-acquisition matters.

Petro is the largest retail distributor of home heating oil in the United States and management believes there is no home heating oil distributor comparable to Petro in its access to capital. Petro is the only distributor operating in as many as 26 markets, and the Company believes that it sells approximately 3.5 times as many gallons of retail home heating oil as the next largest distributor. While in each of Petro's markets there are a limited number of distributors that from time to time compete for acquisitions, these are generally small enterprises that have limited capital resources and lack structured acquisition programs. In addition, after 145 acquisitions, there is an awareness throughout the home heating oil industry of Petro's interest in and ability to consummate transactions. This high profile within the industry, combined with the Company's reputation among potential sellers, results in Petro having the opportunity to review many of the acquisition opportunities in the Northeast. Several acquisition opportunities are currently being evaluated.

Operating Strategy

The Company currently operates from 30 branch locations and a corporate office in Stamford, Connecticut. The accounting, data processing, purchasing and credit functions are centralized, while branch offices maintain autonomy over oil delivery, heating equipment service and customer relations. The Company obtains its fuel oil in either barge or truckload quantities. When purchasing in barge quantities, the Company hires independent barging companies on an as needed basis to transport the Company's oil from refineries and other bulk storage facilities to third-party storage terminals. The Company has contracted with approximately 71 third party storage terminals for the right to temporarily store its fuel oil at their facilities. The fuel oil is then transported by the Company's fleet of approximately 725 delivery trucks to its customers.

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Approximately 85% of the Company's customers receive their fuel oil pursuant to an automatic delivery system in which individual deliveries are scheduled by computer based upon each customer's historical consumption patterns and prevailing weather conditions. The Company delivers home heating oil approximately six times during the year to the average customer. The Company's practice is to bill customers promptly after delivery. In addition, approximately 30% of the Company's customers are on the Company's budget payment plan whereby their estimated annual oil purchases and service contract is paid for in a series of equal monthly payments over an 11 or 12 month period.

SUPPLIERS

The Company obtains home heating oil from numerous sources, including integrated international oil companies, independent refiners and independent wholesalers, many of which have been suppliers to the Company for over 10 years. The Company's purchases are made pursuant to supply contracts or on the spot market. The Company has market price based contracts for substantially all its petroleum requirements with 14 different suppliers, all of which have significant domestic sources for their product. The Company's current suppliers are (in alphabetical order): Amerada Hess Corporation; Bayway Refining Co.; Citgo Petroleum Corp.; Coastal New England and New York; Crown Central Petroleum; Exxon Company USA; Global Petroleum Corp.; Kerr McGee Refining Corp.; MG Refining and Marketing Co.; Mobil Oil Corporation; Northeast Petroleum, a division of Cargill, Inc.; S&S Hartwell and Co., Inc., a division of Sprague Energy Group; Stuart Petroleum Company; and Sun Oil Company. The Company's supply contracts each have terms of 12 months and typically expire in May or June of each year. All of the supply contracts provide for maximum quantities, but do not establish in

advance the price at which fuel oil is sold, which, like the Company's price to its customers, is established from time to time. The Company believes that its policy of contracting for substantially all its supply needs with diverse and reliable sources will enable it to obtain sufficient product should unforeseen shortages develop in the worldwide supply of crude oil. The Company further believes that relations with its current suppliers are satisfactory.

CUSTOMERS AND SALES

As of September 30, 1993, the Company served approximately 421,000 customers in the following 26 markets through a sales force of 193 individuals based primarily in the Company's branch offices:

NEW YORK
- Bronx, Queens and Kings Counties
- Eastern Long Island
- Staten Island
- Western Long Island

CONNECTICUT
- Bridgeport--New Haven
- Hartford (Metropolitan)
- Litchfield County
- Southern Fairfield County

PENNSYLVANIA
- Allentown
- Berks County (Centered in Reading)
- Lebanon County (Centered in Palmyra)

MASSACHUSETTS
- Boston (Metropolitan)
- Northeastern Massachusetts (Centered in Lawrence)
- Springfield
- Worcester

MARYLAND/VIRGINIA/D.C.
- Baltimore (Metropolitan)
- Washington, D.C. (Metropolitan)

NEW JERSEY
- Camden
- Neptune
- Newark (Metropolitan)
- North Brunswick
- Rockaway
- Trenton

NEW HAMPSHIRE
- Milford

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Portsmouth

RHODE ISLAND
Providence

Approximately 85% of the Company's sales of home heating oil are made to homeowners with the balance to industrial, commercial and institutional customers. Historically, the Company has lost a portion of its customer base each year for various reasons, including customer relocation, price competition and conversions to natural gas.

To generate leads for new customers, the Company utilizes a variety of techniques such as telemarketing and monitoring real estate turnover. The Company has implemented various sales incentives designed to attract new customers and reduce account losses. The Company has instituted an ongoing customer service training and sensitivity program in an effort to provide superior service to its existing customers.

COMPETITION

The Company's business is highly competitive. The Company competes with fuel oil distributors offering a broad range of services and prices, from full service distributors, like the Company, to those offering delivery only. Competition with other companies in the fuel oil industry is based primarily on customer service and price. Long-standing customer relationships are typical in the retail home heating oil industry. Many companies in the industry, including Petro, deliver home heating oil to their customers based upon weather conditions and historical consumption patterns without the customer having to make an affirmative purchase decision each time oil is needed. In addition, most companies, including Petro, provide home heating equipment repair service on a 24-hour a day basis, which tends to build customer loyalty.

EMPLOYEES

As of September 30, 1993, the Company had 2,071 employees, of whom 634 were office, clerical and customer service personnel, 723 were heating equipment repairmen, 324 were oil truck drivers and mechanics, 197 were management and staff and 193 were employed in sales. Approximately 62 of those employees are seasonal, and management expects to rehire the majority of them for the next heating season. Approximately 726 full time employees and 32 seasonal employees are represented by 18 different local chapters of labor unions. Management believes that its relations with both its union and non-union employees are satisfactory.

LITIGATION

The Company is not party to any litigation which individually or in the aggregate could reasonably be expected to have a material adverse effect on the results of operations or the financial condition of the Company.

INVESTMENT IN STAR GAS

In December 1993, the Company acquired an approximate 29.5% equity interest (42.8% voting interest) in Star Gas for $16.0 million in cash. Of such $16.0 million investment, $14.0 million was invested directly in Star Gas through the purchase of Series A 8% pay-in-kind Cumulative Convertible Preferred Stock of Star Gas, which is convertible into common stock of Star Gas, and $2.0 million was invested through Star Gas Holdings, Inc. ("Holdings"), a corporation formed in connection with the Star Gas Recapitalization. Certain other investors (including Holdings) invested a total of $49.0 million of additional equity in Star Gas, of which $11.0 million was in the form of cash and $38.0 million resulted from the conversion of long-term debt and preferred stock into equity. As a result of redemptions of a portion of the equity in Star Gas held by certain of the other investors that the Company expects will occur in connection with the Star Gas Recapitalization, the Company expects that its direct and indirect equity interest in Star Gas will increase to 36.7% without any additional investment by the Company.

Star Gas has granted to the Company an option, exercisable through December 20, 1998, to purchase 500,000 shares of common stock of Star Gas (representing 10% of Star Gas' equity) for an aggregate purchase price of approximately $5.0 million. In addition, each of the other investors in Star Gas (including each such investor whose investment is held through Holdings) has granted to the Company an option, exercisable for the period beginning on the date that Star Gas' audited financial statements for the year ended September 30, 1994 are first delivered to such investors and ending on December 31, 1998, to purchase such investor's interest in Star Gas (or, in the case of Holdings, to purchase such investor's interest in Holdings). In addition, each such investor has an

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option, exercisable beginning January 1, 1999 and ending on December 31, 1999, to require the Company to purchase such investor's interest in Star Gas (or Holdings). In any such case, the purchase price for such interests would be calculated based upon a multiple of Star Gas' EBITDA, subject to certain minimum prices, and would be payable in cash or common stock of the Company or, in the case of the Holdings options, in cash, subordinated debt of the Company or, if the Company is not then permitted to issue such debt, preferred stock of the Company. For additional information regarding the Star Gas Recapitalization, see Note 2 of Notes to Consolidated Financial Statements of Star Gas.

The Company's decision whether or not to exercise any of its options will be based, among other things, upon Star Gas' results of operations and the availability of financing to the Company. As a result, the exercise of any such option cannot be considered probable at this time.

The investors in Star Gas have entered into a shareholders' agreement, which provides that the Company is entitled to nominate for election up to three persons to serve as directors of Star Gas, Holdings is entitled to nominate up to two persons, and the other investors (as a group) are entitled to nominate up to three persons.

The Company will manage Star Gas' business under a Management Services Agreement which provides for an annual cash fee of $500,000 and an annual bonus equal to 5% of the increase in Star Gas' EBITDA over the year ended September 30, 1993, payable in common stock of Star Gas pursuant to a formula set forth in the Management Services Agreement. Star Gas also will reimburse the Company for its expenses and the cost of certain Company personnel.

After giving effect to the Star Gas Recapitalization on a pro forma basis as of September 30, 1993, Star Gas would have had total long-term debt of $70.0 million and stockholders' equity of $51.1 million. The Company is not contingently liable for any indebtedness of Star Gas.

Star Gas is the tenth largest distributor of propane in the United States, with sales of $154.2 million, representing over 169 million gallons of propane, for the year ended September 30, 1993. Star Gas served approximately 200,000 customers in the midwestern, northeastern and southeastern regions of the United States as of September 30, 1993.

Star Gas distributes propane primarily for home heating as well as for commercial uses from 89 locations employing a fleet of over 300 delivery trucks. Star Gas acquires propane from approximately 30 sources, including Ashland Petroleum Company, Amoco Canada Marathon Corp., Enron Gas Liquids, Inc. and Texaco Exploration and Production, Inc. Star Gas owns a storage facility in the Midwest in which it is able to store approximately 22 million gallons of propane in an underground cavern located approximately 400 feet below the surface. The Company believes that there is little risk associated with the storage facility due to its depth and location and that there is no significant environmental risk due to the nature of the product stored.

The propane industry is highly competitive. For the fiscal years ended September 30, 1991, 1992 and 1993, Star Gas had net losses of $5.3 million, $7.3 million and $47.1 million and EBITDA of $24.7 million, $22.2 million and $18.6 million, respectively. See the Consolidated Financial Statements of Star Gas which appear elsewhere in this Prospectus. For the fiscal years ended September 30, 1991, 1992 and 1993, Star Gas had a ratio of EBITDA to interest expense of 1.3 to 1.0, 1.3 to 1.0, and 1.1 to 1.0, respectively. After giving effect to the Star Gas Recapitalization, the ratio of EBITDA to interest expense on a pro forma basis would have been 2.3 to 1.0 for the fiscal year ended September 30, 1993.

MANAGEMENT

DIRECTORS AND EXECUTIVE OFFICERS

Information with respect to the directors and executive officers of the Company is set forth below:

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<TABLE>
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NAME	AGE	OFFICE
<S>	<C>	<C>
Irik P. Sevin	46	Chief Executive Officer, Chairman of the Board, President and Director
C. Justin McCarthy	49	Senior Vice President--Operations
Joseph P. Cavanaugh	56	Senior Vice President--Administration--Controller
Audrey L. Sevin	67	Secretary and Director
George Leibowitz	56	Senior Vice President--Finance and Corporate Development
George P. Russell	38	Senior Vice President--Marketing and Sales
Richard F. Ambury	36	Vice President and Assistant Controller
James J. Bottiglieri	37	Vice President and Assistant Controller
Matthew J. Ryan	36	Vice President--Supply
Phillip Ean Cohen(1)	46	Director
Thomas J. Edelman	42	Director
Richard O'Connell(1)(2)	47	Director
Wolfgang Traber(1)(2)	49	Director
Max M. Warburg	45	Director

</TABLE>

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(1) Member of the Audit Committee.

(2) Member of the Compensation Committee.

Irik P. Sevin has been a director of Petro, Inc. since January 1979 and of the Company since its organization in October 1983. Mr. Sevin has been President of Petro, Inc. since November 1979 and of the Company since 1983 and Chairman of the Board of the Company since January 1993. Between January 1979 and November 1979, he was Executive Vice President of Petro, Inc. Mr. Sevin was an associate in the investment banking division of Kuhn Loeb & Co. and then Lehman Brothers Kuhn Loeb Incorporated from February 1975 to December 1978. Mr. Sevin is a graduate of the Cornell University School of Industrial and Labor Relations (B.S.), New York University School of Law (J.D.) and the Columbia University School of Business Administration (M.B.A.).

C. Justin McCarthy has been Senior Vice President--Operations of Petro, Inc. since January 1979 and of the Company since its organization in October 1983. Prior to his joining the Company, Mr. McCarthy was General Manager of the New York City operations for Whaleco Fuel Oil Company from 1976 to 1979 and was General Manager of the Long Island Division of Meenan Oil Co., Inc. from 1973 to 1976. Mr. McCarthy is a graduate of Boston College (B.B.A.) and the New York University Graduate School of Business Administration (M.B.A.).

Joseph P. Cavanaugh has been Controller of Petro, Inc. since 1973 and of the Company since its organization in 1983. He was elected a Vice President of the Company in October 1983 and a Senior Vice President since January 1993. Mr. Cavanaugh is a graduate of Iona College (B.B.A.) and Pace University (M.S. in Taxation).

Audrey L. Sevin has been a director and Secretary of Petro, Inc. since January 1979 and of the Company since its organization in October 1983. Mrs. Sevin was a director, executive officer and principal shareholder of A.W. Fuel Co., Inc. from 1952 until its purchase by the Company in May 1981. Mrs. Sevin is a graduate of New York University (B.S.).

George Leibowitz has been Senior Vice President of the Company since November 1, 1992. From 1985 to 1992, prior to joining the Company, Mr. Leibowitz was the Chief Financial Officer of Slomin's Inc., a retail heating oil dealer. From 1984 to 1985, Mr. Leibowitz was the President of Lawrence Energy Corp., a consulting and oil trading company. From 1971 to 1984, Mr. Leibowitz was Vice President--Finance and Treasurer of Meenan Oil Co., Inc. Mr. Leibowitz is a Certified Public Accountant and a graduate of Columbia University (B.A. 1957) and the Wharton Graduate Division, University of Pennsylvania (M.B.A. 1958).

George P. Russell has been Senior Vice President--Marketing and Sales since May 1993. From 1986 to 1993, prior to joining the Company, Mr. Russell was the Vice President of Marketing and Sales for Harvard Community Health Plan. From 1981 to 1986, Mr. Russell was a Marketing Manager with The Gillette Company. Mr. Russell is a graduate of Western New England College (B.S. 1977), St. John's University (M.B.A. 1979) and Harvard Graduate School of Business (Advanced Management Program--Marketing 1988).

Richard F. Ambury has been Assistant Controller of the Company since June 1983 and was elected Vice President--Assistant Controller in December 1992. From 1979 to 1983, Mr. Ambury was employed by a predecessor firm of KPMG Peat Marwick, a public accounting firm. Mr. Ambury graduated from Marist College with a degree in Business Administration in 1979 and has been a Certified Public Accountant since 1981.

James J. Bottiglieri has been Assistant Controller of the Company since

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1985 and was elected Vice President--Assistant Controller in December 1992. From 1978 to 1984, Mr. Bottiglieri was employed by a predecessor firm of KPMG Peat Marwick, a public accounting firm. Mr. Bottiglieri graduated from Pace University with a degree in Business Administration in 1978 and has been a Certified Public Accountant since 1980.

Matthew J. Ryan, who has been employed by the Company since 1987, has been Manager of Supply and Distribution of the Company since 1990 and was elected Vice President--Supply in December 1992. From 1974 to 1987, Mr. Ryan was employed by Whaleco Fuel Corp., a subsidiary of the Company which was acquired in 1987. Mr. Ryan graduated from St. Francis College with a degree in Accounting in 1983 (B.S.).

Phillip Ean Cohen has been a director of Petro, Inc. since January 1979 and of the Company since its organization in October 1983. Since 1985, Mr. Cohen has been Chairman of Morgan Schiff & Co., Inc., an investment banking firm. Mr. Cohen is presently a director of AmeriHealth, Inc.

Thomas J. Edelman has been a director of Petro, Inc. since January 1979 and of the Company since its organization in October 1983. Mr. Edelman is the President and a director of Snyder Oil Corporation, a Fort Worth, Texas based independent oil company. Prior to 1981, he was a Vice President of The First Boston Corporation. From 1975 through 1980, Mr. Edelman was with Lehman Brothers Kuhn Loeb Incorporated. Mr. Edelman is a graduate of Princeton University (B.A.) and the Harvard Graduate School of Business Administration (M.B.A.). Mr. Edelman is also the Chairman of the Board of Lomak Petroleum, Inc., an Ohio based independent oil company and a director of Total Energy Services Corporation, a Houston based oil service company.

Richard O'Connell has been a director of Petro, Inc. since January 1979 and of the Company since its organization in October 1983. Mr. O'Connell is a private investor.

Wolfgang Traber has been a director of Petro, Inc. since January 1979 and of the Company since its organization in October of 1983. Mr. Traber is Managing Director of Hanseatic Corporation, in

Hamburg, Germany, a private investment corporation. Mr. Traber is a director of Deltec Securities Corporation, Blue Ridge Real Estate Company, Hellespont Tankers Ltd. and M.M. Warburg & Co.

Max M. Warburg has been a director of the Company since May 1984. Since January 1, 1982, Mr. Warburg has been a partner of M.M. Warburg & Co., a private bank. For the prior four years he was a Managing Director of the same organization. Since March 1988, he has been a member of the board of Holsten Brauerei AG, Hamburg. Since May 1, 1987, he has been a member of the board of Eurokai-Eckelmann Gruppe, Hamburg. Mr. Warburg is a member of the Board of DWS Deutsche Gesellschaft fur Wertpapiersparen GmbH, Frankfurt; DEG Deutsche Finanzierungsgesellschaft fur Beteilingungen in Entwicklungslandern GmbH, Koln; the Hamburg Stock Exchange; and the Hamburg Banking Association.

Audrey L. Sevin is the mother of Irik P. Sevin. There are no other familial relationships between any of the directors and executive officers.

The Company pays each of its directors other than Irik P. Sevin an annual fee of $12,000. Directors are elected annually and serve until the next annual meeting of shareholders and until their successors are elected and qualified. Officers serve at the discretion of the Board.

Certain holders of the Class A Common Stock have entered into a shareholders' agreement (the "Shareholders' Agreement") which provides that they will vote their shares of Class A Common Stock and Class C Common Stock to elect as directors of the Company five persons designated by a group consisting of the Estate of Malvin P. Sevin, Irik P. Sevin, Audrey L. Sevin, Thomas J. Edelman, Phillip Ean Cohen and Margot Gordon (the "Sevin Group") and three persons designated by certain other shareholders of the Company (the "Traber Group"). Each group may designate its nominees by action of the holders of a majority of the Class C Common Stock held by the group.

At present, there are seven directors serving and one vacancy on the Board. Of the present directors, Irik P. Sevin, Audrey L. Sevin, Thomas J. Edelman and Phillip Ean Cohen have been designated by the Sevin Group and Wolfgang Traber, Richard O'Connell and Max A. Warburg have been designated by the Traber Group. All such obligations to vote for directors shall lapse if the Estate of Malvin P. Sevin, Irik P. Sevin or Audrey L. Sevin, no longer owns, directly or indirectly, or has sole voting power over shares having at least 51% of the voting power of all shares of Class C Common Stock held by the Sevin Group.

The Shareholders' Agreement (as well as the Company's Restated Articles of

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Incorporation) provides that certain actions may not be taken without the affirmative vote of 80% of the entire Board of Directors (irrespective of vacancies) including at least one director who has been designated by the Traber Group. The Shareholders' Agreement also provides for first refusal rights to the Company if a holder of Class C Common Stock receives a bona fide written offer from a third party to buy such holder's Class C Common Stock.

DESCRIPTION OF DEBENTURES

The Debentures will be issued pursuant to an Indenture, to be dated as of , 1994, between the Company and Chemical Bank, as trustee (the "Trustee"). The terms of the Debentures include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939 (the "Trust Indenture Act"). The Debentures are subject to all such terms, and holders of the Debentures are referred to the Indenture and the Trust Indenture Act for a statement thereof. The following summary of certain provisions of the Indenture does not purport to be complete. A copy of the proposed form of Indenture has been filed as an exhibit to the Registration Statement of which this Prospectus is a part. Definitions of certain terms used in this section appear at the end of this section under "Certain Definitions."

GENERAL

The Indenture authorizes the issuance of an aggregate principal amount of $75 million of Debentures. The Debentures will mature on , 2006. The Debentures will be general unsecured obligations of the Company and will bear interest at the rate per annum shown on the cover page of this Prospectus, payable semi-annually in arrears on and in each year to the holders of record at the close of business on the and next preceding such interest payment date. Interest will initially accrue from the date of issuance, and the first interest payment date will be , 1994. Interest will be computed on the basis of a 360-day year of twelve 30-day months. The Debentures will be issued in fully registered form only in denominations of $1,000 and integral multiples thereof.

As indicated under "Ranking" below, the Debentures will be subordinated in right of payment to all Senior Debt of the Company.

Principal, premium, if any, and interest will be payable, and the Debentures may be presented for redemption, repurchase, exchange or transfer, at the office of the Trustee in the Borough of Manhattan, City of New York and at any other office or agency maintained by the Company for such purpose. The registrar and paying agent will be Chemical Bank. The Company may change the registrar or paying agent without prior notice to holders and the Company or any Subsidiary may act in such capacity.

OPTIONAL REDEMPTION

The Debentures will be redeemable for cash on or after , 1999 at the option of the Company, in whole or from time to time in part, at the redemption prices set forth herein, together with interest accrued to the redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date). The redemption prices (expressed as percentages of principal amount) are as follows for Debentures redeemed during the twelve-month period beginning of the years indicated:

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YEAR	PERCENTAGE
<S>	<C>
1999	%
2000	
2001	
2002	
2003 and thereafter	100.000

</TABLE>

In addition, at any time prior to , 1997, the Company may redeem up to $25 million in principal amount of the Debentures with the net proceeds of a public offering of Capital Stock (other than Redeemable Stock) at a redemption price of % of the principal amount thereof, plus accrued and unpaid interest thereon, provided that at least $50 million in aggregate principal amount of the Debentures remain outstanding immediately following any such redemption.

SINKING FUND

There will be no mandatory sinking fund payments for the Debentures.

SELECTION OF DEBENTURES TO BE REDEEMED AND NOTICE OF REDEMPTION

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In the event of optional redemption, as described above, of less than all of the Debentures, the Trustee will select the Debentures for redemption pro rata or by lot or by a method that complies with applicable legal and securities exchange requirements, if any, and that the Trustee considers fair and appropriate and in accordance with methods generally used at the time of selection by fiduciaries in similar circumstances.

Notice of redemption will be mailed at least 30 but not more than 60 days before the redemption date to each holder of Debentures to be redeemed at such holder's registered address. The notice of redemption will identify the Debentures to be redeemed and will state the redemption date; the redemption price; the name and address of the paying agent; that Debentures called for redemption must be surrendered to the paying agent to collect the redemption price plus accrued interest; that, unless the Company defaults in making such redemption payment or the paying agent is prohibited from making such payment pursuant to the terms of the Indenture, interest on Debentures called for redemption ceases to accrue on and after the redemption date; the paragraph of the Debentures pursuant to which the Debentures called for redemption are being redeemed; and that no representation is made as to the correctness or accuracy of the CUSIP number, if any, listed in such notice or printed on the Debentures.

Prior to the redemption date, the Company will deposit with the paying agent (or, if the Company or a Subsidiary is the paying agent, will segregate and hold in trust) money sufficient to pay the redemption price of and accrued interest on all Debentures to be redeemed on that date other than Debentures or portions of Debentures called for redemption which have been delivered by the Company to the Trustee for cancellation.

RANKING

The payment of the principal of, premium (if any) and interest on the Debentures is subordinated in right of payment, as set forth in the Indenture, to the payment when due of all Senior Debt of the Company. However, payment from the money or the proceeds of U.S. Government Obligations held in any defeasance trust described under "Defeasance" below is not subordinate to any Senior Debt or subject to the restrictions described herein. At September 30, 1993, after giving pro forma effect to the Offering, application of the net proceeds therefrom as described under "Use of Proceeds" and the Subordinated Debt Amendments, the outstanding Senior Debt of the Company would have been approximately $42.7 million. The Indenture contains limitations on the amount of additional Funded Debt that the Company may incur; however, under certain circumstances the amount of such Funded Debt could be substantial. The Indenture does not contain limitations on the amount of Indebtedness that is not Funded Debt that the Company may incur. In addition, any Indebtedness that the Company may incur may be Senior Debt. See "--Certain Covenants--Limitation on Funded Debt." A portion of the operations of the Company is conducted through its Subsidiaries. Claims of creditors of such Subsidiaries, including trade creditors, secured creditors and creditors holding guarantees issued by such Subsidiaries, and claims of preferred stockholders (if any) of such Subsidiaries, generally will have priority with respect to the assets and earnings of such Subsidiaries over the claims of creditors of the Company, including holders of the Debentures, even though such obligations do not constitute Senior Debt. The Debentures, therefore, will be effectively subordinated to creditors (including trade creditors) and preferred stockholders (if any) of Subsidiaries of the Company. At September 30, 1993, such Subsidiaries had outstanding Indebtedness (other than guarantees of the Company's Indebtedness under the Credit Agreement) and trade credit of approximately $9.2 million, consisting primarily of trade credit. The Debentures will rank pari passu with other subordinated indebtedness of the

Company, which, after giving pro forma effect to the Subordinated Debt Amendments would have aggregated approximately $92.6 million as of September 30, 1993.

Although the Indenture limits the incurrence of Indebtedness and the issuance of preferred stock by the Company's Subsidiaries, such limitation is subject to a number of significant qualifications. See "Limitation on Subsidiary Indebtedness and Preferred Stock."

"Senior Debt" means the following obligations, whether outstanding on the date of the Indenture or thereafter issued:

(i) all obligations consisting of the Bank Debt;

(ii) all obligations consisting of the principal of and premium, if any, and accrued and unpaid interest (including interest accruing on or after the filing of any petition in bankruptcy or for reorganization relating to the Company to the extent post-filing interest is allowed in such proceeding) in respect of (A) indebtedness of the Company for money borrowed and (B) indebtedness evidenced by notes, debentures, bonds or other similar instruments for the payment of which the Company is

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responsible or liable;

(iii) all Capital Lease Obligations of the Company;

(iv) all obligations of the Company (A) for the reimbursement of any obligor on any letter of credit, banker's acceptance or similar credit transaction, (B) under interest rate swaps, caps, collars, options and similar arrangements and foreign currency hedges entered into in respect of any obligations described in clauses (i), (ii) and (iii) or (C) issued or assumed as the deferred purchase price of property and all conditional sale obligations of the Company and all obligations of the Company under any title retention agreement;

(v) all obligations of other persons of the type referred to in clauses (ii), (iii) and (iv) and all dividends of other persons for the payment of which, in any case, the Company is responsible or liable, directly or indirectly, as obligor, guarantor or otherwise, including guarantees of such obligations and dividends; and

(vi) all obligations of the Company consisting of modifications, renewals, extensions, replacements and refundings of any obligations described in clauses (i), (ii), (iii), (iv) or (v);

unless, in the instrument creating or evidencing the same or pursuant to which the same is outstanding, it is provided that such obligations are not superior in right of payment to the Debentures; provided, however, that Senior Debt will not include (1) any obligation of the Company to any Subsidiary or other Affiliate of the Company, (2) any liability for federal, state, local or other taxes owed or owing by the Company, (3) any accounts payable or other liability to trade creditors arising in the ordinary course of business (including guarantees thereof or instruments evidencing such liabilities) or (4) that portion of any Indebtedness that was incurred in violation of the Indenture.

The Company may not pay principal of, premium (if any) or interest on, the Debentures or make any deposit pursuant to the provisions described under "Defeasance" below and may not repurchase, redeem or otherwise retire any Debentures if (i) any Designated Senior Debt is not paid when due or (ii) any other default on Designated Senior Debt occurs and the maturity of such Designated Senior Debt is accelerated in accordance with its terms unless, in either case, the default has been cured or waived, any such acceleration has been rescinded or such Designated Senior Debt has been paid in full. However, the Company may pay the Debentures without regard to the foregoing if the Company and the Trustee receive written notice approving such payment from the Representative of each issue of Designated Senior Debt with respect to which any such default relates. During the continuance of any default (other than a default described in clause (i) or (ii) of the second preceding sentence) with respect to any Designated Senior Debt pursuant to which the maturity thereof may be accelerated immediately without further notice (except such notice as may be required to effect such acceleration)

or the expiration of any applicable grace periods, the Company may not pay the Debentures for a period (a "Payment Blockage Period") commencing upon the receipt by the Company and the Trustee of written notice of such default from the Representative of the holders of any such Designated Senior Debt specifying an election to effect such prohibition (a "Payment Blockage Notice") and ending 179 days thereafter (or earlier if such Payment Blockage Period is terminated (i) by written notice to the Trustee and the Company from the Representative that gave such Payment Blockage Notice, (ii) by repayment in full of such Designated Senior Debt or (iii) because such default is no longer continuing). Notwithstanding the provisions described in the immediately preceding sentence (but subject to the provisions contained in the first two sentences of this paragraph), unless the holders of such Designated Senior Debt or the Representative of such holders have accelerated the maturity of such Designated Senior Debt, the Company may resume payments on the Debentures after the end of such Payment Blockage Period. Not more than one Payment Blockage Notice may be given in any consecutive 360-day period, irrespective of the number of defaults with respect to Designated Senior Debt during such period.

Upon any payment or distribution of the assets of the Company upon a total or partial liquidation or dissolution or reorganization of or similar proceeding relating to the Company or its property, the holders of Senior Debt will be entitled to receive payment in full before the holders of the Debentures are entitled to receive any payment.

If payment of the Debentures is accelerated because of an Event of Default, the Company or the Trustee will promptly notify the holders of the Designated Senior Debt or their Representatives of the acceleration.

By reason of such subordination provisions contained in the Indenture, in the event of insolvency, creditors of the Company who are holders of Senior Debt may recover more, ratably, than the holders of the Debentures, and creditors of the Company who are not holders of Senior Debt (including the Debentures) may recover less, ratably, than holders of Senior Debt.

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CHANGE OF CONTROL

Upon the occurrence of a Change of Control, each holder of Debentures will have the right to require the Company to repurchase all or any part of such holder's Debentures at a repurchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to the date of repurchase (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date). A "Change of Control" will be deemed to occur if (i) any "person" or "group" (within the meaning of Sections 13(d) and 14(d)(2) of the Exchange Act), other than the members of the Sevin Group and the Traber Group, becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act, except that a person shall be deemed to be the beneficial owner of all shares that such person has the right to acquire, regardless of whether such right is exercisable immediately or after the passage of time), directly or indirectly, of 50% or more of the total voting power of all classes of the Voting Stock of the Company and the members of the Sevin Group and the Traber Group cease to have the right to appoint at least a majority of the members of the Board of Directors of the Company, (ii) the holders of the 10 1/8% Notes have the right to require the Company to purchase any such 10 1/8% Notes pursuant to Section 4.08 of the Indenture, dated as of April 1, 1993, between the Company and Chemical Bank, as trustee, relating thereto, (iii) any holder of the 11.85% Notes, the 12.17% Notes or the 12.18% Notes exercises its right to declare any such notes to be due and payable pursuant to Section 2.1 of the Note Agreement, dated as of September 1, 1988, relating thereto (the "1988 Note Agreement"), (iv) any holder of the 14.10% Notes exercises its right to declare any such notes to be due and payable pursuant to Section 5.2(A) of the Note Agreement, dated as of January 15, 1991, relating thereto (the "1991 Note Agreement") and any holder of the 2000 Notes exercises its right to declare any such notes to be due and payable pursuant to Section 5.2(A) of the Purchase Agreement, dated as of September 1, 1991, relating thereto (the "1991 Purchase

Agreement") or (v) any holder of 11.85% Notes, 12.17% Notes, 12.18% Notes, 14.10% Notes or 2000 Notes shall have received any consideration (whether in the form of cash, a change in the rate of interest relating to such notes, a change in any other provision of the terms of such notes, or otherwise) to amend, modify, waive or otherwise give up its right to declare any such notes to be due and payable upon a "Change of Ownership," as defined in the 1988 Note Agreement, the 1991 Note Agreement or the 1991 Purchase Agreement, as the case may be; provided, however, that an amendment to or waiver or other modification of Section 2.1 of the 1988 Note Agreement, Section 5.2(A) of the 1991 Note Agreement or 5.2(A) of the 1991 Purchase Agreement shall not, in the absence of any consideration, constitute a Change of Control under the Indenture.

Within 30 days following any Change of Control, the Company will mail a notice to each holder stating (i) that a Change of Control has occurred and that such holder has the right to require the Company to purchase such holder's Debentures at a purchase price in cash equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to the date of purchase (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date); (ii) the circumstances and relevant facts regarding such Change of Control (including information with respect to pro forma historical income, cash flow and capitalization after giving effect to such Change of Control); (iii) the purchase date (which will be no earlier than 30 days nor later than 60 days from the date such notice is mailed); and (iv) the instructions, determined by the Company consistent with the Indenture, that a holder must follow in order to have its Debentures repurchased.

If, at the time of a Change of Control, the Company is prohibited by the terms of Bank Debt from purchasing Debentures that may be tendered by holders at the purchase price described above as a result of such Change of Control, then prior to the mailing of the notice to holders described in the preceding paragraph but in any event within 30 days following any Change of Control, the Company must (i) repay in full all Bank Debt or offer to repay in full all Bank Debt and repay the Bank Debt of each lender who has accepted such offer or (ii) obtain the requisite consent under the Bank Debt to permit the purchase of the Debentures as described above. The Company must first comply with the covenant described in the preceding sentence before it will be required to purchase Debentures in the event of a Change of Control, provided that the Company's failure to comply with the covenant described in the preceding sentence will constitute a Default described in clause (iii) under "Defaults" below. As a result of the foregoing, a holder of the Debentures may not be able to compel the Company to purchase the Debentures unless the Company is able at the time to refinance the Bank Debt.

The Change of Control purchase feature of the Debentures may in certain circumstances make more difficult or discourage a takeover of the Company and, thus, the removal of incumbent management. Management has no present intention to engage in a transaction involving a Change of Control, although it is

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possible that the Company would decide to do so in the future. Subject to the limitations discussed below, the Company could, in the future, enter into certain transactions, including acquisitions, refinancings or other recapitalizations, that would not constitute a Change of Control under the Indenture, but that could increase the amount of indebtedness outstanding at such time or otherwise affect the Company's capital structure or credit ratings.

The Company's existing subordinated indebtedness contains provisions that require the Company to repurchase such Indebtedness upon the occurrence of certain events which are substantially similar to the event constituting a Change of Control. The Credit Agreement limits the amount of the Company's cash that may be used to repurchase indebtedness of the Company. In addition, the Company's ability to pay cash to the holders of Debentures upon a repurchase may be limited by the Company's then existing financial resources.

The Company will comply with any tender offer rules under the Exchange Act which may then be applicable, including Rule 14e-1, in connection with any offer required to be made by the Company to purchase the Debentures as a result of a Change of Control.

CERTAIN COVENANTS

Set forth below are certain covenants contained in the Indenture:

SEC Reports. Whether or not required by the rules and regulations of the Commission, so long as any Debentures are outstanding, the Company will furnish to the holders of Debentures all quarterly and annual financial information that would be required to be contained in a filing with the Commission on Forms 10-Q and 10-K if the Company were required to file such Forms, including a "Management's Discussion and Analysis of Financial Condition and Results of Operations" and, with respect to the annual information only, a report thereon by the Company's certified independent accountants. In addition, whether or not required by the rules and regulations of the Commission, the Company will file a copy of all such information with the Commission for public availability and make such information available to investors who request it in writing. The Company also will comply with the provisions of Sec. 314(a) of the Trust Indenture Act.

Limitation on Funded Debt. The Company will not, directly or indirectly, create, incur, issue, assume, guaranty or otherwise become directly or indirectly liable with respect to (collectively, "incur") any Funded Debt unless, after giving effect thereto, the Company's Consolidated EBITDA Coverage Ratio exceeds 2.0 to 1.

Notwithstanding the foregoing paragraph, the Company may incur the following Funded Debt: (i) Funded Debt owed to and held by a Wholly Owned Subsidiary; provided, however, that any subsequent issuance or transfer of any Capital Stock which results in any such Wholly Owned Subsidiary ceasing to be a Wholly Owned Subsidiary or any subsequent transfer of such Funded Debt (other than to a Wholly Owned Subsidiary) will be deemed, in each case, to constitute the incurrence of such Funded Debt by the Company; (ii) the Debentures and Funded Debt issued in exchange for, or the proceeds of which are used to refund or refinance, any Funded Debt permitted by this clause (ii); provided, however, that (1) the principal amount of the Funded Debt so incurred will not exceed the principal amount of the Funded Debt so exchanged, refunded or refinanced and (2) the Funded Debt so incurred (A) will not mature prior to the Stated Maturity of the Funded Debt so exchanged, refunded or refinanced and (B) will have an Average Life equal to or greater than the remaining Average Life of the Funded Debt so exchanged, refunded or refinanced; (iii) Funded Debt (other than Funded Debt described in clause (i) or (ii) of this paragraph) outstanding on the date of the Indenture and Funded Debt issued in exchange for, or the proceeds of which are used to refund or refinance, any Funded Debt permitted by this clause (iii) or by the first paragraph of this covenant; provided, however, that (1) the principal amount of the Funded Debt so incurred will not exceed the principal amount of the Funded Debt so exchanged, refunded or refinanced, (2) the Funded Debt so incurred (A) will not mature prior to the Stated Maturity of the Funded Debt so exchanged, refunded or refinanced and (B) will have an Average Life equal to or greater than the remaining Average Life of the Funded Debt so exchanged, refunded or refinanced and (3) if the Funded Debt so exchanged, refunded or refinanced is a Subordinated Obligation, the Funded Debt so incurred will be subordinated to the Debentures and; (iv) additional Funded Debt in an aggregate amount not to exceed $50 million at any one time outstanding.

In addition, the Company will not create, incur, assume or permit to exist any Lien (other than Permitted Liens) upon or with respect to any of the property of the Company or any Subsidiary to secure Funded Debt that is not Senior Debt unless contemporaneously therewith effective provision is made to secure the Debentures equally and ratably with such Funded Debt for so long as such Funded Debt is secured by a Lien.

Limitation on Indebtedness and Preferred Stock of Subsidiaries. The Company will not permit any Subsidiary to incur any Indebtedness or issue any Preferred

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Stock except: (i) Indebtedness or Preferred Stock issued to and held by the Company or a Wholly Owned Subsidiary; provided, however, that any subsequent issuance or transfer of any Capital Stock which results in any such Wholly Owned Subsidiary ceasing to be a Wholly Owned Subsidiary or any subsequent transfer of such Indebtedness

or Preferred Stock (other than to the Company or a Wholly Owned Subsidiary) will be deemed, in each case, to constitute the incurrence of such Indebtedness or the issuance of such Preferred Stock, as the case may be, by the issuer thereof; (ii) Indebtedness incurred or Preferred Stock of a Subsidiary issued and outstanding on or prior to the date on which such Subsidiary was acquired by the Company (other than Indebtedness incurred or Preferred Stock issued in contemplation of, as consideration in, or to provide all or any portion of the funds or credit support utilized to consummate, the transaction or series of related transactions pursuant to which such Subsidiary became a Subsidiary or was acquired by the Company), provided that at the time such Subsidiary is acquired by the Company, after giving effect to such Indebtedness or Preferred Stock of such Subsidiary, the Company's Consolidated EBITDA Coverage Ratio exceeds 2.0 to 1; (iii) Indebtedness or Preferred Stock (other than Indebtedness or Preferred Stock described in clause (i), (ii), (iv) or (vi) of this covenant) incurred or issued and outstanding on or prior to the date of the Indenture; (iv) Indebtedness of a Subsidiary consisting of guarantees issued by such Subsidiary and outstanding on the date of the Indenture and Indebtedness of a Subsidiary consisting of guarantees issued subsequent to the date of the Indenture, in each case, to the extent such guarantee guarantees Bank Debt; (v) Indebtedness of a Subsidiary (other than Indebtedness described in clause (iv) above) consisting of guarantees of Funded Debt of the Company permitted by the first paragraph of "Limitation on Funded Debt," provided that contemporaneously with the incurrence of such Indebtedness by such Subsidiary, such Subsidiary issues a guarantee for the pro rata benefit of the holders of the Debentures that is subordinated to such Indebtedness of such Subsidiary to the same extent as the Debentures are subordinated to such Funded Debt of the Company; and (vi) Indebtedness or Preferred Stock issued in exchange for, or the proceeds of which are used to refund or refinance, Indebtedness or Preferred Stock referred to in the foregoing clause (ii) or (iii); provided, however, that (1) the principal amount of such Indebtedness or Preferred Stock so incurred or issued will not exceed the principal amount of the Indebtedness or Preferred Stock so exchanged or refinanced and (2) the Indebtedness or Preferred Stock so incurred or issued will (A) have a Stated Maturity later than the Stated Maturity of the Indebtedness or Preferred Stock being exchanged or refinanced and (B) will have an Average Life equal to or greater than the remaining Average Life of the Indebtedness or Preferred Stock so exchanged, refunded or refinanced.

Limitation on Restricted Payments. The Company will not, and will not permit any Subsidiary, directly or indirectly, to (i) declare or pay any dividend or make any distribution on or in respect of its Capital Stock (including any payment in connection with any merger or consolidation involving the Company) or to the direct or indirect holders of its Capital Stock (except (x) dividends or distributions payable solely in its Non-Convertible Capital Stock or in options, warrants or other rights to purchase its Non-Convertible Capital Stock and (y) dividends or distributions payable to the Company or a Subsidiary, and, if a Subsidiary is not wholly owned, to the other shareholders of such Subsidiary on a pro rata basis in accordance with their ownership interest in such Subsidiary), (ii) purchase, redeem or otherwise acquire or retire for value any Capital Stock of the Company or of any direct or indirect parent of the Company, (iii) purchase, repurchase, redeem, defease or otherwise acquire or retire for value, prior to scheduled maturity, scheduled repayment or scheduled sinking fund payment, any Subordinated Obligations (other than the purchase, repurchase or other acquisition of Subordinated Obligations purchased in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case due within one year of the date of acquisition) or (iv) make any Restricted Investment (any such dividend, distribution, purchase, redemption, repurchase, defeasance, other acquisition or retirement, or any such Restricted Investment, being herein referred to as a "Restricted Payment") if at the time the Company or such Subsidiary makes such Restricted Payment: (1) a Default will have occurred and be continuing (or would result therefrom); or (2) the aggregate amount of such Restricted Payment and all other Restricted Payments subsequent to December 31, 1993 would exceed the sum of: (A) 50% of the Cash Flow of the Company and its Subsidiaries accrued during the period (treated as one accounting period) subsequent to December 31, 1993, to the end of the most recent fiscal quarter ending at least 45 days prior to the date of such Restricted Payment (or, in case such Cash Flow will be a deficit, minus 100% of such deficit); (B) the aggregate Net Cash Proceeds

received by the Company from the issue or sale of its Capital Stock subsequent to December 31, 1993 (other than an issuance or sale to a Subsidiary or Unrestricted Subsidiary of the Company or an employee stock ownership plan or other trust established by the Company or any Subsidiary or Unrestricted Subsidiary of the Company); (C) the amount by which indebtedness of the Company is reduced on the Company's balance sheet upon the conversion or exchange (other than by a Subsidiary) subsequent to December 31, 1993, of any Indebtedness of the Company convertible or exchangeable for Capital Stock of the Company (less the amount of any cash, or other property, distributed by the Company upon such

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conversion or exchange); and (D) $20 million.

The provisions of the foregoing paragraph will not prohibit: (i) any purchase or redemption of Capital Stock or Subordinated Obligations of the Company made by exchange for, or out of the proceeds of the substantially concurrent sale of, Capital Stock of the Company (other than Capital Stock issued or sold to a Subsidiary or an employee stock ownership plan or other trust established by the Company or any Subsidiary); provided, however, that (A) such purchase or redemption will be excluded in the calculation of the amount of Restricted Payments and (B) the Net Cash Proceeds from such sale will be excluded from clause (2)(B) of the foregoing paragraph; (ii) dividends paid within 60 days after the date of declaration thereof if at such date of declaration such dividend would have complied with this covenant; provided, however, that at the time of payment of such dividend, no other Default will have occurred and be continuing (or result therefrom); provided further, however, that such dividend will be included in the calculation of the amount of Restricted Payments; (iii) dividends declared and paid in respect of the Company's Class B Common Stock outstanding on the date of the Indenture in an amount in respect of any fiscal year not to exceed 1.5% of the Company's Class B Cash Flow for the immediately preceding fiscal year (provided that no dividend will theretofore have been declared on the Class A Common Stock or Class C Common Stock in the same fiscal year); provided, however, that at the time of such dividend, redemption or exchange, no Default will have occurred or be continuing; provided further, however, that any such dividends, redemptions and exchanges will be included in the calculation of Restricted Payments; (iv) dividends on, and mandatory redemptions and exchanges of, the 1989 Preferred Stock outstanding on the date of the Indenture; provided, however, that at the time of such dividend, redemption or exchange, no Default will have occurred or be continuing; provided further, however, that any such dividends, redemptions and exchanges will be excluded in the calculation of Restricted Payments; or (v) Restricted Investments in an aggregate amount not to exceed the sum of (A) $25 million, plus (B) $5 million on each anniversary of the date of the Indenture, plus (C) the amount of all dividends or other distributions received in cash by the Company or any of its Wholly Owned Subsidiaries from, and the amount of any Net Cash Proceeds to the Company or any of its Wholly Owned Subsidiaries from the sale of Capital Stock (other than a sale of Capital Stock to the Company, a Subsidiary or Unrestricted Subsidiary of the Company or an employee stock ownership plan or other trust established by the Company or any Subsidiary or Unrestricted Subsidiary of the Company) of, an Unrestricted Subsidiary of the Company, to the extent that the aggregate amount of such dividends or other distributions, together with the aggregate amount of any such Net Cash Proceeds, do not exceed the aggregate amount of Restricted Investments made by the Company in such Unrestricted Subsidiary since the date of the Indenture; provided, however,that Restricted Investments permitted by this clause (v) will be excluded in the calculation of the amount of Restricted Payments.

Limitation on Restrictions on Distributions from Subsidiaries. The Company will not, and will not permit any Subsidiary to, create or otherwise cause or permit to exist or become effective any consensual encumbrance or restriction on the ability of any Subsidiary to: (i) pay dividends or make any other distributions on its Capital Stock or pay any Indebtedness owed to the Company, (ii) make any loans or advances to the Company or (iii) transfer any of its property or assets to the Company, except: (1) any encumbrance or restriction pursuant to an agreement in effect on the date of the Indenture; (2) any encumbrance or restriction with respect to a Subsidiary pursuant to an agreement relating to any Indebtedness issued by such Subsidiary on or prior to the date on which such Subsidiary was acquired by the Company (other than Indebtedness issued in contemplation of, as consideration in, or to

provide all or any portion of the funds or credit support utilized to consummate, the transaction or series of related transactions pursuant to which such Subsidiary became a Subsidiary or was acquired by the Company) and outstanding on such date; (3) any encumbrance or restriction pursuant to an agreement effecting a refinancing of Indebtedness issued pursuant to an agreement referred to in the foregoing clause (1) or (2) or contained in any amendment to an agreement referred to in the foregoing clause (1) or (2); provided, however, that the encumbrances and restrictions contained in any such refinancing agreement or amendment are no less favorable to holders of the Debentures than the encumbrances and restrictions contained in such agreements; (4) any such encumbrance or restriction consisting of customary nonassignment provisions in leases governing leasehold interests to the extent such provisions restrict the transfer of the lease; (5) in the case of clause (iii) above, restrictions contained in security agreements securing Indebtedness of a Subsidiary to the extent such restrictions restrict the transfer of the property subject to such security agreements; and (6) any restriction with respect to a Subsidiary imposed pursuant to an agreement entered into for the sale or disposition of all or substantially all of the Capital Stock or assets of such Subsidiary pending the closing of such sale or disposition.

Limitation on Transactions with Affiliates. The Company will not, and will not permit any Subsidiary to, conduct any business or enter into any transaction or series of similar transactions in an aggregate amount in excess of $100,000 (including the purchase, sale, lease or exchange of any property or the rendering of any service) with any Affiliate of the Company or any legal or

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beneficial owner of 5% or more of any class of Capital Stock of the Company or with an Affiliate of any such owner (any such business, transaction or series of similar transactions, an "Affiliate Transaction") unless the terms of such Affiliate Transaction are: (i) set forth in writing, (ii) fair to the Company and its Subsidiaries from a financial point of view, (iii) in the case of any Affiliate Transaction (other than an Affiliate Transaction with an Unrestricted Subsidiary of the Company) in an aggregate amount in excess of $500,000, the disinterested members of the Board of Directors have determined in good faith that the criteria set forth in clause (ii) are satisfied and (iv) in the case of any Affiliate Transaction involving an Unrestricted Subsidiary of the Company in an aggregate amount in excess of $2.0 million, the members of the Board of Directors have determined in good faith that the criteria set forth in clause (ii) are satisfied. This covenant will not prohibit: (i) any Restricted Payment permitted under "Limitation on Restricted Payments," (ii) any issuance of securities, or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, employment arrangements, stock options and stock ownership plans approved by the Board of Directors, (iii) loans or advances to employees in the ordinary course of business; (iv) the payment of reasonable fees to directors of the Company and its subsidiaries who are not employees of the Company or its subsidiaries, (v) any transaction between the Company and a Wholly Owned Subsidiary or between Wholly Owned Subsidiaries or (vi) the Investment represented by the Sevin Note.

Limitation on Liens on Subsidiary Stock. The Company will not directly or indirectly create, assume or suffer to exist, any Lien on any Capital Stock of any of its Subsidiaries.

Except for the limitations on dividends and redemptions of capital stock and the limitations on the incurrence of Indebtedness, the Indenture will not contain any covenants or provisions that may afford holders of the Debentures protection in the event of a highly leveraged transaction.

SUCCESSOR COMPANY

The Company may not consolidate with or merge with or into, or convey, transfer or lease all or substantially all its assets to, any person unless: (i) the resulting, surviving or transferee person (if not the Company) is organized and existing under the laws of the United States of America or any State thereof or the District of Columbia and such entity expressly assumes by a supplemental indenture, executed and delivered to the Trustee, in form satisfactory to the Trustee, all the obligations of the Company under the Indenture and the Debentures; (ii) immediately after giving effect to such transaction (and treating any Indebtedness which becomes an obligation of the resulting, surviving or transferee person or any Subsidiary as a result of such transaction as having been issued by such person

or such Subsidiary at the time of such transaction), no Default has happened and is continuing; (iii) immediately after giving effect to such transaction, the resulting, surviving or transferee person would be able to issue an additional $1.00 of Funded Debt pursuant to the first paragraph of "Limitation on Funded Debt"; and (iv) the Company delivers to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that such consolidation, merger or transfer and such supplemental indenture (if any) comply with the Indenture. The resulting, surviving or transferee person will be the successor company.

DEFAULTS

An Event of Default is defined in the Indenture as (i) a default in the payment of interest on the Debentures when due, continued for 30 days, whether or not such payment is prohibited by the provisions described under "Ranking" above, (ii)(A) a default in the payment of principal of any Debenture when due at its Stated Maturity, upon redemption, upon declaration or otherwise, whether or not such payment is prohibited by the provisions described under "Ranking" above or (B) the failure by the Company to redeem or purchase Debentures when required pursuant to the Indenture or the Debentures, whether or not such redemption or purchase will be prohibited by the provisions described under "Ranking" above, (iii) the failure by the Company to comply for 30 days after notice with its agreements contained in the Debentures or the Indenture (other than those referred to in clauses (i) and (ii) above) (the "covenant default provision"), (iv) Indebtedness of the Company or any Significant Subsidiary is not paid within any applicable grace period after final maturity or is accelerated by the holders thereof because of a default and the total amount of such Indebtedness unpaid or accelerated exceeds $1 million or its foreign currency equivalent (the "cross acceleration provision"), (v) certain events of bankruptcy, insolvency or reorganization of the Company or a Significant Subsidiary (the "bankruptcy provisions") or (vi) any judgment or decree for the payment of money in excess of $1 million is rendered against the Company or a Significant Subsidiary and is not discharged and either (A) an enforcement proceeding has been commenced by any creditor upon such judgment or decree or (B) there is a period of 60 days following such judgment or decree during which such judgment or decree is not discharged, waived or the execution thereof stayed, and, in the case of (B), such default continues for 10 days after notice (the "judgment default provision").

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If an Event of Default (other than an Event of Default specified in clause (v) above with respect to the Company) occurs and is continuing, the Trustee or the holders of at least 25% in principal amount of the Debentures may declare the principal of and accrued but unpaid interest on all the Debentures to be due and payable. Upon such a declaration, such principal and interest will be due and payable immediately. If an Event of Default relating to certain events of bankruptcy, insolvency or reorganization with respect to the Company occurs and is continuing, the principal of and interest on all the Debentures will ipso facto become and be immediately due and payable without any declaration or other act on the part of the Trustee or any holders of the Debentures. Under certain circumstances, the holders of a majority in principal amount of the Debentures may rescind any such acceleration with respect to the Debentures and its consequences. If payment of the Debentures is accelerated because of an Event of Default, the Company or the Trustee must promptly notify the holders of Designated Senior Debt of the acceleration.

Subject to the provisions of the Indenture relating to the duties of the Trustee, in case an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any of the holders of the Debentures unless such holders have offered to the Trustee indemnification satisfactory to it in its sole discretion against all such losses and expenses caused by taking or not taking any such action. No holder of a Debenture may pursue any remedy with respect to the Indenture or the Debentures unless (i) such holder has previously given the Trustee notice that an Event of Default is continuing, (ii) holders of at least 25% in principal amount of the Debentures have requested the Trustee to pursue the remedy, (iii) such holders have offered the Trustee reasonable security or indemnity against any loss, liability or expense, (iv) the

Trustee has not complied with such request within 60 days after the receipt thereof and the offer of security or indemnity and (v) the holders of a majority in principal amount of the Debentures have not given the Trustee a direction inconsistent with such request within such 60-day period. Subject to certain restrictions, the holders of a majority in principal amount of the Debentures are given the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee. The Trustee, however, may refuse to follow any direction that conflicts with law or the Indenture or, subject to the provisions of the Indenture relating to the duties of the Trustee, that the Trustee determines is unduly prejudicial to the rights of any other holder of a Debenture or that would involve the Trustee in personal liability; provided, however, that the Trustee may take any other action deemed proper by the Trustee that is not inconsistent with such direction.

The Indenture provides that if a Default occurs and is continuing and is known to the Trustee, the Trustee must mail to each holder of the Debentures notice of the Default within 90 days after it occurs; provided, however, that, except in the case of a Default in the payment of principal of or interest on any Debenture, the Trustee may withhold notice if and so long as a committee of its Trust Officers determines that withholding notice is in the interest of the holders of the Debentures. The Company also is required to deliver to the Trustee, within 30 days after the occurrence thereof, written notice of any event which would constitute certain Defaults, their status and what action the Company is taking or proposes to take in respect thereof.

AMENDMENTS AND WAIVERS

Except as described below and except for amendments or waivers of the Change of Control provisions (including the related definitions) of the Indenture (which require the consent of the holders at least 66 2/3% in principal amount of the Debentures), the Indenture may be amended with the consent of the holders of a majority in principal amount of the Debentures then outstanding and any past default or compliance with any provisions may be waived with the consent of the holders of a majority in principal amount of the Debentures then outstanding. However, without the consent of each holder of Debentures affected, no amendment may, among other things, (i) reduce the amount of Debentures whose holders must consent to an amendment, (ii) reduce the rate of or extend the time for payment of interest on any Debenture, (iii) reduce the principal of or extend the Stated Maturity of any Debenture, (iv) reduce the premium payable upon the redemption of any Debenture or change the time at which any Debenture may or will be redeemed as described under "Optional Redemption" above, (v) make any Debenture payable in money other than that stated in the Debenture, (vi) impair the right of any holder of the Debentures to receive payment of principal of and interest on such holder's Debentures on or after the due dates therefor or to institute suit for the enforcement of any payment on or with respect to such holder's Debentures, (vii) make any change to the subordination provisions of the Indenture that adversely affects the rights of any holder or (viii) make any change in the amendment provisions which require each holder's consent or in the waiver provisions.

Without the consent of any holder of the Debentures, the Company and the

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Trustee may amend or supplement the Indenture to cure any ambiguity, omission, defect or inconsistency, to provide for the assumption by a successor corporation of the obligations of the Company under the Indenture, to provide for uncertificated Debentures in addition to or in place of certificated Debentures (provided that the uncertificated Debentures are issued in registered form for purposes of Section 163(f) of the Code, or in a manner such that the uncertificated Debentures are described in Section 163(f)(2)(B) of the Code), to make any change to the subordination provisions of the Indenture that adversely affects the rights of any holder of Senior Debt (or Representatives therefor), to add guarantees with respect to the Debentures, to secure the Debentures, to add to the covenants of the Company for the benefit of the holders of the Debentures or to surrender any right or power conferred upon the Company, to make any change that does not adversely affect the rights of any holder of the Debentures or to comply with any requirement of the Commission in connection with the qualification of the Indenture under the Trust

Indenture Act. However, no amendment may be made to the subordination provisions of the Indenture that adversely affects the rights of any holder of Senior Debt then outstanding unless the holders of such Senior Debt (or any group or representative thereof authorized to give a consent) consent to such change.

The consent of the holders of the Debentures is not necessary under the Indenture to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment.

After an amendment under the Indenture becomes effective, the Company is required to mail to holders of the Debentures a notice briefly describing such amendment. However, the failure to give such notice to all holders of the Debentures, or any defect therein, will not impair or affect the validity of the amendment.

TRANSFER

The Debentures will be issued in registered form and will be transferable only upon the surrender of the Debentures being transferred for registration of transfer. The Company may require payment of a sum sufficient to cover any tax, assessment or other governmental charge payable in connection with certain transfers and exchanges.

DEFEASANCE

The Company at any time may terminate all its obligations under the Debentures and the Indenture ("legal defeasance"), except for certain obligations, including those respecting the defeasance trust and obligations to register the transfer or exchange of the Debentures, to replace mutilated, destroyed, lost or stolen Debentures and to maintain a registrar and paying agent in respect of the Debentures. The Company at any time may terminate its obligations under the covenants described under "Certain Covenants" (other than under "SEC Reports") and "Change of Control," the operation of the covenant default provision, the cross acceleration provision, the bankruptcy provisions which respect to Significant Subsidiaries and the judgment default provision described under "Defaults" above and the limitations contained in clause (iii) described under "Successor Company" above ("covenant defeasance").

The Company may exercise its legal defeasance option notwithstanding its prior exercise of its covenant defeasance option. If the Company exercises its legal defeasance option, payment of the Debentures may not be accelerated because of an Event of Default with respect thereto. If the Company exercises its covenant defeasance option, payment of the Debentures may not be accelerated because of an Event of Default specified in clause (iii), (iv), (v) (with respect only to Significant Subsidiaries) or (vi) under "Defaults" above or because of the failure of the Company to comply with the covenants described under "Certain Covenants" (other than the covenant described under "SEC Reports" and certain other covenants not described above) above or "Change of Control" above or with clause (iii) under "Successor Company" above.

In order to exercise either defeasance option, the Company must irrevocably deposit in trust (the "defeasance trust") with the Trustee money or U.S. Government Obligations for the payment of principal and interest on the Debentures to redemption or maturity, as the case may be, and must comply with certain other conditions, including delivering to the Trustee an Opinion of Counsel to the effect that holders of the Debentures will not recognize income, gain or loss for federal income tax purposes as a result of such deposit and defeasance and will be subject to federal income tax on the same amount and in the same manner and at the same times as would have been in the case if such deposit and defeasance had not occurred (and, in the case of legal defeasance

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only, such Opinion of Counsel must be based on a ruling of the Internal Revenue Service or other change in applicable federal income tax law).

CONCERNING THE TRUSTEE

Chemical Bank is to be the Trustee under the Indenture and has been appointed by the Company as Registrar and Paying Agent with regard to the Debentures.

GOVERNING LAW

The Indenture provides that it and the Debentures will be governed by, and construed in accordance with, the laws of the State of New York without giving effect to applicable principles of conflicts of law to the extent that the application of the laws of another jurisdiction would be required thereby.

CERTAIN DEFINITIONS

"Affiliate" of any person specified means (i) any person directly or indirectly controlling or under direct or indirect common control with such specified person, (ii) any spouse, immediate family member or other relative who has the same principal residence as any person described in clause (i) above, (iii) any trust in which any persons described in clause (i) or (ii) above has a beneficial interest and (iv) in the case of the Company, any Unrestricted Subsidiary of the Company. For the purposes of this definition, "control," when used with respect to any person, means the power to direct the management and policies of such person, directly or indirectly, whether through the ownership of voting securities, a contract or otherwise, and the terms "controlling" and "controlled" have meaning correlative to the foregoing.

"Asset Disposition" means any sale, lease, transfer or other disposition (or series of related sales, leases, transfers or dispositions) of shares of Capital Stock of a Subsidiary (other than directors' qualifying shares), property or other assets (each referred to for the purposes of this definition as a "disposition") by the Company or any of its Subsidiaries (including any disposition by means of a merger, consolidation or similar transaction) other than (i) a disposition by a Subsidiary to the Company or by the Company or a Subsidiary to a Wholly Owned Subsidiary, (ii) a disposition of property or assets at fair market value in the ordinary course of business or (iii) a disposition of obsolete assets in the ordinary course of business.

"Attributable Indebtedness" in respect of a Sale/Leaseback Transaction means, as of the time of determination, the present value (discounted at the interest rate borne by the Debentures, compounded annually) of the total obligations of the lessee for rental payments during the remaining term of the lease included in such Sale/Leaseback Transaction (including any period for which such lease has been extended).

"Average Life" means, as of the date of determination, with respect to any Indebtedness or Preferred Stock, the quotient obtained by dividing (i) the sum of the products of the numbers of years from the date of determination to the dates of each successive scheduled principal payment of such Indebtedness or redemption or similar payment with respect to such Preferred Stock multiplied by the amount of such payment by (ii) the sum of all such payments.

"Bank Debt" means any and all amounts payable under or in respect of the Credit Agreement, as amended from time to time, any Refinancing Agreement, any Working Capital Financing Agreement, or any other loan agreement with a bank, including principal, premium (if any), interest (including interest accruing on or after the filing of any petition in bankruptcy or for reorganization relating to the Company to the extent a claim for post-filing interest is allowed in such proceedings), fees, charges, expenses, reimbursement obligations, guarantees and all other amounts payable thereunder or in respect thereof.

"Banks" has the meaning specified in the Credit Agreement.

"Board of Directors" means the Board of Directors of the Company or any committee thereof duly authorized to act on behalf of such Board.

"Business Day" means each day which is not a Legal Holiday.

"Capital Lease Obligations" of a person means any obligation which is required to be classified and accounted for as a capital lease on the face of a balance sheet of such person prepared in accordance with generally accepted accounting principles; the amount of such obligation will be the capitalized amount thereof, determined in accordance with generally accepted accounting principles; and the Stated Maturity thereof will be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be terminated by the lessee without payment of a penalty.

"Capital Stock" of any person means any and all shares, interests, rights

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to purchase, warrants, options, participations or other equivalents of or interests in (however designated) equity of such person, including any Preferred Stock, but excluding any debt securities convertible into or exchangeable for such equity.

"Cash Flow" of a person for any fiscal year, means the sum of (i) the Consolidated Net Income of such person for such fiscal year, plus (ii) to the extent deducted in the calculation of such Consolidated Net Income, the amortization of customer lists and other deferred charges and the amortization and depreciation of capital assets, plus (iii) to the extent not included in Consolidated Net Income, the amount of all dividends or other distributions received in cash by the Company or any of its Wholly Owned Subsidiaries from, and the amount of any Net Cash Proceeds to the Company or any of its Wholly Owned Subsidiaries from the sale of Capital Stock of, an Unrestricted Subsidiary of the Company; provided, however, that any amounts included in clause (v)(C) of the second paragraph under "Limitations on Restricted Payments" shall be excluded from Cash Flow of the Company.

"Class B Cash Flow" for any fiscal year means the sum of (i) net income of the Company and its consolidated subsidiaries for such fiscal year determined in accordance with generally accepted accounting principles, plus (ii) depreciation and amortization of plant and equipment and amortization of customer lists and restrictive covenants of the Company and its consolidated subsidiaries for such fiscal year determined in accordance with generally accepted accounting principles; provided, however, that (a) the net income of any person other than a consolidated subsidiary in which the Company or any subsidiary has an interest shall be included only to the extent of the amount of dividends or other distributions paid to the Company or a consolidated subsidiary, (b) the net income of any person acquired in a pooling transaction shall be excluded for any period prior to the date of acquisition and (c) Class B Cash Flow with respect to a fiscal year shall never be less than zero.

"Code" means the Internal Revenue Code of 1986, as amended.

"Company" means the party named as such in this Indenture until a successor replaces it and, thereafter, means the successor and, for purposes of any provision contained herein and required by the TIA, each other obligor on the indenture securities.

"Consolidated EBITDA Coverage Ratio" as of any date of determination means the ratio of (i) the aggregate amount of EBITDA for the period of the most recent four consecutive fiscal quarters ending at least 45 days prior to the date of such determination to (ii) Consolidated Interest Expense for such four fiscal quarters; provided, however, that (1) if the Company or any Subsidiary has incurred any Indebtedness since the beginning of such period that remains outstanding or if the transaction giving rise to the need to calculate the Consolidated EBITDA Coverage Ratio is an incurrence of Indebtedness, or both, EBITDA and Consolidated Interest Expense for such period will be calculated after giving effect on a pro forma basis to (A) such Indebtedness as if such Indebtedness had been incurred on the first day of such period, (B) the discharge of any other Indebtedness repaid, repurchased, defeased or otherwise discharged with the proceeds of such new Indebtedness as if such discharge had occurred on the first day of such period, and (C) the interest income realized by the Company and its Subsidiaries on the proceeds of such Indebtedness, to the extent not yet applied at the date of determination, assuming such proceeds earned interest at the Treasury Rate from the date such proceeds were received through such date of determination, (2) if since the beginning of such period the Company or any Subsidiary

will have made any Asset Disposition, EBITDA for such period will be reduced by an amount equal to EBITDA (if positive) directly attributable to the assets which are the subject of such Asset Disposition for such period, or increased by an amount equal to EBITDA (if negative), directly attributable thereto for such period and Consolidated Interest Expense for such period will be reduced by an amount equal to the Consolidated Interest Expense directly attributable to any Indebtedness of the Company or any Subsidiary repaid, repurchased, defeased or otherwise discharged with respect to the Company and its continuing Subsidiaries in connection with such Asset Dispositions for such period (or, if the Capital Stock of any Subsidiary is sold, the Consolidated Interest Expense for such period directly attributable for the Indebtedness of such Subsidiary to the extent the Company and its continuing Subsidiaries are no longer liable for such Indebtedness after such sale) and (3) if since the beginning of such period the Company or any Subsidiary (by merger or otherwise) will have made an Investment in any Subsidiary (or any person which becomes a Subsidiary) or an acquisition of assets, including any acquisition of assets occurring in connection with a transaction causing a calculation to be made hereunder, which constitutes all or substantially all an operating unit of a business, EBITDA and Consolidated Interest Expense for such period will be calculated after giving pro forma effect thereto (including the incurrence of any Indebtedness) as if such Investment or acquisition occurred on the first day of such period. For purposes of this definition, whenever pro forma effect is to be given to an acquisition of assets, the amount of income or earnings relating thereto, and the amount of

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Consolidated Interest Expense associated with any Indebtedness incurred in connection therewith, the pro forma calculations will be determined in good faith by a responsible financial or accounting Officer of the Company; provided, however, that such Officer shall assume (i) the historical sales and gross profit margins associated with such assets for any consecutive 12-month period ended prior to the date of purchase (provided that the first month of such period will be no more than 18 months prior to such date of purchase), less estimated post-acquisition loss of customers (not to be less than 3%) and (ii) other expenses as if such assets had been owned by the Company since the first day of such period. If any Indebtedness bears a floating rate of interest and is being given pro forma effect, the interest on such Indebtedness will be calculated as if the rate in effect on the date of determination had been the applicable rate for the entire period.

"Consolidated Interest Expense" means, for any period, the total interest expense of the Company and its Subsidiaries, determined on a consolidated basis, including (i) interest expense attributable to capital leases, (ii) amortization of debt discount, (iii) capitalized interest, (iv) non-cash interest expense, (v) commissions, discounts and other fees and charges owed with respect to letters of credit and bankers' acceptance financing, (vi) interest actually paid by the Company or any such Subsidiary under any guarantee of Indebtedness or other obligation of any other Person, (vii) net costs associated with Hedging Obligations (including amortization of fees), (viii) Preferred Stock dividends in respect of all Preferred Stock of Subsidiaries held by persons other than the Company or a Wholly Owned Subsidiary, (ix) the cash contributions to any employee stock ownership plan or similar trust to the extent such contributions are used by such plan to pay interest or fees to any person (other than the Company) in connection with loans incurred by such plan or trust to purchase newly issued or treasury shares of the Company (but excluding interest expense associated with the accretion of principal on a non-interest bearing or other discount security) and (x) to the extent not already included in Consolidated Interest Expense, the interest expense attributable to Indebtedness of another person that is guaranteed by the Company or any of its Subsidiaries, less interest income (exclusive of deferred financing fees) of the Company and its Subsidiaries determined on a consolidated basis in accordance with generally accepted accounting principles.

"Consolidated Net Income" of a person, for any period, means the aggregate of the Net Income of such person and its Subsidiaries for such period, determined on a consolidated basis in accordance with generally accepted accounting principles, provided that (i) the Net Income of any other person (other than a Subsidiary) in which such person has an interest will be included only to the extent of the amount of dividends or distributions paid to such person, (ii) the Net Income of any person acquired by such person in a pooling of interests transaction for any period prior to the date of such acquisition will be

excluded, (iii) any Net Income of any Subsidiary will be excluded if such Subsidiary is subject to restrictions, directly or indirectly, on the payment of dividends or the making of distributions by such Subsidiary, directly or indirectly, to such person, except that (A) such person's equity in the Net Income of any such Subsidiary for such period will be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed by such Subsidiary during such period to such person as a dividend or other distribution (subject, in the case of a dividend or other distribution to another subsidiary, to the limitation contained in this clause) and (B) such person's equity in a net loss of any such Subsidiary for such period will be included in determining such Consolidated Net Income, and (iv) the cumulative effect of a change in accounting principles will be excluded.

"Credit Agreement" means the Second Amended and Restated Credit Agreement dated as of December 31, 1992, between the Company and Chemical Bank, as agent, as amended from time to time.

"Default" means any event which is, or after notice or passage of time or both would be, an Event of Default.

"Designated Senior Debt" means (i) the Bank Debt and (ii) any other Senior Debt which, at the date of determination, has an aggregate principal amount outstanding of, or commitments to lend up to, at least $10 million and is specifically designated by the Company in the instrument evidencing or governing such Senior Debt as "Designated Senior Debt" for purposes of the Indenture.

"EBITDA" for any period means the Consolidated Net Income for such period (but without giving effect to adjustments, accruals, deductions or entries resulting from purchase accounting, extraordinary losses or gains and any gains or losses from any Asset Dispositions), plus the following to the extent deducted in calculating such Consolidated Net Income: (i) income tax expense, (ii) Consolidated Interest Expense, (iii) depreciation expense, (iv) amortization expense and (v) all other non-cash expenses.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Exchangeable Stock" means any Capital Stock which is exchangeable or

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convertible into another security (other than Capital Stock of the Company which is neither Exchangeable Stock nor Redeemable Stock).

"Funded Debt" as applied to any person means, without duplication, (a) any Indebtedness with a Stated Maturity of more than one year from the date of incurrence, (b) any Indebtedness, regardless of its term, if such Indebtedness is renewable or extendable at the option of the obligor of such Indebtedness pursuant to the terms thereof to a date more than one year from the date of incurrence; and (c) any Indebtedness, regardless of its term, that by its terms or by the terms of the agreement pursuant to which it is issued, may be paid with the proceeds of other Indebtedness that may be incurred pursuant to the terms of such first-mentioned Indebtedness or by the terms of such agreement, which other Indebtedness has a Stated Maturity of more than one year from the date of incurrence of such first-mentioned Indebtedness; provided, however, that Working Capital Borrowings shall be excluded from Funded Debt except to the extent that Working Capital Borrowings exceed an amount equal to (i) 100% of the current assets (excluding cash) of such person and its Subsidiaries, less (ii) the excess, if any, of current liabilities over current assets of such person and its Subsidiaries, in each case determined on a consolidated basis in accordance with generally accepted accounting principles.

"guarantee" means any obligation, contingent or otherwise, of any person directly or indirectly guaranteeing any Indebtedness or other obligation of any other person and any obligation, direct or indirect, contingent or otherwise, of such person (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation of such other person (whether arising by virtue of partnership arrangements, or by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (ii) entered into for purposes of assuring in any other manner the obligee of such Indebtedness or other

obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); provided, however, that the term "guarantee" will not include endorsements for collection or deposit in the ordinary course of business. The term "guarantee" used as a verb has a corresponding meaning.

"Hedging Obligations" of any person means the obligations of such person pursuant to any interest rate swap agreement, foreign currency exchange agreement, interest rate collar agreement, option or futures contract or other similar agreement or arrangement designed to protect such person against changes in interest rates or foreign exchange rates.

"Indebtedness" of any person means, without duplication,

(i) the principal of (A) indebtedness of such person for money borrowed and (B) indebtedness evidenced by notes, debentures, bonds or other similar instruments for the payment of which such person is responsible or liable;

(ii) all Capital Lease Obligations of such person and all Attributable Indebtedness in respect of Sale/Leaseback Transactions entered into by such person;

(iii) all obligations of such person issued or assumed as the deferred purchase price of property, all conditional sale obligations of such person and all obligations of such person under any title retention agreement (but excluding trade accounts payable arising in the ordinary course of business);

(iv) all obligations of such person for the reimbursement of any obligor on any letter of credit, banker's acceptance or similar credit transaction (other than obligations with respect to letters of credit securing obligations (other than obligations described in (i) through (iii) above) entered into in the ordinary course of business of such person to the extent such letters of credit are not drawn upon or, if and to the extent drawn upon, such drawing is reimbursed no later than the third Business Day following receipt by such person of a demand for reimbursement following payment on the letter of credit);

(v) all obligations of the type referred to in clauses (i) through (iv) of other persons and all dividends of other persons for the payment of which, in either case, such person is responsible or liable, directly or indirectly, as obligor, guarantor or otherwise, including any guarantees of such obligations and dividends, including by means of any agreement which has the economic effect of a guarantee; and

(vi) all obligations of the type referred to in clauses (i) through (v) of other persons secured by any Lien on any property or asset of such person (whether or not such obligation is assumed by such person), the amount of such obligation being deemed to be the lesser of the value of such property or assets or the amount of the obligation so secured.

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"Investment" in any person means any loan or advance to, any guarantee of, any acquisition of any Capital Stock, equity interest, obligation or other security of, or capital contribution or other investment in, such person. Investments will exclude advances to customers and suppliers in the ordinary course of business.

"Legal Holiday" means a Saturday, a Sunday or a day on which banking institutions in The City of New York or at a place of payment are authorized by law, regulation or executive order to remain closed. If a payment date is a Legal Holiday at a place of payment, payment may be made at that place on the next succeeding day that is not a Legal Holiday, and no interest shall accrue for the intervening period.

"Lien" means any mortgage, pledge, security interest, conditional sale or other title retention agreement or other similar lien.

"Net Cash Proceeds," with respect to any issuance or sale of Capital Stock, means the cash proceeds of such issuance or sale net of attorneys' fees, accountants' fees, underwriters' or placement

agents' fees, discounts or commissions and brokerage, consultant and other fees actually incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

"Net Income" of any person means the net income (loss) of such person, determined in accordance with generally accepted accounting principles; excluding, however, from the determination of Net Income any gain (but not loss) realized upon the sale or other disposition (including, without limitation, dispositions pursuant to leaseback transactions) of any real property or equipment of such person, which is not sold or otherwise disposed of in the ordinary course of business, or of any capital stock of the Company or a Subsidiary owned by such person.

"Non-Convertible Capital Stock" means, with respect to any corporation, any non-convertible Capital Stock of such corporation and any Capital Stock of such corporation convertible solely into non-convertible common stock of such corporation; provided, however, that Non-Convertible Capital Stock will not include any Redeemable Stock or Exchangeable Stock.

"Officer" means the Chairman of the Board, the Chief Executive Officer, the President, any Vice President, the Treasurer or the Secretary of the Company.

"Officers' Certificate" means a certificate signed by two Officers.

"Opinion of Counsel" means a written opinion from legal counsel who is acceptable to the Trustee. The counsel may be an employee of or counsel to the Company or the Trustee.

"Permitted Liens" means (i) Liens existing on the date of the Indenture and renewals, extensions and refinancings thereof; (ii) rights of banks to set off deposits against debts owed to said banks; (iii) Purchase Money Indebtedness; (iv) Liens on the property of any entity existing at the time such property is acquired by the Company or any of its Subsidiaries and renewals, extensions and refinancings thereof, whether by merger, consolidation, purchase of assets or otherwise; provided, however,that in the case of this clause (iv) that such Liens (x) are not created, incurred or assumed in contemplation of such assets being acquired by the Company and (y) do not extend to any other assets of the Company or any of its Subsidiaries; and (v) Liens for taxes not yet due.

"Person" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, government or any agency or political subdivision thereof or any other entity.

"Preferred Stock," as applied to the Capital Stock of any corporation, means Capital Stock of any class or classes (however designated) which is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such corporation, over shares of Capital Stock of any other class of such corporation; provided, however, that Preferred Stock will not include the Company's Class B Common Stock.

"Purchase Money Indebtedness" means Indebtedness (i) consisting of the deferred purchase price of property, conditional sale obligations, obligation under any title retention agreement and other purchase money obligations, in each case where the maturity of such Indebtedness does not exceed the anticipated useful life of the asset being financed, and (ii) incurred to finance the acquisition by the Company or a Subsidiary of such asset, including additions and improvements; provided, however, that any Lien arising in connection with any such Indebtedness will be limited to the specified asset being financed or, in the case of real property or fixtures, including additions and improvements, the real property on which such asset is attached.

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"Redeemable Stock" means any Capital Stock that by its terms or otherwise is required to be redeemed on or prior to the first anniversary of the Stated Maturity of the Debentures or is redeemable at the option of the holder thereof at any time on or prior to the first anniversary of the Stated Maturity of the Debentures.

"Refinancing Agreement" means any credit agreement or other agreement between the Company and bank lenders pursuant to which the Company refinances borrowings under the Credit Agreement or another Refinancing Agreement.

"Representative" means the holder, trustee, agent or representative (if any) for an issue of Senior Debt.

"Restricted Investment" means any Investment in an Unrestricted Subsidiary. At the time any Subsidiary of the Company is designated by the Board of Directors of the Company as an Unrestricted Subsidiary, the Company shall be deemed to have made a Restricted Investment in an amount equal to the fair market value as of such time of the Company's interest in such Unrestricted Subsidiary, as determined in good faith by the Board of Directors and set forth in a Board Resolution.

"Sale/Leaseback Transaction" means an arrangement relating to property now owned or hereafter acquired whereby the Company or a Subsidiary transfers such property to a person and the Company or a Subsidiary leases it from such person.

"Sevin Group" means the Estate of Malvin P. Sevin and trusts created thereunder, Audrey L. Sevin, Irik P. Sevin, Thomas J. Edelman, Margot Gordon and Phillip Ean Cohen and any trust over which such persons have sole voting power.

"Sevin Note" means the promissory note, dated December 31, 1992, of Irik P. Sevin to the Company in a principal amount of $1,499,378 and due on December 31, 1993, as the same may be extended (but not otherwise amended) on a year-by-year basis in accordance with the Company's past practices and the principal amount of which may not be increased in any one year by more than the amount of accrued and unpaid interest during the immediately preceding year.

"Significant Subsidiary" means (i) any Subsidiary of the Company which at the time of determination either (A) had assets which, as of the date of the Company's most recent quarterly consolidated balance sheet, constituted at least 3% of the Company's total assets on a consolidated basis as of such date, or (B) had revenues for the 12-month period ending on the date of the Company's most recent quarterly consolidated statement of income which constituted at least 3% of the Company's total revenues on a consolidated basis for such period, or (ii) any Subsidiary of the Company which, if merged with all Defaulting Subsidiaries of the Company, would at the time of determination either (A) have had assets which, as of the date of the Company's most recent quarterly consolidated balance sheet, would have constituted at least 10% of the Company's total assets on a consolidated basis as of such date or (B) have had revenues for the 12-month period ending on the date of the Company's most recent quarterly consolidated statement of income which would have constituted at least 10% of the Company's total revenues on a consolidated basis for such period (each such determination being made in accordance with generally accepted accounting principles). "Defaulting Subsidiary" means any Subsidiary of the Company with respect to which an event described under clause (iv), (v) or (vi) under "Defaults" above has occurred and is continuing unless such contingency has occurred.

"Stated Maturity" means, with respect to any Indebtedness, the date specified in such Indebtedness, or in any agreement pursuant to which such Indebtedness was incurred, as the fixed date on which the principal of such Indebtedness is due and payable, including pursuant to any mandatory redemption provision (but excluding any provision providing for the repurchase of such Indebtedness at the option of the holder thereof upon the happening of any contingency unless such contingency has occurred).

"Subordinated Obligations" means any Indebtedness of the Company (whether outstanding on the date hereof or hereafter incurred) which is subordinate or junior in right of payment to the Debentures.

"Subsidiary" means a corporation of which a majority of the Capital Stock having voting power under ordinary circumstances to elect a majority of the board of directors is owned by (i) the Company, (ii) the Company and one or more Subsidiaries or (iii) one or more Subsidiaries; provided, however,that an Unrestricted Subsidiary shall be deemed not to be a Subsidiary (except as used in the definition thereof).

"TIA" means the Trust Indenture Act of 1939 (15 U.S.C. Sec.Sec. 77aaa-77bbbb) as in effect on the date of the Indenture.

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"Traber Group" means (i) all the holders of Class C Common Stock as of the date of the Indenture who are not members of the Sevin Group, (ii) any person who receives shares from persons described in clause (i) without such transfer of shares being subject to the first refusal right referred to in the shareholders agreement among the holders of Class C Common Stock dated November 25, 1986, as amended through the date of the Indenture, and (iii) any trust over which persons described in clause (i) or (ii) have sole voting power.

"Treasury Rate" as of any date of determination means the yield to maturity at the time of computation of United States Treasury securities with a constant maturity (as compiled and published in the most recent federal Reserve Statistical Release H.15(519) which has become publicly available at least two business days prior to such date of determination (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) of five years.

"Trust Officer" means the Chairman of the Board, the President or any other officer or assistant officer of the Trustee assigned by the Trustee to administer its corporate trust matters.

"Unrestricted Subsidiary" means a Subsidiary of the Company, and each Subsidiary of such Subsidiary, designated by the Board of Directors of the Company as an Unrestricted Subsidiary pursuant to a Board Resolution set forth in an Officers' Certificate and delivered to the Trustee, (a) no portion of the Indebtedness or any other obligations (contingent or otherwise) of which (i) is guaranteed by the Company or any other Subsidiary of the Company, (ii) is recourse to or obligates the Company or any other Subsidiary of the Company in any way or (iii) subjects any property or asset of the Company or any other Subsidiary of the Company, directly or indirectly, contingently or otherwise, to the satisfaction thereof and (b) with which neither the Company nor any other Subsidiary of the Company has any obligation (i) to subscribe for additional shares of Capital Stock or other equity interests therein or (ii) to maintain or preserve such Subsidiary's financial condition or to cause such Subsidiary to achieve certain levels of operating results. An Unrestricted Subsidiary may be designated a Subsidiary, provided that (A) no Default or Event of Default shall have occurred and be continuing and (B) immediately after giving effect to such designation, the Company would be able to issue an additional $1.00 of Funded Debt pursuant to the first paragraph of "Limitation on Funded Debt."

"U.S. Government Obligations" means direct obligations (or certificates representing an ownership interest in such obligations) of the United States of America (including any agency or instrumentality thereof) for the payment of which the full faith and credit of the United States of America is pledged and which are not callable at the issuer's option.

"Voting Stock" of a corporation means all classes of Capital Stock of such corporation then outstanding and normally entitled to vote in the election of directors.

"Wholly Owned Subsidiary" means a Subsidiary all the Capital Stock of which (other than directors' qualifying shares) is owned by the Company or another Wholly Owned Subsidiary.

"Working Capital Borrowings" means, on any date of determination, all Indebtedness of the Company and its Subsidiaries on a consolidated basis incurred to finance current assets.

"Working Capital Financing Agreement" means any agreement entered into after the date of the Indenture by the Company and bank lenders pursuant to which the Company issues Working Capital Borrowings.

"1989 Preferred Stock" means the preference stock of the Company designated as "1989 Preferred Stock, Par Value $.10."

DESCRIPTION OF OTHER INDEBTEDNESS AND REDEEMABLE PREFERRED STOCK

CREDIT AGREEMENT

The Company has entered into the Credit Agreement with Chemical Bank as agent. A copy of the Credit Agreement has been incorporated by reference as an exhibit to the Registration Statement of which this Prospectus is a part. The following summary of certain provisions of the Credit Agreement does not purport to be complete and is subject to, and is qualified by reference to, all of the provisions of the Credit Agreement.

The Credit Agreement provides for maximum aggregate advances of $75 million to finance working capital requirements of the Company ("Revolving Credit

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Loans") with a sublimit under a borrowing base established each month. Amounts borrowed under the Revolving Credit Loans are subject to a 45-day clean-up requirement prior to September 30 of each year and the revolving credit portion of the facility terminates on June 30, 1996. At September 30, 1993 no Revolving Credit Loans were outstanding. The Credit Agreement includes a letter of credit facility which expires on October 20, 1994 pursuant to which the Company may open letters of credit in the aggregate amount of $20.0 million to support the Company's obligation to redeem equity securities issued in acquisitions.

The Company has previously issued the Maxwhale Notes aggregating $50 million due June 1, 1994 in connection with the purchase of a fuel oil distributor, which are secured by letters of credit issued by certain of the banks which are parties to the Credit Agreement. The Credit Agreement requires deposits by the Company into a cash collateral account to partially secure the Company's obligation to the banks under such letters of credit. As of September 30, 1993, $20.0 million had been deposited and an additional $7.5 million is required to be deposited on May 15, 1994. At the maturity of the Maxwhale Notes, the banks are committed under the Credit Agreement to make term loans ("Term Loans") to the Company to refund the balance due on the Maxwhale Notes in excess of the cash collateral account. The Company will repay the Maxwhale Notes from the proceeds of the Offering and the amount in the cash collateral account will be released to the Company.

Interest on the Revolving Credit Loans and the Term Loans is payable monthly and is based upon a floating rate selected by the Company of either the Eurodollar Rate (as defined below) or the Alternate Base Rate (as defined below), plus 0 to 50 basis points on Alternate Base Rate Loans which are Revolving Credit Loans or 25 to 75 basis points on Alternate Base Rate Loans which are Term Loans and 125 to 175 basis points on Eurodollar Loans which are Revolving Credit Loans or 225 to 275 basis points on Eurodollar Loans which are Term Loans, based upon the ratio of Consolidated Operating Profit to Interest Expense (as defined in the Credit Agreement). Eurodollar Rate means the prevailing rate in the interbank Eurodollar market adjusted for reserve requirements. Alternate Base Rate means the greater of (i) the prime or base rate of Chemical Bank in effect or (ii) the Federal funds rate in effect rate plus 1/2 of 1%. In addition, the Company is required to pay certain fees for balance deficiencies, if any, and unused commitments.

The Company's obligations under the Credit Agreement are secured by all of its and its subsidiaries' customer lists, tradenames and trademarks.

The Credit Agreement contains significant financial and other covenants. Under the Credit Agreement, the Company and its subsidiaries may not:

(i) incur any indebtedness, whether recourse or non-recourse and whether senior or junior, except subordinated debt and certain other indebtedness as specifically authorized by the Credit Agreement;

(ii) create or permit any lien on any of its assets or properties, except for identified permitted encumbrances; and

(iii) sell, transfer or convey customer lists, except, among other exceptions, a sale of from which a portion of the net cash proceeds, if not reinvested in customer lists, are used to prepay the Revolving Credit Loans and Term Loans.

The Credit Agreement also provides that the Company must meet the following financial ratios and tests:

(i) for any fiscal year, the Company may not permit the ratio of Adjusted Net Income to Consolidated Net Lease Obligations (as those terms are defined in the Credit Agreement) to be less than 4.0 to 1.0;

(ii) the Company may not permit Consolidated Cash Flow (as defined in the Credit Agreement) for any period of four consecutive fiscal quarters to be less than $25.0 million (which may increase to $29.0 million under certain circumstances);

(iii) for any fiscal year, Company may not permit the excess of 6 times Consolidated Operating Profit over Consolidated Funded Debt (other than Subordinated Debt) (as those terms are defined in the Credit Agreement) to be less than $125.0 million;

(iv) the Company may not incur Funded Debt if after giving effect thereto to the ratio of Consolidated Funded Debt to Consolidated Cash Flow (as those terms are defined in the Credit Agreement) exceeds 5.0 to 1.0; and

(v) the Company may not permit at any time Consolidated Cash Uses (as defined in the Credit Agreement), which include dividends and stock redemptions, for the period from March 31, 1992 to such time to exceed $57.4 million plus the sum of (a) net proceeds received from the issuance of capital stock and Funded Debt after March 31, 1992 and (b) the positive

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or negative amount of annual Cash Flow, in each annual period ending on March 31 subsequent to March 31, 1992 (as those terms are defined in the Credit Agreement).

The Company is currently seeking a modification of the Credit Agreement to eliminate the limitation on Funded Debt contained therein and to substitute in its place the limitation on Funded Debt which is contained in the Indenture. See "Description of Debentures."

The Credit Agreement contains various events of default customary for such types of agreements, including breaches of the covenants described above. If an Event of Default occurs and is occurring, the lenders may, without notice, terminate the Revolving Credit Loans and the Term Loans and/or declare all obligations under the Credit Agreement immediately due and payable, except that in the case of an Event of Default arising from certain events of bankruptcy or insolvency, all such obligations shall become due and payable without declaration, notice or demand.

SUBORDINATED DEBT

On September 1, 1988, the Company authorized the issuance of $60.0 million of Subordinated Notes due October 1, 1998. The Company issued $40.0 million of such notes on October 14, 1988 bearing interest at the rate of 11.85% per annum (the "11.85% Notes"), $15.0 million of such notes on March 31, 1989 bearing interest at the rate of 12.17% per annum (the "12.17% Notes") and $5.0 million of such notes on May 1, 1990 bearing interest at the rate of 12.18% per annum (the "12.18% Notes"). On January 15, 1991, the Company authorized the issuance of $12.5 million of Subordinated Notes due January 15, 2001 bearing interest at the rate of 14.10% per annum (the "14.10% Notes"). The Company issued $5.7 million of such notes in April 1991 and $6.8 million in March 1992. In March 1993, the Company issued $12.764 million of Subordinated Notes due March 1, 2000 (the "2000 Notes") in exchange for an equal amount of 1991 Redeemable Preferred Stock. The Company issued the 1991 Redeemable Preferred Stock under an agreement which required the Company to redeem the 1991 Redeemable Preferred Stock as soon as, and to the extent that it was permitted to incur Funded Debt (as defined). The 2000 Notes pay interest monthly based on the sum of LIBOR plus 9.28%. On April 6, 1993, the Company issued $50.0 million of 10 1/8 Notes. The 11.85% Notes, 12.17% Notes,

12.18% Notes, 14.10% Notes, 2000 Notes and 10 1/8% Notes are collectively referred to herein as the "Subordinated Debt."

The Debentures will rank pari passu with the Subordinated Debt which, after giving pro forma effect to the Subordinated Debt Amendments, would have aggregated approximately $92.6 million as of September 30, 1993. The agreements pursuant to which the Company has issued the Subordinated Debt contain various financial and other covenants relating to the maintenance of corporate existence, timely payment of taxes, preservation of the Company's assets and engaging in other businesses. Such agreements also contain covenants relating to limitations on funded debt, restricted payments, mergers, consolidations and sale of assets and transactions with affiliates which (except as described below) are generally comparable to those contained in the Indenture.

In connection with the Offering, the Company is soliciting (the "Debt Solicitations") consents of holders of at least a majority in aggregate principal amount of each class of Subordinated Debt and the Redeemable Preferred Stock described below to certain amendments (the "Subordinated Debt Amendments") to the agreements under which the Subordinated Debt and the Redeemable Preferred Stock was issued (the "Old Agreements"). The Company has received the requisite consents from the holders of the 10 1/8% Notes and anticipates receiving the requisites consents from the holders of the remaining Subordinated Debt and the Redeemable Preferred Stock. The Old Agreements currently provide that the Company shall not issue Funded Debt (as defined) unless, after giving effect thereto, (x) the ratio of Consolidated Funded Debt (as defined) of the Company and its subsidiaries to Consolidated Operating Cash Flow (as defined) for the most recent four consecutive fiscal quarters ending at least 45 days prior to the date such Funded Debt is issued, does not exceed 5.0 to 1.0, and (y) (in the case of the 10 1/8% Notes) the Consolidated EBITDA Coverage Ratio (as defined) exceeds 1.5 to 1.0. The Subordinated Debt Amendments would eliminate this limitation and substitute in its place the Consolidated EBITDA Coverage Ratio of 2.0 to 1.0 which is contained in the Indenture for the Debentures and would also make certain conforming changes in the language of the Old Agreements. See "Capitalization" and "Description of Debentures."

In consideration for the consents to the Subordinated Debt Amendments, the Company will pay to the holders of the Subordinated Debt (other than holders who also own Redeemable Preferred Stock), a cash payment aggregating $0.4 million and will cause approximately $42.6 million of the aggregate principal amount of the Subordinated Debt to be ranked as Senior Debt. In addition, the Company will

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increase dividends on the Redeemable Preferred Stock by $2.00 per share per annum.

REDEEMABLE PREFERRED STOCK

The Company has outstanding 250,000 shares of Redeemable Preferred Stock, of which 50,000 shares are classified as Series A, 50,000 shares are classified as Series B and 150,000 shares are classified as Series C. The holders of the Series A, Series B and Series C Redeemable Preferred Stock are entitled to receive, as and when declared by the Board of Directors, annual dividends at the rate of $12, $11.84 and $12.61 per share, respectively. The shares of Redeemable Preferred Stock are exchangeable, in whole or in part, at the option of the Company, for 1999 Notes, subject to meeting certain debt incurrence tests. On August 1, 1994 and on August 1 of each year thereafter, so long as any of the shares of Redeemable Preferred Stock remain outstanding, 1/6 of the number of originally issued shares of each series of Redeemable Preferred Stock, less the number of shares of such series previously exchanged for 1999 Notes, must be redeemed in cash, with the final redemption of the remaining outstanding shares on August 1, 1999. The redemption price of the Redeemable Preferred Stock is $100 per share plus all accrued and unpaid dividends to the redemption date. Except for dividends on the Company's Class B Common Stock, no dividends may be declared or paid on any other capital stock of the Company during any fiscal year until the Company has paid or declared and set apart all dividends and satisfied the mandatory redemption requirements on all outstanding shares of Redeemable Preferred Stock. The Redeemable Preferred Stock has no voting rights, except as may be provided by law. The terms of the agreement pursuant to which the Redeemable Preferred Stock was issued is being amended pursuant to the Subordinated Debt Amendments. See "--Subordinated Debt."

UNDERWRITING

Subject to the terms and conditions of the Underwriting Agreement (the "Underwriting Agreement") among the Company, Donaldson, Lufkin & Jenrette Securities Corporation, Kidder, Peabody & Co. Incorporated, Chemical Securities Inc. and Morgan Schiff & Co., Inc. (together, the "Underwriters"), the Underwriters have agreed to purchase from the Company, and the Company has agreed to sell to the Underwriters, the respective amount of Debentures set forth in the table below:

<TABLE>
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UNDERWRITER	PRINCIPAL AMOUNT OF DEBENTURES
<S>	<C>
Donaldson, Lufkin & Jenrette Securities Corporation	$
Kidder, Peabody & Co. Incorporated	
Chemical Securities Inc.	
Morgan Schiff & Co., Inc.	
Total	$ 75,000,000

</TABLE>

The Underwriting Agreement provides that the obligations of the Underwriters are subject to certain conditions precedent. The Underwriting Agreement also provides that the Company will indemnify the Underwriters and their controlling persons against certain liabilities and expenses, including liabilities under the Securities Act or contribute to payments the Underwriters may be required to make in respect thereof. The nature of the Underwriters' obligations under the Underwriting Agreement is such that they are required to purchase all of the Debentures if any of the Debentures are purchased.

The Underwriters propose to offer the Debentures directly to the public at the public offering price set forth on the cover page of this Prospectus and to certain dealers at such price less a concession not in excess of % of the principal amount. The Underwriters may allow and such dealers may reallow, a concession not in excess of % of the principal amount. After the initial public offering of the Debentures, the offering price and other selling terms may be changed by the Underwriters.

The Debentures are a new issue of securities, have no established trading market and may not be widely distributed. The Company has been informed by Donaldson, Lufkin & Jenrette Securities Corporation, Kidder, Peabody & Co. Incorporated and Chemical Securities Inc. that they currently intend to make a market in the Debentures; however, they are not obligated to do so and may discontinue market making at any time without notice. Accordingly, no assurance can be given as to the liquidity of, or trading market for, the Debentures.

Chemical Securities Inc. is an affiliate of Chemical Bank, which is the

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agent bank and a lender under the Credit Agreement and certain standby and support letters of credit. The Company plans to use a portion of the proceeds from the Offering to pay the outstanding amount under the Credit Agreement and will terminate the standby letter of credit supporting the Maxwhale Notes. In addition, Chemical Bank, or its affiliates, participates on a regular basis in various general financing and banking transactions for the Company and certain of its affiliates.

Under the Rules of Fair Practice of the National Association of Securities Dealers, Inc. (the "NASD"), if more than 10% of the net proceeds of a public offering of debt securities are to be paid to members of the NASD that are participating in the offering, or affiliated or associated persons, the yield at which the debt securities are distributed to the public must be no lower than that recommended by a "qualified independent underwriter," as defined in Schedule E to the Bylaws of the NASD. Because Chemical Bank, an affiliate of Chemical Securities Inc., will receive more than 10% of the net proceeds of the Offering as a result of the repayment of certain amounts under the Credit Agreement, Donaldson, Lufkin & Jenrette Securities Corporation will act as a qualified independent underwriter in connection with the Offering.

Pursuant to an engagement letter dated December 16, 1993, the Underwriters have been engaged by the Company to assist in the Debt Solicitations, for which they will receive customary fees and reimbursement of expenses.

Mr. Phillip Ean Cohen, who is chairman and sole stockholder of Morgan Schiff & Co., Inc., is a member of the Board of Directors of the Company.

LEGAL MATTERS

The validity of the Debentures offered hereby will be passed upon for the Company by Phillips, Nizer, Benjamin, Krim & Ballon, New York, New York. Phillips, Nizer, Benjamin, Krim & Ballon will rely upon Dorsey & Whitney, Minneapolis, Minnesota with respect to certain matters concerning Minnesota law. Certain legal matters with respect to the Debentures will be passed upon for the Underwriters by Latham & Watkins, New York, New York.

EXPERTS

The audited financial statements and schedules of the Company included in this Prospectus or appearing in the Company's Annual Report on Form 10-K, have been examined by KPMG Peat Marwick, independent certified public accountants, to the extent and for the periods set forth in their reports appearing herein and in the Company's Annual Report on Form 10-K and have been included and incorporated by reference herein in reliance upon such reports given upon the authority of said firm as experts in accounting and auditing.

The audited consolidated financial statement of Star Gas Corporation and Subsidiaries, included in this Prospectus and Registration Statement, have been audited by KPMG Peat Marwick, independent certified public accountants, as of September 30, 1993 and for the year then ended and by Ernst & Young, independent auditors, as of September 30, 1992 and for each of the two years in the period ended September 30, 1992, as set forth in their respective reports thereon appearing elsewhere herein, and has been so included in reliance upon the reports of KPMG Peat Marwick and Ernst & Young given upon the authority of such firms as experts in accounting and auditing.

INCORPORATION OF DOCUMENTS BY REFERENCE

The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1992 and Amendment No. 1 thereto filed under cover of Form 8, its Quarterly Reports on Form 10-Q for the fiscal quarters ended March 31, June 30, and September 30, 1993 and its Current Report on Form 8-K filed on January 4, 1994 are incorporated in this Prospectus by reference. All documents filed by the Company pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act subsequent to the date of this Prospectus and prior to the effective date of the Registration Statement shall be deemed incorporated by reference into this Prospectus from the date of filing of such documents. Any statement contained herein or in a document, all or a portion of which is incorporated or deemed to be incorporated by reference herein, shall be deemed to be modified or superseded for purposes of this Prospectus to the extent that a statement contain herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such

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statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus. The Company will provide without charge to each person, including any beneficial owner, to whom this Prospectus is delivered, upon the request of such person, a copy of the foregoing documents incorporated herein by reference, other than exhibits to such documents (unless such exhibits are incorporated by reference in such document). Requests shall be directed to the attention of Richard Ambury, Vice President and Assistant Controller, Petroleum Heat and Power Co., Inc., 2187 Atlantic Street, Stamford, CT 06902 (telephone (203) 325-5400).

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INDEPENDENT AUDITORS' REPORT

The Stockholders and Board of Directors of
PETROLEUM HEAT AND POWER CO., INC.:

We have audited the accompanying consolidated balance sheets of Petroleum Heat and Power Co., Inc. and subsidiaries as of December 31, 1991 and 1992, and the related consolidated statements of operations, changes in stockholders' equity (deficiency) and cash flows for each of the years in the three-year period ended December 31, 1992. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Petroleum Heat and Power Co., Inc. and subsidiaries as of December 31, 1991 and 1992, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1992 in conformity with generally accepted accounting principles.

KPMG PEAT MARWICK

New York, New York
February 26, 1993

PETROLEUM HEAT AND POWER CO., INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

<TABLE>
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	DECEMBER 31,		SEPTEMBER 30,
	1991	1992	1993

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<S>	<C>	<C>	(UNAUDITED) <C>
ASSETS			
Current assets:			
Cash	$ 2,907,460	$ 3,859,557	$ 7,436,907
Accounts receivable (net of allowance of $809,714, $1,270,754 and $2,459,983)	73,808,576	78,358,514	43,186,509
Inventories	13,290,997	15,729,305	12,788,059
Prepaid expenses	4,620,048	4,623,433	6,301,317
Notes receivable and other current assets	1,671,195	1,680,633	1,468,739
U.S. Treasury Notes held in a Cash Collateral Account	--	--	20,000,000
Total current assets	96,298,276	104,251,442	91,181,531
Property, plant and equipment	51,620,915	61,092,297	63,966,168
Less accumulated depreciation and amortization	27,325,673	28,342,302	31,432,958
	24,295,242	32,749,995	32,533,210
Intangible assets (net of accumulated amortization of $159,599,408, $188,459,167 and $210,831,831)			
Customer lists	76,228,321	86,093,145	78,056,098
Deferred charges	17,828,621	14,128,629	14,583,437
	94,056,942	100,221,774	92,639,535
U.S. Treasury Notes held in a Cash Collateral Account	5,000,000	15,000,000	--
Other assets	360,000	560,000	550,000
	$220,010,460	$252,783,211	$216,904,276
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIENCY)			
Current liabilities:			
Working capital borrowings	$ 39,750,000	$ 32,000,000	$ --
Current maturities of other long-term debt	33,345	33,345	33,345
Current installments of capital lease obligations	596,833	103,595	--
Current maturities of Maxwhale Notes	--	--	27,500,000
Current maturities of cumulative redeemable preferred stock	--	--	4,166,667
Subordinated notes payable	5,704,000	12,400,373	--
Accounts payable	12,929,206	15,289,518	9,173,905
Customer credit balances	20,140,437	19,317,863	26,486,378
Unearned service contract revenue	12,356,529	13,180,431	12,334,492
Accrued expenses:			
Wages and bonuses	5,622,354	5,030,100	5,335,366
Taxes other than income taxes	2,127,655	1,856,074	686,493
Pension	2,664,637	2,373,188	663,983
Other	6,411,741	9,410,757	12,289,552
Total current liabilities	108,336,737	110,995,244	98,670,181
Maxwhale Notes Payable	50,000,000	50,000,000	22,500,000
Other long-term debt	113,750	80,404	55,395
Capital lease obligations	103,595	--	--
Supplemental benefits payable	--	1,688,728	1,656,850
Pension plan obligation acquired	1,264,035	1,239,250	1,219,431
Subordinated notes payable	91,613,067	84,978,349	135,263,663
Cumulative redeemable exchangeable preferred stock, par value $.10 per share, 409,722 shares authorized, 313,889, 408,884 and 250,000 shares outstanding of which 41,667 at September 30, 1993 are reflected as current	30,023,100	37,717,790	20,833,333
Commitments and contingencies			
Stockholders' equity (deficiency):			
Preferred stock--par value $.10 per share; 1,590,278, 5,000,000 and 5,000,000 shares authorized, none outstanding			
Class A common stock--par value $.10 per share; 15,500,000, 40,000,000 and 40,000,000 shares authorized, 10,180,558, 18,992,579 and 18,992,579 shares outstanding	1,018,056	1,899,258	1,899,258
Class B common stock--par value $.10 per share; 6,500,000 shares authorized, 3,034,060, 216,901and 216,901 shares outstanding (liquidation preference--$12,826,630, $1,236,336 and $1,236,336)	303,406	21,690	21,690
Class C common stock--par value $.10 per share; 5,000,000 shares authorized, 2,545,139 shares outstanding	254,514	254,514	254,514
Additional paid-in capital	12,550,522	54,462,132	54,416,259
Deficit	(74,290,322)	(89,274,148)	(118,606,298)
	(60,163,824)	(32,636,554)	(62,014,577)
Note receivable from stockholder	(1,280,000)	(1,280,000)	(1,280,000)

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Total stockholders' equity (deficiency)	(61,443,824)	(33,916,554)	(63,294,577)
	$220,010,460	$252,783,211	$216,904,276

</TABLE>

See accompanying notes to consolidated financial statements.

PETROLEUM HEAT AND POWER CO., INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

<TABLE>
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	YEAR ENDED DECEMBER 31,			NINE MONTHS ENDED SEPTEMBER 30,	
	1990	1991	1992	1992	1993
				(UNAUDITED)	
<S>	<C>	<C>	<C>	<C>	<C>
Net sales	$ 567,414,067	$ 523,243,243	$ 512,430,194	$ 340,892,396	$ 377,383,609
Cost of sales	435,030,967	378,771,961	350,941,386	232,333,611	262,367,466
Gross profit	132,383,100	144,471,282	161,488,808	108,558,785	115,016,143
Selling, general and administrative expenses	80,596,935	79,427,873	83,407,680	59,768,363	68,270,664
Direct delivery expense	25,479,485	25,007,204	26,756,585	18,053,267	20,909,602
Amortization of customer lists	25,570,792	24,839,983	23,496,438	17,469,592	18,236,229
Depreciation and amortization of plant and equipment	5,795,654	5,550,381	5,534,205	4,152,623	4,368,314
Amortization of deferred charges	4,946,043	5,185,113	5,363,321	4,054,427	4,136,435
Provision for supplemental benefit	--	--	1,973,728	--	193,122
Operating income (loss)	(10,005,809)	4,460,728	14,956,851	5,060,513	(1,098,223)
Other income (expense):					
Interest expense	(21,925,775)	(21,916,205)	(20,204,808)	(15,343,869)	(16,501,218)
Interest income	1,024,871	1,187,676	1,582,885	1,316,376	1,354,068
Gains (losses) on sales of fixed assets	(154,824)	(104,911)	8,297	(5,379)	(28,817)
Other	(72,914)	60,147	(332,590)	(332,590)	--
Loss before income taxes	(31,134,451)	(16,312,565)	(3,989,365)	(9,304,949)	(16,274,190)
Income taxes (benefit)	(1,867,000)	250,000	400,000	218,000	218,000
Loss before extraordinary item	(29,267,451)	(16,562,565)	(4,389,365)	(9,522,949)	(16,492,190)
Extraordinary item--loss on early extinguishment of debt	--	--	--	--	(867,110)
Net loss	$ (29,267,451)	$ (16,562,565)	$ (4,389,365)	$ (9,522,949)	$ (17,359,300)
Net loss applicable to common stock	$ (30,624,451)	$ (19,854,648)	$ (8,842,105)	$ (13,579,607)	$ (20,726,296)
Income (loss) before extraordinary item per common share					
Class A Common Stock	$(2.81)	$(1.64)	$(.81)	$(1.19)	$(.94)
Class B Common Stock	1.70	.31	1.14	.86	1.41
Class C Common Stock	(2.81)	(1.64)	(.81)	(1.19)	(.94)
Extraordinary loss per common share					
Class A Common Stock	$ --	$ --	$ --	$ --	$ (.04)
Class B Common Stock	--	--	--	--	--
Class C Common Stock	--	--	--	--	(.04)
Net income (loss) per common share:					
Class A Common Stock	$(2.81)	$(1.64)	$(.81)	$(1.19)	$(.98)
Class B Common Stock	1.70	.31	1.14	.86	1.41
Class C Common Stock	(2.81)	(1.64)	(.81)	(1.19)	(.98)
Weighted average number of common shares outstanding:					
Class A Common Stock	10,180,558	10,180,558	12,854,266	11,050,778	18,992,579
Class B Common Stock	3,034,060	3,034,060	2,447,473	3,034,060	216,901
Class C Common Stock	2,545,139	2,545,139	2,545,139	2,545,139	2,545,139

</TABLE>

See accompanying notes to consolidated financial statements.

PETROLEUM HEAT AND POWER CO., INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIENCY)
YEARS ENDED DECEMBER 31, 1990, 1991 AND 1992 AND NINE MONTHS ENDED SEPTEMBER 30, 1993 (UNAUDITED)

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<TABLE>
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	COMMON STOCK								
	CLASS A		CLASS B		CLASS C				
	NO. OF SHARES	AMOUNT	NO. OF SHARES	AMOUNT	NO. OF SHARES	AMOUNT	ADDITIONAL PAID-IN CAPITAL	DEFICIT	NOTE RECEIVABLE FROM STOCKHOLDER
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Balance at December 31, 1989, as previously reported.....	12,725,697	$ 1,272,570	3,034,060	$ 303,406	--	$ --	$13,124,567	$(16,707,679)	$(1,280,000)
Effect of exchange of Class C Common Stock for Class A Common Stock.....	(2,545,139)	(254,514)			2,545,139	254,514			
Balance at December 31, 1989, as adjusted.....	10,180,558	1,018,056	3,034,060	303,406	2,545,139	254,514	13,124,567	(16,707,679)	(1,280,000)
Net loss.....								(29,267,451)	
Cash dividends declared and paid..								(6,243,096)	
Cash dividends payable.....								(1,289,475)	
Balance at December 31, 1990.....	10,180,558	1,018,056	3,034,060	303,406	2,545,139	254,514	13,124,567	(53,507,701)	(1,280,000)
Net loss.....								(16,562,565)	
Cash dividends declared and paid..								(3,927,446)	
Cash dividends payable.....								(292,610)	
Redeemable preferred stock issuance costs.....							(550,962)		
Accretion of redeemable preferred stock....							(23,083)		
Balance at December 31, 1991.....	10,180,558	1,018,056	3,034,060	303,406	2,545,139	254,514	12,550,522	(74,290,322)	(1,280,000)
Net loss.....								(4,389,365)	
Cash dividends declared and paid..								(7,987,026)	
Cash dividends payable.....								(2,607,435)	
Accretion of redeemable preferred stock....							(194,740)		
Class A Common Stock issued.....	4,330,000	433,000					47,197,000		
Class A Common Stock exchanged for Class B Common Stock.....	4,482,021	448,202	(2,817,159)	(281,716)			(166,486)		
Class A Common Stock issuance and exchange offer costs.....							(4,924,164)		
Balance at December 31, 1992.....	18,992,579	1,899,258	216,901	21,690	2,545,139	254,514	54,462,132	(89,274,148)	(1,280,000)
Net loss.....								(17,359,300)	
Cash dividends declared and paid..								(8,909,470)	
Cash dividends payable.....								(3,063,380)	
Accretion of redeemable preferred stock....							(45,873)		
Balance at September 30, 1993.....	18,992,579	$ 1,899,258	216,901	$ 21,690	2,545,139	$ 254,514	$54,416,259	$(118,606,298)	$(1,280,000)

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TOTAL

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Balance at December 31, 1989, as previously reported.....	$ (3,287,136)
Effect of exchange of Class C Common Stock for Class A Common Stock.....	
Balance at December 31, 1989, as adjusted.....	(3,287,136)
Net loss.....	(29,267,451)
Cash dividends declared and paid..	(6,243,096)
Cash dividends payable.....	(1,289,475)
Balance at December 31, 1990.....	(40,087,158)
Net loss.....	(16,562,565)
Cash dividends declared and paid..	(3,927,446)
Cash dividends payable.....	(292,610)
Redeemable preferred stock issuance costs.....	(550,962)
Accretion of redeemable preferred stock....	(23,083)
Balance at December 31, 1991.....	(61,443,824)
Net loss.....	(4,389,365)
Cash dividends declared and paid..	(7,987,026)
Cash dividends payable.....	(2,607,435)
Accretion of redeemable preferred stock....	(194,740)
Class A Common Stock issued.....	47,630,000
Class A Common Stock exchanged for Class B Common Stock.....	--
Class A Common Stock issuance and exchange offer costs.....	(4,924,164)
Balance at December 31, 1992.....	(33,916,554)
Net loss.....	(17,359,300)
Cash dividends declared and paid..	(8,909,470)
Cash dividends payable.....	(3,063,380)
Accretion of redeemable preferred stock....	(45,873)
Balance at September 30, 1993.....	$(63,294,577)

</TABLE>

See accompanying notes to consolidated financial statements.

PETROLEUM HEAT AND POWER CO., INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,	NINE MONTHS ENDED SEPTEMBER 30,

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	1990	1991	1992	1992	1993
				(UNAUDITED)	
<S>	<C>	<C>	<C>	<C>	<C>
Cash flows from operating activities:					
Net loss	$ (29,267,451)	$ (16,562,565)	$ (4,389,365)	$ (9,522,949)	$ (17,359,300)
Adjustments to reconcile net loss to net cash provided by operating activities:					
Amortization of customer lists	25,570,792	24,839,983	23,496,438	17,469,592	18,236,229
Depreciation and amortization of plant and equipment	5,795,654	5,550,381	5,534,205	4,152,623	4,368,314
Amortization of deferred charges and debt discount	4,988,415	5,223,354	5,394,397	4,078,537	4,148,045
Provision for losses on accounts receivable	1,953,691	2,156,320	2,444,581	1,723,912	1,649,988
Provision for supplemental benefit	--	--	1,973,728	--	193,122
(Gain) loss on bond redemptions	--	(60,147)	332,590	332,590	867,110
(Gain) loss on sales of fixed assets	154,824	104,911	(8,297)	5,379	28,817
Amortization of acquired pension plan obligation	(21,712)	(23,328)	(24,785)	(18,497)	(19,819)
Decrease (increase) in accounts receivable	12,036,996	8,217,612	(6,994,519)	32,662,403	33,522,017
Decrease (increase) in inventory	7,398,733	12,509,679	(2,438,308)	519,311	2,941,246
Decrease in income taxes receivable	3,078,781	668,000	--	--	--
Decrease (increase) in prepaid expenses, notes receivable and other current assets	(514,729)	279,716	(12,823)	(147,400)	(1,465,990)
Decrease (increase) in other assets	(35,000)	(100,000)	(200,000)	(175,000)	10,000
Increase (decrease) in accounts payable	(12,147,594)	(6,133,548)	2,360,312	(5,995,795)	(6,115,613)
Increase (decrease) in customer credit balances	6,209,289	2,378,664	(822,574)	6,428,953	7,168,515
Increase (decrease) in unearned service contract revenue	938,660	104,643	823,902	(701,399)	(845,939)
Decrease in deferred taxes	(1,520,000)	--	--	--	--
Increase (decrease) in accrued expenses	(227,157)	461,857	(756,093)	(3,143,508)	(150,670)
Net cash provided by operating activities	24,392,192	39,615,532	26,713,389	47,668,752	47,176,072
Cash flows used in investing activities:					
Acquisition of customer lists	(18,536,065)	(10,127,482)	(33,361,262)	(18,416,935)	(10,199,182)
Increase in deferred charges	(8,958,281)	(2,570,234)	(1,800,647)	(1,045,225)	(3,047,753)
Capital expenditures	(6,486,285)	(4,146,765)	(14,509,037)	(5,377,188)	(4,309,984)
Proceeds from sales of fixed assets	651,840	261,333	528,376	145,014	129,638
Net cash used in investing activities	(33,328,791)	(16,583,148)	(49,142,570)	(24,694,334)	(17,427,281)
Cash flows from financing activities:					
Proceeds from issuance of common stock	--	--	47,630,000	47,630,000	--
Costs of issuing and exchanging common stock	--	--	(4,924,164)	(4,134,100)	--
Net proceeds from issuance of redeemable exchangeable preferred stock	15,000,000	4,449,055	7,499,950	7,499,950	--
Net proceeds from issuance of subordinated notes	5,000,000	5,700,000	6,800,000	6,800,000	48,067,642
Repurchase of subordinated notes	--	(5,616,508)	(6,964,693)	(6,964,693)	(25,368,574)
Net borrowings (reductions) under financing arrangement	2,500,000	(19,250,000)	(7,750,000)	(39,750,000)	(32,000,000)
Increase in Cash Collateral Account	--	(5,000,000)	(10,000,000)	(10,000,000)	(5,000,000)
Decrease in other debt	(2,924,188)	(33,345)	(33,346)	(25,009)	(250,009)
Principal payments under capital lease obligations	(688,794)	(686,577)	(596,833)	(497,115)	(103,595)
Cash dividends paid	(7,631,158)	(5,216,921)	(8,279,636)	(5,840,187)	(11,516,905)
Net cash provided by (used in) financing activities	11,255,860	(25,654,296)	23,381,278	(5,281,154)	(26,171,441)
Net increase (decrease) in cash	2,319,261	(2,621,912)	952,097	17,693,264	3,577,350
Cash at beginning of year	3,210,111	5,529,372	2,907,460	2,907,460	3,859,557
Cash at end of year	$ 5,529,372	$ 2,907,460	$ 3,859,557	$ 20,600,724	$ 7,436,907

</TABLE>

See accompanying notes to consolidated financial statements.

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(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of Petroleum Heat and Power Co., Inc. (Petro) and its subsidiaries (the Company), each of which is wholly owned and, like Petro, is engaged in the retail distribution of home heating oil and propane in the Northeast. The Company currently operates in 26 major markets in the Northeast, including the metropolitan areas of Boston, New York City, Baltimore, Providence and Washington, D.C., serving approximately 421,000 customers in those areas. Credit is granted to substantially all of these customers with no individual account comprising a concentrated credit risk.

Inventories

Inventories are stated at the lower of cost or market using the first-in, first-out method. The components of inventories were as follows at the dates indicated:

<TABLE>
<CAPTION>

	DECEMBER 31,		SEPTEMBER 30,
	1991	1992	1993
<S>	<C>	<C>	<C>
Fuel oil	$ 6,447,306	$ 8,151,053	$ 4,919,040
Parts	6,843,691	7,578,252	7,869,019
	$ 13,290,997	$ 15,729,305	$ 12,788,059

</TABLE>

Property, Plant and Equipment

Property, plant and equipment are carried at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Customer Lists and Deferred Charges

Customer lists are recorded at cost less accumulated amortization. Amortization is computed using the straight-line method with 90% of the cost amortized over six years and 10% of the cost amortized over 25 years.

Deferred charges include goodwill, acquisition costs and payments related to covenants not to compete. The covenants are amortized using the straight-line method over the terms of the related contracts, acquisition costs are amortized using the straight-line method over a six-year period, while goodwill is amortized using the straight-line method over a twenty-five year period. Also included as deferred charges are the costs associated with the issuance of the Company's subordinated notes. Such costs are being amortized using the straight line method over the lives of the notes.

The Company assesses the recoverability of intangible assets by comparing the carrying values of such intangibles to market values, where a market exists, supplemented by cash flow analyses to determine that the carrying values are recoverable over the remaining estimated lives of the intangibles through undiscounted future operating cash flows. When an intangible asset is deemed to be impaired, the amount of intangible impairment is measured based on market values, as available, or by projected operating cash flows, using a discount rate reflecting the Company's assumed average cost of funds.

Customer Credit Balances

Customer credit balances represent payments received from customers pursuant to a budget payment plan (whereby customers pay their estimated annual fuel charges on a fixed monthly basis) in excess of actual deliveries billed.

Unearned Service Contract Revenue

Payments received from customers for burner service contracts are deferred and amortized into income over the terms of the respective service contracts, which generally do not exceed one year.

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PETROLEUM HEAT AND POWER CO., INC.
AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)
(INFORMATION AS OF AND FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1993 AND 1992 IS UNAUDITED)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-- (CONTINUED)

Income Taxes

The Company files a consolidated Federal income tax return with its subsidiaries. When appropriate, deferred income taxes are provided to reflect the tax effects of timing differences between financial and tax reporting. Effective January 1, 1993 the Company adopted Statement of Financial Accounting Standard No. 109, "Accounting for Income Taxes" (SFAS No. 109). (See Note 9)

Pensions

The Company funds accrued pension costs currently on its pension plans, all of which are noncontributory.

Common Stock

In July 1992, the holders of Class A Common Stock exchanged 2,545,139 shares of Class A Common Stock for 2,545,139 shares of Class C Common Stock (see note 6). All numbers of Class A and Class C Common Stock and related amounts have been retroactively adjusted in the accompanying financial statements to reflect such exchange.

Earnings per Common Share

Earnings per common share are computed utilizing the three class method based upon the weighted average number of shares of Class A Common Stock, Class B Common Stock and Class C Common Stock outstanding, after adjusting the net loss for preferred dividends declared and the accretion of 1991 Redeemable Preferred Stock, aggregating $1,357,000, $3,292,000, $4,452,000, $4,057,000 and $3,367,000 for the years ended 1990, 1991, 1992, and for the nine months ended September 30, 1992 and 1993, respectively. Fully diluted earnings per common share are not presented because the effect is not material or is antidilutive.

Interim Financial Information

The financial information as of September 30, 1993 and for the nine-month periods ended September 30, 1992 and September 30, 1993 is unaudited; however, such information reflects all adjustments (consisting solely of normal recurring adjustments) which are, in the opinion of management, necessary to a fair statement of the financial position, results of operations and changes in cash flows for the interim periods. Because of the seasonality of the business, the results for the nine months ended September 30, 1993 are not indicative of the results to be expected for the full year.

(2) PROPERTY, PLANT AND EQUIPMENT

The components of property, plant and equipment and their estimated useful lives were as follows at the indicated dates:

<TABLE>
<CAPTION>

	DECEMBER 31,		SEPTEMBER 30,	
	1991	1992	1993	ESTIMATED USEFUL LIVES
<S>	<C>	<C>	<C>	<C>
Land	$ 1,404,565	$ 1,469,065	$ 1,519,065	
Buildings	6,442,729	7,151,142	7,482,228	20-45 years
Fleet and other equipment	31,931,137	38,507,056	39,248,389	3-17 years
Furniture and fixtures	8,927,844	10,784,419	12,332,105	5-7 years
Leasehold improvements	2,914,640	3,180,615	3,384,381	Terms of leases
	51,620,915	61,092,297	63,966,168	
Less accumulated depreciation and amortization	27,325,673	28,342,302	31,432,958	
	$ 24,295,242	$ 32,749,995	$ 32,533,210	

</TABLE>

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(3) NOTES PAYABLE AND OTHER LONG-TERM DEBT

Notes payable and other long-term debt, including working capital borrowings and current maturities of long-term debt, consisted of the following at the indicated dates:

<TABLE>
<CAPTION>

	DECEMBER 31,		SEPTEMBER 30,
	1991	1992	1993
<S>	<C>	<C>	<C>
Notes payable to banks under working capital borrowing arrangements(a)(c)	$ 39,750,000	$ 32,000,000	$ --
Notes payable in connection with the acquisition of Whale Oil Corp., due on June 1, 1994 with interest at the rate of 9% per annum(b)(c)	50,000,000	50,000,000	50,000,000
Amounts payable in connection with the purchase of a fuel oil dealer, due in monthly installments with interest at 6% per annum, maturing June 1, 1996 (see note 10)	147,095	113,749	88,740
	89,897,095	82,113,749	50,088,740
Less current maturities, including working capital borrowings	39,783,345	32,033,345	27,533,345
	$ 50,113,750	$ 50,080,404	$ 22,555,395

</TABLE>

- ----------

(a) Pursuant to a Credit Agreement, dated December 31, 1992 as restated and amended (Credit Agreement), the Company may borrow up to $75 million under a revolving credit facility with a sublimit under a borrowing base established each month. Amounts borrowed under the revolving credit facility are subject to a 45 day clean-up requirement prior to September 30 of each year and the revolver portion of the facility terminates on June 30, 1996. The credit agreement includes a letter of credit facility, which expires on October 20, 1994 pursuant to which the Company may open letters of credit in the aggregate amount of $20 million to support the Company's obligation to redeem equity securities issued in acquisitions. No such letters of credit are currently outstanding. The Company's ability to incur revolving credit loans is reduced to the extent that the amount of such letters of credit exceed $10 million. As collateral for the financing arrangement, the Company granted to the lenders a security interest in the customer lists, trademarks and trade names owned by the Company, including the proceeds therefrom.

Interest on borrowings is payable monthly and is based upon the floating rate selected at the option of the Company of either the Eurodollar Rate (as defined below) or the Alternate Base Rate (as defined below), plus 125 to 175 basis points on Eurodollar Loans or 0 to 50 basis points on Alternative Base Rate Loans, based upon the ratio of Consolidated Operating Profit to Interest Expense (as defined in the Credit Agreement). The Eurodollar Rate is the prevailing rate in the Interbank Eurodollar Market adjusted for reserve requirements. The Alternate Base Rate is the greater of (i) the prime rate or base rate of Chemical Bank in effect or (ii) the Federal Funds Rate in effect plus 1/2 of 1%. At December 31, 1992, the rate on the working capital borrowings was 5.4%. The Company pays a facility fee of 0.375% on the unused portion of the revolving credit facility. Compensating balances equal to 5.0% of the average amount outstanding during the relevant period are also required under the agreement.

(b) On July 22, 1987, Maxwhale Corp. (Maxwhale), a wholly owned subsidiary of Petro, acquired certain assets of Whale Oil Corp. for $50 million. The purchase price was paid by the issuance of $50 million of 9% notes due June 1, 1994. The notes are nonrecourse to Petro, but are secured by letters of credit issued by certain banks pursuant to the Credit Agreement. Maxwhale pays a fee on

(Footnotes continued on following page)

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(3) NOTES PAYABLE AND OTHER LONG-TERM DEBT-- (CONTINUED)

(Footnotes continued from preceding page)
these letters of credit, calculated at a range of 1.75% to 2.25% on $50 million less the balance maintained in a Cash Collateral Account, plus 0.25% on the Cash Collateral Account balance. Petro has fully guaranteed these letters of credit. The Maxwhale customer list is pledged pursuant to a security agreement in favor of the banks.

Under the Credit Agreement, the Company is required to make annual deposits into a Cash Collateral Account to secure the outstanding letters of credit. The first such deposit of $5 million was made on June 15, 1991 with additional deposits of $10 million occurring on April 1, 1992 and $5 million on May 15, 1993. An additional deposit of $7.5 million is required to be made on May 15, 1994. A term loan commitment is available under the Credit Agreement to refinance the balance due on the Maxwhale Note in excess of the Cash Collateral Account. Interest on the term loan, if the commitment is exercised, will be calculated either at the Alternate Base Rate, plus 25 to 75 basis points or the Eurodollar Rate plus 225 to 275 basis points, based upon the ratio of Consolidated Operating Profit to Interest Expense (as defined in the Credit Agreement). However, the Company's intention is to repay the Maxwhale Notes from the proceeds of the Offering, allowing the $20.0 million in the Cash Collateral Account to become unrestricted.

(c) The customer lists, trademarks and tradenames pledged to the banks under the Credit Agreement are carried on the September 30, 1993 balance sheet at $78,056,096. Under the terms of the Credit Agreement, the Company is required, among other things, to maintain certain minimum levels of cash flow, as well as certain ratios on consolidated debt. In the event of noncompliance with certain of the covenants, the banks have the right to declare all amounts outstanding under the loans to be due and payable immediately.

Aggregate annual maturities of the long-term debt outstanding at December 31, 1992, including working capital borrowings, but excluding Cash Collateral Account requirements, and assuming the term loan commitment as mentioned in the last paragraph of (b) above is exercised, are as follows:

<TABLE>
<CAPTION>

YEAR ENDED DECEMBER 31,	
<S>	<C>
1993	$ 32,033,000
1994	27,533,000
1995	7,533,000
1996	7,515,000
1997	7,500,000

</TABLE>

(4) LEASES AND CAPITAL LEASE OBLIGATIONS

The Company is obligated under various capital leases entered into during 1988 and 1989 for service vans. The leases expired in 1993 and were renewed on a month to month basis thereafter. The gross amounts of fleet and other equipment and related accumulated amortization recorded under the capital leases were as follows at the dates indicated:

<TABLE>
<CAPTION>

	DECEMBER 31,		SEPTEMBER 30,
	1991	1992	1993
<S>	<C>	<C>	<C>
Fleet and other equipment	$ 2,701,658	$ 2,701,658	$ 2,701,658
Less accumulated amortization	2,001,230	2,598,063	2,701,658
	$ 700,428	$ 103,595	$ --

</TABLE>

Amortization of assets held under capital leases is included with depreciation expense.

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(4) LEASES AND CAPITAL LEASE OBLIGATIONS-- (CONTINUED)

The Company also leases real property and equipment under noncancelable operating leases which expire at various times through 2008. Certain of the real property leases contain renewal options and require the Company to pay property taxes.

Future minimum lease payments for all operating leases (with initial or remaining terms in excess of one year), and the present value of future minimum capital lease obligations as of December 31, 1992, are as follows:

<TABLE>
<CAPTION>

YEAR ENDING DECEMBER 31,	CAPITAL LEASES	OPERATING LEASES
<S>	<C>	<C>
1993	$ 109,594	$ 3,126,000
1994	--	2,831,000
1995	--	2,491,000
1996	--	1,659,000
1997	--	1,083,000
Thereafter	--	4,426,000
Total minimum lease payments	109,594	$ 15,616,000
Less amount representing interest (at rates ranging from 9.50% to 10.75%)	5,999	
Present value of net minimum capital lease obligations	$ 103,595	

</TABLE>

Rental expense under operating leases for the years ended December 31, 1990, 1991, and 1992 was $4,787,000, $4,916,000, and $4,448,000 respectively, and for the nine months ended September 30, 1992 and 1993 was $3,314,000 and $3,877,000, respectively.

(5) SUBORDINATED NOTES PAYABLE

Subordinated notes payable, net of unamortized original discounts, at the dates indicated, consisted of:

<TABLE>
<CAPTION>

	DECEMBER 31,		SEPTEMBER 30,
	1991	1992	1993
<S>	<C>	<C>	<C>
11.40% Subordinated Notes due July 1, 1993(a)(b)	$ 12,389,105	$ 12,400,373	$ --
14.275% Subordinated Notes due October 1, 1995(b)	19,227,962	12,478,349	--
11.85%, 12.17%, and 12.18% Subordinated Notes due October 1, 1998(c)	60,000,000	60,000,000	60,000,000
14.10% Subordinated Notes due January 15, 2001(d)	5,700,000	12,500,000	12,500,000
Subordinated Notes due March 1, 2000(e)	--	--	12,763,663
10 1/8% Subordinated Notes due April 1, 2003(f)	--	--	50,000,000
	97,317,067	97,378,722	135,263,663
Less current maturities	5,704,000	12,400,373	--
	$ 91,613,067	$ 84,978,349	$ 135,263,663

</TABLE>

- ----------

(a) On July 2, 1984, the Company sold $20,000,000 of subordinated notes at an original discount of approximately $150,000. These notes (11.40% Notes) bore interest at 11.40% and were redeemable at the Company's option in whole, at any time, or in part, from time to time, at a redemption price of 101.5% of principal amount through June 30, 1993. Interest was payable quarterly.

(Footnotes continued on following page)

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(5) SUBORDINATED NOTES PAYABLE-- (CONTINUED)
(Footnotes continued from preceding page)

(b) On October 8, 1985, the Company sold $25,000,000 of subordinated fixed rate notes at an original discount of approximately $330,000. These notes (14.275% Notes) bore interest at 14.275% and were redeemable at the option of the Company, in whole or in part, from time to time, upon payment of a premium rate of approximately 3.7%, which declined on October 1, 1992 to approximately 2.0% until October 1, 1993, when the 14.275% Notes were redeemable at par.

In April 1991, the Company purchased $5,519,000 and $376,000 face value of its 11.40% Notes and 14.275% Notes, respectively, for an aggregate of $5,617,000. Unamortized deferred charges and bond discounts of $218,000 associated with the issuances of the 11.40% Notes and the 14.275% Notes were written off upon the repurchase of the debt. The Company included a gain of $60,000 in 1991 on these repurchases and included such gain in other income. In March 1992, the Company purchased $2,445,000 of the 14.275% Notes at par. Unamortized deferred charges and bond discounts of $62,000 associated with the issuance of these notes were written off on the repurchase of the debt in March 1992. On May 15, 1992 the Company purchased $4,355,000 of the 14.275% Notes at a premium of 3.7%. Unamortized deferred charges and bond discounts of $106,000 associated with the issuance of these Notes were written off on the repurchase of the debt in May 1992. The Company included a loss of $333,000 in 1992 on these repurchases and included such loss in other expenses. In May 1993, the Company repurchased all of its outstanding 11.40% Subordinated Notes due July 1, 1993 having a face amount of $12,430,000, at a redemption price of 101.5% of face value for an aggregate of approximately $12.6 million and repurchased all of its outstanding 14.275% Subordinated Notes due October 1, 1995 having a face amount of $12,524,000, at a redemption price of 102.0% of face value for an aggregate of approximately $12.8 million. Unamortized deferred charges and bond discounts of $447,000 associated with the issuance of these Notes were written off on the repurchase of the debt in May 1993. The Company recorded an extraordinary loss of $867,000 as a result of the early retirement of this debt.

(c) On September 1, 1988, the Company authorized the issuance of $60,000,000 of Subordinated Notes due October 1, 1998 bearing interest payable semiannually on the first day of April and October. The Company issued $40,000,000 of such notes on October 14, 1988 bearing interest at the rate of 11.85% per annum, $15,000,000 of such notes on March 31, 1989 bearing interest at the rate of 12.17% per annum and $5,000,000 of such notes on May 1, 1990 bearing interest at the rate of 12.18% per annum. All such notes are redeemable at the option of the Company, in whole or in part, from time to time, upon payment of a premium rate as defined.

(d) On January 15, 1991, the Company authorized the issuance of $12,500,000 of 14.10% Subordinated Notes due January 15, 2001 bearing interest payable quarterly on the fifteenth day of April, July, October and January. The Company issued $5,700,000 of such notes in April 1991 and $6,800,000 in March 1992. The notes are redeemable at the option of the Company, in whole or in part, from time to time, upon payment of a premium rate as defined. On each January 15, commencing 1996 and ending January 15, 2000, the Company is required to prepay $2,100,000 of the Notes. The remaining principal of $2,000,000 is due on January 15, 2001. No premium is payable in connection with these required payments.

(e) In March 1993, the Company issued $12,764,000 of Subordinated Notes due March 1, 2000 in exchange for an equal amount of 1991 Redeemable Preferred Stock. The Company issued the 1991 Redeemable Preferred Stock under an agreement which required the Company to redeem the 1991 Redeemable Preferred Stock as soon as, and to the extent that it was permitted to incur Funded Debt. Under the applicable provisions of the Company's debt agreements, the Company was allowed to incur Funded Debt in the first quarter of 1993 and as such, was required to enter into the exchange. These notes call for interest payable monthly based on the sum of LIBOR plus 9.28% At September 30, 1993, LIBOR was 3.1875%

(f) On April 6, 1993, the Company issued $50.0 million of 10 1/8% Subordinated Notes due April 1, 2003. These Notes are redeemable at the Company's option, in whole or in part, at any time on or after April 1, 1998 upon payment of a premium rate as defined. Interest is payable semiannually on the first day of April and October.

Expenses connected with the above six offerings, and amendments thereto, amounted to approximately $8,057,000. At December 31, 1991, 1992 and September 30, 1993, the unamortized balances

(5) SUBORDINATED NOTES PAYABLE-- (CONTINUED)

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relating to notes then outstanding amounted to approximately $2,350,000, $1,675,000 and $3,172,000, respectively, and such balances are included in deferred charges.

With the repurchase in 1993 of the $24.9 million outstanding 14.275% and 11.40% Notes with a portion of the proceeds of the 10 1/8% Subordinated Notes, there are no other annual maturities for each of the next five years as of December 31, 1992 except for the required prepayments of $2,100,000 in 1996 and 1997 for the 14.10% Subordinated Notes.

(6) COMMON STOCK AND COMMON STOCK DIVIDENDS

The Company's outstanding Common Stock consists of Class A Common Stock, Class B Common Stock and Class C Common Stock, each with various designations, rights and preferences. In 1992, the Company restated and amended its Articles of Incorporation increasing the authorized shares of Class A Common Stock to 40,000,000 and authorizing 5,000,000 shares of Class C Common Stock, $.10 par value. On July 29, 1992, the holders of Class A Common Stock exchanged pro rata 2,545,139 shares of Class A Common Stock for 2,545,139 shares of Class C Common Stock. The financial statements, as well as the table below, give retroactive effect to this exchange.

Holders of Class A Common Stock and Class C Common Stock have identical rights, except that holders of Class A Common Stock are entitled to one vote per share and holders of Class C Common Stock are entitled to ten votes per share. Holders of Class B Common Stock do not have voting rights, except as required by law, or in certain limited circumstances.

Holders of Class B Common Stock are entitled to receive, as and when declared by the Board of Directors, Special Dividends equal to .000001666% per share per quarter of the Company's Cash Flow, as defined, for its prior fiscal year. For purposes of computing Special Dividends, Cash Flow represents the sum of (i) consolidated net income, plus (ii) depreciation and amortization of plant and equipment, and (iii) amortization of customer lists and restrictive covenants. Special Dividends are cumulative and are payable quarterly. If not paid, dividends on any other class of stock may not be paid until all Special Dividends in arrears are declared and paid.

The Company may, in its sole discretion, terminate the payment of the Special Dividends if all Special Dividends have then been paid or duly provided for. If the Company exercises its right to terminate the Special Dividends, it must give notice to the holders of Class B Common Stock not less than 30 days nor more than 60 days prior to the date fixed for termination. In such event, the Special Dividends will terminate on the date specified in the notice (the Parity Date). Each holder of Class B Common Stock will then have a period of 60 days from the date of the notice to elect to require the Company to purchase all or part of such holder's Class B Common Stock at a price of $17.50 per share, as adjusted for stock splits, reclassifications and the like, plus all accrued and unpaid Special Dividends to the date of purchase, or to elect to retain such holder's Class B Common Stock. After the Parity Date, no dividends will be paid to the holders of Class B Common Stock until the holders of Class A Common Stock and Class C Common Stock receive dividends equal to the Common Stock Allocation, as defined.

On July 29, 1992 and September 2, 1992, the Company sold an aggregate of 4,330,000 shares of its Class A Common Stock in a Public Offering at an initial offering price of $11.00 per share. The Class A Common Stock is listed on the Nasdaq National Market under the symbol "HEAT".

(6) COMMON STOCK AND COMMON STOCK DIVIDENDS-- (CONTINUED)

On September 17, 1992 the Company commenced an Exchange Offer (Exchange Offer) for all of the outstanding shares of its Class B Common Stock, pursuant to which each holder of Class B Common Stock who validly tendered a share of Class B Common Stock for exchange was entitled to receive 1.591 shares of Class A Common Stock. The Exchange Offer expired on October 16, 1992 and, as a result, 2,817,159 shares of Class B Common Stock (92.8% of the total then outstanding) were exchanged for 4,482,021 shares of Class A Common Stock.

The following table summarizes the cash dividends declared on Common Stock and the cash dividends declared per common share for the periods indicated:

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,	NINE MONTHS END SEPTEMBER 30,

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	1990	1991	1992	1992	1993
<S>	<C>	<C>	<C>	<C>	<C>
Cash dividends declared					
Class A	$ 814,000	$ --	$ 3,157,000	$ 1,020,000	$ 7,360,000
Class B	5,157,000	952,000	2,715,000	2,601,000	306,000
Class C	204,000	--	465,000	179,000	986,000
Cash dividends declared per share					
Class A	$ 0.08	$ --	$ 0.18	$ 0.07	$ 0.39
Class B	1.70	0.31	1.14	0.86	1.41
Class C	0.08	--	0.18	0.07	0.39

</TABLE>

Under the Company's most restrictive dividend limitation, $14.2 million was available at December 31, 1992 for the payment of dividends on all classes of Common Stock.

In the event of liquidation of the Company, each outstanding share of Class B Common Stock would be entitled to a distribution equal to its share of all accrued and unpaid Special Dividends, without interest, plus $5.70 per share, before any distribution is made with respect to the Class A or Class C Common Stock. Thereafter, each share of Class B Common Stock and each share of Class A and Class C Common Stock would participate equally in all liquidating distributions, subject to the rights of the holders of the Cumulative Redeemable Exchangeable Preferred Stock. The aggregate liquidation preference on the Class B Common Stock at December 31, 1992 amounted to an aggregate of $1,236,336.

(7) CUMULATIVE REDEEMABLE EXCHANGEABLE PREFERRED STOCK

The Company entered into agreements dated as of August 1, 1989 with John Hancock Mutual Life Insurance Company and Northwestern Mutual Life Insurance Company to sell up to 250,000 shares of its Redeemable Preferred Stock, par value $.10 per share, at a price of $100 per share, which shares are exchangeable into Subordinated Notes due August 1, 1999 (1999 Notes). The Company sold 50,000 shares of the Redeemable Preferred Stock in August 1989, 50,000 shares in December 1989 and 150,000 shares in May 1990. The Redeemable Preferred Stock issued in August 1989 calls for dividends of $12 per share, while the stock issued in December 1989 and May 1990 calls for dividends of $11.84 and $12.61 per share, respectively. The shares of the Redeemable Preferred Stock are exchangeable in whole, or in part, at the option of the Company, for 1999 Notes.

(7) CUMULATIVE REDEEMABLE EXCHANGEABLE PREFERRED STOCK-- (CONTINUED)

On August 1, 1994, and on August 1 of each year thereafter, so long as any of the shares of Redeemable Preferred Stock remain outstanding, one-sixth of the number of originally issued shares of each series of Redeemable Preferred Stock outstanding less the number of shares of such series previously exchanged for 1999 Notes, are to be redeemed, with the final redemption of remaining outstanding shares occurring on August 1, 1999. The redemption price is $100 per share plus all accrued and unpaid dividends to such August 1.

The Company entered into an agreement dated September 1, 1991 with United States Leasing International Inc. to sell up to 159,722 shares of its 1991 Redeemable Preferred Stock, par value $.10 per share, at an initial price of $78.261 per share, which shares are exchangeable into Subordinated Notes due March 1, 2000 (2000 Notes). The Company sold 63,889 shares of the Redeemable Preferred Stock in September 1991 at $78.261 per share and 94,995 shares in March 1992 at $78.951 per share, the accreted value of the initial price. The holders of the shares of 1991 Preferred Stock were entitled to receive monthly dividends based on the annual rate of the sum of LIBOR plus 4.7%.

In March 1993, the Company issued $12,763,663 of 2000 Notes in exchange for all of the 1991 Redeemable Preferred Stock (see Note No. 5). The Company issued the 1991 Redeemable Preferred Stock under an agreement which required the Company to redeem the 1991 Redeemable Preferred Stock as soon as, and to the extent that it was permitted to incur Funded Debt. Under the applicable provisions of the Company's debt agreements, the Company was allowed to incur Funded Debt in the first quarter of 1993 and as such, was required to enter into the exchange.

Preferred dividends of $1,357,000 in the aggregate were declared in 1990 on the Redeemable Preferred Stock. Preferred dividends of $3,269,000 were declared on all classes of preferred stock in 1991, while preferred dividends of $4,258,000 were declared on all classes of preferred stock in 1992. For the nine months ended September 30, 1992 and 1993, Preferred Dividends of $3,922,000 and

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$3,321,000 respectively, were declared on all classes of preferred stock.

Aggregate annual maturities for all classes of Redeemable Preferred Stock for each of the next five years, are as follows as of December 31, 1992:

1993	$ --
1994	4,167,000
1995	4,167,000
1996	4,167,000
1997	4,167,000

(8) PENSION PLANS

The Company has several noncontributory defined contribution and defined benefit pension plans covering substantially all of its nonunion employees. Benefits under the defined benefit plans are generally based on years of service and each employee's compensation, while benefits under the defined contribution plans are based solely on compensation. Pension expense under all plans for the years ended December 31, 1990, 1991 and 1992 was $2,964,000, $2,774,000 and $2,447,000, respectively, net of amortization of the pension obligation acquired.

(8) PENSION PLANS-- (CONTINUED)

The following table sets forth the defined benefit plans' funded status and amounts recognized in the Company's balance sheets at the indicated dates:

	DECEMBER 31,	
	1991	1992
Actuarial present value of benefit obligations:		
Accumulated benefit obligations including vested benefits of $16,768,633 and $18,409,871	$ 17,122,268	$ 18,790,759
Projected benefit obligation	$ (20,079,225)	$ (21,715,790)
Plan assets at fair value (primarily listed stocks and bonds)	16,097,127	16,581,099
Projected benefit obligation in excess of plan assets	(3,982,098)	(5,134,691)
Unrecognized net loss from past experience different from the assumed and effects of changes in assumptions	2,192,311	3,645,967
Unrecognized net transitional obligation	666,004	606,394
Unrecognized prior service cost due to plan amendments	748,706	674,044
Additional liability	(1,060,942)	(2,133,731)
Accrued pension cost for defined benefit plans included in accrued expenses--pension	$ (1,436,019)	$ (2,342,017)

Net pension cost for defined benefit plans for the periods indicated included the following components:

	YEAR ENDED DECEMBER 31,		
	1990	1991	1992
Service cost-benefits earned during the period	$ 1,109,837	$ 1,154,607	$ 1,162,736
Interest cost on projected benefit obligation	1,598,584	1,665,229	1,781,444
Actual return on assets	(325,861)	(2,515,808)	(1,248,604)
Net amortization and deferral of gains and losses	(896,750)	1,471,819	(71,885)
Net periodic pension cost for defined benefit plans	$ 1,485,810	$ 1,775,847	$ 1,623,691

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</TABLE>

Assumptions used in the above accounting were:

<TABLE>

<S>	<C>
Discount rate	8.5%
Rates of increase in compensation levels	6%
Expected long-term rate of return on assets	10%

</TABLE>

In addition to the above, the Company made contributions to union-administered pension plans during the years ended December 31, 1990, 1991 and 1992 of $2,418,000, $2,365,000 and $2,442,000, respectively.

(8) PENSION PLANS-- (CONTINUED)

In connection with the purchase of shares of a predecessor company as of January 1, 1979 by a majority of the Company's present holders of Class C Common Stock, the Company assumed a pension liability in the aggregate amount of $1,512,000, as adjusted, representing the excess of the actuarially computed present value of accumulated vested plan benefits over the net assets available for such benefits. Such liability, which amounted to $1,239,250 at December 31, 1992, is being amortized over 40 years.

Under a 1992 supplemental benefit agreement, Malvin P. Sevin, the Company's chairman and co-chief executive officer, was entitled to receive $25,000 per month for a period of 120 months following his retirement. In the event of his death, his designated beneficiary is entitled to receive such benefit. The expense related to this benefit was being accrued over the estimated remaining period of Mr. Sevin's employment. Mr. Sevin passed away in December 1992, prior to his retirement. The accrual for such benefit payable was accelerated at December 31, 1992 to $1,974,000, the present value (using a discount rate of 9%) of the payments now payable to his beneficiary, which payments commenced in January 1993.

During the first quarter of 1993, the Company adopted Statement of Financial Accounting Standard No. 106 ("SFAS No. 106"), "Employers' Accounting for Post Retirement Benefits Other Than Pensions." This statement requires that the expected cost of post retirement benefits be fully accrued by the first date of full benefit eligibility, rather than expensing the benefit when payment is made. As the Company generally does not provide for post retirement benefits, other than pensions, the adoption of the new statement did not have any material effect on the Company's financial condition or results of operations.

(9) INCOME TAXES

Income tax expense (benefit) was comprised of the following for the indicated years:

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,			NINE MONTHS ENDED SEPTEMBER 30,	
	1990	1991	1992	1992	1993
<S>	<C>	<C>	<C>	<C>	<C>
Current:					
Federal	$ (668,000)	$ --	$ --	$ --	$ --
State	321,000	250,000	400,000	218,000	218,000
Deferred	(1,520,000)	--	--	--	--
	$ (1,867,000)	$ 250,000	$ 400,000	$ 218,000	$ 218,000

</TABLE>

(9) INCOME TAXES-- (CONTINUED)

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Deferred income tax expense results from timing differences in the recognition of revenue and expense for tax and financial statement purposes. The sources of these differences and the tax effects of each were as follows:

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,		
	1990	1991	1992
<S>	<C>	<C>	<C>
Excess of tax over book (book over tax) depreciation	$ 377,000	$ (114,000)	$ (11,000)
Excess of book over tax vacation expense	(223,000)	(223,000)	(3,000)
Excess of book over tax bad debt expense	(3,000)	(74,000)	(165,000)
Excess of book over tax supplemental benefit expense	--	--	(671,000)
Deferred service contracts	66,000	66,000	66,000
Other, net	(97,000)	36,000	50,000
Recognition of tax benefit of net operating loss to the extent of current and previously recognized timing differences	(1,640,000)	--	--
Deferred tax assets not recognized	--	309,000	734,000
	$ (1,520,000)	$ --	$ --

</TABLE>

For Federal income tax reporting purposes, the Company carried back its 1990 loss to prior years to recover taxes previously paid in the amount of $668,000. Total income tax expense (benefit) amounted to ($1,867,000) for 1990, $250,000 for 1991, and $400,000 for 1992. The Company's federal income tax returns have been examined by the Internal Revenue Service through the year ended December 31, 1990. The following reconciles the effective tax (benefit) rates to the "expected" statutory rates for the years indicated:

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,		
	1990	1991	1992
<S>	<C>	<C>	<C>
Computed "expected" tax (benefit) rate	(34.0)%	(34.0)%	(34.0)%
Reduction (increase) of income tax benefit resulting from:			
Net operating loss carryback limitation	27.0	34.0	34.0
State income taxes, net of Federal income tax benefit	0.9	1.5	10.0
Other	0.1	--	--
	(6.0)%	1.5%	10.0%

</TABLE>

During the first quarter of 1993, the Company adopted Statement of Financial Accounting Standard No. 109, "Accounting for Income Taxes" ("SFAS No. 109"). This statement requires that deferred income taxes be recorded following the liability method of accounting and adjusted periodically when income tax rates change. Adoption of the new Statement did not have any effect on the Company's financial condition or results of operations since the Company did not carry any deferred tax accounts on its balance sheet at December 31, 1992 and any net deferred assets set up as a result of applying FAS No. 109 have been fully reserved.

Under SFAS No. 109, as of January 1, 1993, the Company had net deferred tax assets of approximately $14.6 million subject to a valuation allowance of approximately $14.6 million. The

(9) INCOME TAXES-- (CONTINUED)

components of and changes in the net deferred tax assets and the changes in the related valuation allowance for the first nine months of 1993 using current rates were as follows (in thousands):

<TABLE>
<CAPTION>

	JANUARY 1,	DEFERRED EXPENSE	SEPTEMBER 30,

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	1993	(BENEFIT)	1993
<S>	<C>	<C>	<C>
Federal book net operating loss carryforwards	$ 14,873	$ 5,902	$ 20,775
Excess of tax over book depreciation	(2,472)	(120)	(2,592)
Excess of book over tax vacation expense	1,042	15	1,057
Excess of book over tax supplemental benefit expense	671	(20)	651
Excess of book over tax bad debt expense	440	(50)	390
Other, net	76	(30)	46
	14,630	5,697	20,327
Valuation allowance	(14,630)	(5,697)	(20,327)
	$ --	$ --	$ --

</TABLE>

A valuation allowance is provided when it is more likely than not that some portion of the deferred tax asset will not be realized. The Company has determined, based on the Company's recent history of annual net losses, that a full valuation allowance is appropriate.

At December 31, 1992, the Company had the following income tax carryforwards for federal tax reporting purposes (in thousands):

<TABLE>
<CAPTION>

EXPIRATION DATE	AMOUNT
<S>	<C>
2005	$ 26,651
2006	15,012
2007	1,367
	$ 43,030

</TABLE>

(10) RELATED PARTY TRANSACTIONS

In connection with the acquisition of customer lists, equipment and other assets of previously unaffiliated fuel oil businesses, the Company entered into lease agreements covering certain vehicles with individuals, including certain stockholders, directors and executive officers. These leases are currently on a month-to-month basis, on terms comparable with leases from unrelated parties. Annual rentals under these leases are approximately $150,000.

During 1981, the Company acquired the customer list, equipment and accounts receivable of a fuel oil business from two individuals, one of whom is, and the other of whom was, prior to his death, stockholders, directors and executive officers of the Company. The purchase price was approximately $1,233,000, of which $733,000 was paid at the closing and the balance was financed through the issuance of a $500,000, 6%, 15-year term note secured by property of the Company. The unpaid balance of this note at September 30, 1993 was $88,740 (see note 3).

On November 6, 1985, the Company sold a building to certain related parties for $660,000, the same price the Company originally paid for the property in June 1984 and which was also the facility's independently appraised fair market value. The parties then leased the facility back to the Company pursuant to a ten-year agreement providing for rentals of $90,000 per annum plus escalation and taxes.

(10) RELATED PARTY TRANSACTIONS-- (CONTINUED)

Until 1985, the Company occupied a certain building under a lease agreement with an unaffiliated lessor. The lease was accounted for as a capital lease and, as such, the capitalized leased asset and obligation were included on the Company's balance sheet. In November 1985, pursuant to a competitive bidding process, the Company purchased the building from the landlord for $1,500,000. The building was resold for $1,500,000 in December 1985 to certain related parties, some of whom are stockholders, directors and executive officers of the Company. These related parties are leasing the building to the Company under a lease agreement which calls for rentals of $315,000 per annum (which was the

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independently appraised lease rental) plus escalations, and which expires in 1995.

In October 1986, Irik P. Sevin purchased 161,313 shares of Class A Common Stock and 40,328 shares of Class C Common Stock (after giving retroactive effect to the exchange of Class C Common Stock for Class A Common Stock in July 1992) of the Company for $1,280,000 (which was the fair market value as established by the Pricing Committee pursuant to the Stockholders' Agreement described below). The purchase price was financed by a note originally due December 31, 1989, but which has been extended to December 31, 1993. The note was amended in 1991 to increase the principal amount by $152,841, the amount of interest due from October 22, 1990 through December 31, 1991 and to change the interest rate on the note effective January 1, 1992 from 10% per annum to the LIBOR rate in effect for each month plus 0.75%. The note was amended again in 1992 to increase the principal amount by $66,537, the amount of interest due from January 1, 1992 through December 31, 1992. At any time prior to the due date of the note, Mr. Sevin has the right to require the Company to repurchase all or any of these shares (as adjusted for stock splits, dividends and the like) for $6.35 per share (the Put Price), provided, however, that Mr. Sevin may retain all shares of Class B Common Stock issued as stock dividends on the shares without adjustments to the Put Price. In December 1986, 50,410 shares of Class B Common Stock were issued as a stock dividend with respect to these shares, which shares were exchanged in October 1992 for 80,202 Class A Common Shares pursuant to the Exchange Offer discussed in Note 6. Upon the repurchase of the shares, the Company has agreed to issue an eight-year option to Mr. Sevin to purchase a like number of shares at the Put Price. Mr. Sevin has entered into an agreement with the Company that he will not sell or otherwise transfer to a third party any of the shares of Class A Common Stock or Class C Common Stock received pursuant to this transaction until the note has been paid in full.

In November 1986, the Company issued stock options to purchase 30,000 shares and 20,000 shares, of the Class A Common Stock of the Company to Irik P. Sevin and Malvin P. Sevin, respectively, subject to adjustment for stock splits, stock dividends, and the like, upon the successful completion of a public offering of at least 10% of the common stock of the Company. Such a public offering was completed in December 1986. The option price for the shares of Class A Common Stock was $20 per share. The options, which expire on November 30, 1994, are nontransferrable. As a result of stock dividends in the form of Class A Common Stock and Class B Common Stock declared by the Company in December 1986, the exchange of Class C Common Stock for Class A Common Stock in July 1992, and special antidilution adjustments, the options held by Irik P. Sevin now apply to 89,794 shares of Class A Common Stock and 22,448 shares of Class C Common Stock and the options held by Malvin P. Sevin now apply to 59,862 shares of Class A Common Stock and 14,966 shares of Class C Common Stock. The adjusted option price for each such share is $4.10.

On December 2, 1986, the Company issued stock options to purchase 75,000 shares and 50,000 shares of Class A Common Stock to Irik P. Sevin and Malvin P. Sevin, respectively. The option price for

(10) RELATED PARTY TRANSACTIONS-- (CONTINUED)
the shares of Class A Common Stock was $20 per share. These options are nontransferrable and expire November 30, 1994. As a result of stock dividends in the form of Class A Common Stock and Class B Common Stock declared by the Company in December 1986, the exchange of Class C for Class A Common Stock in July 1992, and special antidilution adjustments, the options held by Irik P. Sevin now apply to 224,483 shares of Class A Common Stock and 56,121 shares of Class C Common Stock and the options held by Malvin P. Sevin now apply to 149,655 shares of Class A Common Stock and 37,414 shares of Class C Common Stock. The adjusted option price for each such share became $4.10.

On December 28, 1987, the Company issued stock options to purchase 24,000 shares of Class A Common Stock and 6,000 shares of Class C Common Stock (after giving retroactive effect to the exchange of Class C Common Stock for Class A Common Stock in July 1992) to Irik P. Sevin. The option price for each such share is $7.50. These options are not transferrable and expire on January 1, 1996.

On March 3, 1989, the Company issued stock options to purchase 72,000 shares of Class A Common Stock and 18,000 shares of Class C Common Stock (after giving retroactive effect to the exchange of Class C Common Stock for Class A Common Stock in July 1992) to Irik P. Sevin and 48,000 shares of Class A Common Stock and 12,000 shares of Class C Common Stock (after giving retroactive effect to the exchange of Class C Common Stock for Class A Common Stock in July 1992) to Malvin P. Sevin. The option price for each such share is $11.25. These options are nontransferrable and expire in March 1994.

On November 1, 1992, the Company issued stock options to an officer of the

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Company to purchase 25,000 shares of Class A Common Stock and issued another 25,000 stock options to this officer in June 1993. The option price for each such share is $11.00. Twenty percent of the options become exercisable on each of the next five anniversary dates of the grants.

In December 1992, Malvin P. Sevin passed away. All options previously owned by him are exercisable by his estate for a period of one year from his date of death.

During the first quarter of 1991, the Company contemplated the acquisition of a business engaged in the distribution of packaged industrial gases for other than heating purposes ("Packaged Industrial Gas Business"). As the Company was prohibited from making this acquisition because of restrictions under the Credit Agreement from which the Company was unable to obtain a waiver, the acquisition was consummated by certain of the principal holders of the Class C Common Stock. The Company entered into an agreement with the Packaged Industrial Gas Business to provide management services on request for a fee equal to the allocable cost of Company personnel devoted to the business with a minimum fee of $50,000 per annum plus an incentive bonus equal to 10% of the cash flow above budget. The fee received under such management contract for the seven months ended December 31, 1991 was $29,000 and for the year ended December 31, 1992 was $50,000. Simultaneously with this acquisition, the Company entered into an option agreement expiring May 31, 1996 pursuant to which the Company had the right, exercisable at any time, to acquire the Packaged Industrial Gas Business for its fair market value, as determined by an independent appraisal. In January 1993, the Packaged Industrial Gas Business was sold by its owners to an unrelated third party and the Company's option agreement and management services agreement was cancelled.

On August 1, 1991, the Company agreed to purchase certain assets of a fuel oil distributor for approximately $17 million. However, certain restrictions under the Company's lending arrangements

(10) RELATED PARTY TRANSACTIONS-- (CONTINUED)
made the cost of the acquisition unduly burdensome. Accordingly, in October 1991, certain shareholders of the Company, owning approximately 9% of the Class C Common Stock and certain unaffiliated investors, organized RAC Fuel Oil Corp. (RAC) to acquire such business, but gave Petro a five year option, which Petro was required to exercise when permitted by its lending arrangements, to purchase RAC for the same price, as adjusted for operations while the business was owned by RAC. Pending exercise of its option, the Company had been managing RAC's business at an annual fee of $161,000, which was designed to compensate the Company for its estimated costs, and supplying fuel oil to RAC at the Company's cost. In August 1992, the Company was able to and did exercise its option to buy RAC. The acquisition price was approximately $17 million.

The existing holders of Class C Common Stock of the Company have entered into a Shareholders' Agreement which provides that, in accordance with certain agreed-upon procedures, each will vote his shares to elect certain designated directors. The Shareholders' Agreement also provides for first refusal rights to the Company if a holder of Class C Common Stock receives a bona fide written offer from a third party to buy such holder's Class C Common Stock.

(11) ACQUISITIONS

During 1990, the Company acquired the customer lists and equipment of 12 unaffiliated fuel oil dealers. The aggregate consideration for these acquisitions, accounted for by the purchase method, was approximately $28,000,000.

During 1991, the Company acquired the customer lists and equipment of nine unaffiliated fuel oil dealers. The aggregate consideration for these acquisitions, accounted for by the purchase method, was approximately $12,500,000.

During 1992, the Company acquired the customer lists and equipment of nine unaffiliated fuel oil dealers. The aggregate consideration for these acquisitions, accounted for by the purchase method, was approximately $41,500,000.

Sales and net income of the acquired companies are included in the consolidated statements of operations from the respective dates of acquisition.

Unaudited pro forma data giving effect to the purchased businesses as if they had been acquired in the year preceding the year of purchase, with adjustments, primarily for amortization of intangibles, are as follows:

<TABLE>

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<CAPTION>

	YEAR ENDED DECEMBER 31,		
	1990	1991	1992
	(IN THOUSANDS, EXCEPT PER SHARE DATA)		
<S>	<C>	<C>	<C>
Net sales	$ 612,537	$ 593,876	$ 573,970
Net loss	$ (27,303)	$ (15,547)	$ (1,995)
Earnings (loss) per common share			
Class A Common Stock	$ (2.70)	$ (1.62)	$ (.74)
Class B Common Stock	1.87	.57	1.77
Class C Common Stock	(2.70)	(1.62)	(.74)

</TABLE>

During the nine months ended September 30, 1993, the Company acquired the customer lists and equipment of nine unaffiliated fuel oil dealers. The aggregate consideration for these acquisitions, accounted for by the purchase method, was approximately $13,800,000.

(11) ACQUISITIONS-- (CONTINUED)

The Company has previously announced the signing of a letter of intent to purchase an approximate 29.5% interest in Star Gas Corporation. The Company's investment, currently estimated to be approximately $16 million, will be financed out of cash flow from its operations. Final consummation of the transaction is subject to the execution of a definitive agreement and various consents and is anticipated to take place before December 31, 1993.

(12) SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,			NINE MONTHS SEPTEMBER 30,	
	1990	1991	1992	1992	1993
<S>	<C>	<C>	<C>	<C>	<C>
Cash paid during the year for:					
Interest	$ 21,773,525	$ 21,928,724	$ 20,238,486	$ 13,130,279	$ 13,062,177
Income taxes	320,601	202,650	319,487	240,900	280,655

</TABLE>

(13) DISCLOSURES ABOUT THE FAIR VALUE OF FINANCIAL INSTRUMENTS

Cash, Accounts Receivable, Notes Receivable and Other Current Assets, U.S. Treasury Notes held in a Cash Collateral Account, Working Capital Borrowings, Accounts Payable and Accrued Expenses

The carrying amount approximates fair value because of the short maturity of these instruments.

Long-Term Debt, Subordinated Notes Payable and Cumulative Redeemable Exchangeable Preferred Stock

The fair values of each of the Company's long-term financing instruments, including current maturities, are based on the amount of future cash flows associated with each instrument, discounted using the Company's current borrowing rate for similar instruments of comparable maturity.

The estimated fair value of the Company's financial instruments are summarized as follows:

<TABLE>
<CAPTION>

	AT DECEMBER 31, 1992

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	CARRYING AMOUNT	ESTIMATED FAIR VALUE
	(AMOUNTS IN THOUSANDS)	
<S>	<C>	<C>
Long-term debt	$ 50,114	$ 50,106
Subordinated notes payable	97,379	104,943
Cumulative Redeemable Exchangeable Preferred Stock	37,718	39,350

</TABLE>

Limitations

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

(14) SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)
(IN THOUSANDS, EXCEPT PER SHARE DATA)

<TABLE>
<CAPTION>

	THREE MONTHS ENDED				
	MARCH 31, 1991	JUNE 30, 1991	SEPT. 30, 1991	DEC. 31, 1991	TOTAL
<S>	<C>	<C>	<C>	<C>	<C>
Net sales	$ 250,069	$ 71,348	$ 48,146	$ 153,680	$ 523,243
Gross profit	78,073	16,034	7,007	43,357	144,471
Income (loss) before taxes	32,090	(21,404)	(28,592)	1,593	(16,313)
Net income (loss)	31,759	(21,374)	(28,509)	1,561	(16,563)
Earnings (loss) per common share					
Class A Common Stock	$ 2.35	$ (1.70)	$ (2.38)	$ .09	$ (1.64)
Class B Common Stock	.08	.08	.08	.08	.31
Class C Common Stock	2.35	(1.70)	(2.38)	.09	(1.64)

	THREE MONTHS ENDED				
	MARCH 31, 1992	JUNE 30, 1992	SEPT. 30, 1992	DEC. 31, 1992	TOTAL
Net sales	$ 219,975	$ 74,006	$ 46,912	$ 171,537	$ 512,430
Gross profit	84,098	17,660	6,800	52,931	161,489
Income (loss) before taxes	39,268	(20,020)	(28,553)	5,316	(3,989)
Net income (loss)	38,937	(19,990)	(28,470)	5,134	(4,389)
Earnings (loss) per common share					
Class A Common Stock	$ 2.86	$ (1.67)	$ (2.04)	$ .22	$ (.81)
Class B Common Stock	.29	.29	.29	.29	1.14
Class C Common Stock	2.86	(1.67)	(2.04)	.22	(.81)

	THREE MONTHS ENDED			
	MARCH 31, 1993	JUNE 30, 1993	SEPT. 30, 1993	TOTAL
Net sales	$ 251,271	$ 71,978	$ 54,135	$ 377,384
Gross profit	89,595	15,817	9,604	115,016
Income (loss) before taxes	39,269	(25,972)	(29,571)	(16,274)
Net income (loss)	38,938	(26,809)	(29,488)	(17,359)
Earnings (loss) per common share				
Class A Common Stock	$ 1.72	$ (1.25)	$ (1.45)	$ (.98)
Class B Common Stock	.47	.47	.47	1.41
Class C Common Stock	1.72	(1.25)	(1.45)	(.98)

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</TABLE>

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders of
STAR GAS CORPORATION AND SUBSIDIARIES:

We have audited the accompanying consolidated balance sheet of Star Gas Corporation and subsidiaries as of September 30, 1993 and the related consolidated statements of operations, shareholders' equity (deficiency), and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Star Gas Corporation and subsidiaries at September 30, 1993 and the results of their operations and their cash flows for the year then ended in conformity with generally accepted accounting principles.

KPMG PEAT MARWICK

New York, New York
December 28, 1993

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Shareholders of
Star Gas Corporation and Subsidiaries

We have audited the accompanying consolidated balance sheet of Star Gas Corporation and subsidiaries as of September 30, 1992 and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the two years in the period ended September 30, 1992. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Star Gas Corporation and subsidiaries at September 30, 1992, and the consolidated results of their operations and their cash flows for each of the two years in the period ended September 30, 1992 in conformity with generally accepted accounting principles.

ERNST & YOUNG

December 3, 1992,
except for Notes 5 and 9, as to which the date is
April 1, 1993

STAR GAS CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

<TABLE>
<CAPTION>

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	SEPTEMBER 30,	
	1993	1992
<S>	<C>	<C>
ASSETS:		
Current assets:		
Cash	$ 730,256	1,301,882
Receivables:		
Trade	9,408,107	13,336,058
Other	342,886	394,969
Allowance for doubtful accounts	(716,105)	(700,000)
Inventories:		
Propane	4,982,284	6,986,544
Appliances and equipment	1,463,009	2,264,347
Prepaid expenses	1,005,002	1,189,419
Other current assets	591,455	1,195,726
Assets held for sale (note 1)	7,378,126	--
Total current assets	25,185,020	25,968,945
Property, plant and equipment, at cost:		
Land	3,329,314	4,732,441
Buildings	6,589,431	7,823,785
Customer equipment and machinery	128,056,431	146,928,612
Construction in progress	--	36,617
	137,975,176	159,521,455
Less accumulated depreciation	30,306,574	26,803,620
	107,668,602	132,717,835
Other assets:		
Excess of cost over net assets acquired, net of accumulated amortization of $3,527,340 and $1,862,456	5,496,847	18,317,613
Other intangible assets:		
Covenants not to compete and capitalized consulting costs, net of accumulated amortization of $17,301,712 and $13,723,866	1,166,089	8,567,108
Customer contracts and lists, net of accumulated amortization of $10,526,491 and $8,429,154	10,629,476	12,919,084
Deferred charges	1,154,357	1,652,362
Other	1,083,204	1,955,891
	19,529,973	43,412,058
Total assets	$ 152,383,595	202,098,838
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
Current liabilities:		
Current maturities of long-term debt and working capital borrowings (note 5)	$ 7,485,774	6,077,873
Accounts payable	9,433,402	9,684,768
Accrued interest	7,833,308	6,000,014
Other accrued expenses	2,720,074	2,286,988
Customer credit balances	2,733,000	1,280,000
Other current liabilities (note 9)	880,478	3,941,644
Total current liabilities	31,086,036	29,271,287
Long-term debt and obligations under capital leases (notes 5 and 8)	118,425,184	124,570,257
Other long-term liabilities (note 9)	6,162,343	5,865,557
Deferred income taxes (note 6)	221,400	235,100
Total long-term liabilities	124,808,927	130,670,914
Shareholders' equity (deficiency) (notes 1, 2, 5 and 9):		
Common stock, $1 par value--20,000 shares authorized; 266.43 shares issued	266	266
Series A Preferred stock, no par value--48,000 and 300,000 shares authorized in 1993 and 1992, respectively; 40,309.5 shares issued	40,309	40,309
Preferred stock--8% cumulative convertible, no par value--1,420 shares authorized; 1,420 shares issued at September 30, 1993	1,420	--
Capital in excess of par value	58,471,501	57,052,921
Deficit	(59,836,948)	(12,748,943)
Treasury stock, at cost (15.12 common shares)	(2,187,916)	(2,187,916)
Total shareholders' equity (deficiency)	(3,511,368)	42,156,637
Total liabilities and shareholders' equity	$ 152,383,595	202,098,838

</TABLE>

See accompanying notes to consolidated financial statements.

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STAR GAS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

<TABLE>
<CAPTION>

	YEARS ENDED SEPTEMBER 30,		
	1993	1992	1991
<S>	<C>	<C>	<C>
Revenues:			
Net sales	$ 132,194,740	117,877,556	127,688,470
Hauling revenue	16,220,657	16,225,561	14,190,015
Other revenue, net	5,780,581	6,636,627	6,101,663
	154,195,978	140,739,744	147,980,148
Costs and expenses:			
Cost of sales	74,716,501	63,452,403	71,076,004
Operating	57,063,237	52,044,642	49,599,117
Depreciation and amortization	16,092,452	14,128,104	13,576,609
General and administrative	3,772,546	3,002,555	2,623,264
	151,644,736	132,627,704	136,874,994
Impairment of long-lived assets (note 10)	33,047,065	--	--
Income (loss) before interest expense and income taxes	(30,495,823)	8,112,040	11,105,154
Interest expense	16,335,155	16,665,525	18,056,685
Loss before income taxes	(46,830,978)	(8,553,485)	(6,951,531)
Income tax expense (benefit)	257,027	(1,294,003)	(1,603,012)
Net loss	$ (47,088,005)	(7,259,482)	(5,348,519)

</TABLE>

See accompanying notes to consolidated financial statements.

STAR GAS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (DEFICIENCY)
YEARS ENDED SEPTEMBER 30, 1993, 1992 AND 1991

<TABLE>
<CAPTION>

	COMMON STOCK	SERIES A PREFERRED STOCK	8% CUMULATIVE CONVERTIBLE PREFERRED STOCK	CAPITAL IN EXCESS OF PAR VALUE	DEFICIT	TREASURY STOCK
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Balance as of September 30, 1990	$ 225	31,191	--	41,069,581	(140,942)	(2,187,916)
Conversion of subordinated debt into preferred stock	--	3,992	--	3,988,507	--	--
Issuance of common stock	31	--	--	4,873,869	--	--
Issuance of Series A preferred stock	--	5,126	--	5,120,974	--	--
Net loss	--	--	--	--	(5,348,519)	--
Balance as of September 30, 1991	256	40,309	--	55,052,931	(5,489,461)	(2,187,916)
Issuance of common stock	10	--	--	1,999,990	--	--
Net loss	--	--	--	--	(7,259,482)	--
Balance as of September 30, 1992	266	40,309	--	57,052,921	(12,748,943)	(2,187,916)
Conversion of junior subordinated debt into preferred stock	--	--	1,420	1,418,580	--	--
Net loss	--	--	--	--	(47,088,005)	--
Balance as of September 30, 1993	$ 266	40,309	1,420	58,471,501	(59,836,948)	(2,187,916)

<CAPTION>

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	SHAREHOLDERS' EQUITY (DEFICIENCY)
Balance as of September 30, 1990	38,772,139
Conversion of subordinated debt into preferred stock	3,992,499
Issuance of common stock	4,873,900
Issuance of Series A preferred stock	5,126,100
Net loss	(5,348,519)
Balance as of September 30, 1991	47,416,119
Issuance of common stock	2,000,000
Net loss	(7,259,482)
Balance as of September 30, 1992	42,156,637
Conversion of junior subordinated debt into preferred stock	1,420,000
Net loss	(47,088,005)
Balance as of September 30, 1993	(3,511,368)

<CAPTION>

TOTAL

</TABLE>

See accompanying notes to consolidated financial statements.

STAR GAS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

<TABLE>
<CAPTION>

	YEARS ENDED SEPTEMBER 30,		
	1993	1992	1991
<S>	<C>	<C>	<C>
Operating activities:			
Net loss	$ (47,088,005)	(7,259,482)	(5,348,519)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Impairment of long-lived assets	33,047,065	--	--
Depreciation and amortization	16,092,452	14,128,104	13,576,609
Deferred income taxes	(13,700)	(1,497,840)	(1,813,291)
Loss on sale of fixed assets	--	--	514,590
Amortization of accrued pension costs	--	(2,300)	(27,600)
Changes in operating assets and liabilities:			
Decrease in receivables, net	2,439,982	1,545,617	2,296,277
Decrease (increase) in inventories	2,170,477	(770,937)	1,295,444
Decrease (increase) in other current and prepaid assets	205,475	1,197,019	(1,832,701)
Increase in other long-term assets	(199,610)	(743,085)	(1,261,870)
Increase (decrease) in accounts payable	131,132	(105,714)	1,667,450
Increase (decrease) in accrued interest and other accrued expenses	2,524,004	3,074,016	(1,857,965)
Increase (decrease)in other current and long-term liabilities	482,931	(1,330,070)	(3,374,412)
Net cash provided by operating activities	9,792,203	8,235,328	3,834,012
Investing activities:			
Purchase of companies, net of cash acquired:			
Net working capital	(2,035)	(155,771)	(147,812)
Noncurrent tangible assets	(58,474)	(984,852)	(1,546,120)
Intangible assets	(600)	(66,058)	(198,749)
Acquisition of property, plant and equipment	(4,787,637)	(6,730,179)	(3,682,230)
Disposals of fixed assets	937,575	901,774	534,061
Net cash used in investing activities	(3,911,171)	(7,035,086)	(5,040,850)
Financing activities:			
Proceeds from issuance of debt	123,955,184	37,124,588	84,279,454
Repayment of debt and liability obligations	(130,407,842)	(50,484,387)	(84,095,969)
Proceeds from issuance of common stock	--	6,873,900	--
Proceeds from issuance of preferred stock	--	5,126,100	--
Net cash (used in) provided by financing activities	(6,452,658)	(1,359,799)	183,485

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Net decrease in cash	(571,626)	(159,557)	(1,023,353)
Cash at beginning of year	1,301,882	1,461,439	2,484,792
Cash at end of year	$ 730,256	1,301,882	1,461,439
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Income taxes	$ 296,372	276,097	159,968
Interest	$ 15,145,124	14,257,459	18,896,319
Other non-cash transactions:			
Conversion of subordinated debt into preferred stock	$ 1,420,000	--	3,992,499
Reclassification to assets held for sale:			
Property, plant and equipment, net	$ 4,399,914	--	--
Net operating assets	2,978,212	--	--
	$ 7,378,126	--	--

</TABLE>

See accompanying notes to consolidated financial statements.

STAR GAS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) ORGANIZATION AND BUSINESS

Star Gas Corporation (the "Company") primarily sells and distributes propane gas and related appliances to retail and wholesale customers through its branch offices located principally in the Northeastern, Southeastern and Midwestern United States. The Company had been owned 45% by Star Energy Inc., ("SEI"), a wholly owned subsidiary of The Brooklyn Union Gas Company, and 55% by a group of limited partnerships--American Gas and Oil Investors, AmGO II, AmGO III, and First Reserve Secured Energy Assets Fund, L.P. These limited partnerships are managed by the First Reserve Corporation (and are collectively referred to herein as "FRC").

In September 1989, the Company purchased 15.12 shares of common stock owned by an officer for a 10% Junior Subordinated Promissory Note in the amount of $2,187,916 (see note 5). These shares were held in treasury at September 30, 1993 and 1992.

In June 1991, the Company converted $1,796,500 and $2,196,000 of Junior Subordinated Debt owed to SEI and FRC into 1,796.5 shares and 2,196 shares of Series A Preferred Stock, respectively. The conversion rate was one share of Series A Preferred Stock for every $1,000 of Junior Subordinated Debt.

In September 1991, the Company sold 13.77 shares of common stock to SEI and 16.83 shares of common stock to FRC for $2,193,300 and $2,680,600, respectively, and sold 2,306.7 shares of Series A Preferred Stock to SEI and 2,819.4 shares of Series A Preferred Stock to FRC for $2,306,700 and $2,819,400, respectively.

In August 1992, the Company sold 4.81 shares of common stock to SEI and 5.88 shares of common stock to FRC for $900,000 and $1,100,000, respectively.

In March 1993, the Company and the shareholders signed a Cancellation of Indebtedness and Deferral Agreement (the "Cancellation Agreement"). Under the terms of the Cancellation Agreement, SEI and FRC agreed to cancel $639,000 and $781,000, respectively, of long-term liabilities acquired from a third party (see note 9) in consideration of 639 and 781 shares, respectively, of newly issued 8% Cumulative Convertible Preferred Stock.

As a result of the above mentioned transactions, SEI and FRC continued to own 45% and 55%, respectively, of the common, Series A Preferred and 8% Cumulative Convertible Preferred Stock of the Company at September 30, 1993 and 1992.

On December 2, 1993, the Company sold the branches of its wholly owned subsidiary, Federal Petroleum Company ("Federal"), for $1,650,000 in cash and a note receivable of $500,000. At September 30, 1993, the Company adjusted the carrying value of the net assets sold to equal the sales price, $2,150,000. The Company is also negotiating to sell the branches of its wholly owned subsidiary,

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Highway Pipeline Trucking Co. ("Highway"), and has adjusted the carrying value of Highway's net assets to equal the value of a recent offer received, $5,228,126. The net assets of Federal and Highway have been reflected in the 1993 Consolidated Balance Sheet as assets held for sale in the aggregate amount of $7,378,126. (See note 10)

On December 23, 1993, the Company was recapitalized and, as a part of the recapitalization, issued 269,750 shares of 8% Cumulative Convertible Preferred Stock (see note 2) for $26,975,000 in the indicated amounts to the following investors: Petroleum Heat and Power Co., Inc. ("Petro") ($14,000,000), FRC ($1,975,000) and Star Gas Holdings Inc. ("Holdings") ($11, 000,000). Holdings is a corporation recently formed for the purpose of investing in the Company. Holdings was formed by a group of investors, including Petro who contributed $2,000,000 of the $11,000,000 invested by

(1) ORGANIZATION AND BUSINESS--(CONTINUED)

Holdings. The cash proceeds received by the Company from the issuance of the preferred stock were used to repay $14,325,000 of its outstanding 11.56% Senior Notes, to repay $2,800,000 of its outstanding Term Loan, and to pay interest in arrears of $7,957,000. The Company estimates that the expenses relating to the recapitalization will approximate $1 million. Also on that date, the Company issued 250,000 shares of its 8% Cumulative Convertible Preferred Stock and 75,000 shares of its 12.625% Cumulative Redeemable Preferred Stock to The Prudential Insurance Company of America ("Prudential") in exchange for $32,500,000 of its 12.625% Senior Subordinated Participating Notes. (See note 5)

The Company simultaneously entered into a management services agreement with Petro under which Petro will provide executive, financial, and managerial oversight services to the Company. In full consideration and compensation for its services, Petro will receive $500,000 per year plus expenses, plus an annual bonus fee to be paid in the Company's Class A Common Stock equal in value to 5% of the increase in operating income before depreciation and amortization, as defined, over the amount generated for the year ended September 30, 1993.

Petro has an option to buy all of the shares of common stock and the 8% Cumulative Convertible Preferred Stock owned by FRC, Prudential, and Holdings. This option commences after the receipt of the audited financial statements for the year ended September 30, 1994 and ends on December 31, 1998. In addition, FRC, Prudential and Holdings have the option, beginning on January 1, 1999 and ending on December 31, 1999, to require Petro to purchase all of their shares of the Company's common stock and 8% Cumulative Convertible Preferred Stock. Under the terms of the put/call agreements with FRC and Prudential, Petro has the right to purchase these shares with either cash or shares of Petro's Class A Common Stock. Under the terms of the put/call agreement with Holdings, Petro has the right to purchase these shares for cash, notes or Petro preferred stock.

In addition, Petro and FRC have each been granted an option to purchase 500,000 shares of the Company's Class A Common Stock for $9.9031 and $14.8546 per share, respectively. These options expire on December 20, 1998.

(2) RECAPITALIZATION

On December 21, 1993, the Company amended its Articles of Incorporation and authorized the issuance of three new classes of common stock, Class A, Class B, and Class C, each with identical rights and preferences, except that Class A has one vote per share, Class B is nonvoting and Class C has 10 votes per share, and two new classes of preferred stock, a new 8% Cumulative Convertible Preferred Stock and a 12.625% Cumulative Redeemable Preferred Stock.

The Company is authorized to issue the indicated number of shares in the following classes of its common stock:

<TABLE>
<CAPTION>

	AUTHORIZED NO. OF SHARES
<S>	<C>
Class A Common Stock	30,000,000
Class B Common Stock	5,000,000
Class C Common Stock	3,000,000
Total	38,000,000

</TABLE>

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(2) RECAPITALIZATION--(CONTINUED)

The Company is authorized to issue the indicated number of shares in the following series of its 8% Cumulative Convertible Preferred Stock:

<TABLE>
<CAPTION>

	AUTHORIZED NO. OF SHARES
<S>	<C>
Series A	530,000
Series B	300,000
Series C	160,000
Series D	500,000
Series E	10,000
Total	1,500,000

</TABLE>

The Company is authorized to issue the indicated number of shares in the following series of its 12.625% Cumulative Redeemable Preferred Stock:

<TABLE>
<CAPTION>

	AUTHORIZED NO. OF SHARES
<S>	<C>
Series A	30,000
Series B	120,000
Total	150,000

</TABLE>

All dividends on the Series A, B, D and E 8% Cumulative Convertible Preferred Stock and on the Series A and B 12.625% Cumulative Redeemable Preferred Stock are to be paid in additional shares of the same preferred stock series. The holders of the Series C 8% Cumulative Convertible Preferred Stock have the option, upon delivering proper notice, to be paid in cash or in additional shares of Series C 8% Cumulative Convertible Preferred Stock.

Each share of Series A, C and E 8% Cumulative Convertible Preferred Stock is convertible into 9.2278 shares of Class A Common Stock and the shareholders are entitled to one vote for each as-if-converted common share. Each share of Series B 8% Cumulative Convertible Preferred Stock is convertible into 7.0746 shares of nonvoting Class B Common Stock and each share of Series D 8% Cumulative Convertible Preferred Stock is convertible into 9.2278 shares of nonvoting Class B Common Stock.

The holders of Series A, C and E 8% Cumulative Convertible Preferred Stock are entitled to vote together, with the holders of shares of common stock, as a single class, with each as-if-converted common share of such 8% Cumulative Convertible Preferred Stock entitled to one vote. The holders of shares of the Series B and D 8% Cumulative Convertible Preferred Stock and the Series A and B 12.625% Cumulative Redeemable Preferred Stock are not entitled to vote on any matters, except as required by law or as specified in the Company's Articles of Incorporation.

Upon the occurrence of any liquidating event, each holder of shares of Series A, B, C and D 8% Cumulative Convertible Preferred Stock and Series A 12.625% Cumulative Redeemable Preferred Stock is entitled, before any distribution or payment is made upon any shares of common stock or any other junior security, to a pro rata amount of each series' liquidation value per share. In the event of liquidation, the remaining order of liquidation is as follows: Series B 12.625% Cumulative Redeemable Preferred Stock, Series E 8% Cumulative Convertible Preferred Stock and finally, the common stock of the Company, with each share of Class A, B, and C Common Stock sharing ratably.

(2) RECAPITALIZATION--(CONTINUED)

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As part of the recapitalization, the Company issued the following shares of 8% Cumulative Convertible Preferred Stock for $100 per share, $26,975,000 in the aggregate:

8% CUMULATIVE CONVERTIBLE PREFERRED STOCK

Series A	179,750
Series C	90,000
	269,750

In addition, the Company exchanged $32,500,000 of its 12.625% Senior Subordinated Participating Notes held by Prudential for the following shares of preferred stock at $100 per share:

8% CUMULATIVE CONVERTIBLE PREFERRED STOCK

Series B	150,000
Series D	100,000
	250,000
12.625% CUMULATIVE REDEEMABLE PREFERRED STOCK	
Series A	15,000
Series B	60,000
	75,000

The Company, simultaneously with the issuance of the 8% Cumulative Convertible Preferred Stock and the 12.625% Cumulative Redeemable Preferred Stock, redeemed $4,080,000 plus accrued interest in certain notes held by FRC, $1,420,000 in previously outstanding 8% Cumulative Convertible Preferred Stock, the previously outstanding Series A Preferred Stock and all previously outstanding shares of common stock in exchange for 5,000 shares of Series E 8% Cumulative Convertible Preferred Stock and 480,695 shares of Class A Common Stock. In addition, prior to the recapitalization, all shares previously held by SEI were acquired by FRC.

Upon the sale of Highway and Federal, the Company is required to apply the net proceeds from the sales to repurchase, at $100 per share plus an additional amount sufficient to generate a yield equal to 12.625% compounded semiannually from December 21, 1993, the Series D 8% Cumulative Convertible Preferred Stock from Prudential. The Company also has an option, which expires on December 31, 1995, to repurchase the balance of the Series D shares at the same formula price. As the Company redeems shares of its Series D 8% Cumulative Convertible Preferred Stock, FRC has agreed to return, as a contribution to the capital of the Company, a number of shares of Class A Common Stock of the Company owned by FRC, determined by multiplying 48,569 by a fraction, the numerator of which is the face value of the Series D 8% Cumulative Convertible Preferred Stock redeemed and the denominator of which is $10 million. On December 2, 1993, the Company sold Federal for an aggregate price of $2.15 million, consisting of $1.65 million in cash and a $500,000 note. The cash from the sale was held in escrow until the recapitalization was completed. On December 23, 1993, such cash was used to repurchase a portion of the Series D 8% Cumulative Convertible Preferred Stock as described above. The Company is currently negotiating to sell Highway. (See note 1).

(2) RECAPITALIZATION--(CONTINUED)

The 12.625% Cumulative Redeemable Preferred Stock must be exchanged into subordinated notes once the Company meets certain financial ratios; to the extent not previously exchanged, the Company is required to apply up to $2 million on January 10, 2000 to redeem 12.625% Cumulative Redeemable Preferred Stock plus an amount sufficient to redeem any 12.625% Cumulative Redeemable Preferred Stock received as dividends thereon, and to the extent shares still remain outstanding, the Company is required to redeem the remaining shares on January 10, 2001.

As of December 23, 1993, after giving effect to the recapitalization of the Company, assuming conversion of all of the 8% Cumulative Convertible Preferred

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Stock into common stock and assuming no issuance of any option shares, the investors would have the following equity interests and voting percentages on most matters, except for certain voting rights for the Series B and D 8% Cumulative Convertible Preferred Stock and the Series A and B 12.625% Cumulative Redeemable Preferred Stock designated by law or as specified in the Company's Articles of Incorporation:

<TABLE>
<CAPTION>

	EQUITY PERCENTAGE	VOTING PERCENTAGE
<S>	<C>	<C>
Petro	25.8%	42.8%
Holdings	20.3	33.7
FRC	14.2	23.5
Prudential	39.7	--
	100.0%	100.0%

</TABLE>

Combining Petro's interest with its ownership interest in Holdings, Petro's equity interest would increase to 29.5%, but its voting interest would remain at 42.8%.

Assuming further that the Series D 8% Cumulative Convertible Preferred Stock is repurchased from Prudential and FRC contributes the full 48,569 common shares back to the Company, the investors would then have the following interests:

<TABLE>
<CAPTION>

	EQUITY PERCENTAGE	VOTING PERCENTAGE
<S>	<C>	<C>
Petro	32.1%	43.5%
Holdings	25.2	34.2
FRC	16.4	22.3
Prudential	26.3	--
	100.0%	100.0%

</TABLE>

Combining Petro's interest with its ownership interest in Holdings, Petro's equity interest would increase to 36.7%, but its voting interest would remain at 43.5%.

(2) RECAPITALIZATION--(CONTINUED)

The following represents the capitalization of the Company as of September 30, 1993 and as adjusted to give effect to the recapitalization as discussed above, as if such recapitalization had occurred on September 30, 1993:

<TABLE>
<CAPTION>

	SEPTEMBER 30, 1993	
	AS ADJUSTED	HISTORICAL
<S>	<C>	<C>
Long-term debt and working capital borrowings (including current portion) (see note 5)	$ 76,285,958	125,910,958
Obligations under consulting and covenant not-to-compete contracts (including current portion) (see note 9)	2,232,322	6,278,259
Preferred stock--12.625% Cumulative Redeemable	7,500,000	--
Shareholders' equity (deficiency):		
Common stock--266 shares, $1 par value	--	266
Class A Common Stock--480,695 shares, $.10 par value	48,070	--
Class B Common Stock	--	--
Class C Common Stock	--	--

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Series A Preferred Stock	--	40,309
Preferred Stock--8% Cumulative Convertible--No par	--	1,420
Preferred Stock--8% Cumulative Convertible--$1 par value		
Series A--179,750 shares	179,750	--
Series B--150,000 shares	150,000	--
Series C-- 90,000 shares	90,000	--
Series D--100,000 shares	100,000	--
Series E-- 5,000 shares	5,000	--
Capital in excess of par value	110,403,205	58,471,501
Deficit	(59,836,948)	(59,836,948)
Treasury stock	--	(2,187,916)
Total shareholders' equity (deficiency)	51,139,077	(3,511,368)
Total capitalization	$ 137,157,357	128,677,849

</TABLE>

(3) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All material intercompany accounts and transactions have been eliminated.

Inventories

Inventories are stated at the lower of cost or market following the moving weighted average method, which approximates first-in, first-out cost.

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation is computed over the estimated useful lives of the depreciable assets (generally thirty years for buildings and seven to thirty years for equipment) using the straight-line method. Gain or loss on property retired, sold or otherwise disposed

(3) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--(CONTINUED)
of is included in operations. Expenditures for renewals and improvements are capitalized, while maintenance and repairs are expensed.

Intangible Assets

Beginning on October 1, 1992, the excess of cost over the fair value of net assets acquired is being amortized using the straight-line method over 10 years. Prior to October 1, 1992, such assets were being amortized over 40 years. The effect of the change in 1993 was to increase amortization expense by $1,160,000. Other intangible assets, principally covenants not to compete, capitalized consulting costs and customer contracts and lists are being amortized over their estimated useful lives, ranging from one to ten years. Deferred charges, representing costs associated with the issuance of the Company's debt, are being amortized over the lives of the related debt.

The Company assesses the recoverability of intangible assets by comparing the carrying values of such intangibles to market values, where a market exists, supplemented by cash flow analyses to determine that the carrying values are recoverable over the remaining estimated lives of the intangibles through undiscounted future operating cash flows. Where an intangible asset is deemed to be impaired, the amount of intangible impairment, is measured based on market values, as available, or by projected cash flows.

Customer Credit Balances

Customer credit balances represent payments received from customers pursuant to a budget payment plan (whereby customers pay their estimated annual propane gas charges on a fixed monthly basis) in excess of actual deliveries billed.

Cash Equivalents

For the purpose of determining cash equivalents used in the preparation of the Statements of Cash Flows, the Company considers all highly liquid

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investments with a maturity of three months or less when purchased, to be cash equivalents.

Basis of Presentation

Certain reclassifications have been made to the 1992 and 1991 financial statements to conform to the 1993 presentation.

(4) ACQUISITIONS

The Company expanded its operations in the retail and wholesale propane gas businesses by making several acquisitions during the fiscal years ended September 30, 1991, 1992 and 1993 as described below. The acquisitions were accounted for under the purchase method of accounting and, therefore, the purchase prices have been allocated to the assets and liabilities acquired based on their respective fair market values at the dates of acquisition. The purchase prices in excess of the fair values of net assets acquired were classified as excess of cost over net assets acquired in the Consolidated Balance Sheets. The results of operations of the respective acquired companies have been included in the Consolidated Statements of Operations from the dates of acquisition.

During fiscal 1991, the Company acquired certain assets of six unaffiliated liquified petroleum gas businesses. The aggregate consideration for these acquisitions, accounted for by the purchase method, was approximately $1,420,000.

(4) ACQUISITIONS--(CONTINUED)

During fiscal 1991, the Company also entered into an operating lease for certain assets of a water treatment company. Annual payments on the lease are $47,760 per year for three years. The Company has an irrevocable option at the end of the lease to purchase these assets for $60,000.

During fiscal 1992, the Company acquired certain assets of five unaffiliated liquified petroleum gas businesses. The aggregate consideration for these acquisitions, accounted for by the purchase method, was approximately $1,047,000.

During fiscal 1993, the Company acquired certain assets of one unaffiliated liquified petroleum gas business. The aggregate consideration for this acquisition, accounted for by the purchase method, was approximately $60,000.

(5) LONG-TERM DEBT AND OBLIGATIONS UNDER CAPITAL LEASES

Long-term debt and obligations under capital leases consist of the following:

<TABLE>
<CAPTION>

	SEPTEMBER 30, 1993* (AS ADJUSTED)	SEPTEMBER 30, 1993	SEPTEMBER 30, 1992
<S>	<C>	<C>	<C>
Revolving and line of credit loans payable to bank(a).....	$ 6,808,704	6,808,704	5,227,996
11.56% Senior Notes (b).....	30,675,000	45,000,000	45,000,000
12.625% Senior Subordinated Participating Notes (b).....	7,500,000	40,000,000	40,000,000
11.77% Senior Reset Term Notes (c).....	20,000,000	20,000,000	20,000,000
Term loan agreement (d).....	9,325,000	12,125,000	15,625,000
10% Junior Subordinated Promissory Note payable to former shareholder, prepaid in 1993(e).....	--	--	1,593,090
Senior subordinated promissory notes, net of discount of $8,934, $8,934 and $17,641.....	701,535	701,535	1,507,197
11% Note payable in $60,000 annual installments to 2004, net of discount of $48,200, $48,200 and $55,300.....	611,800	611,800	664,700
Other debt, net of discount $0, $0 and $4,658.....	20,585	20,585	76,513
Obligations under capital leases (see note 8).....	643,334	643,334	953,634
	76,285,958	125,910,958	130,648,130
Less current maturities.....	7,485,774	7,485,774	6,077,873
	$ 68,800,184	118,425,184	124,570,257

</TABLE>

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* As adjusted gives effect to the recapitalization discussed in notes 1 and 2 and in (b) and (d) below, as if such recapitalization had occurred on September 30, 1993.

<TABLE>
<S> <C>

(a) On July 2, 1993, the Company entered into a $20,000,000 Amended and Restated Revolving Credit Agreement (the "Credit Agreement") with The First National Bank of Boston. The Credit Agreement matured on October 15, 1993, was renewed to December 22, 1993, and bore interest at the higher of the annual rate of interest announced as the base rate of the bank making the loan plus 2% or 2.5% above the overnight federal funds rate.

</TABLE>

hA

(Footnotes continued on following page)

(5) LONG-TERM DEBT AND OBLIGATIONS UNDER CAPITAL LEASES--(CONTINUED)

(Footnotes continued from preceding page)

<TABLE>
<S> <C>

As of September 30, 1993 and 1992, outstanding revolving loans and letters of credit aggregated $9,457,520 (including $2,648,816 for letters of credit), and $9,257,522 (including $4,029,526 for letters of credit), respectively.

The Credit Agreement was again restated and amended as of December 21, 1993. Under the terms of the restated and amended Credit Agreement, the Company may borrow up to $25 million to finance working capital needs under a revolving credit facility which expires on June 30, 1996. Amounts borrowed under the revolving credit facility are subject to a 30 day clean up requirement each year. Interest on borrowings is payable monthly and is based upon either the Eurodollar Rate (as defined below) or the Alternate Base Rate (as defined below), plus 2 1/4% on Eurodollar loans or 1/4% on Alternative Base Rate Loans, at the Company's option. The Eurodollar Rate is the prevailing rate in the Interbank Eurodollar Market adjusted for reserve requirements, if any. The Alternate Base Rate is the higher of (i) the prime rate or base rate of The First National Bank of Boston in effect or (ii) the Federal Funds Rate in effect plus 1/2%.

The Credit Agreement also provides for a revolving credit acquisition facility under which the Company may borrow up to $20 million to fund acquisitions of propane companies. This acquisition facility expires on June 30, 1996 and the Company has the option to convert this facility into a term loan, payable in 36 consecutive monthly installments commencing on July 1, 1996. Interest on the borrowings is payable monthly and is based upon either the Eurodollar Rate plus 2 1/2% on loans made before the acquisition loan conversion date and 3% after the acquisition loan conversion date or the Alternate Base Rate plus 1/2% on loans made before the acquisition loan conversion date and 1% on loans made after the acquisition loan conversion date, at the Company's option.

The Company pays a commitment fee equal to 1/2% of the unused portion of the bank facilities with a reduction, through June 30, 1994, on the Acquisition Facility to 1/4% annually if it is not used through that date.

Under the terms of the Credit Agreement, as amended , the Company is restricted as to the declaration and distribution of dividends and is also required to maintain certain financial and operational ratios. The amounts borrowed under the Credit Agreement are secured by substantially all of the Company's assets.

(b) On January 10, 1989, the Company issued $85,000,000 of notes (the "Note Agreements") to Prudential for cash. The Note Agreements consisted of $45,000,000 of 11.56% Senior Notes due in six consecutive annual installments of $7,500,000 commencing January 10, 1994; $30,000,000 of 12.625% Senior Subordinated Participating Notes, Series A, due in six consecutive annual installments of $4,250,000 commencing January 10, 1995, with a final installment of $4,500,000 due on January 10, 2001; and $10,000,000 of 12.625% Senior Subordinated Participating Notes, Series B, due in six consecutive annual installments of $1,500,000 commencing January 10, 1995, with a final installment of $1,000,000 due on January 10, 2001.

The Series A and Series B Senior Subordinated Participating Notes bore additional interest aggregating to the greater of (a) $487,500 or 2.5% of the first $33,500,000 of the Company's operating profit (as defined) for each of the fiscal years ended September 30, 1991 through 1999 and (b) $622,400 or 3.19% of the first $33,500,000 of the Company's operating profit (as defined) for the fiscal year ended September 30, 2000.

</TABLE>

(Footnotes continued on following page)

(5) LONG-TERM DEBT AND OBLIGATIONS UNDER CAPITAL LEASES--(CONTINUED)

(Footnotes continued from preceding page)

<TABLE>
<S> <C>

As part of the recapitalization (see notes 1 and 2), the Company exchanged in direct order of maturity, $15,000,000 of Series A 12.625% Senior Subordinated Participating Notes for 150,000 shares of Series B 8% Cumulative Convertible Preferred Stock, the entire $10,000,000 of Series B 12.625% Senior Subordinated Participating Notes for 100,000 shares of Series D 8% Cumulative Convertible Preferred Stock, and in inverse order of maturity, $1,500,000 of Series A 12.625% Senior Subordinated Participating Notes for 15,000 shares of Series A 12.625% Cumulative Redeemable Preferred Stock and $6,000,000 of Series A 12.625% Senior

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Subordinated Participating Notes for 60,000 shares of Series B 12.625% Cumulative Redeemable Preferred Stock. In addition, the participating interest feature on the Series A and B 12.625% Senior Subordinated Participating Notes was eliminated.

Additionally, the Company was also allowed to prepay $14,325,000 of the 11.56% Senior Notes in direct order of their maturity. The remaining 1995 payment of $675,000 and part of the 1996 payment of $1,325,000 were deferred such that the 1997, 1998 and 1999 payments were increased from $7,500,000 per year to $8,166,667 per year.

Under the terms of the Note Agreements, as amended at various dates through December 23, 1993, the Company is restricted as to the declaration and distribution of dividends and is also required to maintain certain financial and operational ratios. The amounts borrowed under the 11.56% Senior Notes and the 12.625% Senior Subordinated Participating Notes are secured by substantially all of the Company's assets.

(c) On February 28, 1991, the Company issued $20,000,000 in Senior Reset Term Notes (the "Notes") to Prudential for cash. The Notes were due in consecutive semi-annual installments of $2,500,000 commencing August 28, 1994. The Notes bore interest at 10.72% until February 28, 1994. Thereafter, until maturity, the Notes would have borne interest at the 2.25 year Treasury Rate on February 28, 1994 plus 3.75%.

The Company amended the Notes at various dates through November 30, 1993. The required prepayments under the amended terms of the Notes are $2,500,000 on August 28, 1999, $5,000,000 on each of February 28, 2000, August 28, 2000 and February 28, 2001 and $2,500,000 on August 28, 2001. As part of the recapitalization, the Notes were amended such that the interest rate on the Notes became the 6.5 year Treasury Rate plus 3.3%.

Under the terms of the Notes, as amended, the Company is restricted as to the declaration and distribution of dividends and is also required to maintain certain financial and operational ratios. The amounts outstanding under the Notes are secured by substantially all of the Company's assets.

(d) On March 7, 1991, the Company entered into a Term Loan Agreement (the "Term Loan") with PruSupply, Inc. which provided a $20,000,000 facility. The Company amended the Term Loan at various dates through November 30, 1993. The Term Loan was to be repaid in nineteen consecutive quarterly installments of $875,000, which commenced in May 1991, with a final payment of $3,375,000 due at maturity in February 1996. The Term Loan bears interest at the one month London Interbank Offered Rate ("LIBOR") plus 2.7%.

As part of the recapitalization, the Term Loan was amended to allow for the prepayment of $1,925,000 on December 23, 1993. In addition, the Company paid $875,000 that had been deferred. This agreement was further amended such that the required payments on these notes will be $4,325,000 in 1996 and $5,000,000 in 1997.

Under the terms of the Term Loan, as amended, the Company is restricted as to the declaration and distribution of dividends and is also required to maintain certain financial and operational ratios. The amounts outstanding under the Term Loan are secured by substantially all of the Company's assets.

</TABLE>

(Footnotes continued on following page)

(5) LONG-TERM DEBT AND OBLIGATIONS UNDER CAPITAL LEASES--(CONTINUED)

(Footnotes continued from preceding page)

<TABLE>
<S> <C>

(e) On March 30, 1993, the Company and a former shareholder reached an agreement whereby the former shareholder received payments in settlement of all amounts owed under a 10% Junior Subordinated Promissory Note and a Consulting Agreement. The Company recognized a gain of $178,415 on the settlement. (See note 9)

</TABLE>

As of September 30, 1993, the Company was not in compliance with certain financial covenants contained in the Credit Agreement, the Note Agreements, the Notes and the Term Loan. All appropriate covenants have been amended or waivers have been obtained, where necessary.

As of September 30, 1993, annual maturities of long-term debt and obligations under capital leases, after giving effect to the recapitalization, are set forth in the following table:

<TABLE>
<S> <C>

1994	$ 7,485,774
1995	209,852
1996	10,708,138
1997	13,270,354
1998	10,253,745
Remaining	34,358,095
	$ 76,285,958

</TABLE>

(6) INCOME TAXES

The income tax provision (benefit) shown in the accompanying Consolidated Statements of Operations consists of the components set forth below:

<TABLE>

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<CAPTION>

	1993	1992	1991
<S>	<C>	<C>	<C>
Federal:			
Deferred	$ --	(1,489,055)	(1,748,266)
State:			
Current	270,727	203,837	210,279
Deferred	(13,700)	(8,785)	(65,025)
	257,027	195,052	145,254
	$ 257,027	(1,294,003)	(1,603,012)

</TABLE>

(6) INCOME TAXES--(CONTINUED)

The following is a reconciliation between reported income tax (benefit) expense and tax (benefit) expense computed at the statutory rate:

<TABLE>
<CAPTION>

	1993	1992	1991
<S>	<C>	<C>	<C>
Computed at Federal statutory rate (fiscal 1993, 1992 and 1991--34%)	$ (15,922,533)	(2,908,185)	(2,363,521)
Tax effect of:			
Losses for which no tax benefit was recognized	15,435,673	909,532	--
Depreciation on excess of book cost over tax basis of plant and equipment and amortization of excess of cost over net assets acquired	434,080	476,192	495,863
Gain on sale of equipment resulting from book cost over tax basis of equipment	118,039	76,155	130,036
State income taxes, net of Federal benefit	169,638	128,734	95,868
Other	22,130	23,569	38,742
	$ 257,027	(1,294,003)	(1,603,012)

</TABLE>

The (benefit) provision for income taxes is based upon pretax book income. Deferred income taxes result primarily from the difference in depreciation expense as a result of the use of accelerated methods in determining depreciation for income tax purposes in excess of the straight-line basis used for financial statement purposes.

At September 30, 1993, the Company had approximately $84,000,000 of Federal and state net operating loss (NOL) carryforwards available to offset future taxable income. Such NOLs expire in the years 2004 through 2008.

Effective with the recapitalization on December 23, 1993 (see note 2), the Company's NOL's were substantially limited for purposes of general carryforward availability and otherwise limited for specified carryforward purposes since the recapitalization constitutes a change in control for income tax reporting purposes.

In February 1992, the Financial Accounting Standards Board adopted Statement of Financial Accounting Standards No. 109 "Accounting for Income Taxes" ("FASB 109"). The Company is not required to adopt the new method of accounting for income taxes until fiscal 1994. Because the Company was not carrying substantial deferred taxes on its Consolidated Balance Sheet, management believes that the adoption of FASB 109 will not have a material effect on financial position or results of operations. However, as a result of the recapitalization and change in control, the Company is in the process of determining what effect, if any, the limitation on the use of the NOLs will have on financial position and results of operations, and what tax planning strategies are available to retain the maximum benefit thereof.

(7) EMPLOYEE BENEFIT PLANS

The Company has a 401(k) plan which provides benefits for all eligible employees except those covered by union plans and employees of Highway. Subject

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to IRS limitations, the 401(k) plan provides for employees to contribute from 1% to 15% of compensation with the Company contributing a matching amount of the employees' contribution up to a maximum of 3% of compensation. The Company may also contribute an additional amount on behalf of each employee in an amount equal to

(7) EMPLOYEE BENEFIT PLANS--(CONTINUED)
3% of each employee's compensation. Effective, March 1, 1992, an amendment to the plan eliminated the ability to make this additional contribution.

Aggregate Company contributions made to the 401(k) plan during 1993, 1992 and 1991 were $313,652, $537,703 and $627,447, respectively.

The Company makes monthly contributions to a union defined benefit pension plan for all union employees. The amount charged to expense was $198,206, $202,545 and $186,871 in fiscal 1993, 1992 and 1991, respectively.

(8) LEASE COMMITMENTS

The Company has entered into noncancellable capital lease agreements with former owners of acquired businesses for certain premises and related equipment. All leases contain bargain purchase options, exercisable on the lease termination dates.

The premises and equipment under capital leases are carried at $828,725 and $2,023,660 on the Consolidated Balance Sheets with accumulated depreciation of $79,234 and $141,426 at September 30, 1993 and 1992, respectively. Depreciation of premises and equipment under capital leases is included in depreciation expense.

The Company has entered into operating leases for office space, trucks and other equipment. The future minimum rental commitments at September 30, 1993 under leases having an initial or remaining noncancellable term of one year or more are as follows:

<TABLE>
<CAPTION>

	CAPITAL LEASES	OPERATING LEASES
<S>	<C>	<C>
1994	$ 157,476	$ 2,700,000
1995	157,476	2,400,000
1996	144,726	1,600,000
1997	80,976	900,000
1998	80,976	200,000
Thereafter	506,097	100,000
Total minimum lease payments	1,127,727	$ 7,900,000
Less amount representing interest	484,393	
Present value of net minimum rentals	$ 643,334	

</TABLE>

The Company incurred rent expense of $4,150,765, $3,586,450 and $3,437,423 in 1993, 1992 and 1991, respectively.

(9) OTHER CURRENT AND LONG-TERM LIABILITIES

As a result of various acquisition agreements, the Company was required to pay an aggregate of $6,278,259 and $9,268,487 (net of discounts of $406,596 and $1,155,492), as of September 30, 1993 and 1992, respectively, pursuant to certain consulting and covenant not-to-compete agreements. These obligations are included in other current liabilities and long-term liabilities in the amounts of $712,179 and $3,812,670 and $5,566,080 and $5,455,817 as of September 30, 1993 and 1992, respectively.

On December 4, 1992, the Company and its shareholders entered into a Purchase Agreement with a third party for the shareholders to purchase from the third party $5,500,000 of consulting and non-competition payments (the "Purchased Payments") owed to the third party by the Company. This

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(9) OTHER CURRENT AND LONG-TERM LIABILITIES--(CONTINUED)
amount due was $2,750,000 on November 17, 1992 and $2,750,000 on November 17, 1993. The shareholders deferred the $2,750,000 installment payment (the "Deferred Amount") due on November 17, 1992 under the original agreement to June 1, 1993. This Deferred Amount bore interest at 13.76% per annum.

On March 30, 1993, the Company and its shareholders signed a Cancellation of Indebtedness and Deferral Agreement (the "Cancellation Agreement"). Under the terms of the Cancellation Agreement, the shareholders agreed to cancel $1,420,000 of the Deferred Amount in consideration of 1,420 of newly issued shares of 8% Cumulative Convertible Preferred Shares of the Company. The balance of the Deferred Amount, after giving effect to such cancellation, plus interest accrued through March 30, 1993, aggregated $1,470,848 (the "New Deferred Amount"). The shareholders agreed to the deferral of the New Deferred Amount to December 31, 1994 and to the deferral of the remainder of the Purchased Payments from November 17, 1993 to December 31, 1994. The New Deferred Amount bore interest at the rate of 13.75% per annum from March 30, 1993. The remainder of the Purchased Payments bore interest at the rate of 13.76% per annum from November 17, 1993 (See note 1).

On December 23, 1993, as part of the recapitalization (see note 2), the Company exchanged the 1,420 8% Cumulative Convertible Preferred Shares plus the New Deferred Amount and the balance of the Purchased Payments plus accrued interest for 5,000 shares of Series E 8% Cumulative Convertible Preferred Stock and 230,695 shares of Class A Common Stock.

On March 30, 1993, the Company and a former shareholder reached an agreement whereby the former shareholder received payments in settlement of all amounts owed to him under a 10% Junior Subordinated Promissory Note and a Consulting Agreement. The Company recognized a gain of $178,415 on the settlement (See note 5).

At September 30, 1993, annual maturities of amounts payable in connection with certain covenants not to compete and consulting agreements, after giving effect to the recapitalization, are as follows:

<TABLE>
<S> <C>
1994..... $ 712,179
1995..... 637,346
1996..... 412,994
1997..... 379,504
1998..... 90,299
</TABLE>

(10) IMPAIRMENT OF LONG-LIVED ASSETS

During fiscal 1993, in connection with the recapitalization (see note 2) and the sale of certain of the Company's branches (see note 1), the Company reviewed the carrying values of its long-lived assets and identifiable intangible assets for possible impairment. The Company determined, based on expected future cash flows and the estimated fair values of certain branches, that it would not be able to recover the carrying values of some of these assets. Accordingly, as of September 30, 1993 the Company recorded a write-off of approximately $33 million representing the estimated impairment to its long lived assets.

PRO FORMA FINANCIAL STATEMENTS

The following Pro Forma Financial Statements for the year ended December 31, 1992 are derived from the Company's audited consolidated financial statements for the year ended December 31, 1992. The Pro Forma Financial Statements at and for the nine and twelve months ended September 30, 1993 are derived from the unaudited financial statements of the Company at and for the nine and twelve months ended September 30, 1993, which include all adjustments (consisting of only normal recurring accruals) that, in the opinion of management, are necessary for a fair presentation of such data. The Pro Forma Financial Statements do not purport to represent what the Company's financial position or results of operations would have been if the events described therein had occurred on the dates specified, nor are they intended to project the Company's financial position or results of operations for any future period. The Pro Forma Financial Statements should be read in conjunction with the Consolidated Financial Statements, and the Notes thereto, appearing elsewhere herein.

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PRO FORMA BALANCE SHEET (UNAUDITED)
SEPTEMBER 30, 1993
(IN THOUSANDS)

The following pro forma balance sheet at September 30, 1993 gives effect to (a) the offering by the Company (the "Offering") of $75.0 million of % Subordinated Debentures due 2006 (the "Debentures"), (b) the repurchase (the "Maxwhale Notes Repurchase") of the Company's senior 9% Notes due June 1, 1994 (the "Maxwhale Notes"), (c) the $16.0 million investment in Star Gas Corporation ("Star Gas") resulting in an approximate 29.5% interest in Star Gas, accounted for under the equity method (the "Star Gas Investment"), (d) the release (the "Collateral Release") of the $20 million cash collateral account partially securing the Maxwhale Notes (the "Maxwhale Collateral") and (e) the Subordinated Debt Amendments, as if each such transaction had occurred on September 30, 1993.

<TABLE>
<CAPTION>

<S>	PETROLEUM HEAT AND POWER CO., INC. <C>	PRO FORMA ADJUSTMENTS <C>	PRO FORMA <C>
ASSETS			
Current assets:			
Cash	$ 7,437	$ 72,300(1) (51,333)(2) (16,000)(3) 20,000(4) (2,000)(5)	$ 30,404
Accounts receivable	43,187		43,187
Inventories	12,788		12,788
Other current assets	7,770		7,770
Cash collateral account	20,000	(20,000)(4)	--
Total current assets	91,182	2,967	94,149
Property plant and equipment--net	32,533		32,533
Intangibles--net	92,639	2,700(1) 2,000(5)	97,339
Other assets	550		550
Investment in Star Gas Corporation	--	16,000(3)	16,000
	$ 216,904	$ 23,667	$ 240,571
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Current maturities of long-term debt	$ 33		$ 33
Current maturities of Maxwhale Notes	27,500	$ (27,500)(2)	--
Current maturities of preferred stock	4,167		4,167
Accounts payable	9,174		9,174
Customer credit balances	26,486		26,486
Unearned service contract revenue	12,335		12,335
Accrued expenses	18,975		18,975
Total current liabilities	98,670	(27,500)	71,170
Long-term debt	22,555	(22,500)(2) 42,632(6)	42,687
Supplemental benefits payable	1,657		1,657
Pension plan obligation acquired	1,220		1,220
Subordinated notes payable	135,264	75,000(1) (42,632)(6)	167,632
Total liabilities	259,366	25,000	284,366
Cumulative redeemable exchangeable preferred stock	20,833		20,833
Stockholders' equity (deficiency):			
Common stock	2,176		2,176
Additional paid in capital	54,416		54,416
Deficit	(118,607)	(1,333)(2)	(119,940)
Note receivable from stockholder	(1,280)		(1,280)
Total stockholders' equity (deficiency)	(63,295)	(1,333)	(64,628)
	$ 216,904	$ 23,667	$ 240,571

</TABLE>

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- ----------

(1) Reflects the Offering, net of estimated offering costs of $2.7 million, with net proceeds to the Company of $72.3 million. Such amounts include approximately $21.0 million in cash and principal amount of Debentures, the proceeds of which are not required for the Maxwhale Notes Repurchase.

(2) Reflects the Maxwhale Notes Repurchase and the related extraordinary loss representing the premium paid on the early retirement of the Maxwhale Notes. If such repurchase had occurred on September 30, 1993, such extraordinary loss would have been approximately $1.3 million.

(3) Reflects a cash payment of $16.0 million for the Star Gas Investment.

(4) Reflects the Collateral Release.

(5) Reflects the estimated consideration and expenses to be paid in connection with the Subordinated Debt Amendments and the related amendments to the Credit Agreement.

(6) Reflects the reclassification of subordinated debt to senior debt in connection with the Subordinated Debt Amendments.

PRO FORMA STATEMENT OF OPERATIONS (UNAUDITED)
YEAR ENDED DECEMBER 31, 1992
(IN THOUSANDS)

The following pro forma statement of operations for the year ended December 31, 1992 is derived from the Company's financial statements for the year ended December 31, 1992, adjusted to give effect to the following transactions, as if each such transaction had occurred on January 1, 1992:

(a) the acquisitions by the Company of nine individually insignificant distributorships during 1992 (the "1992 Acquisitions") and nine individually insignificant distributorships during the nine months ended September 30, 1993 (the "1993 Acquisitions");

(b) the issuance in March 1993 of approximately $12.8 million of Subordinated Notes due March 1, 2000 in exchange for an equal amount of the Company's 1991 Redeemable Preferred Stock (the "Preferred Stock Exchange");

(c) the repurchase in May 1993 of approximately $12.4 million of 11.40% Subordinated Notes due July 1, 1993 and approximately $12.5 million of 14.275% Subordinated Notes due October 1, 1995 (the "Subordinated Debt Repurchases");

(d) the Maxwhale Notes Repurchase;

(e) the Star Gas Investment and the effect of concurrent agreements entered into in connection with such investment;

(f) the issuance in April 1993 (the "10 1/8% Notes Issuance") of $50 million of 10 1/8% Subordinated Notes due 2003 (the "10 1/8% Notes");

(g) the Collateral Release; and

(h) the Offering, at an assumed interest rate of 10%; provided, however, that the pro forma data do not give effect to approximately $2.7 million of interest expense on, or the use of, approximately $27.4 million of the Debentures, the proceeds of which are not required for acquisitions or refinancings. A change in the interest rate on the Debentures by 0.25% would result in an increase in pro forma interest expense of approximately $0.1 million.

The results of operations of the acquired distributors are based on their individual fiscal year ends. The combination of the acquired distributors on their individual fiscal year bases, rather than the Company's fiscal year, does not produce a materially different effect. The acquisitions have been accounted for as purchases. The unaudited statements of operations of the individually insignificant distributorships for the year ended December 31, 1992 include all adjustments (consisting of only normal recurring adjustments) which, in the opinion of management, are necessary for a fair presentation of the results of

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operations.

<TABLE>
<CAPTION>

<S>	PETROLEUM HEAT AND POWER CO., INC. <C>	DISTRIBUTORSHIPS ACQUIRED(1) <C>	PRO FORMA ADJUSTMENTS <C>	PRO FORMA COMBINED <C>
Net sales	$ 512,430	$ 92,061		$ 604,491
Cost of sales	350,941	65,132		416,073
Gross profit	161,489	26,929		188,418
Operating expenses	110,165	19,705	$ (4,185)(2)	125,185
			(500)(3)	
Amortization of customer lists	23,496	1,958	3,564(4)	29,018
Depreciation and amortization of plant and equipment	5,534	1,571	123(4)	7,228
Amortization of deferred charges	5,363	--	590(4)	5,953
Provision for supplemental benefit	1,974	--		1,974
Operating Income	14,957	3,695		19,060
Interest expense--net			(1,498)(5)	
	18,622	1,572	3,168(6)	21,864
Other income (expenses)	(324)	10		(314)
Share of loss of Star Gas	--	--	(1,434)(7)	167
			1,601(8)	
Income (loss) before income taxes	(3,989)	2,133		(2,951)
Income taxes	400	--		400
Net income (loss)	$ (4,389)	$ 2,133		$ (3,351)

</TABLE>

- ------------------------------

(1) Represents the results of the 1992 Acquisitions from January 1, 1992 to their dates of acquisition by the Company. Results from the dates of acquisition to December 31, 1992 are included in the Company's December 31, 1992 consolidated results. The results of the 1993 Acquisitions are also included in their entirety in this column for 1992.

(2) Elimination of general and administrative expenses of the acquired distributorships which do not have a continuing impact on income from continuing operations as follows:

<TABLE>

<S>	<C>
Salaries and related costs	$ 3,342
Other	843
	$ 4,185

</TABLE>

The above costs represent the salaries and related costs of employees of certain distributorships acquired during 1992 and 1993. These employees were not employed by the Company when the distributorships were acquired, and the Company was able to integrate the businesses without incurring any incremental costs.

(3) Reflects a management agreement pursuant to which the Company will be paid $0.5 million per year by Star Gas. The Company does not anticipate having to hire any additional personnel to perform its obligations under the management agreement. Rather, it plans to deploy responsibilities within its own organization to provide the needed services to Star Gas.

(4) Adjustment of amortization of customer lists, depreciation and amortization of plant and equipment and amortization of deferred charges, as applicable, to reflect an annual charge in accordance with the Company's accounting policies.

(5) Elimination of interest expense on debt incurred by the previous owners of two of the distributorships acquired during 1992. The debt was incurred by such previous owners to purchase the distributorships and such debt was not

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assumed by the Company in its acquisitions.

(6) Reflects (a) increased interest expense as a result of (i) the Preferred Stock Exchange, (ii) the 10 1/8% Notes Issuance, (iii) a portion of the Debentures issued in the Offering, the proceeds of which are required for acquisitions or refinancings and (iv) the elimination of interest income on the Maxwhale Collateral and (b) decreased interest expense as a result of (i) the Subordinated Debt Repurchases and (ii) the Maxwhale Notes Repurchase. If the Subordinated Debt Repurchases and the Maxwhale Notes Repurchase had occurred on January 1, 1992, the Company would have recorded a $6.2 million extraordinary loss as the result of the early retirement of such debt.

(7) Represents the Company's share of the net loss of Star Gas based on Star Gas' operating results for the twelve months ended December 31, 1992.

(8) Reflects the Company's share of decreased interest expense of Star Gas as a result of the repayment of debt with a portion of the capital infusion in Star Gas and the conversion of debt and preferred stock of Star Gas to equity of Star Gas by certain of Star Gas' investors (the "Star Gas Recapitalization") and the Company's share of Star Gas' cost for the Petro management agreement. (See note 3)

PRO FORMA STATEMENT OF OPERATIONS (UNAUDITED)
NINE MONTHS ENDED SEPTEMBER 30, 1993
(IN THOUSANDS)

The following pro forma statement of operations for the nine months ended September 30, 1993 is derived from the Company's financial statements for the nine months ended September 30, 1993, adjusted to give effect to the following transactions, as if each such transaction had occurred on January 1, 1992:

(a) the 1993 Acquisitions;

(b) the Preferred Stock Exchange;

(c) the Subordinated Debt Repurchase;

(d) the Maxwhale Notes Repurchase;

(e) the Star Gas Investment and the effect of concurrent agreements entered into in connection with such investment;

(f) the 10 1/8% Notes Issuance;

(g) the Collateral Release; and

(h) the Offering, at an assumed interest rate of 10%; provided, however, that the pro forma data do not give effect to approximately $2.6 million of interest expense on, or the use of, approximately $34.4 million in principal amount of the Debentures, the proceeds of which are not required for acquisitions or refinancings. A change in the interest rate on the Debentures by 0.25% would result in an increase in pro forma interest expense of less than $0.1 million.

The unaudited statements of operations of the Company and the individually insignificant distributorships for the nine months ended September 30, 1993 include all adjustments (consisting of only normal recurring adjustments) which, in the opinion of management, are necessary for a fair presentation of the results of operations. Because of the seasonality of the home heating oil and propane businesses, nine-month results are not indicative of the results to be expected for a full year.

<TABLE>
<CAPTION>

	PETROLEUM HEAT AND POWER CO. INC.	DISTRIBUTORSHIPS ACQUIRED(1)	PRO FORMA ADJUSTMENTS	PRO FORMA COMBINED
<S>	<C>	<C>	<C>	<C>
Net sales	$ 377,384	$ 14,621		$ 392,005

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Cost of sales	262,368	10,308		272,676
Gross profit	115,016	4,313		119,329
			$ (298)(2)	
Operating expenses	89,180	2,422	(375)(3)	90,929
Amortization of customer lists	18,236	325	410(4)	18,971
Depreciation and amortization of plant and equipment	4,368	105	73(4)	4,546
Amortization of deferred charges	4,137	--	131(4)	4,268
Provision for supplemental benefit	193	--		193
Operating Income	(1,098)	1,461		422
Interest expense--net	15,147	--	984(5)	16,131
Other income (expenses)	(29)	--		(29)
Equity in (share of loss of) Star Gas	--	--	(14,617)(6)	(3,213)
			1,645(7)	
			9,759(8)	
Income (loss) before income taxes and extraordinary item	(16,274)	1,461		(18,951)
Income taxes	218	--		218
Loss before extraordinary item	$ (16,492)	$ 1,461		$ (19,169)

- ---

(1) Represents the results of the 1993 Acquisitions from January 1, 1993 to their dates of acquisition by the Company. Results from the dates of acquisition to September 30, 1993 are included in the Company's September 30, 1993 consolidated results.

(2) Elimination of general and administrative expenses of the acquired distributorships which do not have a continuing impact on income from continuing operations as follows:

	<C>
Salaries and related cost	$ 185
Other	113
	$ 298

The above costs represent the salaries and related costs of employees of certain distributorships acquired during 1993. These employees were not employed by the Company when the distributorships were acquired, and the Company was able to integrate the businesses without incurring any incremental costs.

(3) Reflects a management agreement pursuant to which the Company will be paid $0.5 million per year by Star Gas. The Company does not anticipate having to hire any additional personnel to perform its obligations under the management agreement. Rather, it plans to deploy responsibilities within its own organization to provide the needed services to Star Gas.

(4) Adjustment of amortization of customer lists, depreciation and amortization of plant and equipment and amortization of deferred charges, as applicable, to reflect an annual charge in accordance with the Company's accounting policies.

(5) Reflects (a) increased interest expense as a result of (i) the Preferred Stock Exchange, (ii) the 10 1/8% Notes Issuance, (iii) a portion of the Debentures issued in the Offering, the proceeds of which are required for acquisitions or refinancings and (iv) the elimination of interest income on the Maxwhale Collateral and (b) decreased interest expense as a result of (i) the Subordinated Debt Repurchases and (ii) the Maxwhale Notes Repurchase. If the Subordinated Debt Repurchases and the Maxwhale Notes Repurchase had occurred on January 1, 1992, the Company would have recorded a $6.2 million extraordinary loss as the result of the early retirement of such debt.

(6) Represents the Company's share of the net loss of Star Gas based on Star Gas' operating results for the nine months ended September 30, 1993.

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(7) Reflects the Company's share of decreased interest expense as a result of the Star Gas Recapitalization and the Company's share of Star Gas cost for the Petro management agreement. (See note 3).

(8) Adjustment to eliminate the Company's share of Star Gas' one time $33.0 million charge for the impairment of long-lived assets so as to reflect the Company's share of Star Gas' recurring operations.

PRO FORMA STATEMENT OF OPERATIONS (UNAUDITED)
TWELVE MONTHS ENDED SEPTEMBER 30, 1993
(IN THOUSANDS)

The following pro forma statement of operations for the twelve months ended September 30, 1993 is derived from the Company's financial statements for the twelve months ended September 30, 1993, adjusted to give effect to the following transactions, as if each such transaction had occurred on October 1, 1992:

(a) the acquisitions by the Company of fourteen individually insignificant distributorships during the twelve months ended September 30, 1993 (the "Twelve Month Acquisitions");

(b) the Preferred Stock Exchange;

(c) the Subordinated Debt Repurchases;

(d) the Maxwhale Notes Repurchase;

(e) the Star Gas Investment and the effect of concurrent agreements enetered into in connection with such investments;

(f) the 10 1/8% Notes Issuance;

(g) the Collateral Release; and

(h) the Offering, at an assumed interest rate of 10%; provided, however, that the pro forma data do not give effect to approximately $3.3 million of interest expense on, or the use of, approximately $33.3 million of the Debentures, the proceeds of which are not required for acquisitions or refinancings. A change in the interest rate on the Debentures by 0.25% would result in an increase in pro forma interest expense of approximately $0.1 million.

The unaudited statements of operations of the Company and the individually insignificant distributorships for the twelve months ended September 30, 1993 include all adjustments (consisting of only normal recurring adjustments) which, in the opinion of management, are necessary for a fair presentation of the results of operations.

<TABLE>
<CAPTION>

	PETROLEUM HEAT AND POWER CO., INC.	DISTRIBUTORSHIPS ACQUIRED(1)	PRO FORMA ADJUSTMENTS	PRO FORMA COMBINED
<S>	<C>	<C>	<C>	<C>
Net sales	$ 548,922	$ 28,408		$ 577,330
Cost of sales	380,976	20,259		401,235
Gross profit	167,946	8,149		176,095
Operating expenses	121,524	4,292	$ (397)(2)	124,919
			(500)(3)	
Amortization of customer lists	24,262	400	1,107(4)	25,769
Depreciation and amortization of plant and equipment	5,749	155	325(4)	6,229
Amortization of deferred charges	5,446	--	244(4)	5,690
Provision for supplemental benefit	2,167	--		2,167
Operating income	8,798	3,302		11,321
Interest expense--net	19,742	--	1,680(5)	21,422
Other income (expenses)	(14)	--		(14)
Share of loss in Star Gas	--	--	(13,905)(6)	(1,953)
			2,193(7)	

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			9,759(8)	
Income (loss) before income taxes and extraordinary item	(10,958)	3,302		(12,068)
Income taxes	400	--		400
Loss before extraordinary item	$ (11,358)	$ 3,302		$ (12,468)

</TABLE>

- ------------------------------

(1) Represents the results of the Twelve Month Acquisitions from October 1, 1992 to their dates of acquisition by the Company. Results from the dates of acquisition to September 30, 1993 are included in the Company's twelve months ended September 30, 1993 consolidated results.

(2) Elimination of general and administrative expenses of the acquired distributorships which do not have a continuing impact on income from continuing operations as follows:

<TABLE>
<S>

	<C>
Salaries and related cost	$ 247
Other	150
	$ 397

</TABLE>

The above costs represent the salaries and related costs of employees of certain distributorships acquired during the twelve months ended September 30, 1993. These employees were not employed by the Company when the distributorships were acquired, and the Company was able to integrate the businesses without incurring any incremental costs.

(3) Reflects a management agreement pursuant to which the Company will be paid $0.5 million per year by Star Gas. The Company does not anticipate having to hire any additional personnel to perform its obligations under the management agreement. Rather, it plans to deploy responsibilities within its own organization to provide the needed services to Star Gas.

(4) Adjustment of amortization of customer lists, depreciation and amortization of plant and equipment and amortization of deferred charges, as applicable, to reflect an annual charge in accordance with the Company's accounting policies.

(5) Reflects (a) increased interest expense as a result of (i) the Preferred Stock Exchange, (ii) the 10 1/8% Notes Issuance, (iii) a portion of the Debentures issued in the Offering, the proceeds of which are required for acquisitions or refinancings and (iv) the elimination of interest income on the Maxwhale Collateral and (b) decreased interest expense as a result of (i) the Subordinated Debt Repurchases and (ii) the Maxwhale Notes Repurchase. If the Subordinated Debt Repurchases and the Maxwhale Notes Repurchase had occurred on October 1, 1992, the Company would have recorded a $4.3 million extraordinary loss as the result of the early retirement of such debt.

(6) Represents the Company's share of the net loss of Star Gas based on Star Gas' operating results for the twelve months ended September 30, 1993.

(7) Reflects the Company's share of decreased interest expense as a result of the Star Gas Recapitalization and the Company's share of Star Gas' cost for the Petro management agreement.(see note 3)

(8) Adjustment to eliminate the Company's share of Star Gas' one time $33.0 million charge for the impairment of long-lived assets so as to reflect the Company's share of Star Gas' recurring operations.

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$75,000,000

PETROLEUM HEAT AND POWER CO., INC.

% SUBORDINATED DEBENTURES DUE 2006

PROSPECTUS

DONALDSON, LUFKIN & JENRETTE SECURITIES CORPORATION

KIDDER, PEABODY & CO. INCORPORATED

CHEMICAL SECURITIES INC.

MORGAN SCHIFF & CO., INC.

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 14. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

<TABLE>

<S>	<C>
SEC registration fee	$25,863
NASD filing fee	8,000
Printing and engraving	100,000
Accountants' fees and expenses	100,000
Legal fees and expenses	125,000
Trustee's fees and expenses	15,000
Blue Sky fees and expenses	30,000
Miscellaneous	46,137
Total	$450,000

</TABLE>

ITEM 15. INDEMNIFICATION OF DIRECTORS AND OFFICERS

Section 302A.521 of the Minnesota Business Corporation Act (the "MBCA") provides mandatory and exclusive standards for indemnification, although the Articles of Incorporation or by-laws of a corporation can specifically limit the statutory indemnification. Minnesota law generally provides that a corporation shall indemnify a person made or threatened to be made a party to a proceeding by reason of such person's official capacity as an officer, director or employee of the corporation, against judgments, penalties, fines, including, without limitation, excise taxes assessed against such person with respect to an employee benefit plan, settlements, and reasonable expenses, including attorney's fees and disbursements, incurred by that person in connection with

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the proceeding, if such person (a) has not been indemnified by another entity for the same proceedings and in connection with the same acts or omission; (b) acted in good faith; (c) received no improper personal benefit; (d) in the case of a criminal proceeding, had no reason to believe such person's conduct was unlawful; and (e) in connection with the acts or omissions in question, the person reasonably believed that such person's conduct was in the best interests of the corporation (or, in the case of a question of improper personal benefit, believed that the conduct was not opposed to the best interests of the corporation; or in the case of an employee benefit plan, believed that the conduct was in the best interests of the participants or beneficiaries of the employee benefit plan).

Section 302A.521 of the MBCA further provides that if an officer, director or employee is made or threatened to be made a party to a proceeding in such person's official capacity, such person is entitled, upon written request to the corporation, to payment or reimbursement by the corporation of reasonable expenses incurred by such person in advance of the final disposition of the proceeding (a) upon receipt by the corporation of a written confirmation by such person of such person's good faith belief that the criteria for indemnification set forth under Minnesota law have been satisfied, an undertaking by such person to repay all amounts paid or reimbursed by the corporation if it is ultimately determined that the criteria for indemnification have not been satisfied, and (b) after a determination that the facts then known to those making the determination would not preclude indemnification under Minnesota law.

Finally, Section 302A.521 of the MBCA provides that a corporation's Articles of Incorporation or by-laws may prohibit indemnification or advances or may impose conditions on such indemnification or advance, as long as those conditions apply equally to all persons or to all persons with a given class.

Registrant's Restated Articles of Incorporation, as amended, contains the limitation of liability provision set forth below:

> "ARTICLE VIII--A director of the corporation shall not be personally liable to the corporation or its shareholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the corporation or its shareholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 302A.559 of the Minnesota Business Corporation Act or Section 80A.23 of the Minnesota Securities law, or (iv) for any transaction from which the director derived an improper personal benefit. If the Minnesota Business Corporation Act is hereafter amended to authorize any further limitation of the liability of a director, then the liability of a director of the corporation shall be eliminated or limited to the fullest extent permitted by the Minnesota Business Corporation Act, as amended. No amendment to or repeal of this Article VIII shall apply to or have any effect on the liability or alleged liability of any director of the corporation for or with respect to any acts or omissions of such director occurring prior to such amendment or repeal."

Registrant's by-laws, as amended, contains the indemnification provision set forth below:

> "Section 8.01. The corporation shall indemnify all officers and directors of the corporation, for such expenses and liabilities, in such manner, under such circumstances, and to such extent as permitted by Minnesota Statutes Section 302A.521, as now enacted or hereafter amended. Unless otherwise approved by the Board of Directors, the corporation shall not indemnify or advance expenses to any employee of the corporation who is not otherwise entitled to indemnification pursuant to the prior sentence of this Section 8.01."

ITEM 16. EXHIBITS

<TABLE>
<CAPTION>

EXHIBIT NO.	DESCRIPTION OF EXHIBIT
<S>	<C>
1	--Form of Underwriting Agreement. (1)
3.1	--Restated and Amended Articles of Incorporation, as amended, and Articles of Amendment thereto. (2)
3.2	--Restated By-Laws of the Registrant. (2)
4.1	--Indenture, dated as of April 1, 1993, between the Company and Chemical Bank, as trustee, including Form of Notes. (8)
4.2	--Indenture, dated as of October 1, 1985 between the Company and Manufacturers Hanover Trust Company, as trustee, including Form of Notes. (3)

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4.3	--Restated and Amended Articles of Incorporation and Articles of Amendment thereto. (2)
4.4	--Certificate of Designation creating a series of preferred stock designated as Cumulative Redeemable Exchangeable 1991 Preferred Stock and Certificate of Amendment relating thereto. (6)
4.5	--Certificate of Designation creating a series of preferred stock designated as Cumulative Redeemable 1991 Preferred Stock. (6)
4.6	--Form of Indenture between the Company and Chemical Bank, as trustee, including Form of Debentures. (1)
4.7	--Certificate of Designation creating a series of Preferred Stock designated as Cumulative Redeemable Exchangeable 1993 Preferred Stock. (1)
5	--Opinion of Phillips, Nizer, Benjamin, Krim & Ballon. (1)
7	--Opinion of Dorsey & Whitney re: liquidation preference. (1)
9.1	--Shareholders' Agreement dated as of July 1992, among the Company and certain of its stockholders. (2)

EXHIBIT NO.	DESCRIPTION OF EXHIBIT
10.1	--Amended and Restated Credit Agreement dated as of December 31, 1992 among the Company, Maxwhale Corp., certain banks party thereto and Chemical Bank. (8)
10.2	--Pension Plan, as amended, of Petroleum Heat and Power Co., Inc. (2)
10.3	--Savings Plan, as amended of Petroleum Heat and Power Co., Inc. (2)
10.4	--Supplemental Executive Retirement Plan of Petroleum Heat and Power Co., Inc. (2)
10.5	--Lease dated July 15, 1981 with respect to offices and garage located at 477 West John Street and 5 Alpha Plaza, Hicksville, New York. (4)
10.6	--Lease dated February 15, 1982,(4) First Amendment dated February 14, 1986, and Second Amendment dated July 1, 1989, with respect to offices, garage and terminal located at 818 Michigan Avenue, N.E., Washington, D.C. (2)
10.7	--Lease dated June 26, 1989 with respect to offices and garage located at 40 Lee Burbank Highway, Revere, Massachusetts. (2)
10.8	--Lease dated December 1, 1985 with respect to office and garage located at 3600-3620 19th Avenue, Astoria, New York. (3)
10.9	--Lease dated November 1, 1985 with respect to office and garage located at 522 Grand Blvd., Westbury, New York. (5)
10.10	--Lease dated June 5, 1986 with respect to office and garage located at 2541 Richmond Terrace Co., Staten Island, New York. (5)
10.11	--Lease dated July 31, 1986 with respect to office and garage located at 71 Day Street, Norwalk, Connecticut. (5)
10.12	--Lease dated July 9, 1984 with respect to office located at 1245 Westfield Avenue, Clark, New Jersey. (5)
10.13	--Lease dated April 5, 1991 with respect to office and garage located at 10 Spring Street, New Milford, Connecticut. (2)
10.14	--Lease dated October 26, 1990 with respect to office and garage located at 1 Coffey Street, Brooklyn, New York. (2)
10.15	--Lease dated February 6, 1990 with respect to office and garage located at 62 Oakland Avenue and 64 Oakland Avenue, East Hartford, Connecticut. (2)
10.16	--Lease dated July 29, 1988 and Addendum to lease dated August 1, 1988 with respect to office, garage and terminal located at 224 North Main Street, Southampton, New York. (2)
10.17	--Lease dated April 1, 1988 with respect to office and garage located at 171 Ames Court, Plainview, New York. (2)
10.18	--Lease dated August 12, 1988 with respect to office and garage located at 326 South Second Street, Emmaus, Pennsylvania. (2)
10.19	--Lease dated July 15, 1990, Addendum to lease dated July 27, 1990 and Second Addendum to lease dated November 30, 1990, with respect to office and garage located at 212 Elm Street, North Haven, Connecticut. (2)
10.20	--Lease dated August 14, 1989 with respect to office and garage located at foot of South Street, Oyster Bay, New York. (2)
10.21	--Lease and Addendum to lease dated September 26, 1990 with respect to office and garage located at 930 Park Avenue, Lakewood, New Jersey. (2)
10.22	--Lease dated December 1, 1990 with respect to garage located at 10 Coffey Street, Brooklyn, New York. (2)
10.23	--Lease dated May 9, 1991 with respect to office and garage located at 260 Route 10 East, Whippany, New Jersey. (2)
10.24	--Lease dated June 1, 1987 with respect to garage located at 817 Pennsylvania Avenue, Linden, New Jersey. (2)
10.25	--Lease dated June 1, 1989 with respect to office and garage located at 2 Selleck Street, Stamford, Connecticut. (2)

EXHIBIT NO.	DESCRIPTION OF EXHIBIT
10.26	--Lease dated April 28, 1992 with respect to office and garage located at 8087-8107 Parston Drive, Forestville, Maryland. (8)

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10.27 --Demand Promissory Notes of Thomas J. Edelman in favor of Petro, Inc. in the amounts of $500,000 and $100,000 dated April 15, 1985 and May 17, 1985, respectively, and Pledge and Security Agreement, as amended, made by Thomas J. Edelman in favor of Petro, Inc. dated April 15, 1986. (5)

10.28 --Letter dated June 5, 1985 with respect to redemption of 55,250 shares of common stock of Petroleum Heat and Power Co., Inc. from Thomas J. Edelman and promissory note of Petroleum Heat and Power Co., Inc. in the amount of $884,000 in favor of Thomas J. Edelman, dated June 6, 1985. (3)

10.29 --Option dated October 18, 1984 granted to Irik P. Sevin to purchase 64,000 shares of common stock of Petroleum Heat and Power Co., Inc. (3)

10.30 --Form of Equipment Lease and related documentation dated as of October 21, 1983 relating to vehicle leasing transaction between Atlas Oil Corporation and various equipment lessors. (3)

10.31 --Form of Equipment Lease and related documentation dated as of March 2, 1985 relating to vehicle leasing transaction between Petro, Inc. and various equipment lessors. (3)

10.32 --Agreement dated October 22, 1986 relating to purchase of 64,000 shares of Class A Common Stock by Irik P. Sevin. (5)

10.33 --Agreement dated December 2, 1986 relating to stock options granted to Malvin P. Sevin. (5)

10.34 --Agreement dated December 2, 1986 relating to stock options granted to Irik P. Sevin. (5)

10.35 --Agreements dated December 28, 1987 and March 6, 1989 relating to stock options granted to Irik P. Sevin and Malvin P. Sevin. (2)

10.36 --Form of Note dated December 31, 1992, in the amount of $1,499,378, due December 31, 1993, from Irik P. Sevin to the Company. (8)

10.37 --Subordinated Note Agreement relating to $60 million Subordinated Notes due October 1, 1998 issued to John Hancock Mutual Life Insurance Company and other Investors. (2)

10.38 --Note Agreement, dated as of January 15, 1991, relating to $12.5 million Subordinated Notes due January 15, 2001, between the Company and Connecticut General Life Insurance Company. (2)

10.39 --Purchase Agreement, dated as of September 1, 1991, between the Company and United States Leasing International, relating to purchase of 159,722 shares of the 1991 Preferred Stock. (2)

10.40 --Purchase Agreement, dated as of August 1, 1989, between the Company and John Hancock Mutual Life Insurance Company and The Northwestern Mutual Life Insurance Company, relating to the purchase of the 1989 Preferred Stock. (2)

10.41 --Agreement dated as of November 1, 1992 relating to stock options granted to George Leibowitz. (8)

10.42 --Letter Agreement dated March 15, 1993 relating to the Credit Agreement. (8)

10.43 --Lease dated June 17, 1993 with respect to office facilities located at 2187 Atlantic Street in Stamford Connecticut. (10)

10.44 --Form of Note dated December 31, 1993, in the amount of $1,559,827, due December 31, 1994, from Irik P. Sevin to the Company. (9)

10.45 --Agreement dated December 1993 relating to stock options granted to Malvin P. Sevin. (9)

10.46 --Purchase Agreement, dated as of December 21, 1993, among Star Gas Holdings, Inc., First Reserve Secured Energy Assets Fund, L.P. American Gas & Oil Investors, AmGo II, AmGo III, FRC Star Gas, Inc., Star Gas and the Company. (11)

10.47 --Option from Star Gas to the Company, dated as of December 21, 1993. (11)

10.48 --Shareholder Put/Call Agreement, dated as of December 21, 1993, among the Company, the Other Investors and Prudential. (11)

10.49 --Shareholders' Agreement, dated as of December 21, 1993, among the Company, the Other Investors and Prudential. (11)

</TABLE>

<TABLE>
<CAPTION>

EXHIBIT NO.	DESCRIPTION OF EXHIBIT
10.50	--Management Services Agreement, dated as of December 21, 1993, between the Company and Star Gas. (11)
10.51	--Form of Amendment to the Company's Subordinated Debt Indentures. (9)
11.0	--Computation of Per Share Earnings. (10)
12.0	--Computation of Ratio of Earnings to Fixed Charges. (10)
22.1	--Subsidiaries of Registrant. (10)
24.1	--Consent of KPMG Peat Marwick.(1)
24.2	--Consent of Ernst & Young.(1)
24.3	--Consent of Phillips, Nizer, Benjamin, Krim & Ballon (included in Exhibit 5).
24.4	--Consent of Dorsey & Whitney (included in Exhibit 7).
25.0	--Power of Attorney.(included on page II-7 hereof)
26.0	--Statement of Eligibility of Trustee on Form T-1 of Chemical Bank.(separately bound)(10)

</TABLE>

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(1) Filed herewith.

(2) Filed as Exhibits to Registration Statement on Form S-1, File No. 33-48051, and incorporated herein by reference.

(3) Filed as Exhibits to Registration Statement on Form S-1, File No. 2-99794, and incorporated herein by reference.

(4) Filed as Exhibits to Registration Statement on Form S-1, File No. 2-88526, and incorporated herein by reference.

(5) Filed as Exhibits to Registration Statement on Form S-1, File No. 33-9088, and incorporated herein by reference.

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(6) Filed as Exhibits to the Company's Annual Report on Form 10-K for the year ended December 31, 1991, File No. 2-88526, and incorporated herein by reference.

(7) Filed as Exhibits to the Company's Annual Report on Form 10-K for the year ended December 31, 1988, File No. 2-88526, and incorporated herein by reference.

(8) Filed as Exhibits to the Company's Registration Statement on Form S-2, File No. 33-58034, and incorporated herein by reference.

(9) To be filed by Amendment.

(10) Previously filed.

(11) Filed as Exhibits to the Company's Periodic Report on Form 8-K filed on January 4, 1994, File No. 2-88526, and incorporated herein by reference.

ITEM 17. UNDERTAKINGS

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers or persons controlling the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been informed that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is therefor unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction, the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereto duly authorized in the City of New York, State of New York, on the 12th day of January, 1994.

PETROLEUM HEAT AND POWER CO., INC.

By: /s/ IRIK P. SEVIN
.....
Irik P. Sevin
President, Chairman of the Board
Chief Executive Officer and Chief Financial
and Accounting Officer

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints IRIK P. SEVIN, his true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him and in his name, place or stead, in any and all capacities, to sign the within Registration Statement relating to the offering of $75,000,000 of Subordinated Notes of Petroleum Heat and Power Co., Inc. and any and all

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amendments to said Registration Statement, and to file the same, with all exhibits thereto, and any other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agent, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agent, or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

/s/ IRIK P. SEVIN Irik P. Sevin	President, Chairman of the Board, Chief Executive Officer, Financial and Accounting Officer and Director	January 12, 1994
/s/ AUDREY L. SEVIN Audrey L. Sevin	Secretary and Director	January 12, 1994
/s/ PHILLIP E. COHEN Phillip E. Cohen	Director	January 12, 1994
/s/ THOMAS J. EDELMAN Thomas J. Edelman	Director	January 12, 1994
Wolfgang Traber	Director	January , 1994
Richard O'Connell	Director	January , 1994
Max Warburg		

INDEX TO EXHIBITS

EXHIBITS		SEQUENTIAL PAGE NUMBER
1	--Form of Underwriting Agreement.	
4.6	--Form of Indenture between the Company and Chemical Bank, as trustee, including Form of Debentures.	
4.7	--Certificate of Designation creating a series of Preferred Stock designated as Cumulative Redeemable Exchangeable 1993 Preferred Stock.	
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7	--Opinion of Dorsey & Whitney re: liquidation preference.	
24.1	--Consent of KPMG Peat Marwick .	
24.2	--Consent of Ernst & Young.	
24.3	--Consent of Phillips, Nizer, Benjamin, Krim & Ballon (included in Exhibit 5).	
24.4	--Consent of Dorsey & Whitney (included in Exhibit 7).	
25.0	--Power of Attorney.(included on page II-7 hereof)	

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EXHIBIT 1

PETROLEUM HEAT AND POWER CO., INC.

_____% Subordinated Debentures Due 2006

UNDERWRITING AGREEMENT

January ___, 1994

DONALDSON, LUFKIN & JENRETTE
SECURITIES CORPORATION
KIDDER, PEABODY & CO. INCORPORATED
CHEMICAL SECURITIES INC.
MORGAN SCHIFF & CO., INC.
c/o Donaldson, Lufkin & Jenrette
Securities Corporation
140 Broadway
New York, New York 10005

Ladies and Gentlemen:

Petroleum Heat and Power Co., Inc., a Minnesota corporation (the "Company"), proposes to issue and sell to Donaldson, Lufkin & Jenrette Securities Corporation ("DLJ"), Kidder, Peabody & Co. Incorporated, Chemical Securities Inc. and Morgan Schiff & Co., Inc. (collectively, the "Underwriters") an aggregate of $75,000,000 principal amount of its ____% Subordinated Debentures due 2006 (the "Securities"). The Securities are to be issued pursuant to the provisions of an Indenture to be dated as of January __, 1994 by and between the Company and Chemical Bank, as Trustee (the "Indenture").

1. Registration Statement and Prospectus. The Company has prepared and filed with the Securities and Exchange Commission (the "Commission"), in accordance with the provisions of the Securities Act of 1933, as amended, and the rules and regulations of the Commission thereunder (collectively, the "Act"), a registration statement on Form S-2 (No. 33-72354), including a preliminary prospectus, subject to completion, relating to the Securities. The registration statement, as amended at the time it becomes effective or, if a post-effective amendment is filed with respect thereto, as amended by such post-effective amendment at the time of its effectiveness, including, in each case, all documents incorporated by

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reference therein, all financial statements and exhibits thereto, and the information (if any) contained in a prospectus subsequently filed with the Commission pursuant to Rule 424(b) under the Act and deemed to be a part of the registration statement at the time of its effectiveness pursuant to Rule 430A under the Act, is hereinafter referred to as the "Registration Statement"; and the prospectus in the form first used to confirm sales of the Securities, whether or not filed with the Commission pursuant to Rule 424(b) under the Act, including all documents incorporated by reference therein, is hereinafter referred to as the "Prospectus."

2. Agreements to Sell and Purchase. On the basis of the representations and warranties contained in this Agreement, and subject to its terms and conditions, the Company agrees to issue and sell to the Underwriters, and the Underwriters agree, severally and not jointly, to purchase from the Company, Securities in the respective principal amounts set forth opposite their names on Schedule A hereto at a purchase price equal to ___% of the principal amount thereof (the "Purchase Price").

3. Delivery and Payment. Delivery to you of and payment for the Securities shall be made at 9:00 A.M., New York City time, on the fifth business day (such time and date being referred to as the "Closing Date") following the date of the initial public offering of the Securities as advised by you to the Company, at the offices of Latham & Watkins, 885 Third Avenue, New York, New York. The Closing Date and the location of delivery of the Securities may be varied by agreement among you and the Company.

The Securities in definitive form shall be registered in such names and issued in such denominations as you shall request in writing not later than two full business days prior to the Closing Date, and shall be made available to you at the offices of DLJ (or at such other place as shall be acceptable to you) for inspection not later than 9:30 A.M., New York City time, on the business day next preceding the Closing Date. The Securities shall be delivered to you on the Closing Date with any transfer taxes payable upon initial issuance thereof duly paid by the Company, for your respective accounts against payment of the Purchase Price by certified or official bank check or checks payable in New York Clearing House or similar next-day funds to the order of the Company.

4. Agreements of the Company. The Company agrees with each of

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you that:

(a) The Company will, if necessary, file an amendment to the Registration Statement including, if necessary pursuant to Rule 430A under the Act, a post-effective amendment to the Registration Statement, in each case as soon as practicable after the execution and delivery of this Agreement, and will use its best efforts to cause the Registration Statement or such post-effective amendment to become effective at the earliest possible time. The Company will comply fully and in a timely manner with the applicable provisions of Rule 424 and Rule 430A under the Act.

(b) The Company will advise you promptly and, if requested by any of you, confirm such advice in writing, (i) when the Registration Statement has become effective, if and when the Prospectus is sent for filing pursuant to Rule 424 under the Act and when any post-effective amendment to the Registration Statement becomes effective, (ii) of the receipt of any comments from the Commission or any state securities commission or regulatory authority that relate to the Registration Statement or requests by the Commission or any state

securities commission or regulatory authority for amendments to the Registration Statement or amendments or supplements to the Prospectus or for additional information, (iii) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement, or of the suspension of qualification of the Securities for offering or sale in any jurisdiction, or the initiation of any proceeding for such purpose by the Commission or any state securities commission or other regulatory authority, and (iv) of the happening of any event during such period as in your reasonable judgment you are required to deliver a

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prospectus in connection with sales of the Securities by you which makes any statement of a material fact made in the Registration Statement untrue or which requires the making of any additions to or changes in the Registration Statement (as amended or supplemented from time to time) in order to make the statements therein not misleading or that makes any statement of a material fact made in the Prospectus (as amended or supplemented from time to time) untrue or which requires the making of any additions to or changes in the Prospectus (as amended or supplemented from time to time) in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. The Company shall use its best efforts to prevent the issuance of any stop order or order suspending the qualification or exemption of the Securities under any state securities or Blue Sky laws, and, if at any time the Commission shall issue any stop order suspending the effectiveness of the Registration Statement, or any state securities commission or other regulatory authority shall issue an order suspending the qualification or exemption of the Securities under any state securities or Blue Sky laws, the Company shall use every reasonable effort to obtain the withdrawal or lifting of such order at the earliest possible time.

(c) The Company will furnish to you without charge four signed copies (plus one additional signed copy to your legal counsel) of the Registration Statement as first filed with the Commission and of each amendment thereto, including all exhibits filed therewith, and will furnish to you such number of conformed copies of the Registration Statement as so filed and of each amendment thereto, without exhibits, as you may reasonably request.

(d) The Company will not file any amendment or supplement to the Registration Statement, whether before or after the time when it becomes effective, or make any amendment or supplement to the Prospectus, of which you shall not previously have been advised and

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provided a copy within two business days prior to the filing thereof (or such reasonable amount of time as is necessitated by the exigency of such amendment or supplement) or to which you shall reasonably object; and it will prepare and file with the Commission, promptly upon your reasonable request, any amendment to the Registration Statement or supplement to the Prospectus which may be necessary or advisable in connection with the distribution of the Securities by you, and will use its best efforts to cause the same to become effective as promptly as possible.

(e) Promptly after the Registration Statement becomes effective, and from time to time thereafter for such period in your reasonable judgment as a prospectus is required to be delivered in connection with sales of the Securities by you, the Company will furnish to each Underwriter and dealer without charge as many copies of the Prospectus (and of any amendment or supplement to the Prospectus) as such Underwriters and dealers may reasonably request.

(f) If during such period as in your reasonable judgment you are required to deliver a prospectus in connection with sales of the Securities by you any event shall occur as a result of which it becomes necessary to amend or supplement the Prospectus in order to make the statements therein, in the light of the circumstances existing as of the date the Prospectus is delivered to a purchaser, not misleading, or if it is necessary to amend or supplement the Prospectus to comply with any law, the Company will promptly prepare and file with the Commission an appropriate amendment or supplement to the Prospectus so that the statements in the Prospectus, as so amended or supplemented, will not, in the light of the circumstances existing as of the date the Prospectus is so delivered, be misleading, and will comply with applicable law, and will furnish to each Underwriter and dealer without charge such number of copies thereof as such Underwriters and dealers may reasonably request.

(g) The Company will timely complete all required filings and otherwise fully comply in a timely manner

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with all provisions of the Securities Exchange Act of 1934, as amended, including the rules and regulations thereunder (collectively, the "Exchange Act"), in connection with the registration, if any, of the Securities thereunder.

(h) So long as any of the Securities are outstanding, the Company will mail to each of you without charge a copy of each report or other publicly

available information required to be furnished to holders of the Securities by law or pursuant to the Indenture at the same time as such reports or other information are required to be furnished to such holders.

(i) Whether or not the transactions contemplated hereby are consummated or this Agreement is terminated, the Company will pay and be responsible for all costs, expenses, fees and taxes in connection with or incident to (i) the printing, processing, filing, distribution and delivery under the Act of the Registration Statement, each preliminary prospectus, the Prospectus and all amendments or supplements thereto, (ii) the printing, processing, execution, distribution and delivery of this Agreement, the Indenture, any memoranda describing state securities or Blue Sky laws and all other agreements memoranda, correspondence and other documents printed, distributed and delivered in connection with the offering of the Securities, (iii) the registration with the Commission and the issuance and delivery of the Securities, (iv) the registration or qualification of the Securities for offer and sale under the securities or Blue Sky laws of the jurisdictions referred to in paragraph (m) below (including, in each case, the fees and disbursements of counsel relating to such registration or qualification and memoranda relating thereto and any filing fees in

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connection therewith), (v) furnishing such copies of the Registration Statement, Prospectus and preliminary prospectus, and all amendments and supplements to any of them, as may be reasonably requested by you, (vi) filing, registration and clearance with the National Association of Securities Dealers, Inc. (the "NASD") in connection with the offering of the Securities (including the fees and disbursements of counsel relating thereto), (vii) the listing of the Securities, if any, on a stock exchange or automated quotation system, (viii) the rating of the Securities by investment rating agencies, (ix) any "qualified independent underwriter" as required by Schedule E of the Bylaws of the NASD (including fees and disbursements of counsel for such qualified independent underwriter) and (x) the performance by the Company of its other obligations under this Agreement, including (without limitation) the fees of the Trustee, the cost of its personnel and other internal costs, the cost of printing and engraving the certificates representing the Securities, and all expenses and taxes incident to the sale and delivery of the Securities to you.

(j) The Company will use the proceeds from the sale of the Securities in the manner described in the Prospectus under the caption "Use of Proceeds."

(k) The Company will not voluntarily claim, and will actively resist any attempts to claim, the benefit of any usury laws against the holders of the Securities.

(l) The Company will use its best efforts to do and perform all things required to be done and performed under this agreement by it prior to or after the Closing Date and to satisfy all conditions precedent on its part to the delivery of the Securities.

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(m) Prior to any public offering of the Securities, the Company will cooperate with you and your counsel in connection with the registration or qualification of the Securities for offer and sale by you under the state securities or Blue Sky laws of such jurisdiction as you may request (provided, that the Company shall not be obligated to qualify as a foreign corporation in any jurisdiction in which it is not so qualified or to take any action that would subject it to general consent to service of process in any jurisdiction in which it is not now so subject). The Company will continue such qualification in effect so long as required by law for distribution of the Securities.

(n) The Company will mail and make generally available to its security holders as soon as reasonably practicable a consolidated earning statement covering a period of at least twelve months beginning after the "effective date" (as defined in Rule 158 under the Act) of the Registration Statement (but in no event commencing later than 90 days after such effective date) which shall satisfy the provisions of Section 11(a) of the Act and Rule 158 thereunder, and to advise you in writing when such statement has been so made available.

5. Representations and Warranties. The Company represents and warrants to each of you that:

(a) When the Registration Statement becomes effective, including at the date of any post-effective amendment, at the date of the Prospectus (if different) and at the Closing Date, the Registration Statement will comply in all material respects with the provisions of the Act and will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading; the Prospectus and any supplements or amendments thereto will not at the date of the Prospectus, at the date of any such supplements or

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amendments and at the Closing Date contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, except that the representations and warranties contained in this paragraph (a) shall not apply to statements in or omissions from the Registration Statement or the Prospectus (or any supplement or amendment to them) made in reliance upon and in conformity with information relating to you furnished to the Company in writing by you expressly for use therein. The Company acknowledges for all purposes under this Agreement that the statements set forth in the last paragraph on the cover page and in the second paragraph below the table under the caption "Underwriting" in the Prospectus (or any amendment or supplement) constitute the only written information furnished to the Company by any Underwriter expressly for use in the Registration Statement or the Prospectus (or any amendment or supplement to them). When the Registration Statement becomes effective, including at the date of any post-effective amendment, at the date of the Prospectus and any amendment or supplement thereto (if different) and at the Closing Date, the Indenture will have been qualified under and will conform in all material respects to the requirements of the Trust Indenture Act of 1939, as amended, and the rules and regulations thereunder (collectively, the "TIA"). No contract or document of a character required to be described in the Registration Statement or the Prospectus or to be filed as an exhibit to the Registration Statement is not described or filed as required.

(b) Each preliminary prospectus filed as part of the Registration Statement as originally filed or as part of any amendment thereto, or filed pursuant to Rule 424 Under the Act, complied when so filed in all material respects with the Act.

(c) The Company and each of its subsidiaries (each, a "Subsidiary" and, collectively, the "Subsidiaries") is a duly organized and validly existing corporation in good standing under the laws of its jurisdiction of incorporation, has the requisite

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corporate power and authority to own, lease and operate its properties and to conduct its business as it is currently being conducted, and is duly qualified as a foreign corporation and is in good standing in each jurisdiction where the ownership, leasing or operation of property or the conduct of its business requires such qualification, except where the failure to be so qualified would not, singly or in the aggregate, have a material adverse effect on the properties, business,

results of operations, condition (financial or otherwise), affairs or prospects of the Company and the Subsidiaries taken as a whole (a "Material Adverse Effect").

(d) The Company has full power and authority to execute, deliver and perform this Agreement and to authorize, issue, sell and deliver the Securities as contemplated by this Agreement.

(e) This Agreement has been duly authorized and validly executed and delivered by the Company and constitutes a valid and legally binding agreement of the Company, enforceable against the Company in accordance with its terms (assuming the due execution and delivery hereof by you).

(f) The Securities have been duly authorized by the Company and, on the Closing Date, will have been duly executed by the Company and will conform in all material respects to the description thereof in the Prospectus. When the Securities are issued, authenticated and delivered in accordance with the Indenture and paid for in accordance with the terms of this Agreement, the Securities will constitute valid and legally binding obligations of the Company, enforceable against the Company in accordance with their terms and entitled to the benefits of the Indenture.

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(g) The Indenture has been duly authorized by the Company and, on the Closing Date, will have been duly executed by the Company and will conform in all material respects to the description thereof in the Prospectus. When the Indenture has been duly executed and delivered, the Indenture will be a valid and legally binding agreement of the Company, enforceable against the Company in accordance with its terms.

(h) The engagement letter, dated as of December ___, 1993, among the Company and you (the "Engagement Letter"), relating to the solicitation of consents to amendments to certain of the Company's existing debt agreements, has been duly authorized and validly executed and delivered by the Company and constitutes a valid and legally binding agreement of the Company, enforceable against the Company in accordance with its terms.

(i) All of the issued and outstanding shares of capital stock of, or other ownership interests in, each Subsidiary have been duly and validly authorized and issued, and all of the shares of capital stock of, or other ownership interests in, each Subsidiary are owned, directly or through Subsidiaries, by the Compa-

ny. All such shares of capital stock are fully paid and nonassessable, and are owned free and clear of any security interest, mortgage, pledge, claim, lien or encumbrance (each, a "Lien"). There are no outstanding subscriptions, rights, warrants, options, calls, convertible securities, commitments of sale or Liens related to or entitling any person to purchase or otherwise to acquire any shares of the capital stock of, or other ownership interest in, any Subsidiary.

(j) Neither the Company nor any of the

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subsidiaries is in violation of its respective charter or bylaws or in default in the performance of any bond, debenture, note or any other evidence of indebtedness or any indenture, mortgage, deed of trust or other contract, lease or other instrument to which the Company or any of the Subsidiaries is a party or by which any of them is bound, or to which any of the property or assets of the Company or any of the Subsidiaries is subject.

(k) The execution and delivery of this Agreement, the Indenture and the Engagement Letter by the Company, the issuance and sale of the Securities, the performance of this Agreement, the Indenture and the Engagement Letter and the consummation of the transactions contemplated by this Agreement, the Indenture and the Engagement Letter will not conflict with or result in a breach or violation of any of the respective charters or bylaws of the Company or any of the Subsidiaries or any of the terms or provisions of, or constitute a default or cause an acceleration of any obligation under, or result in the imposition or creation of (or the obligation to create or impose) a Lien with respect to, any bond, note, debenture or other evidence of indebtedness or any indenture, mortgage, deed of trust or other agreement or instrument to which the Company or any of the Subsidiaries is a party or by which it or any of them is bound, or to which any properties of the Company or any of the Subsidiaries is or may be subject, or contravene any order of any court or governmental agency or body having jurisdiction over the Company or any of the Subsidiaries or any of their properties, or violate or conflict with any statute, rule or regulation or administrative or court decree applicable to the Company or any of the Subsidiaries, or any of their respective properties.

(l) There is no action, suit or proceeding before or by any court or governmental agency or body, domestic or foreign, pending against or affecting the Company or any of the Subsidiaries, or any of their respective properties, which is required to be

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disclosed in the Registration Statement or the Prospectus, or which might result, singly or in the aggregate, in a Material Adverse Effect or which might materially and adversely affect the consummation of this Agreement or the transactions contemplated hereby, and to the best of the Company's knowledge, no such proceedings are contemplated or threatened.

(m) No action has been taken and no statute, rule or regulation or order has been enacted, adopted or issued by any governmental agency or body which prevents the issuance of the Securities, suspends the effectiveness of the Registration Statement, prevents or suspends the use of any preliminary prospectus or suspends the sale of the Securities in any jurisdiction referred to in Section 4(m) hereof; no injunction, restraining order or order of any nature by a federal or state court of competent jurisdiction has been issued with respect to the Company or any of the Subsidiaries which would prevent or suspend the issuance or sale of the Securities, the effectiveness of the Registration Statement, or the use of any preliminary prospectus in any jurisdiction referred to in Section 4(m) hereof; no action, suit or proceeding is pending against or, to the best of the Company's knowledge, threatened against or affecting the Company or any of the Subsidiaries before any court or arbitrator or any governmental body, agency or official, domestic or foreign, which, if adversely determined, would materially interfere with or adversely affect the issuance of the Securities or in any manner draw into question the validity of this Agreement, the Indenture or the Securities; and every request of the Commission or any securities authority or agency of any jurisdiction for additional information (to be included in the Registration Statement or the Prospectus or otherwise) has been complied with in all material respects.

(n) Neither the Company nor any of the Subsidiaries has violated any environmental safety or similar law or regulation applicable to its business relating to the protection of human health and safety, the environment or hazardous or toxic substances or wastes, pollutants or contaminants ("Environmental

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Laws"), lacks any permits, licenses or other approvals required of them under applicable Environmental Laws or is violating any terms and conditions of any such permit, license or approval, nor has the Company or any of the Subsidiaries violated any federal, state or local law relating to discrimination in the hiring, promotion or pay of employees prior to any applicable wage or hour laws, nor any provisions of the Employee Retirement Income Security Act of 1974 ("ERISA") or the

rules and regulations promulgated thereunder, nor has the Company or any of the Subsidiaries engaged in any unfair labor practice, which in each case might result, singly or in the aggregate, in a Material Adverse Effect. There is (i) no significant unfair labor practice complaint pending against the Company or any of the Subsidiaries or, to the best knowledge of the Company, threatened against any of them before the National Labor Relations Board or any state or local labor relations board, and no significant grievance or significant arbitration proceeding arising out of or under any collective bargaining agreement is so pending against the Company or any of the Subsidiaries or, to the best knowledge of the Company, threatened against any of them, (ii) no significant strike, labor dispute, slowdown or stoppage pending against the Company or any of its Subsidiaries or, to the best knowledge of the Company, threatened against the Company or any of the Subsidiaries and (iii) to the best knowledge of the Company, no union representation question existing with respect to the employees of the Company or any of the Subsidiaries and, to the best knowledge of the company, no union organizing activities are taking place, except (with respect to any matter specified in clause (i), (ii) or (iii) above, singly or in the aggregate) such as could not have a Material Adverse Effect.

(o) Except as would not result, singly or in the

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aggregate, in a Material Adverse Effect, the Company and each of the Subsidiaries has good and marketable title, free and clear of all Liens (except Liens for taxes not yet due and payable), to all property and assets reflected in the Company's consolidated financial statements at and for the nine months ended September 30, 1993.

(p) The firm of accountants that has certified or shall certify the applicable consolidated financial statements and supporting schedules of the Company and Star Gas Corporation filed or to be filed with the Commission as part of the Registration Statement and the Prospectus are independent public accountants with respect to the Company and the Subsidiaries, as required by the Act. The consolidated historical and pro forma financial statements, together with related schedules and notes, set forth in the Prospectus and the Registration statement comply as to form in all material respects with the requirements of the Act. Such historical financial statements fairly present the consolidated financial position of the Company and the Subsidiaries and Star Gas Corporation, as the case may be, at the respective dates indicated and the results of their operations and their cash flows for the respective periods indicated, in accordance with

generally accepted accounting principles ("GAAP") consistently applied throughout such periods. Such pro forma financial statements have been prepared on a basis consistent with such historical statements, except for the pro forma adjustments specified therein, and give effect to assumptions made on a reasonable basis and present fairly the historical and proposed transactions contemplated by the Prospectus and this Agreement. The other financial and statistical information and data included in the Prospectus and in the Registration Statement, historical and pro forma,

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are, in all material respects, accurately presented and prepared on a basis consistent with such financial statements and the books and records of the Company.

(q) Subsequent to the respective dates as of which information is given in the Registration Statement and the Prospectus and up to the Closing Date, neither the Company nor any of the Subsidiaries has incurred any liabilities or obligations, direct or contingent, which are material to the Company and the Subsidiaries taken as a whole, nor entered into any transaction not in the ordinary course of business and there has not been, singly or in the aggregate, any material adverse change, or any development which may reasonably be expected to involve a material adverse change, in the properties, business, results of operations, condition (financial or otherwise), affairs or prospects of the Company and the Subsidiaries taken as a whole (a "Material Adverse Change").

(r) All tax returns required to be filed by the Company or any of the Subsidiaries in any jurisdiction have been filed, other than those filings being contested in good faith, and all material taxes, including withholding taxes, penalties and interest, assessments, fees and other charges due or claimed to be due from such entities have been paid, other than those being contested in good faith and for which adequate reserves have been provided or those currently payable without penalty or interest.

(s) No authorization, approval or consent or order of, or filing with, any court or governmental body or agency is necessary in connection with the transactions contemplated by this Agreement, except such as may be required by the NASD or have been obtained and made under the Act, the TIA or state securities or Blue Sky laws or regulations. Neither the Company nor any of its affiliates is presently doing business with the government or Cuba or with any person or affiliate located in Cuba.

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(t) (i) Each of the Company and the Subsidiaries has all certificates, consents, exemptions, orders, permits, licenses, authorizations, or other approvals (each, an "Authorization") of and from, and has made all declarations and filings with, all federal, state, local and other governmental authorities, all self-regulatory organizations and all courts and other tribunals, necessary or required to own, lease, license and use its properties and assets and to conduct its business in the manner described in the Prospectus, except to the extent that the failure to obtain or file would not, singly or in the aggregate, have a Material Adverse Effect, (ii) all such Authorizations are valid and in full force and effect and (iii) the Company and the Subsidiaries are in compliance in all material respects with the terms and conditions of all such Authorizations and with the rules and regulations of the regulatory authorities and governing bodies having jurisdiction with respect thereto.

(u) Neither the Company nor any of the Subsidiaries is (a) an "investment company" or a company "controlled" by an investment company within the meaning of the Investment Company Act of 1940, as amended, or (b) a "holding company" or a "subsidiary company" of a holding company, or an "affiliate" thereof within the meaning of the Public Utility Holding Company Act of 1935, as amended.

(v) No holder of any security of the Company has or will have any right to require the registration of such security by virtue of any transaction contemplated by this Agreement.

(w) The Company and the Subsidiaries possess all patents, patent rights, licenses, inventions, copyrights, know-how (including trade secrets and other unpatented and/or unpatentable proprietary or confidential information, systems or procedures), trademarks, service marks and trade names (collectively, "Intellectual Property") presently employed by them in connection with the businesses now operated by them, and neither the Company nor any of the Subsidiaries has received any notice of infringement of or conflict with asserted rights of

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others with respect to the foregoing. The use of such Intellectual Property in connection with the business and operations of the Company and the Subsidiaries does not, to the Company's knowledge, infringe on the rights of any person.

(x) The Company and each of the Subsidiaries maintain a system of internal accounting controls sufficient to provide reasonable assurance that

(i) transactions are executed in accordance with management's general or specific authorizations, (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain asset accountability, (iii) access to assets is permitted only in accordance with management's general or specific authorization and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

(y) The Company has not (i) taken, directly or indirectly, any action designed to cause or to result in, or that has constituted or which might reasonably be expected to constitute, the stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Securities or (ii) since the initial filing of the Registration Statement (A) sold, bid for, purchased, or paid anyone any compensation for soliciting purchases of, the Securities or (B) paid or agreed to pay to any person any compensation for soliciting another to purchase any other securities of the Company.

(z) The Company and each Subsidiary maintains insurance covering their properties, operations, personnel and businesses. Such insurance insures

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against such losses and risks as are adequate in accordance with customary industry practice to protect the Company and its Subsidiaries and their businesses. Neither the Company nor any Subsidiary has received notice from any insurer or agent of such insurer that substantial capital improvements or other expenditures will have to be made in order to continue such insurance. All such insurance is outstanding and duly in force on the date hereof and will be outstanding and duly in force on the Closing Date.

(aa) Each certificate signed by any officer of the Company and delivered to the Underwriters or counsel for the Underwriters shall be deemed to be a representation and warranty by the Company to each Underwriter as to the matters covered thereby.

6. Indemnification.

(a) The Company agrees to indemnify and hold harmless (i) each of the Underwriters, (ii) each person, if any, who controls (within the meaning of Section 15 of the Act or Section 20 of the Exchange Act) any of the Underwriters (any of the persons referred to in this clause (ii) being hereinafter referred to as a "controlling person"), and (iii) the

respective officers, directors, partners, employees, representatives and agents of any of the Underwriters or any controlling person (any person referred to in clause (i), (ii) or (iii) may hereinafter be referred to as an "Indemnified Person") to the fullest extent lawful, from and against any and all losses, claims, damages, liabilities, judgments, actions and expenses (including without limitation and as incurred, reimbursement of all reasonable costs of investigating, preparing, pursuing or defending any claim or action,

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or any investigation or proceeding by any governmental agency or body, commenced or threatened, including the reasonable fees and expenses of counsel to any Indemnified Person) directly or indirectly caused by, related to, based upon, arising out of or in connection with any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement (or any amendment thereto) or the Prospectus (including any amendment or supplement thereto) or any preliminary prospectus or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein (in the case of the Prospectus, in the light of the circumstances under which they were made) not misleading, except insofar as such losses, claims, damages, liabilities or expenses are caused by an untrue statement or omission or alleged untrue statement or omission that is made in reliance upon and in conformity with information relating to any of the Underwriters furnished in writing to the Company by any of the Underwriters expressly for use in the Registration Statement (or any amendment thereto) or the Prospectus (or any amendment or supplement thereto) or any preliminary prospectus. The Company shall notify you promptly of the institution, threat or assertion of any claim, proceeding (including any governmental investigation) or litigation in connection with the matters addressed by this Agreement which involves the Company or an Indemnified Person.

(b) In case any action or proceeding (including any governmental investigation) shall be brought or asserted against any of the Indemnified Persons with respect to which indemnity may be sought against the Company, such Underwriter (or the Underwriter controlled by such controlling person) shall promptly notify the Company in writing (provided, that the failure to give such notice shall not relieve the Company of its obligations pursuant to this Agreement). Such Indemnified Person shall have the right to employ its own counsel in any such action and the fees and expenses of such counsel shall be paid, as incurred, by the Company (regardless of whether it is ultimately determined that an Indemnified Party is not entitled to

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Indemnification hereunder). The Company shall not, in connection with any one such action or proceeding or separate but substantially similar or related actions or proceedings in the same jurisdiction arising out of the same general allegations or circumstances, be liable for the reasonable fees and expenses of more than one separate firm of attorneys (in addition to any local counsel) at any time for such Indemnified Persons, which firm shall be designated by the Underwriters. The Company shall be liable for any settlement of any such action or proceeding effected with the Company's prior written consent, which consent will not be unreasonably withheld, and the Company agrees to indemnify and hold harmless any Indemnified Person from and against any loss, claim, damage, liability or expense by reason of any settlement of any action effected with the written consent of the Company. The Company shall not, without the prior written consent of each Indemnified Person, settle or compromise or consent to the entry of Judgment in or otherwise seek to terminate any pending or threatened action, claim, litigation proceeding in respect of which indemnification or contribution may be sought hereunder (whether or not any Indemnified Person is a party thereto), unless such settlement, compromise, consent or termination includes an unconditional release of each Indemnified Person from all liability arising out of such action, claim, litigation or proceeding.

(c) Each of the Underwriters agrees, severally and not jointly, to indemnify and hold harmless the Company, its directors, its officers who sign the Registration Statement, any person controlling (within the meaning of Section 15 of the Act or Section 20 of the Exchange Act) the Company, and the officers, directors, partners, employees, representatives and agents of each such person, to the same extent as the foregoing indemnity from the Company to each of the Indemnified Persons, but only with respect to claims and actions based on information relating to such Underwriter furnished in writing by such Underwriter expressly for use in the Registration Statement or the Prospectus.

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(d) If the indemnification provided for in this Section 6 is unavailable to an indemnified party in respect of any losses, claims, damages, liabilities or expenses referred to herein, then each indemnifying party, in lieu of indemnifying such indemnified party, shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages, liabilities and expenses (i) in such proportion as is appropriate to reflect the relative

benefits received by the indemnifying party on the one hand and the indemnified party on the other hand from the offering of the Securities or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the indemnifying parties and the indemnified party, as well as any other relevant equitable considerations. The relative benefits received by the Company, on the one hand, and any of the Underwriters, on the other hand, shall be deemed to be in the same proportion as the total proceeds from the offering (net of underwriting discounts and commissions but before deducting expenses) received by the Company bear to the total underwriting discounts and commissions received by such underwriter, in each case as set forth in the table on the cover page of the Prospectus. The relative fault of the Company and the Underwriters shall be determined by reference to, among other things whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact related to information supplied by the Company or the Underwriters and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The indemnity and contribution obligations of the Company set forth herein shall be in addition to any liability

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or obligation the Company may otherwise have to any Indemnified Person.

The Company and the Underwriters agree that it would not be just and equitable if contribution pursuant to this Section 6(d) were determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to in the immediately preceding paragraph. The amount paid or payable by an indemnified party as a result of the losses, claims, damages, liabilities or expenses referred to in the immediately preceding paragraph shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 6, none of the Underwriters (and its related Indemnified Persons) shall be required to contribute, in the aggregate, any amount in excess of the amount by which the total underwriting discount applicable to the Securities purchased by such Underwriter exceeds the amount of any damages which such Underwriter has otherwise been required to pay by reason of such untrue or alleged

untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters' obligations to contribute pursuant to this Section 6(d) are several in proportion to the respective principal amount of Securities purchased by each of the Underwriters hereunder and not joint.

7. Conditions of Underwriters' Obligations. The several

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obligations of the Underwriters to purchase the Securities under this Agreement are subject to the satisfaction of each of the following conditions:

(a) All the representations and warranties of the Company contained in this Agreement shall be true and correct on the Closing Date with the same force and effect as if made on and as of the Closing Date. The Company shall have performed or complied with all of its obligations and agreements herein contained and required to be performed or complied with by it at or prior to the Closing Date.

(b) (i) The Registration Statement shall have become effective (or, if a post-effective amendment is required to be filed pursuant to Rule 430A promulgated under the Act, such post-effective amendment shall have become effective) not later than 10:00 A.M., New York City time, on the date of this Agreement or at such later date and time as you may approve in writing, (ii) at the Closing Date, no stop order suspending the effectiveness of the Registration Statement shall have been issued and no proceedings for that purpose shall have been commenced or shall be pending before or contemplated by the Commission and every request for additional information on the part of the Commission shall have been complied with in all material respects and (iii) no stop order suspending the sale of the Securities in any jurisdiction referred to in Section 4(m) shall have been issued and no proceeding for that purpose shall have been commenced or shall be pending or threatened.

(c) No action shall have been taken and no statute, rule, regulation or order shall have been enacted, adopted or issued by any governmental agency which would, as of the Closing Date, prevent the issuance of the Securities; and no injunction, restraining order or order of any nature by a federal or state court of competent jurisdiction shall have been issued as of the Closing Date which would prevent the issuance of the Securities.

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(d) (i) Since the date hereof or since the dates as of which information is given in the Registration Statement and the Prospectus, there shall not have been any Material Adverse Change, (ii) since the date of the latest balance sheet included in the Registration Statement and the Prospectus, there shall not have been any material change in the capital stock or long-term debt, or material increase in short-term debt, of the Company or any of the Subsidiaries and (iii) the Company and the Subsidiaries shall have no liability or obligation, direct or contingent, that is material to the Company and the Subsidiaries taken as a whole and is required to be disclosed on a balance sheet in accordance with GAAP and is not disclosed on the latest balance sheet included in the Registration Statement and the Prospectus.

(e) You shall have received a certificate of the Company, dated the Closing Date, executed on behalf of the Company by the President or any Vice President and a principal financial or accounting officer of the Company confirming, as of the Closing Date, the matters set forth in paragraphs (a), (b), (c) and (d) of this Section 7.

(f) On the Closing Date, you shall have received:

(1) an opinion (satisfactory to you and your counsel), dated the Closing Date, of Phillips, Nizer, Benjamin, Krim & Ballon, counsel for the Company, to the effect that:

(i) the Company and each of the Subsidiaries is a duly organized and validly existing corporation in good standing under the laws of its jurisdiction of incorporation, has the requisite corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Registration Statement and the Prospectus, and is duly qualified as a foreign corporation and in good standing in each jurisdiction where the ownership, leasing or operation of property or the conduct of its business requires such qualification, except where the failure to be so qualified would not, singly or in the aggregate,

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have a Material Adverse Effect;

(ii) the Company has full power and authority to execute, deliver and perform this Agreement and to authorize, issue, sell and deliver the Securities as contemplated by this Agreement;

(iii) each of this Agreement, the Securities, the Indenture and the Engagement Letter have been

duly authorized, executed and delivered by the Company;

(iv) when authenticated in accordance with the terms of the Indenture and delivered to and paid for by you in accordance with the terms of this Agreement, the Securities will constitute valid and legally binding obligations of the Company, enforceable against the Company in accordance with their terms and entitled to the benefits of the Indenture, subject to applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and similar laws affecting creditors' rights and remedies generally and to general principles of equity (regardless of whether enforcement is sought in a proceeding at law or in equity);

(v) the Indenture, assuming due authorization, execution and delivery thereof by the Trustee, constitutes a valid and legally binding agreement of the Company, enforceable against the Company in accordance with its terms, subject to applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and similar laws affecting creditors' rights and remedies generally and to general principles of equity (regardless of whether enforcement is

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sought in a proceeding at law or in equity);

(vi) The Engagement Letter constitutes a valid and legally binding agreement of the Company, enforceable against the Company in accordance with its terms, subject to applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and similar laws affecting creditors' rights and remedies generally and to general principles of equity (regardless of whether enforcement is sought in a proceeding at law or in equity).

(vii) the Securities and the Indenture conform in all material respects to the descriptions thereof contained in the Prospectus;

(viii) all of the issued and outstanding shares of capital stock of, or other ownership interests in, each Subsidiary have been duly and validly authorized and issued, and the shares of capital stock of, or other ownership interests in, each Subsidiary are owned, directly or through Subsidiaries, by the Company, are fully paid and nonassessable, and are owned free and clear of any Lien;

(ix) there are no outstanding subscriptions, rights, warrants, options, calls, convertible securities, commitments of sale or Liens related to or entitling any person to purchase or otherwise to acquire any shares of the capital stock of, or other ownership interest in, any Subsidiary;

(x) neither the Company nor any of the Subsidiaries is (a) an "investment company" or a company "controlled" by an investment company

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within the meaning of the Investment Company Act of 1940, as amended, or (b) a "holding company" or a "subsidiary company" of a holding company, or an "affiliate" thereof within the meaning of the Public Utility Holding Company Act of 1935, as amended.

(xi) the descriptions in the Registration Statement and the Prospectus of statutes, legal and governmental proceedings and contracts and other documents are accurate in all material respects and fairly present the information required to be shown; and such counsel does not know of any legal or governmental proceedings required to be described in the Registration Statement or Prospectus which are not described as required or of any contracts or documents of a character required to be described in the Registration Statement or Prospectus or to be filed as exhibits to the Registration Statement which are not described and filed as required; it being understood that such counsel need express no opinion as to the financial statements, notes or schedules or other financial data included therein or that part of the Registration Statement that constitutes the Statement of Eligibility and qualification of the Trustee on Form T-1 (the "Form T-1");

(xii) the Registration Statement has become effective under the Act; any required filing of the Prospectus, and any supplements thereto, pursuant to Rule 424(b) has been made in the manner and within the time period required by Rule 424(b); and to the knowledge of such counsel (after due inquiry) no stop order suspending the effectiveness of the Registration Statement or any part thereof has been issued and no proceedings therefor have been instituted or are pending or contemplated under the Act;

(xiii) the Indenture has been duly qualified under the TIA;

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(xiv) no authorization, approval, consent or order of, or filing with, any court or governmental body or agency is required for the consummation by the Company of the transactions contemplated by this Agreement, except such as have been obtained and made under the Act, the TIA, state securities or Blue Sky laws or regulations or such as may be required by the NASD; the execution and delivery of this Agreement and the Indenture, the issuance and sale of the Securities, the performance of this Agreement and the Indenture and the consummation of the transactions contemplated by this Agreement and the Indenture will not result in a breach or violation of any of the respective charters or bylaws of the Company or any of the Subsidiaries or the terms or provisions of, or constitute a default under, any statute, rule or regulation or to the knowledge of such counsel (after due inquiry) any agreement or instrument to which the Company or any of the Subsidiaries is a party or by which any of them is bound, or to which any of the properties of the Company or any of the Subsidiaries is subject, or to the knowledge of such counsel (after due inquiry) any order of any court or governmental agency or body having jurisdiction over the Company or any of the Subsidiaries or any of their properties;

(xv) at the time it became effective and on the Closing Date, the Registration Statement (except for financial statements, the notes thereto and related schedules and other financial data included therein and the Form T-1, as to which no opinion need be expressed) complied as to form in all material respects with the Act and the TIA;

(xvi) to the knowledge of such counsel (after due inquiry), neither the Company nor any of the subsidiaries is in violation of its respective charter or bylaws or in default in the perfor-mance of any bond, debenture, note or any other evidence of indebtedness or any indenture, mortgage, deed of trust or other contract, lease

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or other instrument to which the Company or any of the Subsidiaries is a party or by which any of them is bound, or to which any of the property or assets of the Company or any of the Subsidiaries is subject; and

(xvii) the execution and delivery of this Agreement, the Indenture and the Engagement Letter by the Company, the issuance and sale of

the Securities, the performance of this Agreement, the Indenture and the Engagement Letter and the consummation of the transactions contemplated by this Agreement, the Indenture and the Engagement Letter will not conflict with or result in a breach or violation of any of the respective charters or bylaws of the Company or any of the Subsidiaries or any of the terms or provisions of, or constitute a default or cause an acceleration of any obligation under or result in the imposition or creation of (or the obligation to create or impose) a Lien with respect to, any bond, note, debenture or other evidence of indebtedness or any indenture, mortgage, deed of trust or other agreement or instrument to which the Company or any of the Subsidiaries is a party or by which it or any of them is bound, or to which any properties of the Company or any of the Subsidiaries is or may be subject, or contravene any order of any court or governmental agency or body having jurisdiction over the Company or any of the Subsidiaries or any of their properties, or violate or conflict with any statute, rule or regulation or administrative or court decree applicable to the Company or any of the Subsidiaries, or any of their respective properties.

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The opinion of Phillips, Nizer, Benjamin, Krim & Ballon shall be rendered to you at the request of the Company and shall so state therein. Phillips, Nizer, Benjamin, Krim & Ballon may rely on the opinion of Dorsey & Whitney as to certain matters of Minnesota law.

(2) In giving their opinion required by subsection (f)(1) of this Section 7, Phillips, Nizer, Benjamin, Krim & Ballon shall additionally state that such counsel has participated in conferences with officers and other representatives of the Company, representatives of the independent public accountants for the Company, your representatives and your counsel in connection with the preparation of the Registration Statement and Prospectus and has considered the matters required to be stated therein and the statements contained therein, although such counsel has not independently verified the accuracy, completeness or fairness of such statements (except as indicated above); and such counsel advises you that, on the basis of the foregoing, no facts came to such counsel's attention that caused such counsel to believe that the Registration Statement (as amended or supplemented, if applicable), at the time such Registration Statement or any post-effective amendment became effective, contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading (other than information

omitted therefrom in reliance on Rule 430A under the Act), or the Prospectus (as amended or supplemented), as of its date and the Closing Date, contained an untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(g) You shall have received an opinion, dated the Closing Data, of Latham & Watkins, counsel for the Underwriters, in form and substance reasonably satisfactory to you. Latham & Watkins may rely on the

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opinion of Dorsey & Whitney as to certain matters of Minnesota law.

(h) You shall have received letters on and as of the date hereof and as on and as of the Closing Date (in the latter case constituting an affirmation of the statements set forth in the former), in form and substance satisfactory to you, from KPMG Peat Marwick, independent auditors, with respect to the financial statements and certain financial information contained in the Registration Statement and the Prospectus.

(i) Latham & Watkins shall have been furnished with such documents and opinions, in addition to those set forth above, as they may reasonably require for the purpose of enabling them to review or pass upon the matters referred to in this Section 7 and in order to evidence the accuracy, completeness or satisfaction in all material respects of any of the representations, warranties or conditions herein contained.

(j) Prior to the Closing Date, the Company shall have furnished to you such further information, certificates and documents as you may reasonably request.

8. Defaults. If on the Closing Date, any of the Underwriters
----

shall fail or refuse to purchase Securities which it has agreed to purchase hereunder on such date, and the aggregate principal amount of such Securities that such defaulting Underwriter(s) agreed but failed or refused to purchase does not exceed 10% of the total principal amount of such Securities that all of the Underwriters are obligated to purchase on such Closing Date, each non-defaulting Underwriter shall be obligated to purchase the amount of the Securities that such defaulting Underwriter(s) agreed but failed or refused to purchase on such date. If, on the Closing Date, any of the Underwriters shall fail or refuse to purchase Securities in an aggregate principal amount that exceeds 10% of such total principal amount of the Securities and arrangements satisfactory to the other Underwriter(s) and the Company for the purchase of such Securities are not made within 48 hours after such default, this Agreement shall terminate without liability on the part of the non-defaulting Underwriter(s) or the Company, except as otherwise provided in Section 9. In any such case that does not result in termination of this Agreement, the Underwriters or the Company may postpone the Closing Date for not longer than seven days, in

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order that the required changes, if any, in the Registration Statement and the Prospectus or any other documents or arrangements may be effected. Any action taken under this paragraph shall not relieve a defaulting underwriter from liability in respect of any default by any such Underwriter under this Agreement.

9. Effective Date of Agreement and Termination.

(a) This Agreement shall become effective upon the later of (i) the execution and delivery of this Agreement by the parties hereto, (ii) the effectiveness of the Registration Statement and (iii) if a post-effective amendment is required to be filed pursuant to Rule 430A under the Act, the effectiveness of such post-effective amendment.

(b) This Agreement may be terminated at any time on or prior to the Closing Date by you by notice to the Company if any of the following has occurred: (i) subsequent to the date the Registration Statement is declared effective or the date of this Agreement, any Material Adverse Change which, in the judgment of any Underwriter, materially impairs the investment quality of the Securities; (ii) any outbreak or escalation of hostilities or other national or international calamity or crisis or material adverse change in the financial markets of the United States or elsewhere, or any other substantial national or international calamity or emergency if the effect of such outbreak, escalation, calamity, crisis or emergency would, in the judgment of any Underwriter, make it impracticable or inadvisable to market the Securities or to enforce contracts for the sale of the Securities; (iii) any suspension or limitation of trading generally in securities on the New York Stock Exchange or in the over-the-counter markets or any setting of minimum prices for trading on such exchange or markets; (iv) any declaration of a general banking moratorium by either federal or New York authorities; (v) the taking of any action by any federal, state or local government or agency in respect of its monetary or fiscal affairs that in your judgment has a material adverse effect on the financial markets in the United States and would, in your judgment, make it impracticable or inadvisable to market the Securities or to enforce contracts for the sale of the Securities; (vi) the enactment, publication, decree, or other promulgation of any federal or state statute, regulation, rule or order of any court or other governmental authority which, in your judgment, materially and adversely affect the business or operations of the Company or any Subsidiary; or (vii) any securities of the Company or any of the Subsidiaries shall have been downgraded or placed on any "watch list" for possible downgrading by any nationally statistical rating organization, provided, that in the case of such "watch list" placement, termination shall be permitted only if such placement would, in the judgment of any

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Underwriter, make it impracticable or inadvisable to market the Securities or to enforce contracts for the sale of the Securities or materially impair the investment quality of the Securities.

(c) The indemnities and contribution provisions and other agreements, representations and warranties of the Company, its officers and directors and of the Underwriters set forth in or made pursuant to this Agreement shall remain operative and in full force and effect, and will survive delivery of and payment for the Securities, regardless, of (i) any investigation, or statement as to the results thereof, made by or an behalf

of any of the Underwriters or by or on behalf of the Company, the officers or directors of the Company or any controlling person of the Company, (ii) acceptance of the Securities and payment for them hereunder and (iii) termination of this Agreement.

(d) If this Agreement shall be terminated by the Underwriters pursuant to clauses (i) or (vii) of paragraph (b) of this Section 9 or because of the failure or refusal on the part of the Company to comply with the terms or to fulfill any of the conditions of this Agreement, the Company agrees to reimburse you for all out-of-pocket expenses (including the fees and disbursements of counsel) incurred by you. Notwithstanding any termination of this Agreement, the Company shall be liable for all expenses which it has agreed to pay pursuant to Section 4(i) hereof.

(e) Except as otherwise provided, this Agreement has been and is made solely for the benefit of and shall be binding upon the Company, the Underwriters, any Indemnified Person referred to herein and their respective successors and assigns, all as and to the extent provided in this Agreement, and no other person shall acquire or have any right under or by virtue of this Agreement. The terms "successors and assigns" shall not include a purchaser of any of the Securities from any of the Underwriters merely because of such purchase.

10. Notices. Notices given pursuant to any provision of this Agreement shall be addressed as follows: (a) if to the Company, to

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Petroleum Heat and Power Co., Inc., 2187 Atlantic Street, Stamford, Connecticut 06904, Attention: Irik P. Sevin, with a copy to Phillips, Nizer, Benjamin, Krim & Ballon, 31 West 52nd Street, New York, New York 10019, Attention: Alan Shapiro, and (b) if to any Underwriter, to it c/o Donaldson, Lufkin & Jenrette Securities Corporation, 140 Broadway, New York, New York 10005, Attention: Syndicate Department, with a copy to Latham & Watkins, 885 Third Avenue, New York, New York 10022, Attention: Beth R. Neckman, or in any case to such other address as the person to be notified may have requested in writing.

11. Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF NEW YORK AS APPLIED TO CONTRACTS MADE AND PERFORMED ENTIRELY WITHIN THE STATE OF NEW YORK.

12. Successors. This Agreement will inure to the benefit of and be binding upon the parties hereto and their respective successors and the officers and directors and other persons referred to in Section 6, and no other person will have any right or obligation hereunder.

This Agreement may be signed in various counterparts which together shall constitute one and the same instrument. Please confirm that the foregoing correctly sets forth the agreement among the Company and you.

Very truly yours,

PETROLEUM HEAT AND POWER CO., INC.

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By:

Name:
Title:

The foregoing Underwriting Agreement
is hereby confirmed and accepted
as of the date first above written.

DONALDSON, LUFKIN & JENRETTE
SECURITIES CORPORATION

By:

Name:
Title:

KIDDER, PEABODY & CO. INCORPORATED

By:

Name:
Title:

CHEMICAL SECURITIES INC.

By:

Name:
Title:

MORGAN SCHIFF & CO., INC.

By:

Name:
Title:

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SCHEDULE A

Underwriter	Principal Amount
Donaldson, Lufkin & Jenrette Securities Corporation	$
Kidder, Peabody & Co. Incorporated	
Chemical Securities Inc.	
Morgan Schiff & Co., Inc.	
Total	$

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EXHIBIT 4.6

L&W DRAFT OF 01/11/94

PETROLEUM HEAT AND POWER CO., INC.

_____% Subordinated Debentures Due 2006

INDENTURE

Dated as of _____, 1994

CHEMICAL BANK,

Trustee

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INDENTURE dated as of _____ ,1994 between PETROLEUM HEAT AND POWER CO., INC., a Minnesota corporation (the "Company"), and CHEMICAL BANK, a New York corporation (the "Trustee").

Each party agrees as follows for the benefit of the other party and for the equal and ratable benefit of the Holders of the Company's __% Subordinated Debentures Due 2006 (the "Debentures"):

ARTICLE 1

Definitions and Incorporation by Reference

SECTION 1.01. Definitions.

"Affiliate" of any Person specified means (i) any Person directly or indirectly controlling or under direct or indirect common control with such specified Person; (ii) any spouse, immediate family member or other relative who has the same principal residence as any Person described in

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clause (i) above; (iii) any trust in which any Persons described in clause (i) or (ii) above has a beneficial interest and (iv) in the case of the Company, any Unrestricted Subsidiary of the Company. For the purposes of this definition, "control" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, a contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Asset Disposition" means any sale, lease, transfer or other disposition (or series of related sales, leases, transfers or dispositions) of shares of Capital Stock of a Subsidiary (other than directors' qualifying shares), property or other assets (each referred to for the purposes of this definition as a "disposition") by the Company or any of its Subsidiaries (including any disposition by means of a merger, consolidation or similar transaction) other than (i) a disposition by a Subsidiary to the Company or by the Company or a Subsidiary to a Wholly Owned Subsidiary, (ii) a disposition of property or assets at fair market value in the ordinary course of business or (iii) a disposition of obsolete assets in the ordinary course of business.

"Attributable Indebtedness" in respect of a Sale/Leaseback Transaction means, as of the time of determination, the present value (discounted at the interest rate borne by the Debentures, compounded annually) of the total obligations of the lessee for rental payments during the remaining term of the lease included in such Sale/Leaseback Transaction (including any period for which such lease has been extended).

"Average Life" means, as of the date of determination, with respect to any Indebtedness or Preferred Stock, the quotient obtained by dividing (i) the sum of the products of the numbers of years from the date of determination to the dates of each successive scheduled principal payment of such Indebtedness or redemption or similar payment with respect

to such Preferred Stock multiplied by the amount of such payment by (ii) the sum of all such payments.

"Bank Debt" means any and all amounts payable under or in respect of the Credit Agreement, as amended from time to time, any Refinancing Agreement, any Working Capital Financing Agreement or any other loan

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agreement with a bank, including principal, premium (if any), interest (including interest accruing on or after the filing of any petition in bankruptcy or for reorganization relating to the Company to the extent a claim for post-filing interest is allowed in such proceedings), fees, charges, expenses, reimbursement obligations, guarantees and all other amounts payable thereunder or in respect thereof.

"Banks" has the meaning specified in the Credit Agreement.

"Board of Directors" means the Board of Directors of the Company or any committee thereof duly authorized to act on behalf of such Board.

"Business Day" means each day which is not a Legal Holiday.

"Capital Lease Obligations" of a Person means any obligation which is required to be classified and accounted for as a capital lease on the face of a balance sheet of such Person prepared in accordance with generally accepted accounting principles; the amount of such obligation shall be the capitalized amount thereof, determined in accordance with generally accepted accounting principles; and the Stated Maturity thereof shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be terminated by the lessee without payment of a penalty.

"Capital Stock" of any Person means any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) equity of such Person, including any Preferred Stock, but excluding any debt securities convertible into or exchangeable for such equity.

"Cash Flow" for a Person for any fiscal year, means the sum of (i) the Consolidated Net Income of such Person for such fiscal year, plus (ii) to the extent deducted in the calculation of such Consolidated Net Income, the amortization of customer lists and other deferred charges and the amortization and depreciation of capital assets, plus (iii) to the extent not included in Consolidated Net Income, the amount of all dividends or other distributions received in cash by the Company or any of its Wholly Owned Subsidiaries from, and the amount of any Net Cash Proceeds to the Company or any of its Wholly Owned Subsidiaries from the sale of Capital Stock of, an Unrestricted Subsidiary of the Company; provided, however, that any amounts included in clause (v)(C) of the second paragraph under "Limitations on Restricted Payments" shall be excluded from Cash Flow of the Company.

"Class B Cash Flow" for any fiscal year means the sum of (i) net income of the Company and its consolidated subsidiaries for such fiscal year determined in accordance with generally accepted accounting principles, plus (ii) depreciation and amortization of plant and equipment

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and amortization of customer lists and restrictive covenants of the Company and its consolidated subsidiaries for such fiscal year determined in accordance with generally accepted accounting principles; provided, however, that (a) the net income of any Person other than a consolidated subsidiary in which the Company or any subsidiary has an interest shall be included only to the extent of the amount of dividends or other distributions paid to the Company or a consolidated subsidiary, (b) the net income of any Person acquired in a pooling transaction shall be excluded for any period prior to the date of acquisition and (c) Class B Cash Flow with respect to a fiscal year shall never be less than zero.

"Code" means the Internal Revenue Code of 1986, as amended.

"Company" means the party named as such in this Indenture until a successor replaces it and, thereafter, means the successor and, for purposes of any provision contained herein and required by the TIA, each other obligor on the indenture securities.

"Consolidated EBITDA Coverage Ratio" as of any date of determination means the ratio of (i) the aggregate amount of EBITDA for the period of the most recent four consecutive fiscal quarters ending at least 45 days prior to the date of such determination to (ii) Consolidated Interest Expense for such four fiscal quarters; provided, however, that (1) if the Company or any Subsidiary has incurred any Indebtedness since the beginning of such period that remains outstanding or if the transaction giving rise to the need to calculate the Consolidated EBITDA Coverage Ratio is an incurrence of Indebtedness, or both, EBITDA and Consolidated Interest Expense for such period shall be calculated after giving effect on a pro forma basis to (A) such Indebtedness as if such Indebtedness had been incurred on the first day of such period, (B) the discharge of any other Indebtedness repaid, repurchased, defeased or otherwise discharged with the proceeds of such new Indebtedness as if such discharge had occurred on the first day of such period and (C) the interest income realized by the Company and its Subsidiaries on the proceeds of such Indebtedness, to the extent not yet applied at the date of determination, assuming such proceeds earned interest at the Treasury Rate from the date such proceeds were received through such date of determination, (2) if since the beginning of such period the Company or any Subsidiary shall have made any Asset Disposition, EBITDA for such period shall be reduced by an amount equal to EBITDA (if positive) directly attributable to the assets which are the

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subject of such Asset Disposition for such period, or increased by an amount equal to EBITDA (if negative), directly attributable thereto for such period and Consolidated Interest Expense for such period shall be reduced by an amount equal to the Consolidated Interest Expense directly attributable to any Indebtedness of the Company or any Subsidiary repaid, repurchased, defeased or otherwise discharged with respect to the Company and its continuing Subsidiaries in connection with such Asset Dispositions for such period (or, if the Capital Stock of any Subsidiary is sold, the Consolidated Interest Expense for such period directly attributable for the Indebtedness of such Subsidiary to the extent the Company and its continuing Subsidiaries are no longer liable for such Indebtedness after such sale) and (3) if since the beginning of such period the Company or any Subsidiary (by merger or otherwise) shall have made an Investment in any Subsidiary (or any Person which becomes a Subsidiary) or an acquisition of

assets, including any acquisition of assets occurring in connection with a transaction causing a calculation to be made hereunder, which constitutes all or substantially all of an operating unit of a business, EBITDA and Consolidated Interest Expense for such period shall be calculated after giving pro forma effect thereto (including the incurrence of any Indebtedness) as if such Investment or acquisition occurred on the first day of such period. For purposes of this definition, whenever pro forma effect is to be given to an acquisition of assets, the amount of income or earnings relating thereto, and the amount of Consolidated Interest Expense associated with any Indebtedness incurred in connection therewith, the pro forma calculations shall be determined in good faith by a responsible financial or accounting Officer of the Company; provided, however, that such Officer shall assume (i) the historical sales and gross profit margins associated with such assets for any consecutive 12-month period ended prior to the date of purchase (provided that the first month of such period shall be no more than 18 months prior to such date of purchase), less estimated post-acquisition loss of customers (not to be less than 3%) and (ii) other expenses as if such assets had been owned by the Company since the first day of such period. If any Indebtedness bears a floating rate of interest and is being given pro forma effect, the interest on such Indebtedness shall be calculated as if the rate in effect on the date of determination had been the applicable rate for the entire period.

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"Consolidated Interest Expense" means, for any period, the total interest expense of the Company and its Subsidiaries, determined on a consolidated basis, including (i) interest expense attributable to capital leases, (ii) amortization of debt discount, (iii) capitalized interest, (iv) non-cash interest expense, (v) commissions, discounts and other fees and charges owed with respect to letters of credit and bankers' acceptance financing, (vi) interest actually paid by the Company or any such Subsidiary under any guarantee of Indebtedness or other obligation of any other Person, (vii) net costs associated with Hedging Obligations (including amortization of fees), (viii) Preferred Stock dividends in respect of all Preferred Stock of Subsidiaries held by Persons other than the Company or a Wholly Owned Subsidiary, (ix) the cash contributions to any employee stock ownership plan or similar trust to the extent such contributions are used by such plan or trust to pay interest or fees to any Person (other than the Company) in connection with loans incurred by such plan or trust to purchase newly issued or treasury shares of the Company (but excluding interest expense associated with the accretion of principal on a non-interest bearing or other discount securities) and (x) to the extent not already included in Consolidated Interest Expense, the interest expense attributable to Indebtedness of another Person that is guaranteed by the Company or any of its Subsidiaries, less interest income (exclusive of deferred financing fees) of the Company and its Subsidiaries determined on a consolidated basis in accordance with generally accepted accounting principles.

"Consolidated Net Income" of a Person, for any period, means the aggregate of the Net Income of such Person and its Subsidiaries for such period, determined on a consolidated basis in accordance with generally accepted accounting principles, provided that:

(i) the Net Income of any other Person (other than a Subsidiary) in which such Person has an interest shall be included only to the extent of the amount of dividends or distributions paid to such Person,

(ii) the Net Income of any Person acquired by such Person in a

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pooling of interests transaction for any period prior to the date of such acquisition shall be excluded,

(iii) any Net Income of any Subsidiary shall be excluded if such Subsidiary is subject to restrictions, directly or indirectly, on the payment of dividends or the making of distributions by such Subsidiary, directly or indirectly, to such Person, except that (A) such Person's equity in the Net Income of any such Subsidiary for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed by such Subsidiary during such period to such Person as a dividend or other distribution (subject, in the case of a dividend or other distribution to another Subsidiary, to the limitation contained in this clause) and (B) such Person's equity in a net loss of any such Subsidiary for such period shall be included in determining such Consolidated Net Income, and

(iv) the cumulative effect of a change in accounting principles shall be excluded.

"Credit Agreement" means the Second Amended and Restated Credit Agreement dated as of December 31, 1992, between the Company and Chemical Bank, as agent, as amended from time to time.

"Debentures" means the Debentures issued under this Indenture.

"Default" means any event which is, or after notice or passage of time or both would be, an Event of Default.

"Designated Senior Debt" means (i) the Bank Debt and (ii) any other Senior Debt which, at the date of determination, has an aggregate principal amount outstanding of, or commitments to lend up to, at least $10 million and is specifically designated by the Company in the instrument evidencing or governing such Senior Debt as "Designated Senior Debt" for purposes of this Indenture.

"EBITDA" for any period means the Consolidated Net Income for such period (but without giving effect to adjustments, accruals, deductions or entries resulting from purchase accounting, extraordinary losses or gains and any gains or losses from any Asset Dispositions), plus the following to the extent deducted in calculating such Consolidated Net Income: (i) income tax expense, (ii) Consolidated Interest Expense, (iii) depreciation expense, (iv) amortization expense and (v) all other non-cash expenses.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

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"Exchangeable Stock" means any Capital Stock which is exchangeable or convertible into another security (other than Capital Stock of the Company which is neither Exchangeable Stock nor Redeemable Stock).

"Funded Debt" as applied to any Person means, without duplication, (a) any Indebtedness with a Stated Maturity of more than one year from the date of incurrence, (b) any Indebtedness, regardless of its term, if such Indebtedness is renewable or extendable at the option of the obligor of such Indebtedness pursuant to the terms thereof to a date more than one year from the date of incurrence; and (c) any Indebtedness, regardless of its term, that by its terms or by the terms of the agreement pursuant to which it is issued, may be paid with the proceeds of other Indebtedness that may be incurred pursuant to the terms of such first-mentioned Indebtedness or by the terms of such agreement, which other Indebtedness has a Stated Maturity of more than one year from the date of incurrence of such first-mentioned Indebtedness; provided, however, that Working Capital Borrowings shall be excluded from Funded Debt except to the extent that Working Capital Borrowings exceed an amount equal to (i) 100% of the current assets (excluding cash) of such Person and its Subsidiaries less (ii) the excess, if any, of current liabilities over current assets of such Person and its Subsidiaries, in each case determined on a consolidated basis in accordance with generally accepted accounting principles.

"guarantee" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness or other obligation of any other Person and any obligation, direct or indirect, contingent or otherwise, of such Person (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation of such other Person (whether arising by virtue of partnership arrangements, or by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (ii) entered into for purposes of assuring in any other manner the obligee of such Indebtedness or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); provided, however, that the term "guarantee" shall not include endorsements for collection or deposit in the ordinary course of business. The term "guarantee" used as a verb has a corresponding meaning.

"Hedging Obligations" of any Person means the obligations of such

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Person pursuant to any interest rate swap agreement, foreign currency exchange agreement, interest rate collar agreement, option or futures contract or other similar agreement or arrangement designed to protect such Person against changes in interest rates or foreign exchange rates.

"Holder" or "Debentureholder" means the Person in whose name a Debenture is registered on the Registrar's books.

"Indebtedness" of any Person means, without duplication,

(i)

(i) the principal of (A) Indebtedness of such Person for money borrowed and (B) Indebtedness evidenced by notes, debentures, bonds or other similar instruments for the payment of which such Person is responsible or liable;

(ii) all Capital Lease Obligations of such Person and all Attributable Indebtedness in respect of Sale/Leaseback Transactions entered into by such Person;

(iii) all obligations of such Person incurred or assumed as the deferred purchase price of property, all conditional sale obligations of such Person and all obligations of such Person under any title retention agreement (but excluding trade accounts payable arising in the ordinary course of business);

(iv) all obligations of such Person for the reimbursement of any obligor on any letter of credit, banker's acceptance or similar credit transaction (other than obligations with respect to letters of credit securing obligations (other than obligations described in (i) through (iii) above) entered into in the ordinary course of business of such Person to the extent such letters of credit are not drawn upon or, if and to the extent drawn upon, such drawing is reimbursed no later than the third Business Day following receipt by such Person of a demand for reimbursement following payment on the letter of credit);

(v) all obligations of the type referred to in clauses (i) through (iv) of other Persons and all dividends of other Persons for

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the payment of which, in either case, such Person is responsible or liable, directly or indirectly, as obligor, guarantor or otherwise, including any guarantees of such obligations and dividends, including by means of any agreement which has the economic effect of a guarantee; and

(vi) all obligations of the type referred to in clauses (i) through (v) of other Persons secured by any Lien on any property or asset of such Person (whether or not such obligation is assumed by such Person), the amount of such obligation being deemed to be the lesser of the value of such property or assets or the amount of the obligation so secured.

"Indenture" means this Indenture, as amended or supplemented from time to time.

"Investment" in any Person means any loan or advance to, any guarantee of, any acquisition of any Capital Stock, equity interest, obligation or other security of, or capital contribution or other investment in, such Person. Investments shall exclude advances to customers and suppliers in the ordinary course of business.

"Legal Holiday" means a Saturday, a Sunday or a day on which banking institutions in The City of New York or at a place of payment are authorized by law, regulation or executive order to remain closed. If a payment date is a Legal Holiday at a place of payment, payment may be made at that place on the next succeeding day that is not a Legal Holiday, and no interest shall accrue for the intervening period.

"Lien" means any mortgage, pledge, security interest, conditional sale or other title retention agreement or other similar lien.

"Net Cash Proceeds," with respect to any issuance or sale of Capital Stock, means the cash proceeds of such issuance or sale net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, discounts or commissions and brokerage, consultant and other fees actually incurred in connection with such issuance or sale and net of taxes

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paid or payable as a result thereof.

"Net Income" of any Person means the net income (loss) of such Person, determined in accordance with generally accepted accounting principles; excluding, however, from the determination of Net Income any gain (but not loss) realized upon the sale or other disposition (including, without limitation, dispositions pursuant to leaseback transactions) of any real property or equipment of such Person, which is not sold or otherwise disposed of in the ordinary course of business, or of any Capital Stock of the Company or a Subsidiary owned by such Person.

"Non-Convertible Capital Stock" means, with respect to any corporation, any non-convertible Capital Stock of such corporation and any Capital Stock of such corporation convertible solely into non-convertible common stock of such corporation; provided, however, that Non-Convertible Capital Stock shall not include any Redeemable Stock or Exchangeable Stock.

"Officer" means the Chairman of the Board, the Chief Executive Officer, the President, any Vice President, the Treasurer or the Secretary of the Company.

"Officers' Certificate" means a certificate signed by two Officers.

"Opinion of Counsel" means a written opinion from legal counsel who is acceptable to the Trustee. The counsel may be an employee of or counsel to the Company or the Trustee.

"Permitted Liens" means (i) Liens existing on the date of this Indenture and renewals, extensions and refinancings thereof; (ii) rights of banks to set off deposits against debts owed to said banks; (iii) Purchase Money Indebtedness; (iv) Liens on the property of any entity existing at the time such property is acquired by the Company or any of its Subsidiaries and renewals, extensions and refinancings thereof, whether by merger, consolidation, purchase of assets or otherwise; provided, however, that in the case of this clause (iv) that such Liens (x) are not created, incurred or assumed in contemplation of such assets being acquired by the Company and (y) do not extend to any other assets of the Company or any of its Subsidiaries; and (v) Liens for taxes not yet due.

"Person" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, government or any agency or political subdivision thereof or any other entity.

"Preferred Stock," as applied to the Capital Stock of any corporation, means Capital Stock of any class or classes (however designated) which is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or

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dissolution of such corporation, over shares of Capital Stock of any other class of such corporation; provided, however, that Preferred Stock shall not include the Company's Class B Common Stock.

"Purchase Money Indebtedness" means Indebtedness (i) consisting of the deferred purchase price of property, conditional sale obligations, obligations under any title retention agreement and other purchase money obligations, in each case where the maturity of such Indebtedness does not exceed the anticipated useful life of the asset being financed, and (ii) incurred to finance the acquisition by the Company or a Subsidiary of such asset, including additions and improvements; provided, however, that any Lien arising in connection with any such Indebtedness shall be limited to the specified asset being financed or, in the case of real property or fixtures, including additions and improvements, the real property on which such asset is attached.

"principal" of a Debenture means the principal of the Debenture plus the premium, if any, payable on the Debenture which is due or overdue or is to become due at the relevant time.

"Redeemable Stock" means any Capital Stock that by its terms or otherwise is required to be redeemed on or prior to the first anniversary of the Stated Maturity of the Debentures or is redeemable at the option of the Holder thereof at any time on or prior to the first anniversary of the Stated Maturity of the Debentures.

"Refinancing Agreement" means any credit agreement or other agreement between the Company and bank lenders pursuant to which the Company refinances borrowings under the Credit Agreement or another Refinancing Agreement.

"Representative" means the holder, trustee, agent or representative (if any) for an issue of Senior Debt.

"Restricted Investment" means any Investment in an Unrestricted Subsidiary. At the time any Subsidiary of the Company is designated by the Board of Directors of the Company as an Unrestricted Subsidiary, the Company shall be deemed to have made a Restricted Investment in an amount equal to the fair market value as of such time of the Company's interest in

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such Unrestricted Subsidiary, as determined in good faith by the Board of Directors and set forth in a Board Resolution.

"Sale/Leaseback Transaction" means an arrangement relating to property now owned or hereafter acquired whereby the Company or a Subsidiary transfers such property to a Person and the Company or a Subsidiary leases it from such Person.

"SEC" means the Securities and Exchange Commission.

"Senior Debt" means the following obligations, whether outstanding on the date of this Indenture or thereafter issued:

(i) all obligations consisting of the Bank Debt;

(ii) all obligations consisting of the principal of and premium, if any, and accrued and unpaid interest (including interest accruing on or after the filing of any petition in bankruptcy or for reorganization relating to the Company to the extent post-filing interest is allowed in such proceeding) in respect of (A) Indebtedness of the Company for money borrowed and (B) Indebtedness evidenced by notes, debentures, bonds or other similar instruments for the payment of which the Company is responsible or liable;

(iii) all Capital Lease Obligations of the Company;

(iv) all obligations of the Company (A) for the reimbursement of any obligor on any letter of credit, banker's acceptance or similar credit transaction, (B) under interest rate swaps, caps, collars, options and similar arrangements and foreign currency hedges entered into in respect of any obligations described in clauses (i), (ii) and (iii) or (C) issued or assumed as the deferred purchase price of property and all conditional sale obligations of the Company and all obligations of the Company under any title retention agreement;

(v) all obligations of other Persons of the type referred to in clauses (ii), (iii) and (iv) and all dividends of other Persons for

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the payment of which, in any case, the Company is responsible or liable, directly or indirectly, as obligor, guarantor or otherwise, including guarantees of such obligations and dividends; and

(vi) all obligations of the Company consisting of modifications, renewals, extensions, replacements and refundings of any obligations described in clauses (i), (ii), (iii), (iv) or (v);

unless, in the instrument creating or evidencing the same or pursuant to which the same is outstanding, it is provided that such obligations, are not superior in right of payment to the Debentures; provided, however, that Senior Debt shall not include (1) any obligation of the Company to any Subsidiary or other Affiliate of the Company, (2) any liability for federal, state, local or other taxes owed or owing by the Company, (3) any accounts payable or other liability to trade creditors arising in the ordinary course of business (including guarantees thereof or instruments evidencing such liabilities) or (4) that portion of any Indebtedness that was incurred in violation of this Indenture.

"Sevin Group" means the Estate of Malvin P. Sevin and trusts created thereunder, Audrey L. Sevin, Irik P. Sevin, Thomas J. Edelman, Margot Gordon and Phillip Ean Cohen and any trust over which such Persons have sole voting power.

"Sevin Note" means the promissory note, dated December 31, 1992, of Irik P. Sevin to the Company in a principal amount of $1,499,378 and due on December 31, 1993, as the same may be extended (but not otherwise amended) on a year-by-year basis in accordance with the Company's past practices and the principal amount of which may not be increased in any one year by more than the amount of accrued and unpaid interest during the immediately preceding year.

"Significant Subsidiary" means (i) any Subsidiary of the Company which at the time of determination either (A) had assets which, as of the date of the Company's most recent quarterly consolidated balance sheet, constituted at least 3% of the Company's total assets on a consolidated basis as of such date, or (B) had revenues for the 12-month period ending

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on the date of the Company's most recent quarterly consolidated statement of income which constituted at least 3% of the Company's total revenues on a consolidated basis for such period, or (ii) any Subsidiary of the Company which, if merged with all Defaulting Subsidiaries of the Company, would at the time of determination either (A) have had assets which, as of the date of the Company's most recent quarterly consolidated balance sheet, would have constituted at least 10% of the Company's total assets on a consolidated basis as of such date or (B) have had revenues for the 12-month period ending on the date of the Company's most recent quarterly consolidated statement of income which would have constituted at least 10% of the Company's total revenues on a consolidated basis for such period (each such determination being made in accordance with generally accepted accounting principles). "Defaulting Subsidiary" means any Subsidiary of the Company with respect to which an event described under clause (4), (5), (6) or (7) of Section 6.01 has occurred and is continuing.

"Stated Maturity" means, with respect to any Indebtedness, the date specified in such Indebtedness, or in any agreement pursuant to which such Indebtedness was incurred, as the fixed date on which the principal of such Indebtedness is due and payable, including pursuant to any mandatory redemption provision (but excluding any provision providing for the repurchase of such Indebtedness at the option of the holder thereof upon the happening of any contingency unless such contingency has occurred).

"Subordinated Obligations" means any Indebtedness of the Company (whether outstanding on the date hereof or hereafter incurred) which is subordinate or junior in right of payment to the Debentures.

"Subsidiary" means a corporation of which a majority of the Capital Stock having voting power under ordinary circumstances to elect a majority of the board of directors is owned by (i) the Company, (ii) the Company and one or more Subsidiaries or (iii) one or more Subsidiaries; provided, however, that an Unrestricted Subsidiary shall be deemed not to be a Subsidiary (except as used in the definition thereof).

"TIA" means the Trust Indenture Act of 1939 (15 U.S.C. Sec.Sec. 77aaa-77bbbb) as amended and in effect on the date of this Indenture.

"Traber Group" means (i) all the holders of Class C Common Stock as of the date of this Indenture who are not members of the Sevin Group, (ii) any Person who receives shares from Persons described in clause (i) without such transfer of shares being subject to the first refusal right referred to in the shareholders agreement among the holders of Class C Common Stock, dated November 25, 1986, as amended through the date of this Indenture, and (iii) any trust over which Persons described in clause (i) or (ii) have sole voting power.

"Treasury Rate" as of any date of determination means the yield to maturity at the time of computation of United States Treasury securities

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with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15(519) which has become publicly available at least two Business Days prior to such date of determination (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) of five years.

"Trust Officer" means the Chairman of the Board, the President, or any other officer or assistant officer of the Trustee assigned by the Trustee to administer its corporate trust matters.

"Unrestricted Subsidiary" means a Subsidiary of the Company, and each Subsidiary of such Subsidiary, designated by the Board of Directors of the Company as an Unrestricted Subsidiary pursuant to a Board Resolution set forth in an Officers' Certificate and delivered to the Trustee, (a) no portion of the Indebtedness or any other obligations (contingent or otherwise) of which (i) is guaranteed by the Company or any other Subsidiary of the Company, (ii) is recourse to or obligates the Company or any other Subsidiary of the Company in any way or (iii) subjects any property or assets of the Company or any other Subsidiary of the Company, directly or indirectly, contingently or otherwise, to the satisfaction thereof and (b) with which neither the Company nor any other Subsidiary of the Company has any obligation (i) to subscribe for additional shares of Capital Stock or other equity interests therein or (ii) to maintain or preserve such Subsidiary's financial condition or to cause such Subsidiary to achieve certain levels of operating results. An Unrestricted Subsidiary may be designated a Subsidiary, provided that (A) no Default or Event of Default shall have occurred and be continuing and (B) immediately after giving effect to such designation, the Company would be able to issue an additional $1.00 of Funded Debt pursuant to the first paragraph of "Limitation on Funded Debt."

"U.S. Government Obligations" means direct obligations (or certificates representing an ownership interest in such obligations) of the United States of America (including any agency or instrumentality thereof) for the payment of which the full faith and credit of the United States of America is pledged and which are not callable at the issuer's option.

"Voting Stock" of a corporation means all classes of Capital Stock of such corporation then outstanding and normally entitled to vote in

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the election of directors.

"Wholly Owned Subsidiary" means a Subsidiary all the Capital Stock of which (other than directors' qualifying shares) is owned by the Company or another Wholly Owned Subsidiary.

"Working Capital Borrowings" means, on any date of determination, all Indebtedness of the Company and its Subsidiaries on a consolidated basis incurred to finance current assets.

"Working Capital Financing Agreement" means any agreement entered into after the date of this Indenture by the Company and bank lenders pursuant to which the Company issues Working Capital Borrowings.

"1989 Preferred Stock" means the preference stock of the Company designated as "1989 Preferred Stock, Par Value $.10."

SECTION 1.02. Other Definitions.

Term	Defined in Section
"Affiliate Transaction"	4.07
"Bankruptcy Law"	6.01
"Change of Control"	4.08
"covenant defeasance option"	8.01(b)
"Custodian"	6.01
"Event of Default"	6.01
"fair value"	10.02
"incur"	4.03
"legal defeasance option"	8.01(b)
"pay the Debentures"	10.03
"Paying Agent"	2.03
"Payment Blockage Period"	10.03

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SECTION 1.03. Incorporation by Reference of Trust Indenture Act.

Whenever this Indenture refers to a provision of the TIA, the provision is incorporated by reference in and made a part of this Indenture. The following TIA terms used in this Indenture have the following meanings:

"Commission" means the SEC.

"indenture securities" means the Debentures.

"indenture security holder" means a Debentureholder.

"indenture to be qualified" means this Indenture.

"indenture trustee" or "institutional trustee" means the Trustee.

"obligor" on the indenture securities means the Company and any other obligor on the Debentures.

All other TIA terms used in this Indenture that are defined by the TIA, defined by TIA reference to another statute or defined by SEC rule have the meanings assigned to them by such definitions.

SECTION 1.04. Rules of Construction. Unless the context otherwise requires:

(1) a term has the meaning assigned to it;

(2) an accounting term not otherwise defined has the meaning

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assigned to it in accordance with generally accepted accounting principles as in effect on the date of this Indenture and all accounting calculations shall be determined in accordance with such principles;

(3) "or" is not exclusive;

(4) "including" means including without limitation;

(5) words in the singular include the plural and words in the plural include the singular;

(6) unsecured debt shall not be deemed to be subordinate or junior to secured debt merely by virtue of its nature as unsecured debt;

(7) the principal amount of any noninterest bearing or other discount security at any date shall be the principal amount thereof that would be shown on a balance sheet of the issuer dated such date prepared in accordance with generally accepted accounting principles and accretion of principal on such security shall be deemed to be the incurrence of Indebtedness; and

(8) the principal amount of any Preferred Stock shall be (i) the maximum liquidation value of such Preferred Stock or (ii) the maximum mandatory redemption or mandatory repurchase price with respect to such Preferred Stock, whichever is greater.

ARTICLE 2

The Debentures

SECTION 2.01. Form and Dating. The Debentures and the Trustee's certificate of authentication shall be substantially in the form of Exhibit A, which is hereby incorporated in and expressly made a part of this Indenture. The Debentures may have notations, legends or endorsements required by law, stock exchange rule, agreements to which the Company is subject, if any, or usage (provided that any such notation, legend or endorsement is in a form acceptable to the Company). Each Debenture shall be dated the date of its authentication. The terms of the Debentures set forth in Exhibit A are part of the terms of this Indenture.

SECTION 2.02. Execution and Authentication. Two Officers shall sign the Debentures for the Company by manual or facsimile signature. The Company's seal shall be impressed, affixed, imprinted or reproduced on the Debentures and may be in facsimile form.

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If an Officer whose signature is on a Debenture no longer holds that office at the time the Trustee authenticates the Debenture, the Debenture shall be valid nevertheless.

A Debenture shall not be valid until an authorized officer of the Trustee manually signs the certificate of authentication on the Debenture. The signature shall be conclusive evidence that the Debenture has been authenticated under this Indenture.

The Trustee shall authenticate and deliver Debentures for original issue in an aggregate principal amount of up to $75,000,000, upon a written order of the Company signed by up to two Officers or by an Officer and either an Assistant Treasurer or an Assistant Secretary of the Company. Such order shall specify the amount of the Debentures to be authenticated and the date on which the original issue of Debentures is to be authenticated. The aggregate principal amount of Debentures outstanding at any time may not exceed that amount except as provided in Section 2.07.

The Trustee may appoint an authenticating agent reasonably acceptable to the Company to authenticate the Debentures. Unless limited by the terms of such appointment, an authenticating agent may authenticate Debentures whenever the Trustee may do so. Each reference in this Indenture to authentication by the Trustee includes authentication by such agent. An authenticating agent has the same rights as any Registrar, Paying Agent or agent for service of notices and demands.

SECTION 2.03. Registrar and Paying Agent. The Company shall maintain an office or Agency in the Borough of Manhattan, City of New York where Securities may be presented for registration of transfer or for exchange (the "Registrar") and an office or agency where Securities may be presented for payment (the "Paying Agent"). The Registrar and Paying Agent initially shall be the Trustee. The Company may change the Registrar or Paying Agent without prior notice to Holders and the Company or any Subsidiary may act in such capacity. The Registrar shall keep a register of the Securities and of their transfer and exchange. The Company may have

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one or more co-Registrars and one or more additional Paying Agents. The term "Paying Agent" includes any additional Paying Agent.

The Company shall enter into an appropriate agency agreement with any Registrar, Paying Agent or co-registrar not a party to this Indenture, which shall incorporate the terms of the TIA. The agreement shall implement the provisions of this Indenture that relate to such agent. The Company shall notify the Trustee of the name and address of any such agent. If the Company fails to maintain a Registrar or Paying Agent, the Trustee shall act as such and shall be entitled to appropriate compensation therefor pursuant to Section 7.07. The Company or any of its domestically incorporated Wholly Owned Subsidiaries may act as Paying Agent, Registrar, co-registrar or transfer agent.

SECTION 2.04. Paying Agent To Hold Money in Trust. On or prior to each due date of the principal and interest on any Debenture, the Company shall deposit with the Paying Agent a sum sufficient to pay such principal and interest when so becoming due. The Company shall require each Paying Agent (other than the Trustee) to agree in writing that the Paying Agent shall hold in trust for the benefit of Debentureholders or the Trustee all money held by the Paying Agent for the payment of principal of or interest on the Debentures and shall notify the Trustee of any default by the Company in making any such payment. If the Company or a Subsidiary

acts as Paying Agent, it shall segregate the money held by it as Paying Agent and hold it as a separate trust fund. The Company at any time may require a Paying Agent to pay all money held by it to the Trustee and to account for any funds disbursed by the Paying Agent. Upon complying with this Section, the Paying Agent shall have no further liability for the money delivered to the Trustee.

SECTION 2.05. Debentureholder Lists. The Trustee shall preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of Debentureholders. If the Trustee is not the Registrar, the Company shall furnish to the Trustee, in writing at least five Business Days before each interest payment date and

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at such other times as the Trustee may request in writing, a list in such form and as of such date as the Trustee may reasonably require of the names and addresses of Debentureholders.

SECTION 2.06. Transfer and Exchange. The Debentures shall be issued in registered form and shall be transferable only upon the surrender of a Debenture for registration of transfer. When a Debenture is presented to the Registrar or a co-registrar with a request to register a transfer, the Registrar shall register the transfer as requested if the requirements of Section 8-401(1) of the Uniform Commercial Code are met. When Debentures are presented to the Registrar or a co-registrar with a request to exchange them for an equal principal amount of Debentures of other denominations, the Registrar shall make the exchange as requested if the same requirements are met. To permit registration of transfers and exchanges, the Company shall execute and the Trustee shall authenticate Debentures at the Registrar's or co-registrar's request. The Company may require payment of a sum sufficient to pay all taxes, assessments or other governmental charges in connection with any transfer or exchange pursuant to this Section. The Company shall not be required to make and the Registrar need not register transfers or exchanges of Debentures selected for redemption (except, in the case of Debentures to be redeemed in part, the portion thereof not to be redeemed) or any Debentures for a period of 15 days before a selection of Debentures to be redeemed or 15 days before an interest payment date.

Prior to the due presentation for registration of transfer of any Debenture, the Company, the Trustee, the Paying Agent, the Registrar or any co-registrar may deem and treat the Person in whose name a Debenture is registered as the absolute owner of such Debenture for the purpose of receiving payment of principal of and interest on such Debenture and for all other purposes whatsoever, whether or not such Debenture is overdue, and none of the Company, the Trustee, the Paying Agent, the Registrar or any co-registrar shall be affected by notice to the contrary.

All Debentures issued upon any transfer or exchange pursuant to the terms of this Indenture shall evidence the same debt and shall be entitled to the same benefits under this Indenture as the Debentures surrendered upon such transfer or exchange.

SECTION 2.07. Replacement Debentures. If a mutilated Debenture is surrendered to the Registrar or if the Holder of a Debenture claims that the Debenture has been lost, destroyed or wrongfully taken, the Company

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shall issue and the Trustee shall authenticate a replacement Debenture if the requirements of Section 8-405 of the Uniform Commercial Code are met and the Holder satisfies any other reasonable requirements of the Trustee. If required by the Trustee or the Company, such Holder shall furnish an indemnity bond sufficient in the judgment of the Company and the Trustee to protect the Company, the Trustee, the Paying Agent, the Registrar and any co-registrar from any loss which any of them may suffer if a Debenture is replaced. The Company and the Trustee may charge the Holder for their expenses in replacing a Debenture.

Every replacement Debenture is an additional obligation of the Company.

SECTION 2.08. Outstanding Debentures. Debentures outstanding at any time are all Debentures authenticated and delivered by the Trustee except for those canceled by it, those delivered to it for cancellation and those described in this Section as not outstanding. A Debenture does not cease to be outstanding because the Company or an Affiliate of the Company holds the Debenture.

If a Debenture is replaced pursuant to Section 2.07, it ceases to be outstanding unless the Trustee and the Company receive proof satisfactory to them that the replaced Debenture is held by a bona fide purchaser.

If the Paying Agent segregates and holds in trust, in accordance with this Indenture, on a redemption date or maturity date money sufficient to pay all principal and interest payable on that date with respect to the Debentures (or portions thereof) to be redeemed or maturing, as the case may be, and the Paying Agent is not prohibited from paying such money to the Debentureholders on that date pursuant to the terms of this Indenture, then on and after that date such Debentures (or portions thereof) cease to be outstanding and interest on them ceases to accrue provided that if the Debentures are to be redeemed, notice of such redemption has been duly given pursuant to this Indenture, or provision thereof satisfactory to the Trustee has been made.

SECTION 2.09. Temporary Debentures. Until definitive Debentures are ready for delivery, the Company may prepare and the Trustee shall authenticate temporary Debentures. Temporary Debentures shall be substantially in the form of definitive Debentures but may have variations that the Company considers appropriate for temporary Debentures. Without unreasonable delay, the Company shall prepare and the Trustee shall

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authenticate definitive Debentures and deliver them in exchange for temporary Debentures.

SECTION 2.10. Cancellation. The Company at any time may deliver Debentures to the Trustee for cancellation. The Registrar and the Paying Agent shall forward to the Trustee any Debentures surrendered to them for registration of transfer, exchange or payment. The Trustee and no one else shall cancel and destroy (subject to the record retention requirements of the Exchange Act) all Debentures surrendered for registration of transfer, exchange, payment or cancellation and deliver a certificate of such destruction to the Company unless the Company directs the Trustee to

deliver canceled Debentures to the Company. The Company may not issue new Debentures to replace Debentures it has redeemed, paid or delivered to the Trustee for cancellation.

SECTION 2.11. Defaulted Interest. If the Company defaults in a payment of interest on the Debentures, the Company shall pay defaulted interest (plus interest on such defaulted interest to the extent lawful) in any lawful manner. The Company may pay the defaulted interest to the Persons who are Debentureholders on a subsequent special record date, which date shall be at least five Business Days prior to the payment date. The Company shall fix or cause to be fixed any such special record date and payment date, and, at least 15 days before any such special record date, the Company shall mail to each Debentureholder a notice that states the special record date, the payment date and the amount of defaulted interest to be paid.

ARTICLE 3

Redemption

SECTION 3.01. Notices to Trustee. If the Company elects to

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redeem Debentures pursuant to paragraph 5 of the Debentures, it shall notify the Trustee in writing of the redemption date, the principal amount of Debentures to be redeemed and the paragraph of the Debentures pursuant to which the redemption will occur.

The Company shall give each notice to the Trustee provided for in this Section at least 60 days before the redemption date unless the Trustee consents to a shorter period. Such notice shall be accompanied by an Officers' Certificate and an Opinion of Counsel from the Company to the effect that such redemption will comply with the conditions herein. If fewer than all the Debentures are to be redeemed, the record date relating to such redemption shall be selected by the Company and given to the Trustee, which record date shall be not less than 15 days after the date of notice to the Trustee.

SECTION 3.02. Selection of Debentures To Be Redeemed. If fewer than all the Debentures are to be redeemed, the Trustee shall select the Debentures to be redeemed pro rata or by lot or by a method that complies with applicable legal and securities exchange requirements, if any, and that the Trustee considers fair and appropriate and in accordance with methods generally used at the time of selection by fiduciaries in similar circumstances. The Trustee shall make the selection from outstanding Debentures not previously called for redemption. The Trustee may select for redemption portions of the principal of Debentures that have denominations larger than $1,000. Debentures and portions of them the Trustee selects shall be in amounts of $1,000 or a whole multiple of $1,000. Provisions of this Indenture that apply to Debentures called for redemption also apply to portions of Debentures called for redemption. The Trustee shall notify the Company promptly of the Debentures or portions of Debentures to be redeemed.

SECTION 3.03. Notice of Redemption. At least 30 days but not more than 60 days before a date for redemption of Debentures, the Company shall mail a notice of redemption by first-class mail to each Holder of

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Debentures to be redeemed.

The notice shall identify the Debentures to be redeemed and shall state:

(1) the redemption date;

(2) the redemption price;

(3) the name and address of the Paying Agent;

(4) that Debentures called for redemption must be surrendered to the Paying Agent to collect the redemption price;

(5) if fewer than all the outstanding Debentures are to be redeemed, the identification and principal amounts of the particular Debentures to be redeemed;

(6) that, unless the Company defaults in making such redemption payment or the Paying Agent is prohibited from making such payment pursuant to the terms of this Indenture, interest on Debentures (or portion thereof) called for redemption ceases to accrue on and after the redemption date;

(7) the paragraph of the Debentures pursuant to which the Debentures called for redemption are being redeemed; and

(8) that no representation is made as to the correctness or accuracy of the CUSIP number, if any, listed in such notice or printed on the Debentures.

At the Company's request, the Trustee shall give the notice of redemption in the Company's name and at the Company's expense. In such event, the Company shall provide the Trustee with the information required by this Section.

SECTION 3.04. Effect of Notice of Redemption. Once notice of redemption is mailed, Debentures called for redemption become due and payable on the redemption date and at the redemption price stated in the notice. Upon surrender to the Paying Agent, such Debentures shall be paid at the redemption price stated in the notice, plus accrued interest to the redemption date. Failure to give notice or any defect in the notice to any Holder shall not affect the validity of the notice to any other Holder.

SECTION 3.05. Deposit of Redemption Price. Prior to the redemption date, the Company shall deposit with the Paying Agent (or, if the Company or a Subsidiary is the Paying Agent, shall segregate and hold in trust) money sufficient to pay the redemption price of and accrued interest on all Debentures to be redeemed on that date other than

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Debentures or portions of Debentures called for redemption which have been delivered by the Company to the Trustee for cancellation.

SECTION 3.06. Debentures Redeemed in Part. Upon surrender of a Debenture that is redeemed in part, the Company shall execute and the Trustee shall authenticate for the Holder (at the Company's expense) a new Debenture equal in principal amount to the unredeemed portion of the Debenture surrendered.

ARTICLE 4

Covenants

SECTION 4.01. Payment of Debentures. The Company shall promptly pay the principal of and interest on the Debentures on the dates and in the manner provided in the Debentures and in this Indenture. Principal and interest shall be considered paid on the date due if on such date the Trustee or the Paying Agent holds in accordance with this Indenture money sufficient to pay all principal and interest then due and the Trustee or the Paying Agent, as the case may be, is not prohibited from paying such money to the Debentureholders on that date pursuant to the terms of this Indenture.

The Company shall pay interest on overdue principal at the rate specified therefor in the Debentures, and it shall pay interest on overdue installments of interest at the same rate to the extent lawful.

SECTION 4.02. SEC Reports Whether or not required by the rules and regulations of the SEC, so long as any Debentures are outstanding, the Company shall furnish to the Holders of Debentures all quarterly and annual financial information that would be required to be contained in a filing with the SEC on Forms 10-Q and 10-K if the Company were required to file such Forms, including a "Management's Discussion and Analysis of Financial

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Condition and Results of Operations" and, with respect to the annual information only, a report thereon by the Company's certified independent accountants. In addition, whether or not required by the rules and regulations of the SEC, the Company shall file a copy of all such information with the SEC for public availability and make such information available to investors who request it in writing. The Company also shall comply with the provisions of Sec. 314(a) of the TIA.

SECTION 4.03. Limitation on Funded Debt. (a) The Company shall not, directly or indirectly, create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable with respect to (collectively, "incur") any Funded Debt unless, after giving effect thereto, the Company's Consolidated EBITDA Coverage Ratio exceeds 2.0 to 1.

(b) Notwithstanding Section 4.03(a), the Company may incur the following Funded Debt: (i) Funded Debt owed to and held by a Wholly Owned Subsidiary; provided, however, that any subsequent issuance or transfer of any Capital Stock which results in any such Wholly Owned Subsidiary ceasing to be a Wholly Owned Subsidiary or any subsequent transfer of such Funded Debt (other than to a Wholly Owned Subsidiary) shall be deemed, in each case, to constitute the incurrence of such Funded Debt by the Company; (ii) the Debentures and Funded Debt issued in exchange for, or the proceeds of

which are used to refund or refinance, any Funded Debt permitted by this clause (ii); provided, however, that (1) the principal amount of the Funded Debt so incurred shall not exceed the principal amount of the Funded Debt so exchanged, refunded or refinanced and (2) the Funded Debt so incurred (A) shall not mature prior to the Stated Maturity of the Funded Debt so exchanged, refunded or refinanced and (B) shall have an Average Life equal to or greater than the remaining Average Life of the Funded Debt so exchanged, refunded or refinanced; (iii) Funded Debt (other than Funded Debt described in clause (i) or (ii) of this paragraph) outstanding on the date hereof and Funded Debt issued in exchange for, or the proceeds of which are used to refund or refinance, any Funded Debt permitted by this clause (iii) or by Section 4.03(a); provided, however, that (1) the principal amount of the Funded Debt so incurred shall not exceed the

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principal amount of the Funded Debt so exchanged, refunded or refinanced, (2) the Funded Debt so incurred (A) shall not mature prior to the Stated Maturity of the Funded Debt so exchanged, refunded or refinanced and (B) shall have an Average Life equal to or greater than the remaining Average Life of the Funded Debt so exchanged, refunded or refinanced and (3) if the Funded Debt so exchanged, refunded or refinanced is a Subordinated Obligation, the Funded Debt so incurred shall be subordinated to the Debentures; and (iv) additional Funded Debt in an aggregate amount not to exceed $50 million at any one time outstanding.

(c) The Company shall not create, incur, assume or permit to exist any Lien (other than Permitted Liens) upon or with respect to any of the property of the Company or any Subsidiary to secure Funded Debt that is not Senior Debt unless contemporaneously therewith effective provision is made to secure the Debentures equally and ratably with such Funded Debt for so long as such Funded Debt is secured by a Lien.

SECTION 4.04. Limitation on Indebtedness and Preferred Stock of Subsidiaries. The Company shall not permit any Subsidiary to incur any Indebtedness or issue any Preferred Stock except: (i) Indebtedness or Preferred Stock issued to and held by the Company or a Wholly Owned Subsidiary; provided, however, that any subsequent issuance or transfer of any Capital Stock which results in any such Wholly Owned Subsidiary ceasing to be a Wholly Owned Subsidiary or any subsequent transfer of such Indebtedness or Preferred Stock (other than to the Company or a Wholly Owned Subsidiary) shall be deemed, in each case, to constitute the incurrence of such Indebtedness or the issuance of such Preferred Stock, as the case may be, by the issuer thereof; (ii) Indebtedness incurred or Preferred Stock of a Subsidiary issued and outstanding on or prior to the date on which such Subsidiary was acquired by the Company (other than Indebtedness incurred or Preferred Stock issued in contemplation of, as consideration in, or to provide all or any portion of the funds or credit support utilized to consummate, the transaction or series of related transactions pursuant to which such Subsidiary became a Subsidiary or was acquired by the Company), provided that at the time such Subsidiary is acquired by the Company, after giving effect to such Indebtedness or Preferred Stock of such Subsidiary, the Company's Consolidated EBITDA Coverage Ratio exceeds 2.0 to 1; (iii) Indebtedness or Preferred Stock (other than Indebtedness or Preferred Stock described in clause (i), (ii), (iv) or (vi) of this Section 4.04) incurred or issued and outstanding on or prior to the date of this Indenture; (iv) Indebtedness of a Subsidiary

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consisting of guarantees issued by such Subsidiary and outstanding on the date of this Indenture and Indebtedness of a Subsidiary consisting of guarantees issued subsequent to the date of this Indenture, in each case, to the extent such guarantee guarantees Bank Debt; (v) Indebtedness of a Subsidiary (other than Indebtedness described in clause (iv) above) consisting of guarantees of Funded Debt of the Company permitted by Section 4.03(a), provided that contemporaneously with the incurrence of such Indebtedness by such Subsidiary, such Subsidiary issues a guarantee for the pro rata benefit of the Holders of the Debentures that is subordinated to such Indebtedness of such Subsidiary to the same extent as the Debentures are subordinated to such Funded Debt of the Company; and (vi) Indebtedness or Preferred Stock issued in exchange for, or the proceeds of which are used to refund or refinance, Indebtedness or Preferred Stock referred to in the foregoing clause (ii) or (iii); provided, however, that (1) the principal amount of such Indebtedness or Preferred Stock so incurred or issued shall not exceed the principal amount of the Indebtedness or Preferred Stock so exchanged or refinanced and (2) the Indebtedness or Preferred Stock so incurred or issued shall (A) have a Stated Maturity later than the Stated Maturity of the Indebtedness or Preferred Stock being exchanged or refinanced and (B) shall have an Average Life equal to or greater than the remaining Average Life of the Indebtedness or Preferred Stock so exchanged, refunded or refinanced.

SECTION 4.05. Limitation on Restricted Payments. (a) The Company shall not, and shall not permit any Subsidiary, directly or indirectly, to (i) declare or pay any dividend or make any distribution on or in respect of its Capital Stock (including any payment in connection with any merger or consolidation involving the Company) or to the direct or indirect holders of its Capital Stock (except (x) dividends or distributions payable solely in its Non-Convertible Capital Stock or in options, warrants or other rights to purchase its Non-Convertible Capital Stock and (y) dividends or distributions payable to the Company or a Subsidiary, and, if a Subsidiary is not wholly owned, to the other shareholders of such Subsidiary on a pro rata basis in accordance with their ownership interest in such Subsidiary), (ii) purchase, redeem or otherwise acquire or retire for value any Capital Stock of the Company or of any direct or indirect parent of the Company, (iii) purchase, repurchase, redeem, defease or otherwise acquire or retire for value, prior to scheduled maturity, scheduled repayment or scheduled sinking fund payment, any Subordinated Obligations (other than the purchase, repurchase or other acquisition of Subordinated Obligations purchased in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case due within one year of the date of acquisition) or (iv) make any Restricted Investment (any such dividend, distribution,

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purchase, redemption, repurchase, defeasance, other acquisition or retirement, or any such Restricted Investment, being herein referred to as a "Restricted Payment") if at the time the Company or such Subsidiary makes such Restricted Payment: (1) a Default shall have occurred and be continuing (or would result therefrom); or (2) the aggregate amount of such Restricted Payment and all other Restricted Payments subsequent to December 31, 1993 would exceed the sum of: (A) 50% of the Cash Flow of the Company and its Subsidiaries accrued during the period (treated as one accounting period) subsequent to December 31, 1993, to the end of the most recent fiscal quarter ending at least 45 days prior to the date of such Restricted

Payment (or, in case such Cash Flow shall be a deficit, minus 100% of such deficit); (B) the aggregate Net Cash Proceeds received by the Company from the issue or sale of its Capital Stock subsequent to December 31, 1993 (other than an issuance or sale to a Subsidiary or Unrestricted Subsidiary of the Company or an employee stock ownership plan or other trust established by the Company or any Subsidiary or Unrestricted Subsidiary of the Company); (C) the amount by which Indebtedness of the Company is reduced on the Company's balance sheet upon the conversion or exchange (other than by a Subsidiary) subsequent to December 31, 1993, of any Indebtedness of the Company convertible or exchangeable for Capital Stock of the Company (less the amount of any cash, or other property, distributed by the Company upon such conversion or exchange); and (D) $20 million.

(b) The provisions of Section 4.05(a) shall not prohibit: (i) any purchase or redemption of Capital Stock or Subordinated Obligations of the Company made by exchange for, or out of the proceeds of the substantially concurrent sale of, Capital Stock of the Company (other than Capital Stock issued or sold to a Subsidiary or an employee stock ownership plan or other trust established by the Company or any Subsidiary); provided, however, that (A) such purchase or redemption shall be excluded in the calculation of the amount of Restricted Payments and (B) the Net Cash Proceeds from such sale shall be excluded from clause (2)(B) of Section 4.05(a); (ii) dividends paid within 60 days after the date of declaration thereof if at such date of declaration such dividend would have complied with this Section 4.05; provided, however, that at the time of payment of such dividend, no other Default shall have occurred and be continuing (or result therefrom); provided further, however, that such

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dividend shall be included in the calculation of the amount of Restricted Payments; (iii) dividends declared and paid in respect of the Company's Class B Common Stock outstanding on the date of this Indenture in an amount in respect of any fiscal year not to exceed 1.5% of the Company's Class B Cash Flow for the immediately preceding fiscal year (provided that no dividend shall theretofore have been declared on the Class A Common Stock or Class C Common Stock in the same fiscal year); provided, however, that at the time of such dividend, redemption or exchange, no Default shall have occurred or be continuing; provided further, however, that any such dividends, redemptions and exchanges shall be included in the calculation of Restricted Payments; (iv) dividends on, and mandatory redemptions and exchanges of, the 1989 Preferred Stock outstanding on the date of this Indenture; provided, however, that at the time of such dividend, redemption or exchange, no Default shall have occurred or be continuing; provided further, however, that any such dividends, redemptions and exchanges shall be excluded in the calculation of Restricted Payments; or (v) Restricted Investments in an aggregate amount not to exceed the sum of (A) $25 million, plus (B) $5 million on each anniversary of the date of this Indenture, plus (C) the amount of all dividends or other distributions received in cash by the Company or any of its Wholly Owned Subsidiaries from, and the amount of any Net Cash Proceeds to the Company or any of its Wholly Owned Subsidiaries from the sale of Capital Stock (other than a sale of Capital Stock to the Company, a Subsidiary or Unrestricted Subsidiary of the Company or an employee stock ownership plan or other trust established by the Company or any Subsidiary or Unrestricted Subsidiary of the Company) of, an Unrestricted Subsidiary of the Company, to the extent that the aggregate amount of such dividends or other distributions, together with

the aggregate amount of any such Net Cash Proceeds, do not exceed the aggregate amount of Restricted Investments made by the Company in such Unrestricted Subsidiary since the date of this Indenture; provided, however, that Restricted Investments permitted by this clause (v) shall be excluded in the calculation of the amount of Restricted Payments.

SECTION 4.06. Limitation on Restrictions on Distributions from Subsidiaries. The Company shall not, and shall not permit any Subsidiary

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to, create or otherwise cause or permit to exist or become effective any consensual encumbrance or restriction on the ability of any Subsidiary to: (i) pay dividends or make any other distributions on its Capital Stock or pay any Indebtedness owed to the Company, (ii) make any loans or advances to the Company or (iii) transfer any of its property or assets to the Company, except: (1) any encumbrance or restriction pursuant to an agreement in effect on the date of this Indenture; (2) any encumbrance or restriction with respect to a Subsidiary pursuant to an agreement relating to any Indebtedness issued by such Subsidiary on or prior to the date on which such Subsidiary was acquired by the Company (other than Indebtedness issued in contemplation of, as consideration in, or to provide all or any portion of the funds or credit support utilized to consummate, the transaction or series of related transactions pursuant to which such Subsidiary became a Subsidiary or was acquired by the Company) and outstanding on such date; (3) any encumbrance or restriction pursuant to an agreement effecting a refinancing of Indebtedness issued pursuant to an agreement referred to in the foregoing clause (1) or (2) or contained in any amendment to an agreement referred to in the foregoing clause (1) or (2); provided, however, that the encumbrances and restrictions contained in any such refinancing agreement or amendment are no less favorable to Holders of the Debentures than the encumbrances and restrictions contained in such agreements; (4) any such encumbrance or restriction consisting of customary nonassignment provisions in leases governing leasehold interests to the extent such provisions restrict the transfer of the lease; (5) in the case of clause (iii) above, restrictions contained in security agreements securing Indebtedness of a Subsidiary to the extent such restrictions restrict the transfer of the property subject to such security agreements; and (6) any restriction with respect to a Subsidiary imposed pursuant to an agreement entered into for the sale or disposition of all or substantially all of the Capital Stock or assets of such Subsidiary pending the closing of such sale or disposition.

SECTION 4.07. Limitation on Transactions with Affiliates. The
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Company shall not, and shall not permit any Subsidiary to, conduct any business or enter into any transaction or series of similar transactions in an aggregate amount in excess of $100,000 (including the purchase, sale, lease or exchange of any property or the rendering of any service) with any Affiliate of the Company or any legal or beneficial owner of 5% or more of any class of Capital Stock of the Company or with an Affiliate of any such owner (any such business, transaction or series of similar transactions, an "Affiliate Transaction") unless the terms of such Affiliate Transaction are: (i) set forth in writing, (ii) fair to the Company and its Subsidiaries from a financial point of view, (iii) in the case of any Affiliate Transaction (other than an Affiliate Transaction with an Unrestricted Subsidiary of the Company) in an aggregate amount in excess of

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$500,000, the disinterested members of the Board of Directors have determined in good faith that the criteria set forth in clause (ii) are satisfied and (iv) in the case of any Affiliate Transaction involving an Unrestricted Subsidiary of the Company in an aggregate amount in excess of $2.0 million, the members of the Board of Directors have determined in good faith that the criteria set forth in clause (ii) are satisfied. This covenant shall not prohibit: (i) any Restricted Payment permitted under "Limitation on Restricted Payments," (ii) any issuance of securities, or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, employment arrangements, stock options and stock ownership plans approved by the Board of Directors, (iii) loans or advances to employees in the ordinary course of business; (iv) the payment of reasonable fees to directors of the Company and its Subsidiaries who are not employees of the Company or its Subsidiaries, (v) any transaction between the Company and a Wholly Owned Subsidiary or between Wholly Owned Subsidiaries or (vi) the Investment represented by the Sevin Note.

SECTION 4.08. Change of Control. (a) Upon the occurrence of a Change of Control, each Holder of Debentures shall have the right to require the Company to repurchase all or any part of such Holder's Debentures at a repurchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to the date of repurchase . A "Change of Control" will be deemed to occur if (i) any "person" or "group" (within the meaning of Sections 13(d) and 14(d)(2) of the Exchange Act), other than the members of the Sevin Group and the Traber Group, becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act, except that a person shall be deemed to be the beneficial owner of all shares that such person has the right to acquire, regardless of whether such right is exercisable immediately or after the passage of time), directly or indirectly, of 50% or more of the total voting power of all classes of the Voting Stock of the Company and the members of the Sevin Group and the Traber Group cease to have the right to appoint at least a majority of the members of the Board of Directors of the Company, (ii) the holders of the 10 1/8% Notes have the right to require the Company to purchase any such 10 1/8% Notes pursuant to Section 4.08 of the Indenture, dated as of April 1, 1993, between the Company and Chemical Bank, as trustee, relating thereto, (iii) any holder of the 11.85% Notes, the 12.17% Notes or the 12.18% Notes exercises its right to declare any such notes to be due and payable pursuant to Section 2.1 of the Note Agreement, dated as of September 1, 1988, relating thereto (the "1988 Note Agreement"), (iv) any

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holder of the 14.10% Notes exercises its right to declare any such notes to be due and payable pursuant to Section 5.2(A) of the Note Agreement, dated as of January 15, 1991, relating thereto (the "1991 Note Agreement") and any holder of the 2000 Notes exercises its right to declare any such notes Due March 1, 2000 to be due and payable pursuant to Section 5.2(A) of the Purchase Agreement, dated as of September 1, 1991, relating thereto (the "1991 Purchase Agreement") or (v) any holder of 11.85% Notes, 12.17% Notes, 12.18% Notes, 14.10% Notes or 2000 Notes shall have received any consideration (whether in the form of cash, a change in the rate of interest relating to such notes, a change in any other provision of the terms of such notes, or otherwise) to amend, modify, waive or otherwise give up its right to declare any such notes to be due and payable upon a "Change of Ownership," as defined in the 1988 Note Agreement, the 1991 Note Agreement or the 1991 Purchase Agreement, as the case may be; provided,

however, that an amendment to or waiver or other modification of Section 2.1 of the 1988 Note Agreement, Section 5.2(A) of the 1991 Note Agreement or 5.2(A) of the 2000 Purchase Agreement shall not, in the absence of any other consideration, constitute a Change of Control under the Indenture.

(b) Within 30 days following any Change of Control, the Company shall mail a notice to each Holder with a copy to the Trustee stating:

(1) that a Change of Control has occurred and that such Holder has the right to require the Company to purchase such Holder's Debentures at a purchase price in cash equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to the date of purchase;

(2) the circumstances and relevant facts regarding such Change of Control (including information with respect to pro forma historical income, cash flow and capitalization after giving effect to such Change of Control);

(3) the purchase date (which shall be no earlier than 30 days nor later than 60 days from the date such notice is mailed); and

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(4) the instructions determined by the Company, consistent with this Section, that a Holder must follow in order to have its Debentures purchased.

If, at the time of a Change of Control, the Company is prohibited by the terms of Bank Debt from purchasing Debentures that may be tendered by Holders at the purchase price described above as a result of such Change of Control, then prior to the mailing of the notice to Holders described in this paragraph but in any event within 30 days following any Change of Control, the Company shall (i) repay in full all Bank Debt or offer to repay in full all Bank Debt and repay the Bank Debt of each lender who has accepted such offer or (ii) obtain the requisite consent under the Bank Debt to permit the purchase of the Debentures as described above. The Company shall first comply with the covenant described in the preceding sentence before it shall be required to purchase Debentures in the event of a Change of Control, provided that the Company's failure to comply with the covenant described in the preceding sentence shall constitute a Default described in clause 3 of Section 6.01.

(c) Holders electing to have a Debenture purchased shall be required to surrender the Debenture, with an appropriate form duly completed, to the Company at the address specified in the notice at least 10 Business Days prior to the purchase date. Holders shall be entitled to withdraw their election if the Trustee or the Company receives not later than three Business Days prior to the purchase date, a facsimile transmission or letter setting forth the name of the Holder, the principal amount of the Debenture which was delivered for purchase by the Holder and a statement that such Holder is withdrawing his election to have such Debenture purchased.

(d) On the purchase date, all Debentures purchased by the Company under this Section shall be delivered by the Trustee for cancellation, and the Company shall pay the purchase price plus accrued and unpaid interest, if any, to the Holders entitled thereto.

(e) The Company shall comply, to the extent applicable, with the

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requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the purchase of Debentures pursuant to this Section. To the extent that the provisions of any securities laws or regulations conflict with provisions of this Section, the Company shall comply with the applicable securities laws and regulations and shall not be deemed to have breached its obligations under this Section by virtue thereof.

SECTION 4.09. Limitation on Liens on Subsidiary Stock. The Company shall not directly or indirectly create, assume or suffer to exist, any Lien on any Capital Stock of any of its Subsidiaries.

SECTION 4.10. Compliance Certificate. The Company shall deliver to the Trustee within 120 days after the end of each fiscal year of the Company an Officers' Certificate, one signer of which shall be the principal financial officer, principal executive officer or principal accounting officer, stating that in the course of the performance by the signers of their duties as Officers of the Company they would normally have knowledge of any Default by the Company and whether or not the signers know of any Default that occurred during such period. If they do, the certificate shall describe the Default, its status and what action the Company is taking or proposes to take with respect thereto. The Company also shall comply with TIA Sec. 314(a)(4).

SECTION 4.11. Further Instruments and Acts. Upon request of the Trustee, the Company shall execute and deliver such further instruments and do such further acts as may be reasonably necessary or proper to carry out more effectively the purpose of this Indenture.

ARTICLE 5

Successor Company

SECTION 5.01. When Company May Merge or Transfer Assets. The Company shall not consolidate with or merge with or into, or convey, transfer or lease all or substantially all its assets to, any Person, unless:

(i) the resulting, surviving or transferee Person (if not the Company) shall be a Person organized and existing under the laws of the United States of America, any State thereof or the District of Columbia and such Person shall expressly assume, by an indenture supplemental hereto, executed and delivered to the Trustee, in form satisfactory to the Trustee, all the obligations of the Company under the Debentures and this Indenture;

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(ii) immediately after giving effect to such transaction (and treating any Indebtedness which becomes an obligation of the resulting, surviving or transferee Person or any Subsidiary as a result of such transaction as having been issued by such Person or such Subsidiary at the time of such transaction), no Default shall have occurred and be continuing;

(iii) immediately after giving effect to such transaction, the resulting, surviving or transferee Person would be able to incur an additional $1.00 of Funded Debt pursuant to Section 4.03(a); and

(iv) the Company shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that such consolidation, merger or transfer and such supplemental indenture (if any) comply with this Indenture.

The resulting, surviving or transferee Person shall be the successor Company and shall succeed to, and be substituted for, and may exercise every right and power of, the Company under this Indenture, but the predecessor Company in the case of a conveyance, transfer or lease shall not be released from the obligation to pay the principal of and interest on the Debentures.

ARTICLE 6

Defaults and Remedies

SECTION 6.01. Events of Default. An "Event of Default" occurs if:

(1) the Company defaults in any payment of interest on any Debenture when the same becomes due and payable, whether or not such payment shall be prohibited by Article 10, and such Default continues

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for a period of 30 days;

(2) the Company (i) defaults in the payment of the principal of any Debenture when the same becomes due and payable at its Stated Maturity, upon redemption, upon declaration or otherwise, whether or not such payment shall be prohibited by Article 10 or (ii) fails to redeem or purchase Debentures when required pursuant to this Indenture or the Debentures, whether or not such redemption or purchase shall be prohibited by Article 10;

(3) the Company fails to comply with any of its agreements in the Debentures or this Indenture (other than those referred to in (1) or (2) above) and such failure continues for 30 days after the notice specified below;

(4) Indebtedness of the Company or any Significant Subsidiary is not paid within any applicable grace period after final maturity or is accelerated by the Holders thereof because of a default, the total amount of such Indebtedness unpaid or accelerated exceeds $1,000,000 or its foreign currency equivalent;

(5) the Company or any Significant Subsidiary pursuant to or within the meaning of any Bankruptcy Law:

(A) commences a voluntary case;

(B) consents to the entry of an order for relief against it in an involuntary case;

(C) consents to the appointment of a Custodian of it or for any substantial part of its property; or

(D) makes a general assignment for the benefit of its creditors;

or takes any comparable action under any foreign laws relating to insolvency;

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(6) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that:

(A) is for relief against the Company or any Significant Subsidiary in an involuntary case;

(B) appoints a Custodian of the Company or any Significant Subsidiary or for any substantial part of its property; or

(C) orders the winding up or liquidation of the Company or any Significant Subsidiary;

or any similar relief is granted under any foreign laws and the order or decree remains unstayed and in effect for 60 days; or

(7) any judgment or decree for the payment of money in excess of $1,000,000 is entered against the Company or any Significant Subsidiary and is not discharged and either (A) an enforcement proceeding has been commenced by any creditor upon such judgment or decree or (B) there is a period of 60 days following the entry of such judgment or decree during which such judgment or decree is not discharged, waived or the execution thereof stayed and, in the case of (B), such default continues for 10 days after the notice specified below.

The foregoing shall constitute Events of Default whatever the reason for any such Event of Default and whether it is voluntary or involuntary or is effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body.

The term "Bankruptcy Law" means Title 11, United States Code, or any similar Federal or state law for the relief of debtors. The term "Custodian" means any receiver, trustee, assignee, liquidator, custodian or similar official under any Bankruptcy Law.

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The Company shall deliver to the Trustee, within 30 days after the occurrence thereof, written notice in the form of an Officers' Certificate of any event which with the giving of notice and the lapse of time would become an Event of Default under clause (3) or (7), its status and what action the Company is taking or proposes to take with respect thereto.

SECTION 6.02. Acceleration. If an Event of Default (other than an Event of Default specified in Section 6.01(5) or (6) with respect to the Company) occurs and is continuing, the Trustee by notice to the Company, or the Holders of at least 25% in principal amount of the Debentures by notice to the Company and the Trustee, may declare the principal of and accrued interest on all the Debentures to be due and payable. Upon such a declaration, such principal and interest shall be due and payable immediately. If an Event of Default specified in Section 6.01(5) or (6) with respect to the Company occurs, the principal of and interest on all the Debentures shall ipso facto become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Debentureholders. The Holders of a majority in principal amount of the Debentures by notice to the Trustee may rescind an acceleration and its consequences if the rescission would not conflict with any judgment or decree and if all existing Events of Default have been cured or waived except nonpayment of principal or interest that has become due solely because of acceleration. No such rescission shall affect any subsequent Default or impair any right consequent thereto.

SECTION 6.03. Other Remedies. If an Event of Default occurs and is continuing, the Trustee may pursue any available remedy to collect the payment of principal of or interest on the Debentures or to enforce the performance of any provision of the Debentures or this Indenture.

The Trustee may maintain a proceeding even if it does not possess any of the Debentures or does not produce any of them in the proceeding. A delay or omission by the Trustee or any Debentureholder in exercising any right or remedy accruing upon an Event of Default shall not impair the right or remedy or constitute a waiver of or acquiescence in the Event of Default. No remedy is exclusive of any other remedy. All available remedies are cumulative.

SECTION 6.04. Waiver of Past Defaults. The Holders of a majority in principal amount of the Debentures by notice to the Trustee may waive an existing Default and its consequences except (i) a Default in the payment of the principal of or interest on a Debenture or (ii) a Default in respect of a provision that under Section 9.02 cannot be amended without the consent of each Debentureholder affected. When a Default is waived, it is deemed cured, but no such waiver shall extend to any subsequent or other

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Default or impair any consequent right.

SECTION 6.05. Control by Majority. The Holders of a majority in principal amount of the Debentures may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee. However, the Trustee may refuse to follow any direction that conflicts with law or this Indenture or, subject to Section 7.01, that the Trustee determines is

unduly prejudicial to the rights of other Debentureholders or would involve the Trustee in personal liability; provided, however, that the Trustee may take any other action deemed proper by the Trustee that is not inconsistent with such direction. Prior to taking any action hereunder, the Trustee shall be entitled to indemnification satisfactory to it in its sole discretion against all losses and expenses caused by taking or not taking such action.

SECTION 6.06. Limitation on Suits. A Debentureholder may not pursue any remedy with respect to this Indenture or the Debentures unless:

(1) the Holder gives to the Trustee written notice stating that an Event of Default is continuing;

(2) the Holders of at least 25% in principal amount of the Debentures make a written request to the Trustee to pursue the remedy;

(3) such Holder or Holders offer to the Trustee reasonable security or indemnity against any loss, liability or expense;

(4) the Trustee does not comply with the request within 60 days after receipt of the request and the offer of security or indemnity; and

(5) the Holders of a majority in principal amount of the Debentures do not give the Trustee a direction inconsistent with the request during such 60-day period.

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A Debentureholder may not use this Indenture to prejudice the rights of another Debentureholder or to obtain a preference or priority over another Debentureholder.

SECTION 6.07. Rights of Holders To Receive Payment.

Notwithstanding any other provision of this Indenture, the right of any Holder to receive payment of principal of and interest on the Debentures held by such Holder, on or after the respective due dates expressed in the Debentures, or to bring suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such Holder.

SECTION 6.08. Collection Suit by Trustee. If an Event of

Default in payment of interest or principal specified in Section 6.01(1) or (2) occurs and is continuing, the Trustee may recover judgment in its own name and as trustee of an express trust against the Company for the whole amount of principal and interest remaining unpaid (together with interest on such unpaid interest to the extent lawful) and the amounts provided for in Section 7.07.

SECTION 6.09. Trustee May File Proofs of Claim. The Trustee may

file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee and the Debentureholders allowed in any judicial proceedings relative to the Company, its creditors or its property and, unless prohibited by law or applicable regulations, may vote on behalf of the Holders in any election

of a trustee in bankruptcy or other Person performing similar functions, and any Custodian in any such judicial proceeding is hereby authorized by each Holder to make payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and its counsel, and any other amounts due the Trustee under Section

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7.07.

SECTION 6.10. Priorities. If the Trustee collects any money or property pursuant to this Article 6, it shall pay out the money or property in the following order:

FIRST: to the Trustee for amounts due under Section 7.07;

SECOND: to holders of Senior Debt to the extent required by Article 10;

THIRD: to Debentureholders for amounts due and unpaid on the Debentures for principal and interest, ratably, without preference or priority of any kind, according to the amounts due and payable on the Debentures for principal and interest, respectively; and

FOURTH: to the Company.

The Trustee may fix a record date and payment date for any payment to Debentureholders pursuant to this Section. At least 15 days before such record date, the Company shall mail to each Debentureholder and the Trustee a notice that states the record date, the payment date and amount to be paid.

SECTION 6.11. Undertaking for Costs. In any suit for the enforcement of any right or remedy under this Indenture or in any suit against the Trustee for any action taken or omitted by it as Trustee, a court in its discretion may require the filing by any party litigant in the suit of an undertaking to pay the costs of the suit, and the court in its discretion may assess reasonable costs, including reasonable attorneys' fees, against any party litigant in the suit, having due regard to the merits and good faith of the claims or defenses made by the party litigant. This Section does not apply to a suit by the Trustee, a suit by a Holder pursuant to Section 6.07 or a suit by Holders of more than 10% in principal amount of the Debentures.

SECTION 6.12. Waiver of Stay or Extension Laws. The Company (to the extent it may lawfully do so) shall not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension law wherever enacted, now or at any time hereafter in force, which may affect the covenants or the performance of this Indenture; and the Company (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law, and shall not hinder, delay or impede the execution of any power herein granted to the Trustee, but shall suffer and permit the execution of every such power as though no such law had been enacted.

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ARTICLE 7

Trustee

SECTION 7.01. Duties of Trustee. (a) If an Event of Default has occurred and is continuing, the Trustee shall exercise the rights and powers vested in it by this Indenture and use the same degree of care and skill in their exercise as a prudent Person would exercise or use under the circumstances in the conduct of such Person's own affairs.

(b) Except during the continuance of an Event of Default:

(1) the Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Indenture and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(2) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture. However, the Trustee shall examine the certificates and opinions to determine whether or not they conform to the requirements of this Indenture.

(c) The Trustee may not be relieved from liability for its own negligent action, its own negligent failure to act or its own wilful misconduct, except that:

(1) this paragraph does not limit the effect of paragraph (b) of this Section;

(2) the Trustee shall not be liable for any error of judgment made in good faith by a Trust Officer unless it is proved that the Trustee was negligent in ascertaining the pertinent facts; and

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(3) the Trustee shall not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it pursuant to Section 6.05.

(d) Every provision of this Indenture that in any way relates to the Trustee is subject to paragraphs (a), (b) and (c) of this Section.

(e) The Trustee shall not be liable for interest on any money received by it except as the Trustee may agree in writing with the Company.

(f) Money held in trust by the Trustee need not be segregated from other funds except to the extent required by law.

(g) No provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur financial liability in the performance of any of its duties hereunder or in the exercise of any of its rights or powers, if it shall have reasonable grounds to believe that

repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(h) Every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section and to the provisions of the TIA.

SECTION 7.02. Rights of Trustee. (a) The Trustee may rely on any document believed by it to be genuine and to have been signed or presented by the proper Person. The Trustee need not investigate any fact or matter stated in the document.

(b) Before the Trustee acts or refrains from acting, it may require an Officers' Certificate and/or an Opinion of Counsel. The Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on the Officers' Certificate or Opinion of Counsel.

(c) The Trustee may act through agents and shall not be

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responsible for the misconduct or negligence of any agent appointed with due care.

(d) The Trustee shall not be liable for any action it takes or omits to take in good faith which it believes to be authorized or within its rights or powers; provided, however, that the Trustee's conduct does not constitute wilful misconduct, negligence or bad faith.

(e) The Trustee may consult with counsel, and the advice or opinion of counsel with respect to legal matters relating to this Indenture and the Debentures shall be full and complete authorization and protection from liability in respect to any action taken, omitted or suffered by it hereunder in good faith and in accordance with the advice or opinion of such counsel.

SECTION 7.03. Individual Rights of Trustee. The Trustee in its individual or any other capacity may become the owner or pledgee of Debentures and may otherwise deal with the Company or its affiliates with the same rights it would have if it were not Trustee. Any Paying Agent, Registrar, co-registrar or co-paying agent may do the same with like rights. However, the Trustee must comply with Sections 7.10 and 7.11.

SECTION 7.04. Trustee's Disclaimer. The Trustee shall not be responsible for and makes no representation as to the validity or adequacy of this Indenture or the Debentures, it shall not be accountable for the Company's use of the proceeds from the Debentures, and it shall not be responsible for any statement of the Company in the Indenture or in any document issued in connection with the sale of the Debentures or in the Debentures other than the Trustee's certificate of authentication.

SECTION 7.05. Notice of Defaults. If a Default occurs and is continuing and if it is known to the Trustee, the Trustee shall mail to each Debentureholder notice of the Default within 90 days after it occurs. Except in the case of a Default in payment of principal of or interest on any Debenture (including payments pursuant to the mandatory redemption provisions of such Debenture), the Trustee may withhold the notice if and

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so long as a committee of its Trust Officers in good faith determines that withholding the notice is in the interests of Debentureholders.

SECTION 7.06. Reports by Trustee to Holders. As promptly as practicable after each May 15 beginning with the May 15 following the date of this Indenture, and in any event prior to July 15 in each year, the Trustee shall mail to each Debentureholder a brief report dated as of May 15 that complies with TIA Sec. 313(a). The Trustee also shall comply with TIA Sec. 313(b).

A copy of each report at the time of its mailing to Debentureholders shall be filed with the SEC and each stock exchange (if any) on which the Debentures are listed. The Company agrees to notify promptly the Trustee whenever the Debentures become listed on any stock exchange and of any delisting thereof.

SECTION 7.07. Compensation and Indemnity. The Company shall pay to the Trustee from time to time reasonable compensation for its services. The Trustee's compensation shall not be limited by any law on compensation of a trustee of an express trust. The Company shall reimburse the Trustee upon request for all reasonable out-of-pocket expenses incurred or made by it, including costs of collection, in addition to the compensation for its services. Such expenses shall include the reasonable compensation and expenses, disbursements and advances of the Trustee's agents, counsel, accountants and experts. The Company shall indemnify the Trustee against any and all loss, liability or expense (including attorneys' fees) incurred by it in connection with the administration of this trust and the performance of its duties hereunder. The Trustee shall notify the Company promptly of any claim for which it may seek indemnity. Failure by the Trustee to so notify the Company shall not relieve the Company of its obligations hereunder. The Company shall defend the claim and the Trustee may have separate counsel and the Company shall pay the fees and expenses of such counsel. The Company need not reimburse any expense or indemnify against any loss, liability or expense incurred by the Trustee through the Trustee's own wilful misconduct, negligence or bad faith.

To secure the Company's payment obligations in this Section, the Trustee shall have a lien prior to the Debentures on all money or property held or collected by the Trustee other than money or property held in trust to pay principal of and interest on particular Debentures.

The Company's payment obligations pursuant to this Section shall survive the discharge of this Indenture. When the Trustee incurs expenses after the occurrence of a Default specified in Section 6.01(5) or (6) with respect to the Company, the expenses are intended to constitute expenses of administration under the Bankruptcy Law.

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SECTION 7.08. Replacement of Trustee. The Trustee may resign at any time by so notifying the Company. The Holders of a majority in principal amount of the Debentures may remove the Trustee by so notifying the Trustee and may appoint a successor Trustee. The Company shall remove the Trustee if:

(1) the Trustee fails to comply with Section 7.10;

(2) the Trustee is adjudged bankrupt or insolvent;

(3) a receiver or other public officer takes charge of the Trustee or its property; or

(4) the Trustee otherwise becomes incapable of acting.

If the Trustee resigns or is removed or if a vacancy exists in the office of Trustee for any reason (the Trustee in such event being referred to herein as the retiring Trustee), the Company shall promptly appoint a successor Trustee.

A successor Trustee shall deliver a written acceptance of its appointment to the retiring Trustee and to the Company. Thereupon the resignation or removal of the retiring Trustee shall become effective, and the successor Trustee shall have all the rights, powers and duties of the Trustee under this Indenture. The successor Trustee shall mail a notice of its succession to Debentureholders. The retiring Trustee shall promptly transfer all property held by it as Trustee to the successor Trustee, subject to the lien provided for in Section 7.07.

If a successor Trustee does not take office within 60 days after the retiring Trustee resigns or is removed, the retiring Trustee, the Company or the Holders of a majority in principal amount of the Debentures may petition any court of competent jurisdiction for the appointment of a successor Trustee.

If the Trustee fails to comply with Section 7.10, any Debentureholder may petition any court of competent jurisdiction for the

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removal of the Trustee and the appointment of a successor Trustee.

Notwithstanding the replacement of the Trustee pursuant to this Section, the Company's obligations under Section 7.07 shall continue for the benefit of the retiring Trustee.

SECTION 7.09. Successor Trustee by Merger. If the Trustee consolidates with, merges or converts into, or transfers all or substantially all its corporate trust business or assets to, another corporation or banking association, the resulting, surviving or transferee corporation without any further act shall be the successor Trustee.

In case at the time such successor or successors by merger, conversion or consolidation to the Trustee shall succeed to the trusts created by this Indenture any of the Debentures shall have been authenticated but not delivered, any such successor to the Trustee may adopt the certificate of authentication of any predecessor Trustee, and deliver such Debentures so authenticated; and in case at that time any of the Debentures shall not have been authenticated, any successor to the Trustee may authenticate such Debentures either in the name of any predecessor hereunder or in the name of the successor to the Trustee; and in all such cases such certificates shall have the full force which it is anywhere in the Debentures or in this Indenture provided that the certificate of the Trustee shall have.

SECTION 7.10. Eligibility; Disqualification. The Trustee shall at all times satisfy the requirements of TIA Sec. 310(a). The Trustee shall have a combined capital and surplus of at least $50,000,000 as set forth in its most recent published annual report of condition. The Trustee shall comply with TIA Sec. 310(b); provided, however, that there shall be excluded from the operation of TIA Sec. 310(b)(1) any indenture or indentures under which other Debentures or certificates of interest or participation in other Debentures of the Company are outstanding, including but not limited to the Indenture, dated as of July 1, 1984, between the Company and the Trustee, as amended, relating to the Company's 11.4% Subordinated Notes due

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1993 and the Indenture, dated as of October 1, 1985, between the Company and the Trustee, as amended, relating to the Company's 14.275% Subordinated Notes due 1995, if the requirements for such exclusion set forth in TIA Sec. 310(b)(1) are met.

SECTION 7.11. Preferential Collection of Claims Against Company.

The Trustee shall comply with TIA Sec. 311(a), excluding any creditor relationship listed in TIA Sec. 311(b). A Trustee who has resigned or been removed shall be subject to TIA Sec. 311(a) to the extent indicated.

ARTICLE 8

Discharge of Indenture; Defeasance

SECTION 8.01. Discharge of Liability on Debentures; Defeasance.

(a) When (i) the Company delivers to the Trustee all outstanding Debentures (other than Debentures replaced pursuant to Section 2.07) for cancellation or (ii) all outstanding Debentures have become due and payable and the Company irrevocably deposits with the Trustee funds sufficient to pay at maturity all outstanding Debentures, including interest thereon (other than Debentures replaced pursuant to Section 2.07), and if in either case the Company pays all other sums payable hereunder by the Company, then this Indenture shall, subject to Sections 8.01(c) and 8.06 cease to be of further effect. The Trustee shall acknowledge satisfaction and discharge of this Indenture on demand of the Company accompanied by an Officers' Certificate and an Opinion of Counsel and at the cost and expense of the Company.

(b) Subject to Sections 8.01(c), 8.02 and 8.06, the Company at any time may terminate (i) all its obligations under the Debentures and this Indenture ("legal defeasance option") or (ii) its obligations under Sections 4.03, 4.04, 4.05, 4.06, 4.07, 4.08, 4.09 and 5.01(iii) and the operation of Sections 6.01(3), 6.01(4), 6.01(5) and (6) (in the case of clauses (5) and (6), only with respect to Significant Subsidiaries) and 6.01(7) ("covenant defeasance option"). The Company may exercise its legal defeasance option notwithstanding its prior exercise of its covenant defeasance option.

If the Company exercises its legal defeasance option, payment of the Debentures may not be accelerated because of an Event of Default. If the Company exercises its covenant defeasance option, payment of the Debentures may not be accelerated because of an Event of Default specified in 6.01(3), 6.01(4), 6.01(5) and (6) (with respect to Significant

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Subsidiaries) and 6.01(7) or because of the failure of the Company to comply with Article 4 of this Agreement (other than Sections 4.01, 4.02, 4.10 and 4.11) or with clause (iii) of Section 5.01.

Upon satisfaction of the conditions set forth herein and upon request of the Company, the Trustee shall acknowledge in writing the discharge of those obligations that the Company terminates.

(c) Notwithstanding clauses (a) and (b) above, the Company's obligations in Sections 2.03, 2.04, 2.05, 2.06, 2.07, 7.07, 7.08, 8.04, 8.05 and 8.06 shall survive until the Debentures have been paid in full. Thereafter, the Company's obligations in Sections 7.07, 8.04 and 8.05 shall survive.

SECTION 8.02. Conditions to Defeasance. The Company may exercise its legal defeasance option or its covenant defeasance option only if:

(1) the Company irrevocably deposits in trust with the Trustee money or U.S. Government Obligations for the payment of principal and interest on the Debentures to maturity or redemption, as the case may be;

(2) the Company delivers to the Trustee a certificate from a nationally recognized firm of independent accountants expressing their opinion that the payments of principal and interest when due and without reinvestment on the deposited U.S. Government Obligations plus any deposited money without investment will provide cash at such times and in such amounts as will be sufficient to pay principal and interest when due on all the Debentures to maturity or redemption, as the case may be;

(3) unless a notice of redemption shall have been mailed pursuant to Section 3.03 and other arrangements satisfactory to the Trustee for such redemption shall have been made, 123 days pass after the deposit is made and during the 123-day period no Default specified in Section 6.01(5) or (6) with respect to the Company occurs which is continuing at the end of the period;

(4) no Default has occurred and is continuing on the date of

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such deposit and after giving effect thereto;

(5) the deposit does not constitute a default under any other agreement binding on the Company and is not prohibited by Article 10;

(6) the Company delivers to the Trustee an Opinion of Counsel to the effect that the trust resulting from the deposit does not constitute, or is qualified as, a regulated investment company under the Investment Company Act of 1940;

(7) in the case of the legal defeasance option, the Company shall have delivered to the Trustee an Opinion of Counsel stating that (i) the Company has received from, or there has been published by, the Internal Revenue Service a ruling, or (ii) since the date of this

Indenture there has been a change in the applicable federal income tax law, in either case to the effect that, and based thereon such Opinion of Counsel shall confirm that, the Debentureholders will not recognize income, gain or loss for federal income tax purposes as a result of such defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such defeasance had not occurred;

(8) in the case of the covenant defeasance option, the Company shall have delivered to the Trustee an Opinion of Counsel to the effect that the Debentureholders will not recognize income, gain or loss for federal income tax purposes as a result of such covenant defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such covenant defeasance had not occurred; and

(9) the company delivers to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent to the defeasance and discharge of the Debentures as contemplated by this Article 8 have been complied with.

Before or after a deposit, the Company may make arrangements satisfactory to the Trustee for the redemption of Debentures at a future

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date in accordance with Article 3.

SECTION 8.03. Application of Trust Money. The Trustee shall hold in trust money or U.S. Government Obligations deposited with it pursuant to this Article 8. It shall apply the deposited money and the money from U.S. Government Obligations through the Paying Agent and in accordance with this Indenture to the payment of principal of and interest on the Debentures. Money and Debentures so held in trust are not subject to Article 10.

SECTION 8.04. Repayment to Company. The Trustee and the Paying Agent shall promptly turn over to the Company upon request any excess money or Debentures held by them at any time.

Subject to any applicable abandoned property law, the Trustee and the Paying Agent shall pay to the Company upon request any money held by them for the payment of principal or interest that remains unclaimed for two years, and, thereafter, Debentureholders entitled to the money must look to the Company for payment as general creditors and all liability of the Trustee or such Paying Agent with respect to such trust money, and all liability of the Company as paying agent thereof in the event that the Company shall at such time be serving as the paying agent, shall thereupon cease; provided, however, that the Trustee or such Paying Agent, before being required to make such repayment, may at the expense of the Company mail to each such Holder notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such mailing, any unclaimed balance of such money remaining shall be repaid to the Company.

SECTION 8.05. Indemnity for Government Obligations. The Company shall pay and shall indemnify the Trustee against any tax, fee or other

charge imposed on or assessed against deposited U.S. Government Obligations or the principal and interest received on such U.S. Government Obligations.

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SECTION 8.06. Reinstatement. If the Trustee or Paying Agent is unable to apply any money or U.S. Government Obligations in accordance with this Article 8 by reason of any legal proceeding or by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, the Company's obligations under this Indenture and the Debentures shall be revived and reinstated as though no deposit had occurred pursuant to this Article 8 until such time as the Trustee or Paying Agent is permitted to apply all such money or U.S. Government Obligations in accordance with this Article S; provided, however, that, if the Company has made any payment of interest on or principal of any Debentures because of the reinstatement of its obligations, the Company shall be subrogated to the rights of the Holders of such Debentures to receive such payment from the money or U.S. Government Obligations held by the Trustee or Paying Agent.

ARTICLE 9

Amendments

SECTION 9.01. Without Consent of Holders. The Company when authorized by a resolution of the Board of Directors of the Company and the Trustee may amend this Indenture or the Debentures without notice to or consent of any Debentureholder:

(1) to cure any ambiguity, omission, defect or inconsistency;

(2) to comply with Article 5;

(3) to provide for uncertificated Debentures in addition to or in place of certificated Debentures; provided, however, that the uncertificated Debentures are issued in registered form for purposes of Section 163(f) of the Code or in a manner such that the uncertificated Debentures are described in Section 163(f)(2)(B) of the Internal Code;

(4) to make any change in Article 10 that would limit or terminate the benefits available to any holder of Senior Debt (or Representatives therefor) under Article 10;

(5) to add guarantees with respect to the Debentures or to secure the Debentures;

(6) to add to the covenants of the Company for the benefit of the Holders or to surrender any right or power herein conferred upon the Company;

(7) to comply with any requirements of the SEC in connection

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with qualifying this Indenture under the TIA; or

(8) to make any change that does not adversely affect the rights of any Debentureholder.

An amendment under this Section may not make any change that adversely affects the rights under Article 10 of any holder of Senior Debt then outstanding unless the holders of such Senior Debt (or any group or representative thereof authorized to give a consent) consent to such change.

After an amendment under this Section becomes effective, the Company shall mail to Debentureholders a notice briefly describing such amendment. The failure to give such notice to all Debentureholders, or any defect therein, shall not impair or affect the validity of an amendment under this Section.

SECTION 9.02. With Consent of Holders. The Company when authorized by a resolution of the Board of Directors of the Company and the Trustee may amend this Indenture or the Debentures without notice to any Debentureholder but with the written consent of the Holders of at least a majority in principal amount of the Debentures; provided, however, that no amendment may be made to Section 4.08 without the written consent of the Holders of at least 66 2/3% in principal amount of the Debentures. However, without the consent of each Debentureholder affected, an amendment may not:

(1) reduce the amount of Debentures whose Holders must consent to an amendment;

(2) reduce the rate of or extend the time for payment of interest on any Debenture;

(3) reduce the principal of or extend the Stated Maturity of any Debenture;

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(4) reduce the premium payable upon the redemption of any Debenture or change the time at which any Debenture may be redeemed in accordance with Article 3;

(5) make any Debenture payable in money other than that stated in the Debenture;

(6) impair the right of any Holder to receive payment of principal of and interest on such Holder's Debentures on or after the due dates therefor or to institute suit for the enforcement of any payment on or with respect to such Holder's Debentures;

(7) make any change in Article 10 that adversely affects the rights of any Debentureholder under Article 10; or

(8) make any change in Section 6.04 or 6.07 or the second sentence of this Section.

It shall not be necessary for the consent of the Holders under this Section to approve the particular form of any proposed amendment, but it shall be sufficient if such consent approves the substance thereof.

An amendment under this Section may not make any change that adversely affects the rights under Article 10 of any holder of Senior Debt then outstanding unless the holders of such Senior Debt (or any group or representative thereof authorized to give a consent) consent to such change.

After an amendment under this Section becomes effective, the Company shall mail to Debentureholders a notice briefly describing such amendment. The failure to give such notice to all Debentureholders, or any defect therein, shall not impair or affect the validity of an amendment under this Section.

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SECTION 9.03. Compliance with Trust Indenture Act. Every amendment to this Indenture or the Debentures shall comply with the TIA as then in effect.

SECTION 9.04. Revocation and Effect of Consents and Waivers. A consent to an amendment or a waiver by a Holder of a Debenture shall bind the Holder and every subsequent Holder of that Debenture or portion of the Debenture that evidences the same debt as the consenting Holder's Debenture, even if notation of the consent or waiver is not made on the Debenture. However, any such Holder or subsequent Holder may revoke the consent or waiver as to such Holder's Debenture or portion of the Debenture if the Trustee receives the notice of revocation before the date the amendment or waiver becomes effective. After an amendment or waiver becomes effective, it shall bind every Debentureholder.

The Company may, but shall not be obligated to, fix a record date for the purpose of determining the Debentureholders entitled to give their consent or take any other action described above or required or permitted to be taken pursuant to this Indenture. If a record date is fixed, then notwithstanding the immediately preceding paragraph, those Persons who were Debentureholders at such record date (or their duly designated proxies), and only those Persons, shall be entitled to give such consent or to revoke any consent previously given or to take any such action, whether or not such Persons continue to be Holders after such record date. No such consent shall be valid or effective for more than 120 days, after such record date.

SECTION 9.05. Notation on or Exchange of Debentures. If an amendment changes the terms of a Debenture, the Trustee may require the Holder of the Debenture to deliver it to the Trustee. The Trustee may place an appropriate notation on the Debenture regarding the changed terms and return it to the Holder. Alternatively, if the Company or the Trustee so determines, the Company in exchange for the Debenture shall issue and the Trustee shall authenticate a new Debenture that reflects the changed terms. Failure to make the appropriate notation or to issue a new Debenture shall not affect the validity of such amendment.

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SECTION 9.06. Trustee to Sign Amendments. The Trustee shall sign any amendment authorized pursuant to this Article 9 if the amendment does not adversely affect the rights, duties, liabilities or immunities of the Trustee. If it does, the Trustee may but need not sign it. In signing such amendment the Trustee shall be entitled to receive indemnity reasonably satisfactory to it and to receive, and (subject to Section 7.01) shall be fully protected in relying upon, an Officers' Certificate and an Opinion of Counsel stating that such amendment is authorized or permitted by this Indenture.

SECTION 9.07. Payment for Consent. Neither the Company, any Affiliate of the Company nor any Subsidiary shall, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any Holder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of this Indenture or the Debentures unless such consideration is offered to be paid or agreed to be paid to all Holders which so consent, waive or agree to amend in the time frame set forth in solicitation documents relating to such consent, waiver or agreement.

ARTICLE 10

Subordination

SECTION 10.01. Agreement To Subordinate. The Company agrees, and each Debentureholder by accepting a Debenture agrees, that the Indebtedness evidenced by the Debentures is subordinated in right of payment, to the extent and in the manner provided in this Article 10, to the prior payment of all Senior Debt and that the subordination is for the benefit of and enforceable by the holders of Senior Debt. Only Indebtedness of the Company which is Senior Debt shall rank senior to the Debentures in accordance with the provisions set forth herein. All provisions of this Article 10 shall be subject to Section 10.12.

SECTION 10.02. Liquidation, Dissolution, Bankruptcy. Upon any payment or distribution of the assets of the Company to creditors upon a total or partial liquidation or a total or partial dissolution of the Company or in a bankruptcy, reorganization, insolvency, receivership or similar proceeding relating to the Company or its property:

(1) holders of Senior Debt shall be entitled to receive payment

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in full of the Senior Debt before Debentureholders shall be entitled to receive any payment of principal of, or premium, if any, or interest on the Debentures; and

(2) until the Senior Debt is paid in full, any distribution to which Debentureholders would be entitled but for this Article 10 shall be made to holders of Senior Debt as their interests may appear, except that Debentureholders may receive shares of stock and any debt securities that are subordinated to Senior Debt to at least the same extent as the Debentures.

For purposes of this Section "payment in full", as used with respect to Senior Debt, means the receipt of cash or securities (taken at their fair value at the time of receipt, determined as hereinafter provided) of the principal amount of the Senior Debt and premium, if any, and interest thereon to the date of such payment. "Fair value" means (a) if the Debentures are quoted on a nationally recognized securities exchange, the closing price on the day such Debentures are received or, if there are no sales reported on that day, the reported closing bid price on that day, and (b) if the Debentures are not so quoted, a price determined by a nationally recognized investment banking house selected by the Debentureholders and the holders of Senior Debt receiving such securities, such price to be determined as of the date of receipt of such securities by the holders of Senior Debt.

SECTION 10.03. Default on Senior Debt. The Company may not pay the principal of, premium, if any, or interest on, the Debentures or make any deposit pursuant to Section 8.01 and may not repurchase, redeem or otherwise retire any Debentures (collectively, "pay the Debentures") if (i) any Designated Senior Debt is not paid when due or (ii) any other default on Designated Senior Debt occurs and the maturity of such Designated Senior Debt is accelerated in accordance with its terms unless, in either case, (x) the default has been cured or waived and any such acceleration has been rescinded or (y) such Designated Senior Debt has been paid in full; provided, however, that the Company may pay the Debentures without regard

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to the foregoing if the Company and the Trustee receive written notice approving such payment from the Representative of each issue of Designated Senior Debt. During the continuance of any default (other than a default described in clause (i) or (ii) of the preceding sentence) with respect to any Designated Senior Debt pursuant to which the maturity thereof may be accelerated immediately without further notice (except such notice as may be required to effect such acceleration) or the expiration of any applicable grace periods, the Company may not pay the Debentures for a period (a "Payment Blockage Period") commencing upon the receipt by the Company and the Trustee of written notice of such default from the Representative of the Bank Debt or a Representative of the holders of any Designated Senior Debt specifying an election to effect a Payment Blockage Period (a "Payment Blockage Notice") and ending 179 days thereafter (or earlier if such Payment Blockage Period is terminated (i) by written notice to the Trustee and the Company from the Representative which gave such Payment Blockage Notice, (ii) by repayment in full of such Designated Senior Debt or (iii) because the default specified in such Payment Blockage Notice is no longer continuing). Notwithstanding the provisions described in the immediately preceding sentence (but subject to the provisions contained in the first sentence of this Section), unless the holders of such Designated Senior Debt or the Representative of such holders shall have accelerated the maturity of such Designated Senior Debt, the Company may resume payments on the Debentures after the end of such Payment Blockage Period. Not more than one Payment Blockage Notice may be given in any consecutive 360-day period, irrespective of the number of defaults with respect to Designated Senior Debt during such period.

SECTION 10.04. Acceleration of Payment of Debentures. If payment of the Debentures is accelerated because of an Event of Default,

the Company or the Trustee shall promptly notify the holders of the Designated Senior Debt or their Representatives of the acceleration.

SECTION 10.05. When Distribution Must Be Paid Over. If a distribution is made to Debentureholders that because of this Article 10

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should not have been made to them, the Debentureholders who receive the distribution shall hold it in trust for holders of Senior Debt and pay it over to them as their interests may appear.

SECTION 10.06. Subrogation. After all Senior Debt is paid in full and until the Debentures are paid in full, Debentureholders shall be subrogated to the rights of holders of Senior Debt to receive distributions applicable to Senior Debt. A distribution made under this Article 10 to holders of Senior Debt which otherwise would have been made to Debentureholders is not, as between the Company and Debentureholders, a payment by the Company on Senior Debt.

SECTION 10.07. Relative Rights. This Article 10 defines the relative rights of Debentureholders and holders of Senior Debt. Nothing in this Indenture shall:

(1) impair, as between the Company and Debentureholders, the obligation of the Company, which is absolute and unconditional, to pay principal of, premium, if any, and interest on the Debentures in accordance with their terms; or

(2) prevent the Trustee or any Debentureholder from exercising its available remedies upon a Default, subject to the rights of holders of Senior Debt to receive distributions otherwise payable to Debentureholders.

SECTION 10.08. Subordination May Not Be Impaired by Company. No right of any holder of Senior Debt to enforce the subordination of the Indebtedness evidenced by the Debentures shall be impaired by any act or failure to act by the Company or by its failure to comply with this Indenture.

SECTION 10.09. Rights of Trustee and Paying Agent. Notwithstanding Section 10.03, the Trustee or Paying Agent may continue to make payments on the Debentures and shall not be charged with knowledge of the existence of facts that would prohibit the making of any such payments unless, not less than two Business Days prior to the date of such payment, a Trust Officer of the Trustee receives notice satisfactory to it that payments may not be made under this Article 10. The Company, the Registrar or co-registrar, the Paying Agent, a Representative or a holder of Senior Debt may give the notice; provided, however, that, if an issue of Senior Debt has a Representative, only the Representative may give the notice.

The Trustee in its individual or any other capacity may hold Senior Debt with the same rights it would have if it were not Trustee. The Registrar and co-registrar and the Paying Agent may do the same with like rights. The Trustee shall be entitled to all the rights set forth in this

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Article 10 with respect to any Senior Debt which may at any time be held by it, to the same extent as any other holder of Senior Debt, and nothing in

Article 7 shall deprive the Trustee of any of its rights as such holder. Nothing in this Article 10 shall apply to claims of, or payments to, the Trustee under or pursuant to Section 7.07.

SECTION 10.10. Distribution or Notice to Representative.

Whenever a distribution is to be made or a notice given to holders of Senior Debt, the distribution ray be made and the notice given to their Representative (if any).

SECTION 10.11. Article 10 Not To Prevent Events of Default or Limit Right To Accelerate. The failure to make a payment pursuant to the - Debentures by reason of any provision in this Article 10 shall not be construed as preventing the occurrence of a Default. Nothing in this Article 10 shall have any effect on the right of the Debentureholders or the Trustee to accelerate the maturity of the Debentures.

SECTION 10.12. Trust Moneys Not Subordinated. Notwithstanding anything contained herein to the contrary, payments from money or the proceeds of U.S. Government Obligations held in trust under Article 8 by the Trustee for the payment of principal of and interest on the Debentures shall not be subordinated to the prior payment of any Senior Debt or subject to the restrictions set forth in this Article 10, and none of the Debentureholders shall be obligated to pay over any such amount to the Company or any holder of Senior Debt of the Company or any other creditor of the Company.

SECTION 10.13. Trustee Entitled To Rely. Upon any payment or distribution pursuant to this Article 10, the Trustee and the Debentureholders shall be entitled to rely (i) upon any order or decree of a court of competent jurisdiction in which any proceedings of the nature

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referred to in Section 10.02 are pending,, (ii) upon a certificate of the liquidating trustee or agent or other Person making such payment or distribution to the Trustee or to the Debentureholders or (iii) upon the Representatives for the holders of Senior Debt for the purpose of ascertaining the Persons entitled to participate in such payment or distribution, the holders of the Senior Debt and other indebtedness of the Company, the amount thereof or payable thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or to this Article 10. In the event that the Trustee determines, in good faith, that evidence is required with respect to the right of any Person as a holder of Senior Debt to participate in any payment or distribution pursuant to this Article 10, the Trustee may request such Person to furnish evidence to the reasonable satisfaction of the Trustee as to the amount of Senior Debt held by such Person, the extent to which such Person is entitled to participate in such payment or distribution and other facts pertinent to the rights of such Person under this Article 10, and, if such evidence is not furnished, the Trustee may defer any payment to such Person pending judicial deter-mination as to the right of such Person to receive such payment. The provisions of Sections 7.01 and 7.02 shall be applicable to all actions or omissions of actions by the Trustee pursuant to this Article 10.

SECTION 10.14. Trustee To Effectuate Subordination. Each Debentureholder by accepting a Debenture authorizes and directs the Trustee on his behalf to take such action as may be necessary or appropriate to

acknowledge or effectuate the subordination between the Debentureholders and the holders of Senior Debt as provided in this Article 10 and appoints the Trustee as attorney-in-fact for any and all such purposes.

SECTION 10.15. Trustee Not Fiduciary for Holders of Senior Debt. The Trustee shall not be deemed to owe any fiduciary duty to the holders of Senior Debt and shall not be liable to any such holders if it shall mistakenly pay over or distribute to Debentureholders or the Company or any other Person, money or assets to which any holders of Senior Debt shall be entitled by virtue of this Article 10 or otherwise.

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SECTION 10.16. Reliance by Holders of Senior Debt on Subordination Provisions. Each Debentureholder by accepting a Debenture acknowledges and agrees that the foregoing subordination provisions are, and are intended to be, an inducement and a consideration to each holder of any Senior Debt, whether such Senior Debt was created or acquired before or after the issuance of the Debentures, to acquire and continue to hold, or to continue to hold, such Senior Debt and such holder of Senior Debt shall be deemed conclusively to have relied on such subordination provisions in acquiring and continuing to hold, or in continuing to hold, such Senior Debt.

ARTICLE 11

Miscellaneous

SECTION 11.01. Trust Indenture Act Controls. If any provision of this Indenture limits, qualifies or conflicts with another provision which is required to be included in this Indenture by the TIA, the required provision shall control.

SECTION 11.02. Notices. Any notice or communication shall be in writing and delivered in Person or mailed by first-class mail addressed as follows:

if to the Company:

Petroleum Heat and Power Co., Inc.
2187 Atlantic Street
Stamford, CT 06902

Attention of Chief Executive Officer

if to the Trustee:

Chemical Bank
450 West 33rd Street, 15th Floor
New York, NY 10001

Attention of Corporate Trust Group

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The Company or the Trustee by notice to the other may designate additional or different addresses for subsequent notices or communications.

Any notice or communication mailed to a Debentureholder shall be mailed to the Debentureholder at the Debentureholder's address as it appears on the registration books of the Registrar and shall be sufficiently given if so mailed within the time prescribed.

Failure to mail a notice or communication to a Debentureholder or any defect in it shall not affect its sufficiency with respect to other Debentureholders. If a notice or communication is mailed in the manner provided above, it is duly given, whether or not the addressee receives it.

SECTION 11.03. Communication by Holders with Other Holders.

Debentureholders may communicate pursuant to TIA Sec.Sec. 312(b) with other Debentureholders with respect to their rights under this Indenture or the Debentures. The Company, the Trustee, the Registrar and anyone else shall have the protection of TIA Sec. 312(c).

SECTION 11.04. Certificate and Opinion as to Conditions Precedent. Upon any request or application by the Company to the Trustee to take or refrain from taking any action under this Indenture, the Company shall furnish to the Trustee:

(1) an Officers' Certificate in form and substance reasonably satisfactory to the Trustee stating that, in the opinion of the signers, all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with; and

(2) an Opinion of Counsel in form and substance reasonably satisfactory to the Trustee stating that, in the opinion of such counsel, all such conditions precedent have been complied with.

SECTION 11.05. Statements Required in Certificate or Opinion.

Each certificate or opinion with respect to compliance with a covenant or condition provided for in this Indenture shall include:

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(1) a statement that the Person making such certificate or opinion has read such covenant or condition;

(2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(3) a statement that, in the opinion of such Person, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(4) a statement as to whether or not, in the opinion of such Person, such covenant or condition has been complied with.

SECTION 11.06. When Debentures Disregarded. In determining
---
whether the Holders of the required principal amount of Debentures have

concurred in any direction, waiver or consent, Debentures owned by the Company or by any Person directly or indirectly controlling or controlled by or under direct or indirect common control with the Company shall be disregarded and deemed not to be outstanding, except that, for the purpose of determining whether the Trustee shall be protected in relying on any such direction, waiver or consent, only Debentures which the Trustee knows are so owned shall be so disregarded. Also, subject to the foregoing, only Debentures outstanding at the time shall be considered in any such determination.

SECTION 11.07. Rules by Trustee, Paying Agent and Registrar.

The Trustee may make reasonable rules for action by or a meeting of Debentureholders. The Registrar and the Paying Agent may make reasonable rules for their functions.

SECTION 11.08. Governing Law. This Indenture and the Debentures
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shall be governed by, and construed in accordance with, the laws of the State of New York but without giving effect to applicable principles of conflicts of law to the extent that the application of the laws of another jurisdiction would be required thereby.

SECTION 11.09. No Recourse Against Others. A director, officer, employee or stockholder, as such, of the Company shall not have any liability for any obligations of the Company under the Debentures or this Indenture or for any claim based on, in respect of or by reason of such obligations or their creation. By accepting a Debenture, each Debentureholder shall waive and release all such liability. The waiver and release shall be part of the consideration for the issue of the Debentures.

SECTION 11.10. Successors. All agreements of the Company in this Indenture and the Debentures shall bind its successors. All agreements of the Trustee in this Indenture shall bind its successors.

SECTION 11.11. Multiple Originals. The parties may sign any number of copies of this Indenture. Each signed copy shall be an original, but all of them together represent the same agreement. One signed copy is enough to prove this Indenture.

SECTION 11.12. Table of Contents; Headings. The table of contents, cross-reference sheet and headings of the Articles and Sections of this Indenture have been inserted for convenience of reference only, are not intended to be considered a part hereof and shall not modify or restrict any of the terms or provisions hereof.

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IN WITNESS WHEREOF, the parties have caused this Indenture to be duly executed as of the date first written above.

PETROLEUM HEAT AND POWER CO., INC.,

By: _____
Name:
Title:

CHEMICAL BANK, as Trustee,

By: _____
Name:
Title:

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EXHIBIT A

(FORM OF FACE OF DEBENTURE)

No. $_____

_____% Subordinated Note Due 2006

Petroleum Heat and Power Co., Inc., a Minnesota corporation, promises to pay to or registered assigns, the principal sum of Dollars on ,2006.

Interest Payment Dates:_____and_____.

Record Dates:_____and_____.

Additional Provisions of this Debenture are set forth on the other side of this Debenture.

Dated:

PETROLEUM HEAT AND POWER CO., INC.,

by

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---

Chief Executive Officer

[Seal]

Secretary

TRUSTEE'S CERTIFICATE OF
AUTHENTICATION

CHEMICAL BANK

as Trustee, certifies that this is one of the Debentures referred to in the within mentioned Indenture.

by

Authorized officer

[FORM OF REVERSE SIDE OF DEBENTURE]

_____% Subordinated Note Due 2006

1. Interest

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Petroleum Heat and Power Co., Inc., a Minnesota corporation (such corporation, and its successors and assigns under the Indenture hereinafter referred to, being herein called the "Company"), promises to pay interest on the principal amount of this Debenture at the rate per annum shown above. The Company shall pay interest semiannually in arrears on _____ and _____ of each year, commencing _____, 1994. Interest on the Debentures shall accrue from the most recent date to which interest has been paid or, if no interest has been paid, from _____, 1994. Interest shall be computed on the basis of a 360-day year of twelve 30-day months. The Company shall pay interest on overdue principal at the rate borne by the Debentures plus 1% per annum, and it shall pay interest on overdue installments of interest at the same rate to the extent lawful.

2. Method of Payment

The Company shall pay interest on the Debentures (except defaulted interest) to the Persons who are registered Holders of Debentures at the close of business on the _____ or _____ next preceding the interest payment date even if Debentures are canceled after the record date and on or before the interest payment date. Holders must surrender Debentures to a Paying Agent to collect principal payments. The Company shall pay principal and interest in money of the United States that at the time of payment is legal tender for payment of public and private debts. However, the Company may pay principal and interest by check payable in such money. It may mail an interest check to a Holder's registered address.

3. Paying Agent and Registrar

Initially, Chemical Bank, a New York corporation ("Trustee"), shall act as Paying Agent and Registrar. The Company may appoint and change any Paying Agent, Registrar or co-Registrar without notice. The Company or any of its domestically incorporated Wholly Owned Subsidiaries may act as Paying Agent, Registrar or co-registrar.

4. Indenture

The Company issued the Debentures under an Indenture dated as of _____, 1994 ("Indenture"), between the Company and the Trustee. The terms of the Debentures include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939 (15 U.S.C. Sec.Sec. 77aaa-77bbbb) as amended and in effect on the date of the Indenture (the "Act"). Capitalized terms used herein and not defined herein have the meanings ascribed thereto in the Indenture. The Debentures

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are subject to all such terms, and Debentureholders are referred to the Indenture and the Act for a statement of those terms.

The Debentures are general unsecured obligations of the Company limited to $75,000,000 aggregate principal amount (subject to Section 2.07 of the Indenture). The Indenture imposes certain limitations on the issuance of debt by the Company, the issuance of debt and preferred stock by the Subsidiaries, the creation of liens on the Capital Stock of any Subsidiary, the payment of dividends and other distributions and acquisitions or retirements of the Company's Capital Stock and subordinated Indebtedness, and transactions with Affiliates. In addition, the Indenture limits the ability of the Company and the Subsidiaries to restrict distributions and dividends from Subsidiaries.

5. Optional Redemption

The Debentures may not be redeemed prior to _____, 1999. On and after that date, the Company may redeem the Debentures in whole at any time or in part from time to time at the following redemption prices (expressed in percentages of principal amount), plus accrued interest to the redemption date:

If redeemed during the 12-month period beginning _____,

Year	Percentage
1999	_____%
2000	_____
2001	_____
2002	_____
2003 and thereafter	100.000

In addition, at any time prior to _____, 1997, the Company may redeem Debentures with the net proceeds of a public offering of Capital Stock (other than Redeemable Stock) at a redemption price of _____% of the

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principal amount thereof, plus accrued and unpaid interest thereon, provided that at least $50,000,000 in aggregate principal amount of the Debentures remain outstanding immediately following any such redemption.

6. Notice of Redemption

Notice of redemption shall be mailed at least 30 days but not more than 60 days before the redemption date to each Holder of Debentures to be redeemed at his registered address. Debentures in denominations larger than $1,000 may be redeemed in part but only in whole multiples of $1,000. If money sufficient to pay the redemption price of and accrued interest on all Debentures (or portions thereof) to be redeemed on the redemption date is deposited with the Paying Agent on or before the redemption date and certain other conditions are satisfied, on and after such date interest ceases to accrue on such Debentures (or such portions thereof) called for redemption.

7. Offer to Purchase Upon a Change of Control

Upon the occurrence of a Change of Control, each Holder of Debentures shall have the right to require the Company to repurchase all or any part of such Holder's Debentures at a repurchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to the date of repurchase.

8. Subordination

The Debentures are subordinated to Senior Debt, as defined in the Indenture. To the extent provided in the Indenture, Senior Debt must be paid before the Debentures may be paid. The Company agrees, and each Holder by accepting a Debenture agrees, to the subordination provisions contained in the Indenture and authorizes the Trustee to give it effect and

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appoints the Trustee as attorney-in-fact for such purpose.

9. Denominations; Transfer; Exchange

The Debentures are in registered form without coupons in denominations of $1,000 and whole multiples of $1,000. A Holder may transfer or exchange Debentures in accordance with the Indenture. The Registrar may require a Holder, among other things, to furnish appropriate endorsements or transfer documents and to pay any taxes and fees required by law or permitted by the Indenture. The Registrar need not register the transfer of or exchange any Debentures selected for redemption (except, in the case of a Debenture to be redeemed in part, the portion of the Debenture not to be redeemed) or any Debentures for a period of 15 days before a selection of Debentures to be redeemed or 15 days before an interest payment date.

10. Persons Deemed Owners

The registered Holder of this Debenture may be treated as the owner of it for all purposes.

11. Unclaimed Money

If money for the payment of principal or interest remains unclaimed for two years, the Trustee or Paying Agent shall pay the money back to the Company at its request unless an abandoned property law designates another Person. After any such payment, Holders entitled to the money must look only to the Company and not to the Trustee for payment.

12. Defeasance

Subject to certain conditions, the Company at any time may terminate some or all of its obligations under the Debentures and the Indenture if the Company deposits with the Trustee money or U.S. Government

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Obligations for the payment of principal and interest on the Debentures to redemption or maturity, as the case may be.

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13. Amendment, Waiver

Subject to certain exceptions set forth in the Indenture, (i) the Indenture or the Debentures may be amended with the written consent of the Holders of at least a majority in principal amount outstanding of the Debentures and (ii) any default or noncompliance with any provision may be waived with the written consent of the Holders of a majority in principal amount outstanding of the Debentures. Subject to certain exceptions set forth in the Indenture, without the consent of any Holder, the Company and the Trustee may amend the Indenture or the Debentures to cure any ambiguity, omission, defect or inconsistency, or to comply with Article 5 of the Indenture, or to provide for uncertificated Debentures in addition to or in place of certificated Debentures, or to add guarantees with respect to the Debentures or to secure the Debentures, or to add covenants for the benefit of Holders or surrender rights and powers conferred on the Company, or to comply with any requirements of the SEC in connection with qualifying the Indenture under the Act, or to make certain changes in the subordination provisions, or to make any change that does not adversely affect the rights of any Holder.

14. Defaults and Remedies

Under the Indenture, Events of Default include (i) default for 30 days in payment of interest on the Debentures; (ii) default in payment

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of principal on the Debentures at maturity, upon redemption pursuant to paragraph 5 hereof, upon declaration or otherwise, or failure by the Company to purchase Debentures when required; (iii) failure by the Company to comply with other agreements in the Indenture or the Debentures, in certain cases subject to notice and lapse of time; (iv) certain accelerations (including failure to pay within any grace period after final maturity) of other Debt of the Company or any Significant Subsidiary if the amount accelerated (or so unpaid) exceeds $1,000,000; (v) certain events of bankruptcy or insolvency with respect to the Company or any Significant Subsidiary; and (vi) certain judgments or decrees for the payment of money in excess of $1,000,000. If an Event of Default occurs and is continuing, the Trustee or the Holders of at least 25% in principal amount of the Debentures may declare all the Debentures to be due and payable immediately. Certain events of bankruptcy or insolvency are Events of Default which shall result in the Debentures being due and payable immediately upon the occurrence of such Events of Default.

Debentureholders may not enforce the Indenture or the Debentures except as provided in the Indenture. The Trustee may refuse to enforce the Indenture or the Debentures unless it receives reasonable indemnity or Debenture. Subject to certain limitations, Holders of a majority in principal amount of the Debentures may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from Debentureholders notice of any continuing Default (except a Default in payment of principal or interest) if it determines that withholding notice is in their interest.

15. Trustee Dealings with the Company

Subject to certain limitations imposed by the Act, the Trustee under the Indenture, in its individual or any other capacity, may become the owner or pledgee of Debentures and may otherwise deal with and collect obligations owed to it by the Company or its affiliates and may otherwise deal with the Company or its affiliates with the same rights it would have if it were not Trustee.

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16. No Recourse Against Others

A director, officer, employee or stockholder, as such, of the Company or the Trustee shall not have any liability for any obligations of the Company under the Debentures or the Indenture or for any claim based on, in respect of or by reason of such obligations or their creation. By accepting a Debenture, each Debentureholder waives and releases all such liability. The waiver and release are part of the consideration for the issue of the Debentures.

17. Authentication

This Debenture shall not be valid until an authorized officer of the Trustee (or an authenticating agent) manually signs the certificate of authentication on the other side of this Debenture.

18. Abbreviations

Customary abbreviations may be used in the name of a Holder or an assignee, such as TEN COM (=tenants in common), TEN ENT (=tenants by the entireties), JT TEN (=joint tenants with rights of survivorship and not as tenants in common), CUST (=custodian), and U/G/M/A (=Uniform Gift to Minors Act).

19. CUSIP Numbers

Pursuant to a recommendation promulgated by the Committee on Uniform Debenture Identification Procedures, the Company has caused CUSIP numbers to be printed on the Debentures and has directed the Trustee to use CUSIP numbers in notices of redemption as a convenience to Debentureholders. No representation is made as to the accuracy of such numbers either as printed on the Debentures or as contained in any notice of redemption and reliance may be placed only on the other identification numbers placed thereon.

The Company shall furnish to any Debentureholder upon written request and without charge to the Debentureholder a copy of the Indenture which has in it the text of this Debenture in larger type. Requests may be made to:

Petroleum Heat and Power Co., Inc.
2187 Atlantic Street
Stamford, CT 06902

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Attention of:

Richard Ambury, Vice President and Assistant Controller.

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ASSIGNMENT FORM

To assign this Debenture, fill in the form below:

I or we assign and transfer this Debenture to

(Print or type assignee's name, address and zip code)

(Insert assignee's soc. sec. or tax I.D. No.)

and irrevocably appoint agent to transfer this Debenture on the books of the Company. The agent may substitute another to act for him.

Date: Your Signature:

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Sign exactly as your name appears on the other side of this Debenture.

OPTION OF HOLDER TO ELECT PURCHASE

If you want to elect to have this Debenture purchased by

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the Company pursuant to Section 4.08 of the Indenture, check the box:

If you want to elect to have only part of this Debenture purchased by the Company pursuant to Section 4.08 of the indenture, state the amount:
$

Date: _____ Your Signature: _____

(Sign exactly as your name appears on the other side of the Debenture)

Signature Guarantee: _____

(Signature must be guaranteed by a member firm of the New York Stock Exchange or a commercial bank or trust company)

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EXHIBIT 4.7

CERTIFICATE OF DESIGNATION

SETTING FORTH RESOLUTION CREATING A SERIES OF PREFERRED STOCK DESIGNATED AS "CUMULATIVE REDEEMABLE EXCHANGEABLE 1993 PREFERRED STOCK" ADOPTED BY THE BOARD OF DIRECTORS OF PETROLEUM HEAT AND POWER CO,. INC.

Pursuant to the Provisions of Section 302A.401 of the Minnesota Business Corporation Act, as amended

We, the undersigned, GEORGE LEIBOWITZ and ALAN SHAPIRO, respectively a Senior Vice President and Assistant Secretary of Petroleum Heat and Power Co., Inc., a Minnesota corporation (hereinafter sometimes referred to as the "Corporation"), hereby certify as follows:

FIRST: That under the Restated and Amended Articles of Incorporation of the Corporation ("Restated Articles") the total number of authorized shares of Preferred Stock which the Corporation may issue is 2,000,000 and under said Restated Articles the Board of Directors of the Corporation ("Board") is authorized to issue such shares of Preferred Stock from time to time in one or more series and to determine in the resolution providing for the issuance of any series of Preferred Stock the rights and preferences of shares of such series not fixed and determined by the Restated Articles.

SECOND: That the Board, pursuant to the authority so vested in it by the Restated Articles and in accordance with the provisions of Section 302A.401 of the Minnesota Business Corporation Act, as amended, adopted the following resolution creating a series of Preferred Stock designated as "Cumulative Redeemable Exchangeable 1991 Preferred Stock," which resolution has not been amended, modified, rescinded or revoked and is in full force and effect on the Preferred Stock Closing Date.

RESOLUTIONS OF THE BOARD OF DIRECTORS TO RESTATE THE RESTATED ARTICLES OF PETROLEUM HEAT AND POWER CO., INC.

WHEREAS, the Restated and Amended Articles of Incorporation (the "Restated Articles") of Petroleum Heat and Power Co., Inc., a Minnesota

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corporation (the "Corporation"), authorize the issuance of 2,000,000 shares of Preferred Stock of the Corporation; and

WHEREAS, this Corporation wishes to issue up to 10,000 shares of its Cumulative Redeemable Exchangeable 1993 Preferred Stock, $1,000 par value;

NOW, THEREFORE, be it, and it hereby is, resolved by the Board that a series of the Preferred Stock of the Corporation is hereby designated Cumulative Redeemable Exchangeable 1993 Preferred Stock (the "1993 Preferred Stock"), consisting of 10,000 shares, which shares shall be exchangeable under certain circumstances for Subordinated Notes of the Corporation due December 31, 2000 in accordance with paragraph 7 of this Resolution, having the relative rights and preferences as set forth below:

1. Ranking. The shares of the 1993 Preferred Stock shall rank senior to the Corporation's Class A Common Stock and Class C Common Stock, and junior to the Corporation's 1989 Preferred Stock and the Corporation's Class B Common Stock, with respect to the payment of dividends and upon liquidation, dissolution, winding-up or otherwise. Except as specified in the preceding sentence, all other classes of Preferred Stock shall rank senior and all other capital stock of the Corporation shall rank junior to the 1993 Preferred Stock with respect to the payment of dividends or upon liquidation, dissolution, winding-up or otherwise.

2. Dividends. The holders of the shares of the 1993 Preferred Stock shall be entitled to receive dividends thereon at the rate per annum established by an investment banking firm mutually agreed upon by the Corporation and Star Gas Holdings, Inc. such that the 1993 Preferred Stock would have a fair market value equal to its par value to which would be added an amount ("Gross up Amount") agreed upon between the Corporation and Star Gas Holdings, Inc. to gross up the holders for the excess, if any, of United States Federal income taxes payable on such dividends over the amount of United States Federal income taxes which would be payable if such holders had received interest instead of dividends, when and as declared by the Board of Directors of this Corporation, out of funds legally available

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therefor. The obligations of this Corporation to pay dividends on the 1993 Preferred Stock pursuant to the provisions of this paragraph 2 shall accrue (whether or not declared) and be cumulative from and including the date on which each such share is issued. Dividends shall be payable quarterly (each a "Quarterly Dividend Period") on the first day of each calendar quarter (each a "Dividend Payment Date"), commencing with the first calendar quarter following the issuance of such shares, to the holders of record as they shall appear on the stock register of the Corporation on the 15th day of the preceding calendar month. All dividends shall be computed on the basis of a 360-day year of twelve 30-day months and the actual number of days elapsed in the period for which such dividends are payable. Unpaid dividends for any period less than a full Quarterly Dividend Period shall

accrue on a day-to-day basis and shall be computed on the basis of a 360-day year.

If the full amount of dividends required to be paid as aforesaid for any Quarterly Dividend Period shall not have been paid, whether or not earned or declared, or a sum sufficient for the payment thereof set apart, all of the dividends required to be so paid but not paid (the "Deficiency") shall earn and accrue additional dividends, effective as of the date on which such dividends were to be paid and continuing until the full amount of the Deficiency plus all accrued but unpaid dividends thereon shall have been paid in full, at a per annum rate equal to the per annum dividend rate payable thereunder throughout such period with respect to the 1993 Preferred Stock plus 2%. All payments of dividends made on the 1993

Preferred Stock shall be applied first, to the reduction of all accrued but unpaid interest on the Deficiency, second, to the reduction of the

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Deficiency and third, to the payment of all accrued but unpaid dividends on the 1993 Preferred Stock, other than the Deficiency. Reference to accrued and/or cumulative dividends hereunder shall be deemed for all purposes to include all amounts of Deficiency and all such accrued but unpaid interest thereon.

3. Priority as to Dividends. No dividends shall be declared or paid or set apart for payment on the 1993 Preferred Stock for any period unless at the time of such declaration or payment or setting apart for payment, full cumulative dividends have been or simultaneously are declared and paid (or declared and a sum sufficient for the payment thereof set apart for such payment) on the 1989 Preferred Stock, on any other class of Preferred Stock, and on the Class B Common Stock for all applicable dividend periods terminating on or prior to the date of such declaration, payment or setting aside with respect to the 1993 Preferred Stock.

Subject to the provisions of the following paragraph, no dividends or other distributions (other than dividends or other distributions payable in Class A Common Stock or in another stock ranking, with respect to the payment of dividends and upon liquidation, dissolution, winding-up, redemption or otherwise, junior to the 1993 Preferred Stock) shall be declared or paid or set apart for payment on the Class A Common Stock or stock of any other class which, in either case, ranks, as to dividends and upon liquidation, dissolution, winding-up, redemption or otherwise, junior to the 1993 Preferred Stock ("Junior Stock") for any period, unless at the time of such declaration or payment or setting apart for payment (i) full cumulative dividends have been or simultaneously are declared and paid (or declared and a sum sufficient for the payment thereof set apart for such payment) on the 1993 Preferred Stock for all Quarterly Dividend Periods terminating on or prior to the date of payment of such

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dividends on Junior Stock, (ii) an amount equal to the dividends accrued on the 1993 Preferred Stock as of the date of each proposed distribution or payment on the Junior Stock has been declared and set apart in cash for payment on the 1993 Preferred Stock, (iii) any redemption payment required to be made pursuant to paragraph 4 hereof on or prior to the date of payment of such dividends on Junior Stock shall have been paid or a sum sufficient for the payment thereof set apart for such payment, and (iv) all redemptions of the 1993 Preferred Stock pursuant to the issuance, in exchange therefor, of the Notes required to be made pursuant to paragraph 7 hereof on or prior to the date of payment of such dividends on Junior Stock shall have been made.

4. Mandatory Redemption. On December 31, 2000, (the "Mandatory Redemption Date") the Corporation shall redeem all outstanding shares of the 1993 Preferred Stock. The per share redemption price shall be $1000 plus all accrued and unpaid cumulative dividends thereon (whether or not declared or earned) to the date of such redemption; provided, however, that if such redemption price is not paid on such Mandatory Redemption Date, such redemption price shall bear interest thereafter at a rate per annum equal to the per annum dividend rate payable hereunder throughout such period with respect to the 1993 Preferred Stock plus 2%, until such redemption price (including such interest) shall be paid in full.

5. Optional Redemptions. In addition to the mandatory redemptions required by paragraph 4 hereof, the Corporation shall have the option at any time from time to time on any Dividend Payment Date (upon delivery of the notice and otherwise in the manner set forth in paragraph 6 hereof) to redeem shares of the 1993 Preferred Stock, either in whole or in part (but if in part then in units of 500 shares of an integral multiple thereof, unless less than 500 shares are then outstanding or held by any one holder thereof), by payment of a redemption price per share of $1,000 plus (ii) all accrued and unpaid cumulative dividends thereon (whether or not declared or earned) to the date of such redemption.

6. Manner and Effect of Redemptions.

(a) Notice of any proposed redemption of shares of the 1993 Preferred Stock pursuant to the provisions of paragraph 5, shall be given by the Corporation to each holder of the 1993 Preferred Stock by mailing a copy of such notice not less than 30 nor more than 60 days prior to the date fixed for such redemption to each holder of record of the outstanding

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shares of the 1993 Preferred Stock at their respective addresses appearing on the books of the Corporation. Said notice shall specify (i) the number of shares called for redemption and (ii) the place at which and the date on which the shares called for redemption will, upon presentation and surrender of the certificate of stock evidencing such shares, be redeemed. In addition, the Corporation shall mail within 5 days prior to the date

fixed for such redemption to each holder of shares of the 1993 Preferred Stock to be so redeemed, notice of the accrued interest payable with respect of such redemption. Notice of redemption having been so given, the redemption price per the number of shares specified in such notice, together with the premium if any, and all accrued interest thereon shall be due and payable on the date fixed for such redemption.

(b) If the funds of the Corporation legally available for the redemption of all shares of the 1993 Preferred Stock to be redeemed pursuant to paragraph 4 hereof, are insufficient to redeem the total number of outstanding shares of the 1993 Preferred Stock so required to be redeemed, such funds will be used promptly, and redemptions pursuant to such paragraph 4, shall be made ratably among such holders, and in any event, within 90 days after such funds become legally available, to redeem the balance of such shares, or such portion thereof for which funds are then legally available, on the basis set forth above.

(c) If less than all of the shares of the 1993 Preferred Stock are to be redeemed on a given date pursuant to the provisions hereof, the Corporation shall redeem from each holder of 1993 Preferred Stock that number of whole shares of the 1993 Preferred Stock then held by each holder of shares of 1993 Preferred Stock that bears the same proportion to the total number of such shares to be redeemed as the total number of share of the 1993 Preferred Stock then held by such holder bears to the total number of shares of the 1993 Preferred Stock then outstanding.

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(d) Notwithstanding anything herein to the contrary, the Corporation may not at any time redeem less than all of the 1993 Preferred Stock outstanding unless all accrued and unpaid dividends have been paid on all then outstanding shares of the 1993 Preferred Stock.

(e) From and after the date fixed in any such notice as the date of redemption of shares of the 1993 Preferred stock pursuant to paragraph 4 or 5 hereof, unless default shall be made by the Corporation in providing sufficient monies at the time and place specified for the payment of the redemption price pursuant to said notice, dividends shall as of such date fixed for redemption cease to accrue and all rights of the holders thereof as stockholders of the Corporation with respect to such shares of 1993 Preferred Stock to be redeemed, except the right to receive the redemption price thereon (including any interest thereon), shall cease and terminate.

(f) All shares of the 1993 Preferred Stock which shall have been redeemed, purchased or otherwise acquired by the Corporation pursuant to the provisions hereof, shall be cancelled and shall not be reissued as

shares of the 1993 Preferred Stock, but shall have the status of authorized but unissued shares of Preferred Stock of the Corporation.

7. Exchange of the 1993 Preferred Stock for the Notes. So long as any shares of the 1993 Preferred Stock are outstanding at the end of any fiscal quarter, the Corporation shall, 60 days following the end of such fiscal quarter, cause all or any part of the then outstanding shares of the

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1993 Stock to be redeemed by issuing, in exchange therefor, the Corporation's Subordinated Notes in the form annexed to the Hanseatic Put/Call Agreement dated December 21, 1993 among the Corporation, Hanseatic Corporation and Star Gas Holdings, Inc. (the "Notes") on the terms and conditions set forth below:

(a) Subject only to the provisions of subparagraph (b) of this Section 5, the Corporation shall issue such Notes in the maximum aggregate principal amount ("Permitted Notes") which does not result in the violation of the terms of any agreement limiting the incurrence or maintenance of debt.

(b) Notwithstanding anything herein to the contrary, the Corporation shall not be required to issue any Notes on any Exchange Date that the aggregate principal amount of notes issuable on such Exchange Date as a result of Paragraph (a) shall be less than $500,000; provided, however, that if on any Exchange Date all other remaining outstanding shares of the 1993 Preferred Stock are to be redeemed, and such redemption results in less than $500,000 aggregate principal amount of Notes being issued, or outstanding shares of the 1993 Preferred Stock shall be redeemed and such Notes issued.

(c) The Corporation shall issue the Notes in exchange for such shares of the 1993 Preferred Stock to be redeemed pursuant to this Section 7 within 60 days following the end of each of fiscal quarter, as specified by the Corporation, upon not less than 15 days nor more than 30 days prior written notice to each holder of the then outstanding shares of the 1993 Preferred Stock (any such date, with respect to the Notes to be issued on such day, and "Exchange Date"). The annual rate of interest on the Notes shall be the same as the annual dividend rate on the 1993 Preferred Stock less the Gross up Amount.

(d) On or prior to 5:00 p.m. New York Time on each Exchange Date, the Corporation shall deliver to each holder of any of the then outstanding shares of the 1993 Preferred Stock to be redeemed pursuant to this Section 5 on such date the following:

(i) Payment to such holder and immediately available funds of an amount equal to all accrued and unpaid cumulative dividends on the outstanding shares of the 1993 Preferred Stock to be so redeemed by such holder (whether or not earned or declared) to, but not including, the Exchange Date; and

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(ii) The Notes, dated the Exchange Date in an aggregate principal amount equal to the aggregate par value of the 1993 Preferred Stock of such holder to be redeemed on such Exchange Date.

(e) From and after the Exchange Date (unless default shall be made by the Corporation in providing the Notes issuable to such holder on such date or in paying to such holder all amounts payable on such date in respect of such shares called for redemption as required pursuant to Section 7(d) the shares of 1993 Preferred Stock called for such redemption on such Exchange Date shall no longer be deemed to be outstanding (without regard to whether the certificates representing the same shall have been surrendered by the Corporation) and shall have the status of authorized but unissued shares of Preferred Stock, unclassified as to series; (ii) or rights of the holders of such shares called for redemption as stockholders of the Corporation (except the right to receive from the Corporation the Notes issued on such Exchange Date and all amounts payable pursuant to this Section 7) shall cease, and (iii) the person or persons entitled to receive the Notes issuable on such Exchange Date shall be treated for all purposes as the registered holder or holders of such Notes (without regard to whether such Notes have actually been delivered to such holder or holders on such Exchange Date).

(f) Dividends under 1993 Preferred Stock redeemed on any Exchange Date shall cease to accrue on such Exchange Date and the Corporation will pay interest on the Notes at the rate and on the date specified herein and therein, effective as of such Exchange Date. In the event any shares of the 1993 Preferred Stock required to be redeemed on any Exchange Date pursuant to this Section have not been so redeemed, dividends shall continue to accrue on such shares of the 1993 Preferred Stock.

(g) Notwithstanding the foregoing, the Corporation may on any Exchange Date, or at its election at any time upon not less than 15 days' prior notice, redeem all of the 1993 Preferred Stock for cash price equal to the aggregate par value of the shares of 1993 Preferred Stock to be redeemed, plus the payment required by Section 7(d)(i).

8. Voting Rights. Except as required by the laws of the State of Minnesota or any other applicable law, the holders of the 1993 Preferred Stock shall not be entitled to any voting rights with respect to the 1993

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Preferred Stock. On all matters upon which holders of the 1993 Preferred Stock are entitled to vote, or given their consent, each such holder shall be entitled to one (1) vote per each share of the 1993 Preferred Stock held by such holder.

9. Payments on Liquidation. In the event of any liquidation, dissolution or winding-up of the affairs of the Corporation, whether voluntary or involuntary, after payment or provision for payment of the debts and other liabilities of the Corporation, the holders of shares of the 1993 Preferred Stock shall be entitled to receive, out of the assets of the Corporation, whether such assets are capital or surplus and whether or not any dividends as such are declared, an amount per share of the 1993 Preferred Stock equal to the sum of the par value per such share at the date fixed for such distribution plus all accrued and unpaid cumulative dividends thereon (whether or not declared or earned) to the date of such distribution; provided, however, that if upon any liquidation, dissolution or winding-up of the affairs of the Corporation (whether voluntary or involuntary) the assets of the Corporation available for distribution shall be insufficient to pay such amount to the holders of all outstanding shares of the 1993 Preferred Stock and to pay to the holders of all outstanding shares of Class B Common Stock, 1989 Preferred Stock and other class of Preferred Stock the full amounts to which they respectively are entitled under the Restated Articles of Incorporation, the holders of shares of Class B Common Stock, the holders of shares of 1989 Preferred Stock and other Preferred Stock shall be entitled, prior to any distribution to any holder or holders of the 1993 Preferred Stock, to distributions in an

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amount not to exceed the amount required to be distributed to such holders of 1989 Preferred Stock, Preferred Stock or Class B Common Stock in the event of any such liquidation, dissolution or winding-up of the affairs of the Corporation pursuant to the Restated Articles of Incorporation.

Except as provided above with respect to the Class B Common Stock, the 1989 Preferred Stock and other Preferred Stock, in the event of any liquidation, dissolution, or winding-up of the affairs of the Corporation (whether voluntary or involuntary), payment shall be made to the holders of the 1993 Preferred Stock in the amounts provided herein, before any payment shall be made or any assets distributed to the holders of any Class A Common Stock or any other Junior Stock of the Corporation.

If upon the occurrence of any liquidation, dissolution or winding-up of the affairs of the Corporation (whether voluntary or involuntary) the assets of the Corporation available for distribution to the holders of the 1993 Preferred Stock shall be insufficient to pay the holders of the 1993 Preferred Stock the full amounts to which they shall be entitled, then the entire assets of the Corporation available for distribution to the holders of outstanding shares of the 1993 Preferred Stock shall be distributed among such holders ratably per share in proportion to the preferential amount per share to which they are entitled.

Written notice of any voluntary or involuntary liquidation, dissolution or winding-up of the affairs of the Corporation, stating a payment date and the placed where the distributive amounts shall be

payable, shall be given by mail, postage prepaid, not less than thirty (30) days prior to the payment date stated therein, to the holders of record of the 1993 Preferred Stock at their respective addresses as the same shall appear on the books of the Corporation.

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The voluntary sale, lease, exchange or transfer (for cash, shares of stock, securities or other consideration) of all or substantially all of its property or assets to, or a consolidation or merger of the Corporation with, one or more Persons shall not be deemed to be a liquidation, dissolution or winding up of the affairs of the Corporation within the meaning of this paragraph 7.

IN WITNESS WHEREOF, this Certificate has been signed on behalf of Petroleum Heat and Power Co., Inc. by the undersigned, George Leibowitz, Senior Vice President and Alan Shapiro, Assistant Secretary, this 22nd day of December, 1993

/s/ George Leibowitz

George Leibowitz
Senior Vice President

/s/ Alan Shapiro

Alan Shapiro
Assistant Secretary

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EXHIBIT 5

January , 1994

Petroleum Heat and Power Co., Inc.
2187 Atlantic Street
Stamford, Connecticut 06902

Re: Registration Statement on Form S-2 (33-72354)

Ladies and Gentlemen:

We refer to the above-captioned registration statement (the "Registration Statement"), under the Securities Act of 1933, as amended (the "1933 Act"), filed by Petroleum Heat and Power Co., Inc., a Minnesota corporation (the "Company"), with the Securities and Exchange Commission, relating to the proposed public offering by the Company of up to $75,000,000 of Debentures due 2006 the "Debentures"). Each term used herein that is defined in the Registration Statement and not otherwise defined herein shall have the meaning specified in the Registration Statement.

We have examined copies of the Restated Articles of Incorporation of the Company, a copy of the Amended By-Laws of the Company, the form of Indenture between the Company and Chemical Bank, as trustee (the "Indenture"), filed as Exhibit 4.6 to the Registration Statement and such other records and documents as we have deemed relevant and necessary to the opinions hereinafter expressed. In such examination, we have assumed the genuineness of all signatures and the authenticity of all documents submitted to us as certified or photostatic copies.

Based upon the foregoing and relying upon statements of fact contained in the documents we have examined, we are of the opinion that the issuance and sale of $75,000,000 principal amount of Debentures have been duly authorized and, when executed and authenticated in accordance with the Indenture and delivered to and paid for pursuant to the Underwriting Agreement, a form of

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which was filed as Exhibit 1 to the Registration Statement, will constitute legal, valid and binding obligations of the Company except as may be limited by bankruptcy, insolvency, reorganization or other similar laws affecting creditors' rights generally and is subject to the general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law); and the holders of the Debentures will be entitled to the benefits of the Indenture.

We consent to being named in the Registration Statement and related Prospectus as counsel who are passing upon the legality of the Debentures for the Company, and to the reference to our name under the caption "Legal Matters" in such Prospectus. We also consent to your filing copies of this opinion as an exhibit to the aforesaid Registration Statement.

Very truly yours,

PHILLIPS, NIZER, BENJAMIN,
KRIM & BALLON

By: /s/ Alan Shapiro

Alan Shapiro, a Partner

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Exhibit 7

Petroleum Heat and Power Co., Inc.
Davenport Street
P.O. Box 1457
Stamford, Connecticut 06904

Re: Liquidation Preference on Certain Capital Stocks

Gentlemen:

Pursuant to the Securities Act of 1933, Petroleum Heat and Power Co., Inc., a Minnesota corporation (the "Company"), has filed with the Securities and Exchange Commission a Registration Statement (Registration No. 33-72354) for the registration of $75,000,000 of Subordinated Debentures Due 2006. In connection with the foregoing and as more fully set forth below, the Company has requested our opinion as to certain matters relating to the liquidation preferences on the Company's Class B Common Stock and its Cumulative Redeemable Exchangeable Preferred Stock ("1989 Preferred Stock"). The Class B Common Stock and the 1989 Preferred Stock (collectively, the "Subject Capital Stocks") both have liquidation preferences which exceed their par value.

The Company's authorized capital stock consists of 40,000,000 shares of Class A Common Stock, $.10 par value, 6,500,000 shares of Class B Common Stock, 5,000,000 shares of Class C Common Stock, $.10 par value, 250,000 shares of 1989 Preferred Stock, $.10 par value, 159,722 shares of Cumulative Redeemable Exchangeable 1991 Preferred Stock (the "1991 Preferred Stock"), $.10 par value and 5,000,000 shares of undesignated Preferred Stock, $.10 par value. As of September 30, 1993, there were 18,992,579 shares of Class A Common Stock, 216,901 shares of Class B Common Stock; 2,545,139 shares of Class C Common Stock; and 250,000 shares of 1989 Preferred Stock issued and outstanding. No shares of 1991 Preferred Stock were outstanding.

Upon liquidation, the holders of the Class B Common Stock are entitled to receive a preferential distribution of $5.70 per share and the holders of the 1989 Preferred Stock are entitled to receive $100 per share plus accrued and unpaid dividends.

With respect to the Subject Capital Stocks, you have inquired (i) whether there are any restrictions on the Company's surplus by reason of the

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excess of the liquidation preference of the Subject Capital Stocks over their par value, and (ii) if so, whether any remedies are available to security holders before or after payment of any dividend that would reduce the Company's surplus to an amount less than the amount of the excess of the liquidation preference of the Subject Capital Stocks over their par value.

The Company is incorporated under Chapter 302A of the Minnesota Statutes. Section 302A.551 of the Minnesota Statutes governs "distributions" by a corporation, which, as defined in Section 302A.011 of the Minnesota Statutes, includes dividends, and provides, in pertinent part, as follows:

"302A.551. Distributions.

Subdivision 1. When permitted . The Board may authorize and cause the corporation to make a distribution only if the Board determines...that the corporation will be able to pay its debts in the ordinary course of business after making the distribution and the Board does not know before the distribution is made that the determination was or has become erroneous. The corporation may make the distribution if it is able to pay its debts in the ordinary course of business after making the distribution....

Subd. 2. Determination presumed proper . A determination that the corporation be able to pay its debts in the ordinary course of business after the distribution is presumed to be proper if the determination is made in compliance with the standard of conduct provided in Section 302A.251 on the basis of financial information prepared in accordance with accounting methods, or a fair valuation or other method, reasonable in the circumstances. No liability under Section 302A.251 or 302A.559 will accrue if the requirements of this subdivision have been met....

Subd. 4. Restrictions. (a) A distribution may be made to the holders of a class or series of shares only if:

(1) All amounts payable to the holders of shares having a preference for the payment of that kind of distribution...are paid; and

(2) The payment of the distribution does not reduce the remaining net assets of the corporation below the aggregate preferential amount payable in the event of liquidation to the holders of shares having preferential rights, unless the distribution is made to those shareholders in the order and to the extent of their

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respective priorities....

Based on a review of Section 302A.551 and such other matters as we have deemed relevant, we advise you that, in our opinion:

1. Chapter 302A of the Minnesota Statutes was enacted in 1981, and we are unaware of any controlling decisions under the Minnesota law relating to the foregoing questions. Chapter 302A of the Minnesota Statutes, generally, and Section 302A.551, in particular, do not utilize the concept of surplus and, accordingly, do not place any restrictions on the Company's surplus by reason of the difference between the par value of the Subject Capital Stocks and the liquidation preference of such stocks. Section 302A.551, Subdivision 4(a)(2) does, however, provide that distributions may not be made if, as a result, the remaining net assets of the Company would be reduced below the aggregate liquidation preference of the Subject Capital Stocks and the Company's net assets would, to such extent, be restricted and would not be available for distribution.

2. In the event a distribution is made by the Company not in compliance with the provisions of Section 302A.551, the shareholders of the Company who received a distribution made in violation of Section 302A.551 and the directors who failed to vote against (or consented in writing to) a distribution made in violation of Section 302A.551 may be liable to the Company to the extent provided by Sections 302A.557 and 302A.559 of the Minnesota Statutes.

We hereby consent to the filing of this opinion as an exhibit to the Registration Statement referred to above and to the reference to our firm under "Legal Matters" in the Prospectus included in the Registration Statement.

Dated: January 10, 1994

Very truly yours,

/s/ Dorsey & Whitney

Dorsey & Whitney

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EXHIBIT 24.1

ACCOUNTANTS' CONSENT AND REPORT ON SCHEDULES

The Stockholders and Board of Directors of
PETROLEUM HEAT AND POWER CO., INC.:

The audit referred to in our report dated February 26, 1993 relating to the consolidated financial statements of Petroleum Heat and Power Co., Inc. included the related financial statement schedules as of December 31, 1991 and 1992 and for each of the years in the three-year period ended December 31, 1992, incorporated by reference in the Registration Statement. These financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statement schedules based on our audits. In our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

We consent to the use of our reports relating to the consolidated financial statements and financial statement schedules of Petroleum Heat and Power Co., Inc. and to the consolidated financial statements of Star Gas Corporation included and incorporated by reference herein and to the reference to our firm under the headings "Selected Financial and Other Data" and "Experts" in the Prospectus.

/s/ KPMG PEAT MARWICK
KPMG PEAT MARWICK

New York, New York
January 12, 1994

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EXHIBIT 24.2

CONSENT OF INDEPENDENT AUDITORS

We consent to the reference to our firm under the caption "Experts" and to the use of our reports dated December 3, 1992 except for Notes 5 and 9, as to which the date is April 1, 1993, with respect to the consolidated financial statements of Star Gas Corporation and subsidiaries included in the Registration Statement (Form S-2 No. 33-72354) and related Prospectus of Petroleum Heating and Power Co., Inc. for the registration of $75,000,000 Subordinated Debentures.

/s/ ERNST & YOUNG
ERNST & YOUNG

January 12, 1994

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