FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED MAY 31, 2000

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM ------------ to

COMMISSION FILE NUMBER 1-11727

HERITAGE PROPANE PARTNERS, L.P.
(Exact name of registrant as specified in its charter)

DELAWARE	73-1493906
(state or other jurisdiction or incorporation or organization)	(I.R.S. Employer Identification No.)

8801 SOUTH YALE AVENUE, SUITE 310
TULSA, OKLAHOMA 74137
(Address of principal executive offices and zip code)

(918) 492-7272
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes x No

At July 10, 2000, the registrant had units outstanding as follows:

Heritage Propane Partners, L.P.	8,139,940	Common Units
	1,851,471	Subordinated Units

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HERITAGE PROPANE PARTNERS, L.P.

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PART I - FINANCIAL INFORMATION
HERITAGE PROPANE PARTNERS, L.P. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(in thousands)

	May 31, 2000 (unaudited)	August 31, 1999
ASSETS		
CURRENT ASSETS:		
Cash	$ 4,206	$ 1,679
Accounts receivable	19,489	11,635
Inventories	17,857	14,784
Marketable securities	2,697	--
Prepaid expenses	1,608	1,169
Total current assets	45,857	29,267
PROPERTY, PLANT AND EQUIPMENT, net	190,179	155,219
INVESTMENT IN AFFILIATE	5,924	5,202
INTANGIBLES AND OTHER ASSETS, net	92,606	73,270
Total assets	$ 334,566	$ 262,958
LIABILITIES AND PARTNERS' CAPITAL		
CURRENT LIABILITIES:		
Working capital facility	$ 25,400	$ 19,900
Accounts payable	22,235	17,268
Accrued and other current liabilities	10,703	8,490
Current maturities of long-term debt	2,364	2,022
Total current liabilities	60,702	47,680
LONG-TERM DEBT, less current maturities	225,149	196,216
COMMITMENTS AND CONTINGENCIES		
Total liabilities	285,851	243,896
PARTNERS' CAPITAL:		
Common unitholders (7,214,204 and 5,825,674 units issued and outstanding at May 31, 2000 and August 31, 1999, respectively)	44,085	17,077
Subordinated unitholders (2,777,207 units issued and outstanding at May 31, 2000 and August 31, 1999, respectively)	1,050	1,809
General partner	407	176
Accumulated other comprehensive income	3,173	--
Total partners' capital	48,715	19,062
Total liabilities and partners' capital	$ 334,566	$ 262,958

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

HERITAGE PROPANE PARTNERS, L.P. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per unit and unit data)
(unaudited)

	Three Months Ended May 31, 2000	Three Months Ended May 31, 1999	Nine Months Ended May 31, 2000	Nine Months Ended May 31, 1999
REVENUES:				
Retail fuel	$ 42,624	$ 33,779	$ 162,143	$ 118,022
Wholesale fuel	8,895	4,702	28,623	18,224
Other	5,705	4,669	20,508	16,960
Total revenues	57,224	43,150	211,274	153,206
COSTS AND EXPENSES:				
Cost of products sold	32,896	19,519	119,577	71,188
Operating expenses	15,092	13,447	45,689	38,983
Depreciation and amortization	4,888	3,716	13,624	10,908
Selling, general and administrative	1,616	1,459	4,969	4,485
Total costs and expenses	54,492	38,141	183,859	125,564
OPERATING INCOME	2,732	5,009	27,415	27,642
OTHER INCOME (EXPENSE):				
Interest expense	(4,871)	(3,872)	(14,094)	(11,731)
Equity in earnings of affiliate	78	364	721	1,185
Gain on disposal of assets	44	30	419	545
Other	(114)	(96)	38	(197)
INCOME (LOSS) BEFORE MINORITY INTEREST	(2,131)	1,435	14,499	17,444
Minority interest	(67)	(91)	(534)	(481)
NET INCOME (LOSS)	(2,198)	1,344	13,965	16,963
GENERAL PARTNER'S INTEREST IN NET INCOME (LOSS)	(21)	13	140	169
LIMITED PARTNERS' INTEREST IN NET INCOME (LOSS)	$ (2,177)	$ 1,331	$ 13,825	$ 16,794
BASIC NET INCOME (LOSS) PER LIMITED PARTNER UNIT	$ (.22)	$ .15	$ 1.43	$ 1.96
BASIC WEIGHTED AVERAGE NUMBER OF UNITS OUTSTANDING	9,984,297	8,594,807	9,650,928	8,584,770
DILUTED NET INCOME (LOSS) PER LIMITED PARTNER UNIT	$ (.22)	$ .15	$ 1.42	$ 1.94
DILUTED WEIGHTED AVERAGE NUMBER OF UNITS OUTSTANDING	9,984,297	8,652,731	9,725,841	8,640,424

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

HERITAGE PROPANE PARTNERS, L.P. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands, unaudited)

	Three Months Ended May 31, 2000	Three Months Ended May 31, 1999	Nine Months Ended May 31, 2000	Nine Months Ended May 31, 1999
Net income (loss)	$ (2,198)	$ 1,344	$ 13,965	$ 16,963
Other comprehensive income	3,173	--	3,173	--
Comprehensive net income	$ 975	$ 1,344	$ 17,138	$ 16,963
RECONCILIATION OF ACCUMULATED OTHER COMPREHENSIVE INCOME				
Balance, beginning of period	$ --	$ --	$ --	$ --
Current period change	3,173	--	3,173	--
Balance, end of period	$ 3,173	$ --	$ 3,173	$ --

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

HERITAGE PROPANE PARTNERS, L.P. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF PARTNERS' CAPITAL
(in thousands, except unit data)
(unaudited)

	NUMBER OF UNITS Common	NUMBER OF UNITS Subordinated	Common Unitholders	Subordinated Unitholders	General Partner
BALANCE, AUGUST 31, 1999	5,825,674	2,777,207	$ 17,077	$ 1,809	$ 176
Unit Distribution	--	--	(11,335)	(4,686)	(189)
Issuance of restricted Common Units in connection with certain acquisitions	184,030	--	4,064	--	--
Issuance of Common Units to public net of related expenses	1,200,000	--	24,054	--	--
Capital contribution from General Partner in connection with issuance of Common Units	--	--	--	--	278
Issuance of Common Units pursuant to the vesting rights of the Restricted Unit Plan	4,500	--	29	(28)	(1)
Other	--	--	236	90	3
Other comprehensive income			--	--	--
Net income	--	--	9,960	3,865	140
BALANCE, MAY 31, 2000	7,214,204	2,777,207	$ 44,085	$ 1,050	$ 407

	Accumulated Other Comprehensive Income	Total Partners' Capital
BALANCE, AUGUST 31, 1999	$ --	$ 19,062
Unit Distribution	--	(16,210)
Issuance of restricted Common Units in connection with certain acquisitions	--	4,064
Issuance of Common Units to public net of related expenses	--	24,054
Capital contribution from General Partner in connection with issuance of Common Units	--	278
Issuance of Common Units pursuant to the vesting rights of the Restricted Unit Plan	--	--
Other	--	329
Other comprehensive income	3,173	3,173
Net income	--	13,965
BALANCE, MAY 31, 2000	$ 3,173	$ 48,715

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

HERITAGE PROPANE PARTNERS, L.P. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands, unaudited)

	Nine Months Ended May 31, 2000	Nine Months Ended May 31, 1999
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 13,965	$ 16,963
Reconciliation of net income to net cash provided by operating activities-		
Depreciation and amortization	13,624	10,908
Provision for losses on accounts receivable	193	250
Gain on disposal of assets	(419)	(545)
Deferred compensation on restricted units	329	164
Undistributed earnings of affiliates	(721)	(864)
Minority interest	253	(33)
Unrealized gain on trading securities	(284)	--
Changes in assets and liabilities, net of effect of acquisitions:		
Accounts receivable	(7,659)	(1,636)
Marketable securities	(2,413)	--
Inventories	(1,635)	3,794
Prepaid expenses	(501)	(102)
Intangibles and other assets	(435)	889
Accounts payable	4,349	(173)
Accrued and other current liabilities	1,128	(34)
Net cash provided by operating activities	19,774	29,581
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash paid for acquisitions, net of cash acquired	(46,803)	(16,763)
Capital expenditures	(10,877)	(10,541)
Proceeds from asset sales	734	1,701
Net cash used in investing activities	(56,946)	(25,603)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowings	126,474	60,454
Principal payments on debt	(94,897)	(49,935)
Unit distribution	(16,210)	(13,657)
Net proceeds from issuance of common units	24,054	--
Capital contribution from General Partner	278	5
Net cash provided by (used in) financing activities	39,699	(3,133)
INCREASE IN CASH	2,527	845
CASH, beginning of period	1,679	1,837
CASH, end of period	$ 4,206	$ 2,682
NONCASH FINANCING ACTIVITIES:		
Notes payable incurred on noncompete agreements	$ 3,198	$ 2,540
Issuance of restricted common units in connection with certain acquisitions	$ 4,064	$ 502
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for interest	$ 12,046	$ 9,967
Other comprehensive income	$ 3,173	$ --

The accompanying notes are an integral part of these consolidated financial statements

HERITAGE PROPANE PARTNERS, L.P. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except unit data)

1. GENERAL:

Heritage Propane Partners, L.P. (the Partnership) was formed April 24, 1996, as a Delaware limited partnership. The Partnership was formed to acquire, own and operate the propane business and substantially all of the assets of Heritage Holdings, Inc. (the Predecessor, Company or General Partner). In order to simplify the Partnership's obligation under the laws of several jurisdictions in which the Partnership conducts business, the Partnership's activities are conducted through a subsidiary operating partnership, Heritage Operating, L.P. (the Operating Partnership). The Partnership holds a 98.9899 percent limited partner interest and the General Partner holds a 1.0101 percent general partner interest in the Operating Partnership.

The Operating Partnership sells propane and propane-related products to a current customer base of approximately 286,000 retail customers in 27 states throughout the United States. The Partnership is also a wholesale propane supplier in the southwestern United States and in Canada, the latter through participation in M-P Energy Partnership. M-P Energy Partnership is a Canadian partnership primarily engaged in lower-margin wholesale distribution in which the Partnership owns a 60 percent interest. The Partnership grants credit to its customers for the purchase of propane and propane-related products.

The consolidated financial statements include the accounts of the Partnership, its subsidiaries, including Heritage Operating Partnership and M-P Energy Partnership. The Partnership accounts for its 50 percent partnership interest in Bi-State Partnership, another propane retailer, under the equity method. All significant intercompany transactions and accounts have been eliminated in consolidation. The General Partner's 1.0101 percent interest in the Operating Partnership is accounted for in the consolidated financial statements as a minority interest. The accompanying financial statements should be read in conjunction with the Partnership's consolidated financial statements as of August 31, 1999, and the notes thereto included in the Partnership's consolidated financial statements included in Form 10-K as filed with the Securities and Exchange Commission on November 29, 1999. The accompanying financial statements include only normal recurring accruals and all adjustments that the Partnership considers necessary for a fair presentation. Due to the seasonal nature of the Partnership's business, the results of operations for interim periods are not necessarily indicative of the results to be expected for a full year.

2. INVENTORIES:

Inventories are valued at the lower of cost or market. The cost of fuel inventories is determined using average cost while the cost of appliances, parts and fittings is determined by the first-in, first-out method. Inventories consist of the following:

	May 31, 2000	August 31, 1999
Fuel	$ 11,428	$ 9,341
Appliances, parts and fittings	6,429	5,443
	$ 17,857	$ 14,784

3. INCOME (LOSS) PER LIMITED PARTNER UNIT:

Basic net income (loss) per limited partner unit is computed by dividing net income (loss), after considering the General Partner's one percent interest, by the weighted average number of Common and Subordinated Units outstanding. Diluted net income (loss) per limited partner unit is computed by dividing net income (loss), after considering the General Partner's one percent interest, by the weighted average number of Common and Subordinated Units outstanding and the weighted average number of Restricted Units ("Phantom Units") granted under the Restricted Unit Plan. For the three months ended May 31, 2000 75,343 weighted average Phantom Units were excluded from the calculation of diluted net loss as such units were anti-dilutive due to the net loss for the period. A reconciliation of net income (loss) and weighted average units used in computing basic and diluted earnings (loss) per unit is as follows:

	For the Three Months Ended May 31,		For the Nine Months Ended May 31,	
	2000	1999	2000	1999
BASIC NET INCOME (LOSS) PER LIMITED PARTNER UNIT:				
Limited Partners' interest in net income (loss)	$ (2,177)	$ 1,331	$ 13,825	$ 16,794
Weighted average limited partner units	9,984,297	8,594,807	9,650,928	8,584,770
Basic net income (loss) per limited partner unit	$ (.22)	$ .15	$ 1.43	$ 1.96
DILUTED NET INCOME (LOSS) PER LIMITED PARTNER UNIT:				
Limited partners' interest in net income (loss)	$ (2,177)	$ 1,331	$ 13,825	$ 16,794
Weighted average limited partner units	9,984,297	8,594,807	9,650,928	8,584,770
Dilutive effect of Phantom Units	-	57,924	74,913	55,654
Weighted average limited partner units, assuming dilutive effect of Phantom Units	9,984,297	8,652,731	9,725,841	8,640,424
Diluted net income (loss) per limited partner unit	$ (.22)	$ .15	$ 1.42	$ 1.94

CASH DISTRIBUTIONS

During the nine months ended May 31, 2000, the Partnership declared and paid a cash distribution of $.5625 per unit on all units for the quarters ended August 31, 1999, November 30, 1999, and February 29, 2000. On June 23, 2000, the Partnership declared a cash distribution for the third quarter ended May 31, 2000 of $.5625 per unit payable on July 14, 2000 to Unitholders of record at the close of business on July 3, 2000. Distributions paid during the nine months ended May 31, 2000 included distributions to the General Partner in the amount of $189 and $193 for its General Partner interest in the Operating Partnership and its Minority Interest, respectively, and its Incentive Distribution Rights.

4. WORKING CAPITAL FACILITIES AND LONG-TERM DEBT:

As of June 25, 1996, the Partnership entered into a credit agreement with various financial institutions. Effective July 2, 1999, the Partnership entered into the First Amended and Restated Credit Agreement (the "Agreement"). The Agreement replaced one of the financial institutions from the previous amended credit agreement and extended the maturities, leaving all the terms essentially unchanged. The Partnership entered the Second Amendment ("the Amendment") to the Agreement as of May 31, 2000, which is filed as an exhibit hereto, which added defined terms to the agreement based on the proposed reorganization with the US Propane merger (refer to Note 9). The effectiveness of the Amendment is subject to the satisfaction of certain conditions in relation to the merger. The terms of the Agreement as amended are as follows:

A $35,000 Senior Revolving Working Capital Facility, expiring June 30, 2002, with $25,400 outstanding at May 31, 2000. The interest rate and interest payment dates vary depending on the terms the Partnership agrees to when the money is borrowed. The weighted average interest rate was 6.80 percent for the amount outstanding at May 31, 2000. The Partnership must be free of all working capital borrowings for 30 consecutive days each fiscal year. The maximum commitment fee payable on the unused portion of the facility is .375 percent.

A $50,000 Senior Revolving Acquisition Facility is available through December 31, 2001, with $46,250 outstanding at May 31, 2000, at which time the outstanding amount must be paid in ten equal quarterly installments, beginning March 31, 2002. The interest rate and interest payment dates vary depending on the terms the Partnership agrees to when the money is borrowed. The average interest rate was 6.80 percent for the amount outstanding at May 31, 2000. The maximum commitment fee payable on the unused portion of the facility is .375 percent.

5. REPORTABLE SEGMENTS:

The Partnership applies SFAS No. 131, Disclosures About Segments of an Enterprise and Related Information, which requires the reporting of certain financial information by business segment. The Partnership financial statements reflect three reportable segments: the domestic retail operations of Heritage Propane Partners, the domestic wholesale operations of Heritage Propane Partners, and the foreign wholesale operations of M-P Energy Partnership, a 60 percent owned Canadian wholesale supplier that the Partnership consolidates. The Partnership's reportable segments are strategic business units that sell products and services to different types of users; retail and wholesale customers. Intersegment sales by the foreign wholesale segment to the domestic segment are priced in accordance with the partnership agreement. The Partnership manages these segments separately as each segment involves different distribution, sale and marketing strategies. The Partnership evaluates the performance of its operating segments based on operating income. The operating income below does not reflect selling, general, and administrative expenses of $1,616 and $1,459 for the three months and $4,969 and $4,485 for the nine months ended May 31, 2000 and 1999, respectively.

The following table presents financial information by segment:

	For the Three Months Ended May 31, 2000	For the Three Months Ended May 31, 1999	For the Nine Months Ended May 31, 2000	For the Nine Months Ended May 31, 1999
Gallons:				
Domestic retail	38,874	38,940	155,101	137,341
Domestic wholesale	2,170	2,145	6,644	7,102
Foreign wholesale				
Affiliated	15,551	15,469	56,021	51,279
Unaffiliated	18,225	14,514	62,720	55,172
Elimination	(15,551)	(15,469)	(56,021)	(51,279)
Total	59,269	55,599	224,465	199,615
Revenues:				
Domestic retail fuel	$ 42,624	$ 33,779	$ 162,143	$ 118,022
Domestic wholesale fuel	1,423	933	4,036	3,104
Foreign wholesale fuel				
Affiliated	8,127	4,636	24,925	12,973
Unaffiliated	7,472	3,769	24,587	15,120
Elimination	(8,127)	(4,636)	(24,925)	(12,973)
Other revenues	5,705	4,669	20,508	16,960
Total	$ 57,224	$ 43,150	$ 211,274	$ 153,206

	For the Three Months Ended May 31, 2000	1999	For the Nine Months Ended May 31, 2000	1999
Operating Income:				
Domestic retail	$ 3,902	$ 6,125	$ 30,628	$ 30,841
Domestic wholesale fuel	49	26	275	135
Foreign wholesale				
Affiliated	176	142	541	458
Unaffiliated	397	317	1,481	1,151
Elimination	(176)	(142)	(541)	(458)
Total	$ 4,348	$ 6,468	$ 32,384	$ 32,127
Depreciation and amortization:				
Domestic retail	$ 4,878	$ 3,701	$ 13,591	$ 10,861
Domestic wholesale	8	12	27	37
Foreign wholesale	2	3	6	10
Total	$ 4,888	$ 3,716	$ 13,624	$ 10,908

	As of May 31, 2000	As of Aug. 31, 1999
Total Assets:		
Domestic retail	$ 303,057	$ 236,215
Domestic wholesale	2,322	2,803
Foreign wholesale	6,183	4,566
Corporate	23,004	19,374
Total	$ 334,566	$ 262,958

6. SIGNIFICANT INVESTEE:

The Partnership holds a 50 percent interest in Bi-State Partnership. The Partnership accounts for its 50 percent interest in Bi-State Partnership under the equity method. The Partnership's investment in Bi-State Partnership totaled $5,924 and $5,202 at May 31, 2000 and August 31, 1999, respectively. The Partnership received distributions from Bi-State Partnership in the amount of $470 for the year ended August 31, 1999.

Bi-State Partnership's financial position at May 31, 2000 and August 31, 1999 is summarized below:

	May 31, 2000	August 31, 1999
Current assets	$ 3,692	$ 1,533
Noncurrent assets	14,194	14,281
	$ 17,886	$ 15,814

	May 31, 2000	August 31, 1999
Current liabilities	$ 3,323	$ 2,333
Long-term debt	4,325	4,804
Partners' capital:		
Heritage	5,924	5,202
Other partner	4,314	3,475
	$ 17,886	$ 15,814

Bi-State Partnership's results of operations are summarized below:

	Three Months Ended May 31,		Nine Months Ended May 31,	
	2000	1999	2000	1999
Revenues	$ 3,289	$ 3,430	$ 11,138	$ 10,996
Gross profit	1,527	2,026	5,457	6,426
Net income:				
Heritage	78	364	721	1,185
Other partner	120	384	839	1,281

7. MARKETABLE SECURITIES

The Partnership's marketable securities are classified as trading securities as defined by SFAS No. 115 and are reflected as a current asset on the balance sheet at their fair value. An unrealized gain of $284 was recorded as other income based on the market value of the securities at the balance sheet date. A realized gain of $16 was recognized on the sale of a portion of the marketable securities during the period ended May 31, 2000 and recorded as other income.

8. SFAS 133 ACCOUNTING FOR CERTAIN DERIVATIVE INSTRUMENTS AND CERTAIN HEDGING ACTIVITIES:

The Partnership applies the provisions of Financial Accounting Standards Board SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities. SFAS No. 133 establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset or liability measured at its fair value. SFAS No. 133 requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative's gains and losses to offset related results on the hedged item in the income statement. Companies must formally document, designate, and assess the effectiveness of transactions that receive hedge accounting.

The Partnership entered into certain financial swap instruments during the three months ended May 31, 2000 that have been designated as cash flow hedging instruments in accordance with SFAS No. 133. Financial swaps are a contractual agreement to exchange obligations of money between the buyer and seller of the instruments as propane volumes during the pricing period are purchased. The swaps are tied to a set fixed price for the buyer and floating price determinants for the seller priced on certain indices. The Partnership entered into these instruments to hedge the forecasted propane volumes to be purchased during of each of the one-month periods ending October 2000 through March 2001. The Partnership utilizes hedging transactions to provide price protection against significant fluctuations in propane prices. These instruments had a fair value of $3,326 as of May 31, 2000, which was recorded as other assets on the balance sheet through other comprehensive income, exclusive of $153 of minority interest. The Partnership will reclassify into earnings the gain that is reported in accumulated other comprehensive income as the physical transactions occur under these instruments.

9. SUBSEQUENT EVENTS:

Subsequent to May 31, 2000, the Partnership announced it has entered into an agreement to merge with US Propane to create the Nation's fourth largest retail propane marketer. The transaction will combine Heritage's 170 locations throughout the United States with US Propane's 80 locations in Alabama, Florida, Georgia, Kentucky, North Carolina, South Carolina and Tennessee. The combined operations are expected to market over 300 million gallons per year to almost 485,000 customers in 28 states. Through a series of agreements, Heritage Propane Partners, L.P. will purchase the assets of US Propane for $181 million in cash and limited partner units. US Propane L.P. will purchase Heritage Holdings, Inc., the general partner of Heritage Propane Partners, for $120 million in cash. The existing shareholders, including the key officers and directors of HHI, will then purchase approximately $50 million of common and subordinated units of the Partnership, representing approximately 20% of all units outstanding. All current officers and managers of HHI will continue in their present positions. The transaction is expected to close in mid summer.

10. FOOTNOTES INCORPORATED BY REFERENCE:

Certain footnotes are applicable to the consolidated financial statements but would be substantially unchanged from those presented on Form 10-K filed with the Securities and Exchange Commission on November 29, 1999. Accordingly, reference should be made to the Company's Annual Report filed with the Securities and Exchange Commission on Form 10-K for the following:

NOTE	DESCRIPTION
1.	OPERATIONS AND ORGANIZATION
2.	SIGNIFICANT ACCOUNTING POLICIES AND BALANCE SHEET DETAIL
4.	WORKING CAPITAL FACILITIES AND LONG-TERM DEBT
5.	COMMITMENTS AND CONTINGENCIES
6.	PARTNERS' CAPITAL
7.	REGISTRATION STATEMENTS
8.	PROFIT SHARING AND 401(k) SAVINGS PLAN
9.	RELATED PARTY TRANSACTIONS

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GENERAL

Since its formation in 1989, Heritage has grown primarily through acquisitions of retail propane operations and, to a lesser extent, through internal growth. Through May 31, 2000, Heritage and the Partnership completed 70 acquisitions for an aggregate purchase price of approximately $297 million. The Partnership has completed 42 of these acquisitions since going public on June 25, 1996. The Partnership engages in the sale, distribution and marketing of propane and other related products. The Partnership derives its revenue primarily from the retail propane marketing business. The General Partner believes that the Partnership is one of the largest retail marketers of propane in the United States, based on retail gallons sold, currently serving more than 286,000 residential, industrial/commercial and agricultural customers in 27 states through 170 retail outlets. Subsequent to May 31, 2000, the Partnership announced it has entered into an agreement to merge with US Propane to create the Nation's fourth largest retail propane marketer. The transaction will combine Heritage's 170 locations throughout the United States with US Propane's 80 locations in Alabama, Florida, Georgia, Kentucky, North Carolina, South Carolina and Tennessee. The combined operations are expected to market over 300 million gallons per year to almost 485,000 customers in 28 states.

The retail propane business of the Partnership consists principally of transporting propane purchased in the contract and spot markets, primarily from major energy companies, to its retail distribution outlets and then to tanks located on the customers' premises, as well as to portable propane cylinders. In the residential and commercial markets, propane is primarily used for space heating, water heating and cooking. In the agricultural market, propane is primarily used for crop drying, tobacco curing, poultry brooding and weed control. In addition, propane is used for certain industrial applications, including use as an engine fuel that burns in internal combustion engines that power vehicles and forklifts and as a heating source in manufacturing and mining processes.

The retail propane distribution business is largely seasonal due to propane's use as a heating source in residential and commercial buildings. Historically, approximately two-thirds of the Partnership's retail propane volume and in excess of 80% of the Partnership's EBITDA is attributable to sales during the six-month peak heating season of October through March. Consequently, sales and operating profits are concentrated in the Partnership's first through third fiscal quarters. Cash flow from operations, however, is greatest during the second and third fiscal quarters when customers pay for propane purchased during the six-month peak-heating season.

A substantial portion of the Partnership's propane is used in the heating-sensitive residential and commercial markets causing the temperatures realized in the Partnership's areas of operations, particularly during the six-month peak heating season, to have a significant effect on the financial performance of the Partnership. In any given area, sustained warmer-than-normal temperatures will tend to result in reduced propane use, while sustained colder-than-normal temperatures will tend to result in greater propane use. The Partnership therefore uses information on normal temperatures in understanding how temperatures that are colder or warmer than normal affect historical results of operations and in preparing forecasts of future operations, which assumes that normal weather will prevail in each of the Partnership's regions.

The retail propane business is a "margin-based" business in which gross profits depend on the excess of sales price over propane supply costs. The market price of propane is often subject to volatile changes as a result of supply or other market conditions over which the Partnership will have no control. Product supply contracts are one-year agreements subject to annual renewal and generally permit suppliers to charge posted prices (plus transportation costs) at the time of delivery or the current prices established at major delivery points. Since rapid increases in the wholesale cost of propane may not be immediately passed on to retail customers, such increases could reduce the Partnership's gross profits. In the past, the Partnership generally attempted to reduce price risk by purchasing propane on a short-term basis. The Partnership has on occasion purchased significant volumes of propane during periods of low demand, which generally occur during the summer months, at the then current market price, for storage both at its service centers and in major storage facilities for future resale.

Gross profit margins vary according to customer mix. For example, sales to residential customers generate higher margins than sales to certain other customer groups, such as agricultural customers. Wholesale margins are substantially lower than retail margins. In addition, gross profit margins vary by geographical region. Accordingly, a change in customer or geographic mix can affect gross profit without necessarily affecting total revenues.

ANALYSIS OF UNAUDITED HISTORICAL RESULTS OF OPERATIONS

The following discussion reflects for the periods indicated the results of operations and operating data for the Partnership. Most of the increases in the line items discussed below result from the acquisitions made by the Partnership subsequent to the prior period discussed. The acquisition activity affects the comparability of prior period financial matters, as the volumes are not included in the prior period's results of operations. As the Partnership has grown through acquisitions, fixed costs such as personnel costs, depreciation and amortization and interest expense have increased. Amounts discussed below reflect 100% of the results of M-P Energy Partnership, a general partnership in which the Partnership owns a 60% interest. Because M-P Energy Partnership is primarily engaged in lower-margin wholesale distribution, its contribution to the Partnership's net income is not significant and the minority interest of this partnership is excluded from the EBITDA calculation.

THREE MONTHS ENDED MAY 31, 2000 COMPARED TO THE THREE MONTHS ENDED MAY 31, 1999.

Volume. The Partnership sold 38.9 million retail gallons in the three months ended May 31, 2000, which is unchanged from the retail gallons sold during the three months ended May 31, 1999. The weather patterns and temperatures that were significantly warmer than normal and warmer than the prior year conditions caused a reduction in retail volumes which was partially offset by acquisition related volumes and to a lesser extent, internal growth.

The Partnership's wholesale gallons sold increased approximately 3.8 million gallons in the third quarter of fiscal 2000 to 20.4 million wholesale gallons from the 16.6 million wholesale gallons sold in the third quarter of fiscal 1999. U.S. wholesale volumes increased .1 million gallons to 2.2 million gallons while the foreign volumes of M-P Energy Partnership increased 3.7 million gallons to 18.2 million gallons during the third quarter.

Revenues. Total revenues for the Partnership increased $14.1 million or 32.7% to $57.2 million for the three months ended May 31, 2000 as compared to $43.1 million for the same three-month period last year. The current period's domestic retail propane revenues increased $8.8 million or 26.0% to $42.6 million versus the prior year's comparable period results of $33.8 million due to higher selling prices. The U.S. wholesale revenues increased to $1.4 million in the current period as compared to $.9 million for the period ended May 31, 1999, primarily due to higher selling prices. Other revenues increased $1.0 million or 21.3% to $5.7 million as a result of acquisitions and internal growth. Foreign revenues increased $3.8 million for the three months ended May 31, 2000, to $7.5 million as compared to $3.7 million for the three months ended May 31, 1999, primarily as a result of higher selling prices and increased volume. Sales price per gallon during the three months ended May 31, 2000 continued to remain above last year's level due to the higher cost of propane as compared to the same period last year.

Cost of Sales. Total cost of sales increased $13.4 million or 68.7% to $32.9 million for the three months ended May 31, 2000 as compared to $19.5 million for the three months ended May 31, 1999. This increase is the result of a significant increase in the wholesale propane prices that started during the first quarter as compared to the low wholesale costs experienced in the same period last fiscal year. Retail fuel cost of sales increased $9.1 million or 66.4% to $22.8 million in the third quarter of fiscal 2000, compared to $13.7 million in the third quarter of fiscal 1999 due to the impact of the increase in fuel cost. Domestic wholesale cost of sales increased to $1.3 million for the three months ended May 31, 2000 as compared to $.7 million for the three months ended May 31, 1999. Foreign cost of sales increased $3.6 million due to the higher cost of fuel along with increased foreign wholesale volumes as compared to the same period last fiscal year. Other cost of sales were $1.7 million for the three months ended May 31, 2000 as compared to $1.6 million for the same period last fiscal year.

Gross Profit. Total gross profit increased $.7 million or 3.0% to $24.3 million for the three months ended May 31, 2000, as compared to $23.6 million for the three months ended May 31, 1999 due primarily to the increase in other revenues. The increases in fuel revenues were more than offset by the increase in cost of sales due to the reasons discussed above.

Operating Expenses. Operating expenses increased $1.7 million or 12.7% to $15.1 million in the third quarter of fiscal 2000 as compared to $13.4 million in the third quarter of fiscal 1999 primarily due to acquisition related operating expenses.

Selling, General and Administrative. Selling, general and administrative expenses were $1.6 million for the three months ended May 31, 2000 as compared to $1.5 million reported for the same three month period last fiscal year.

Depreciation and Amortization. Depreciation and amortization increased $1.2 million for the third quarter ended May 31, 2000 to $4.9 million as compared to $3.7 million for the third quarter ended May 31, 1999. This increase is primarily the result of additional depreciation and amortization cost on the fixed assets and intangible assets recorded in connection with acquisitions.

Operating Income. Operating income for the three months ended May 31, 2000 decreased $2.3 million or 46% to $2.7 million as compared to $5.0 million for the same three-month period last fiscal year. This decrease is primarily attributable to reduced volumes caused by the warmer weather this quarter along with the acquisition-related increase in operating expenses and depreciation and amortization.

Interest Expense. Interest expense increased $1.0 million to $4.9 million for the three months ended May 31, 2000 primarily due to increased borrowings related to acquisitions.

Net Income (Loss). In the third quarter of fiscal 2000, the Partnership recorded a net loss of $2.2 million, a $3.5 million decrease over the net income of $1.3 million for the third quarter of fiscal 1999. This decrease is the result of the reduced operating income described above and an increase in interest costs.

EBITDA. Earnings before interest, taxes, depreciation and amortization decreased $1.2 million to $8.0 million for the third quarter ended May 31, 2000, as compared to the revised third quarter 1999 EBITDA of $9.2 million. The third quarter 1999 EBITDA was revised to account for the non-cash compensation expense that was previously included. The Partnership's EBITDA includes the EBITDA of investees, but does not include the EBITDA of the minority interest of M-P Energy Partnership. EBITDA should not be considered as an alternative to net income (as an indicator of operating performance) or as an alternative to cash flow (as a measure of liquidity or ability to service debt obligations), but provides additional information for evaluating the Partnership's ability to make the Minimum Quarterly Distribution.

NINE MONTHS ENDED MAY 31, 2000 COMPARED TO THE NINE MONTHS ENDED MAY 31, 1999.

Volume. The Partnership sold 155.1 million retail gallons in the nine months ended May 31, 2000, an increase of 17.8 million gallons or 13.0% over the 137.3 million gallons sold in the nine months ended May 31, 1999. This increase was primarily attributable to acquisition-related volumes and to a lesser extent internal growth, offset by warmer than normal weather.

The Partnership also sold approximately 69.3 million wholesale gallons the first nine months of fiscal 2000, an increase of 7.0 million gallons or 11.2% from the 62.3 million wholesale gallons sold during the same period last year. U.S. wholesale volumes decreased .5 million gallons to 6.6 million gallons while the foreign volumes of M-P Energy Partnership increased 7.5 million gallons to 62.7 million gallons during this time period.

Revenues. Total revenues for the Partnership increased $58.1 million or 37.9% to $211.3 million for the nine months ended May 31, 2000 as compared to $153.2 million for the same nine-month period last year. The current period's domestic retail propane revenues increased $44.2 million or 37.5% to $162.2 million versus the prior year's comparable period results of $118.0 million due to increased volumes and higher selling prices. The U.S. wholesale revenues increased slightly to $4.0 million as compared to $3.1 million in the nine-month period, due to higher selling prices. Other revenues increased $3.5 million or 20.6% to $20.5 million as a result of acquisitions and internal growth. Foreign revenues increased $9.5 million for the nine months ended May 31, 2000, to $24.6 million as compared to $15.1 million for the nine months ended May 31, 1999, primarily as a result of higher selling prices and to a lesser degree, increased volume. Sales price per gallon during the nine months ended May 31, 2000 continued to remain above last year's level due to the higher cost of propane as compared to the same period last year.

Cost of Sales. Total cost of sales increased $48.4 million or 68.0% to $119.6 million for the nine months ended May 31, 2000 as compared to $71.2 million for the nine months ended May 31, 1999. This increase is the result of a significant increase in the wholesale propane prices that started during the first quarter as compared to the low wholesale costs experienced in the same period last fiscal year and the increase in gallons sold. Retail fuel cost of sales increased $36.9 million or 75.5% to $85.8 million during the nine months ended May 31, 2000, compared to $48.9 million for the same time period of fiscal 1999. Foreign wholesale cost of sales also reflected an increase, going from $14.0 million for the nine months ended May 31, 1999 to $23.1 million for the nine months ended May 31, 2000 due to the impact of the increase in the cost of propane and increased volumes in this area. U. S. wholesale cost of sales increased $1.0 million as a result of the higher cost of fuel. Other cost of sales also increased $1.4 million during the nine-month period due to an increase in other revenues.

Gross Profit. Total gross profit increased $9.7 million or 11.8% to $91.7 million for the nine months ended May 31, 2000, as compared to $82.0 million for the nine months ended May 31, 1999 due to the increases in volumes sold and revenues discussed above, offset by the increase in product costs.

Operating Expenses. Operating expenses increased $6.7 million or 17.2% to $45.7 million in the nine months ended May 31, 2000 as compared to $39.0 million in the nine months ended May 31, 1999 primarily due to acquisition related operating expenses.

Selling, General and Administrative. Selling, general and administrative expenses were $5.0 million for the nine months ended May 31, 2000, an increase of $.5 million from the $4.5 million reported for the nine months ended May 31, 1999.

Depreciation and Amortization. Depreciation and amortization increased $2.7 million for the nine months ended May 31, 2000 to $13.6 million as compared to $10.9 million for the same period last year. This increase is primarily the result of additional depreciation and amortization cost on the fixed assets and intangible assets recorded in connection with acquisitions.

Operating Income. Operating income for the nine months ended May 31, 2000, decreased slightly by $.2 million to $27.4 million as compared to $27.6 million for the same nine-month period last fiscal year. This decrease is primarily attributable to the results of the third quarter operating income discussed above.

Interest Expense. Interest expense increased $2.4 million or 20.5% to $14.1 million for the nine months ended May 31, 2000 as compared to $11.7 million for the nine months ended May 31, 1999. The increase was primarily due to borrowings related to acquisitions and to lesser extent, increased borrowings as a result of higher product costs.

Net Income. Net income for the nine months ended May 31, 2000 was $14.0 million as compared to the net income of $17.0 million for the same period last year. The $3.0 million decrease is the result of the decrease in operating income described above together with an increase in interest costs.

EBITDA. Earnings before interest, taxes, depreciation and amortization increased $2.4 million to $42.6 million for the nine months ended May 31, 2000, as compared to the revised nine month 1999 EBITDA of $40.2 million. The 1999 EBITDA was revised to account for the non-cash compensation expense that was previously included. The Partnership's EBITDA includes the EBITDA of investees, but does not include the EBITDA of the minority interest of M-P Energy Partnership. EBITDA should not be considered as an alternative to net income (as an indicator of operating performance) or as an alternative to cash flow (as a measure of liquidity or ability to service debt obligations), but provides additional information for evaluating the Partnership's ability to make the Minimum Quarterly Distribution.

LIQUIDITY AND CAPITAL RESOURCES

The ability of the partnership to satisfy its obligations will depend on its future performance, which will be subject to prevailing economic, financial, business and weather conditions and other factors, many of which are beyond its control. Future capital needs of the Partnership are expected to be provided by various sources as follows:

a) increases in working capital will be financed by the working capital line of credit and repaid from subsequent seasonal reductions in inventory and accounts receivable

b) payment of interest cost, and other debt services, will be provided by the annual cash flow from operations

c) required maintenance capital, predominantly vehicle replacement, will also be provided by the annual cash flow from operations

d) growth capital, mainly for customer tanks, expended will be financed by the revolving acquisition bank line of credit

e) acquisition capital expenditures will be financed with additional indebtedness on the revolving acquisition bank line of credit, other lines of credit, issues of additional Common Units or a combination thereof.

CASH FLOWS

Operating Activities. Cash provided by operating activities during the nine months that ended May 31, 2000, was $19.8 million compared to cash provided of $29.6 million in the nine months that ended May 31, 1999. The net cash provided from operations for the nine months ended May 31, 2000 consisted of net income of $14.0 million and the impact of working capital used of $7.2 offset by noncash charges of $13.0 million, principally depreciation and amortization. Accounts receivable have increased over last year as a result of the net effect of the increase in propane costs which in part was passed on to the customers and a larger customer base due to acquisitions. Accounts payable has also increased due to the same related reasons of increased cost of propane and acquisitions.

Investing Activities. The Partnership has completed eleven acquisitions during the nine months ended May 31, 2000 spending $46.8 million, net of cash received, to purchase propane companies. This capital expenditure amount is reflected in the cash used in investing activities of $56.9 million along with $10.9 million spent for maintenance needed to sustain operations at current levels and customer tanks to support growth of operations.

Financing Activities. Cash provided by financing activities during the third quarter of fiscal 2000 of $39.7 million is primarily the result of net proceeds received in an equity offering of 1,200,000 Common Units representing limited partner interest in Heritage Propane Partners, L.P. utilizing the Partnership's Registration Statement No. 333-86057 on Form S-3 dated September 13, 1999. The underwriters delivered the Common Units to purchasers on October 28, 1999, at a public offering price of $22.00 per Common Unit. The net proceeds of approximately $24 million were used to repay a portion of the outstanding indebtedness under the acquisition facility that was incurred to acquire propane businesses. Other cash provided by financing activities of $15.6 million was mainly from a net increase in the working capital facility of $5.5 million and a net increase in the acquisition facility of $27.9 million used to acquire other propane businesses. These increases were offset by cash distributions to unitholders of $16.2 million and payments on other long-term debt of $1.8 million.

FINANCING AND SOURCES OF LIQUIDITY

The Partnership has a Bank Credit Facility, which includes a Working Capital Facility, a revolving credit facility providing for up to $35.0 million of borrowings to be used for working capital and other general partnership purposes, and an Acquisition Facility, a revolving credit facility providing for up to $50.0 million of borrowings to be used for acquisitions and improvements. As of May 31, 2000, the Acquisition Facility had $3.7 million available to fund future acquisitions and the Working Capital Facility had $9.6 million available for borrowings.

The Partnership uses its cash provided by operating and financing activities to provide distributions to unitholders and to fund acquisition, maintenance and growth capital expenditures. Acquisition capital expenditures, which include expenditures related to the acquisition of retail propane operations and intangibles associated with such acquired businesses, were $46.8 million for the nine months ended May 31, 2000, as compared to $16.8 million during the same period of fiscal 1999. In addition to the $46.8 million of cash expended for acquisitions during the first nine months of fiscal 2000, $4.1 million of Common Units and $3.2 million for notes payable on non-compete agreements were issued in connection with certain acquisitions and $.4 million of liabilities were assumed.

Under the Partnership Agreement of Heritage, the Partnership will distribute to its partners, 45 days after the end of each fiscal quarter, an amount equal to all of its Available Cash for such quarter. Available cash generally means, with respect to any quarter of the Partnership, all cash on hand at the end of such quarter less the amount of cash reserves established by the General Partner in its reasonable discretion that is necessary or appropriate to provide for future cash requirements. The current distribution level is $.5625 per unit ($2.25 annually). To the extent the quarterly distribution exceeds $.55 per unit ($2.20 annually), incentive distributions are payable to the General Partner. Pursuant to the Partnership Agreement, 925,736 Subordinated Units held by the General Partner converted to Common Units on July 5, 2000. The conversion of these units was dependent on meeting certain cash performance and distribution requirements during the period that commenced with the Partnership's public offering in June of 1996. As more fully described in the Form 10-K for the year ended August 31, 1999, the subordination period applicable to the remaining Subordinated Units will end the first day of any quarter ending after May 31, 2001, in which certain cash performance and distribution requirements have been met.

The assets utilized in the propane business do not typically require lengthy manufacturing process time nor complicated, high technology components. Accordingly, the Partnership does not have any significant financial commitments for capital expenditures. In addition, the Partnership has not experienced any significant increases attributable to inflation in the cost of these assets or in its operations.

FORWARD-LOOKING STATEMENTS

Certain matters discussed in this report, excluding historical information, include certain forward-looking statements. Although Heritage believes such forward-looking statements are based on reasonable assumptions, no assurance can be given that every objective will be reached. Such statements are made in reliance on the "safe harbor" protections provided under the Private Securities Litigation Reform Act of 1995.

As required by that law, the Partnership hereby identifies the following important factors that could cause actual results to differ materially from any results projected, forecasted, estimated or budgeted by the Partnership in forward-looking statements.

- Risks and uncertainties impacting the Partnership as a whole relate to changes in general economic conditions in the United States; the availability and cost of capital; changes in laws and regulations to which the Partnership is subject, including tax, environmental and employment laws and regulations; the cost and effects of legal and administrative claims and proceedings against the Partnership or which may be brought against the Partnership and changes in general and economic conditions and currencies in foreign countries.

- The uncertainty of the ability of the Partnership to sustain its rate of internal sales growth and its ability to locate and acquire other propane companies at prices that are accretive to the Partnership.

- Risks and uncertainties related to energy prices and the ability of the Partnership to develop expanded markets and products offerings as well as their ability to maintain existing markets. In addition, future sales will depend on the cost of propane compared to other fuels, competition from other propane retailers and alternate fuels, the general level of petroleum product demand, and weather conditions, among other things.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

The Partnership has very little cash flow exposure due to rate changes for long-term debt obligations. The Partnership primarily enters debt obligations to support general corporate purposes including capital expenditures and working capital needs. The Partnership's long-term debt instruments are typically issued at fixed interest rates. When these debt obligations mature, the Partnership may refinance all or a portion of such debt at then-existing market interest rates which may be more or less than the interest rates on the maturing debt. Commodity price risk arises from the risk of price changes in the propane inventory that the Partnership buys and sells. The market price of propane is often subject to volatile changes as a result of supply or other market conditions over which the Partnership will have no control. In the past, price changes have generally been passed along to the Partnership's customers to maintain gross margins, mitigating the commodity price risk. The Partnership in the past has on occasion purchased significant volumes of propane during periods of low demand, which generally occur during the summer months, at the then current market price, for storage both at its service centers and in major storage facilities. The Partnership utilizes hedging transactions to provide price protection against significant fluctuations in propane prices. As of May 31, 2000, the Partnership was a party to financial swap contracts with another party to hedge forecasted propane volumes purchased during set monthly pricing periods. Cash settlement of these instruments will occur during each pricing period as the physical transactions occur. Market risk of these instruments is monitored daily for compliance with the Partnership's Trading and Hedging Policy. The fair value of these instruments as of May 31, 2000, was $3.3 million. These instruments are deemed to be highly effective as of May 31, 2000, and are accounted for as cash flow hedges under the provisions of SFAS No. 133 (see Footnote 8 to the Financial Statements).

PART II - OTHER INFORMATION

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

(c) During the three months ended May 31, 2000, the Partnership issued 58,318 Common Units ("Units") to Heritage Holdings, Inc., the Partnership's General Partner. These Units were issued in connection with the assumption of certain liabilities by the General Partner with respect to the prior stock acquisitions of other propane companies. The General Partner's Units were not registered with the Securities and Exchange Commission under the Securities Act of 1933, as amended, by virtue of an exemption under Section 4(2) thereof. The above Units carry a restrictive legend with regard to transfer of the Units.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) The exhibits listed on the following Exhibit Index are filed as part of this Report. Exhibits required by Item 601 of Regulation S-K, but which are not listed below, are not applicable.

	Exhibit Number	Description
(1)	3.1	Agreement of Limited Partnership of Heritage Propane Partners, L.P.
(7)	10.1	First Amended and Restated Credit Agreement with Banks Dated May 31, 1999
(8)	10.1.1	First Amendment to the First Amended and Restated Credit Agreement dated as of October 15, 1999
(*)	10.1.2	Second Amendment to First Amended and Restated Credit Agreement dated as of May 31, 2000
(1)	10.2	Form of Note Purchase Agreement (June 25, 1996)
(3)	10.2.1	Amendment of Note Purchase Agreement (June 25, 1996) dated as of July 25, 1996
(4)	10.2.2	Amendment of Note Purchase Agreement (June 25, 2996) dated as of March 11, 1997
(6)	10.2.3	Amendment of Note Purchase Agreement (June 25, 1996) dated as of October 15, 1998
(8)	10.2.4	Second Amendment Agreement dated September 1, 1999 to June 25, 1996 Note Purchase Agreement
(1)	10.3	Form of Contribution, Conveyance and Assumption Agreement among Heritage Holdings, Inc., Heritage Propane Partners, L.P. and Heritage Operating, L.P.
(1)	10.6	Restricted Unit Plan
(4)	10.6.1	Amendment of Restricted Unit Plan dated as of October 17, 1996
(2)	10.7	Employment Agreement for James E. Bertelsmeyer
(1)	10.8	Employment Agreement for R. C. Mills
(1)	10.9	Employment Agreement for G.A. Darr
(1)	10.10	Employment Agreement for H. Michael Krimbill

	Exhibit Number	Description
(6)	10.11	Employment Agreement for Bradley K. Atkinson
(7)	10.12	First Amended and Restated Revolving Credit Agreement between Heritage Service Corp. and Banks Dated May 31, 1999
(5)	10.16	Note Purchase Agreement dated as of November 19, 1997
(6)	10.16.1	Amendment dated October 15, 1998 to November 19, 1997 Note Purchase Agreement
(8)	10.16.2	Second Amendment Agreement dated September 1, 1999 to November 19, 1997 Note Purchase Agreement and June 25, 1996 Note Purchase Agreement
(*)	10.16.3	Third Amendment Agreement dated May 31, 2000 to November 19, 1997 Note Purchase Agreement and June 25, 1996 Note Purchase Agreement
(8)	21.1	List of Subsidiaries
	27.1	Financial Data Schedule - Filed with EDGAR version only
(8)	99.1	Balance Sheet of Heritage Holdings, Inc. as of August 31, 1999

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

(1) Incorporated by reference to the same numbered Exhibit to Registrant's Registration Statement of Form S-1, File No. 333-04018, filed with the Commission on June 21, 1996.

(2) Incorporated by reference to Exhibit 10.11 to Registrant's Registration Statement on Form S-1, File No. 333-04018, filed with the Commission on June 21, 1996.

(3) Incorporated by reference to the same numbered Exhibit to Registrant's Form 10-Q for the quarter ended November 30, 1996.

(4) Incorporated by reference to the same numbered Exhibit to Registrant's Form 10-Q for the quarter ended February 28, 1997.

(5) Incorporated by reference to the same numbered Exhibit to Registrant's Form 10-Q for the quarter ended May 31, 1998.

(6) Incorporated by reference to the same numbered Exhibit to the Registrant's Form 10-K for the year ended August 31, 1998.

(7) Incorporated by reference to the same numbered Exhibit to the Registrant's Form 10-Q for the quarter ended May 31, 1999.

(8) Incorporated by reference to the same numbered Exhibit to the Registrant's Form 10-K for the year ended August 31, 1999.

(*) Filed herewith.

(b) Reports on Form 8-K

None.

SIGNATURE

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

HERITAGE PROPANE PARTNERS, L.P.

By: Heritage Holdings, Inc., General Partner

Date: July 14, 2000

By: /s/ H. Michael Krimbill

H. Michael Krimbill
(CEO, President and Chief Financial Officer
and officer duly authorized to sign on
behalf of the registrant)

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(*) Filed herewith.

EXHIBIT 10.1.2

SECOND AMENDMENT TO
FIRST AMENDED AND RESTATED CREDIT AGREEMENT

THIS SECOND AMENDMENT TO FIRST AMENDED AND RESTATED CREDIT AGREEMENT, dated effective as of May 31, 2000 (the "Second Amendment"), is entered into between and among HERITAGE OPERATING, L.P., a Delaware limited partnership (the "Borrower") and BANK OF OKLAHOMA, NATIONAL ASSOCIATION ("BOk"), FIRSTAR BANK N.A., (formerly known as Mercantile Bank National Association) ("Firstar") and LOCAL OKLAHOMA BANK, N.A. ("Local") (BOk, Firstar and Local, together with each other Person that becomes a Bank pursuant to Article XI of the Credit Agreement (hereinafter defined) collectively referred to herein as the "Banks"), BOk, as administrative agent for the Banks (in such capacity, the "Administrative Agent") and Firstar, as co-agent for the Banks (in such capacity, the "Co-Agent").

WHEREAS, the Borrower, the Banks, the Administrative Agent and the Co-Agent entered into (i) that certain First Amended and Restated Credit Agreement dated as of May 31, 1999 (the "Original Restated Credit Agreement"), and (ii) that certain First Amendment to First Amended and Restated Credit Agreement dated as of October 15, 1999 (the "First Amendment"); and

WHEREAS, the Original Restated Credit Agreement, as amended and modified by the First Amendment, is hereinafter sometimes referred to as the "Credit Agreement"; and

WHEREAS, capitalized terms used herein without definition shall have the respective meanings assigned to such terms in the Credit Agreement; and

WHEREAS, the Borrower has heretofore sent the Administrative Agent a letter dated May 15, 2000, (the "Reorganization Letter"), describing certain acquisitions by the Borrower, a proposed change in the ownership of the General Partner, a proposed change in ownership of Common Units of the Master Partnership and other matters set forth therein (the "Proposed Reorganization"); and

WHEREAS, the Borrower has requested the Banks, the Administrative Agent and the Co-Agent to (i) consent, subject to the satisfaction of certain conditions to effectiveness, to an amendment to the Credit Agreement, and (ii) consent to an amendment to Section 2.2.2 of the Credit Agreement.

NOW, THEREFORE, the parties hereto agree as follows:

1. Upon satisfaction of each of the conditions to effectiveness set forth in paragraph 6 below:

A. Section 1.1 of the Credit Agreement shall be amended by adding thereto, at the appropriate alphabetical position, the following additional defined terms:

"`Adjusted Consolidated EBITDA' shall mean, as of any date of determination for any applicable period, Consolidated EBITDA calculated

(x) with respect to the consolidated group comprised of the General Partner, the Master Partnership and the Borrower and its Subsidiaries (rather than with respect to the consolidated group comprised of the Borrower and its Subsidiaries), and

(y) as if the terms `Consolidated Non-Cash Charges', `Consolidated Net Income', `Consolidated Interest Expense', `Consolidated Income Tax Expense', `Asset Sale', and `Asset Acquisition', were calculated with respect to the consolidated group comprised of the General Partner, the Master Partnership and the Borrower and its Subsidiaries (rather than with respect to the consolidated group comprised of the Borrower and its Subsidiaries)."

"`Adjusted Consolidated Funded Indebtedness' shall mean Consolidated Funded Indebtedness calculated with respect to the consolidated group comprised of the General Partner, the Master Partnership and the Borrower and its Subsidiaries (rather than with respect to the consolidated group comprised of the Borrower and its Subsidiaries)."

"`Designated Current Managers' shall mean R. C. Mills and H. Michael Krimbill, current executive officers of the General Partner, together, in the case of either such executive officer, with the heirs of, and trusts for the benefit of family members controlled by, such executive officer."

"`Lock-Up Period' shall mean, with respect to each Designated Current Manager, the period from the date of the closing of the Proposed Reorganization to the earlier to occur of (x) the third anniversary of such closing, and (y) the first date on which such Designated Current Manager shall cease to be employed by the General Partner, the Master Partnership or any of their respective Affiliates."

"`Proposed Reorganization' shall have the meaning set forth in the fourth "Whereas" clause of the Second Amendment, dated as of May 31, 2000, with respect to this Agreement."

"`Specified Entities' shall mean any one or more of the following entities: (i) Atmos Energy Corporation, a Texas and Virginia corporation, (ii) Piedmont Natural Gas Company, Inc., a

North Carolina corporation, (iii) AGL Resources, Inc., a Georgia corporation, and (iv) TECO Energy, Inc., a Florida corporation, or a Successor to any entity referred to in clause (i), (ii), (iii) or (iv) of this definition."

"`Successor' shall mean, with respect to a Specified Entity, any entity in which the holders of the Capital Stock of such Specified Entity outstanding immediately prior to a consolidation, acquisition or merger involving such Specified Entity hold, directly or indirectly through Wholly-Owned Subsidiaries, at least a majority of the Capital Stock immediately after such consolidation, acquisition or merger."

B. Section 7B.1 of the Credit Agreement shall be amended by adding the following new clause (iii):

"(iii) Ratio of Adjusted Consolidated Funded Indebtedness to Adjusted Consolidated EBITDA. The ratio as at the end of any fiscal quarter of Adjusted Consolidated Funded Indebtedness to Adjusted Consolidated EBITDA to exceed 6.25 to 1.00."

C. Section 9.1(xv) of the Credit Agreement shall be amended by (i) adding before clause (a) the phrase "any of the events described in clauses (a), (b), (c) or (d) shall occur: ", and (ii) deleting clause (c) and inserting in lieu thereof the following new clauses (c) and (d):

"(c) the Specified Entities shall own, directly or indirectly through Wholly-Owned Subsidiaries, in the aggregate less than 51% of the Capital Stock of the General Partner, or (d) either Designated Current Manager shall, at any time during the Lock-up Period applicable to such Designated Current Manager, own, directly or indirectly, less than 50% of the Common Units of the Master Partnership owned, directly or indirectly, by such Designated Current Manager immediately after giving effect to the Proposed Reorganization; or".

2. Section 2.2.2 of the Credit Agreement is deleted in its entirety and replaced with the following:

"2.2.2. Maximum Amount of Working Capital Credit. The term `Maximum Amount of Working Capital Credit' means, on any date, $35,000,000 minus the outstanding principal balance on the Indebtedness permitted by Section 7B.2(v) or such lesser amount as the Borrower may specify from time to time by notice from the Borrower to the Administrative Agent; provided that the aggregate outstanding principal amount of Working Capital Loan shall be $0 for a period of not less than 30 consecutive calendar days at least one time during each fiscal year of the Borrower ending subsequent to September 1, 2000 (the "Annual Clean-Up"). Failure by the Borrower to comply with the provisions of the Annual Clean-Up shall constitute a failure to pay the Loans when due and an Event of Default under Section 9.1."

3. Existing Credit Agreement/Counterparts. All of the remaining terms, provisions and conditions of the Credit Agreement, except as otherwise expressly amended and modified by this Second Amendment, shall continue in full force and effect in all respects. This Second Amendment may be executed in multiple counterparts, each of which shall be deemed an original and all of which shall constitute a single Second Amendment. Delivery of an executed counterpart of a signature page to this Second Amendment by telecopier shall be as effective as delivery of a manually executed counterpart of this Second Amendment.

4. Further Assurances. The Borrower will, upon the request of the Administrative Agent from time to time, promptly execute, acknowledge and deliver, and file and record, all such instruments and notices, and take all such action, as the Administrative Agent deems necessary or advisable to carry out the intent and purposes of this Second Amendment and the Credit Agreement.

5. General. The Credit Agreement and all of the other Loan Documents are each confirmed as being in full force and effect. This Second Amendment, the Credit Agreement and the other Loan Documents referred to herein or therein constitute the entire understanding of the parties with respect to the subject matter hereof and thereof and supersede all prior and current understandings and agreements, whether written or oral, with respect to such subject matter. The invalidity or unenforceability of any provision hereof shall not affect the validity and enforceability of any other term or provision hereof. The headings in this Second Amendment are for convenience of reference only and shall not alter, limit or otherwise affect the meaning hereof. Each of this Second Amendment and the Credit Agreement is a Loan Document and may be executed in any number of counterparts, which together shall constitute one instrument, and shall bind and inure to the benefit of the parties and their respective successors and assigns including as such successors and assigns all holders of any Note. This Second Amendment shall be governed by and construed in accordance with the laws (other than the conflict of law rules) of the State of Oklahoma.

6. Conditions to Effectiveness. The effectiveness of this Second Amendment is subject to the satisfaction of the following conditions:

(a) the Required Banks under the Credit Agreement shall have consented to this Second Amendment as evidenced by their execution thereof;

(b) the requisite percentages of holders of Private Placement Notes shall have agreed to all amendments necessary to effect the Proposed Reorganization and a copy thereof shall have been provided to the Administrative Agent. In the event the Borrower agrees that the holders of any Private Placement Notes shall be granted any additional or more restrictive financial or negative covenants or events of default than are imposed on the Borrower under the Credit Agreement, as amended hereby, the Borrower agrees that the Banks shall also be granted such more restrictive covenants or events of defaults;

(c) each of the Banks shall have received an amendment fee from the Borrower in an amount equal to .10% of the aggregate principal amount of the Loan owing to such Bank on the date hereof (the "Amendment Fee") and a Responsible Officer of the Borrower shall have certified to the Administrative Agent (the truth and accuracy of which certification shall constitute a condition of effectiveness hereunder) that the holders of the Private Placement Notes have received no amendment fees or other consideration (including increase in coupon) greater than the Amendment Fee;

(d) the Administrative Agent shall have received evidence that (i) the Master Partnership shall have transferred to the Borrower an equity contribution in the amount of at least $45,000,000 (the "Equity Contribution"), and (ii) the entire amount of such Equity Contribution shall have been applied to the payment of outstanding Indebtedness of the Borrower;

(e) counsel to the Banks shall have been paid fees and expenses incurred in connection with this Second Amendment; and

(f) materials reasonably satisfactory to the Administrative Agent shall have been delivered evidencing that the Proposed Reorganization has become effective.

IN WITNESS WHEREOF, the parties hereto have caused this Second Amendment to First Amended and Restated Credit Agreement to be duly executed and delivered in Tulsa, Oklahoma, effective as of the 31st day of May, 2000, by the undersigned duly authorized officers thereof.

"Borrower"

HERITAGE OPERATING, L.P., a Delaware limited partnership

By: Heritage Holdings, Inc., a Delaware corporation, general partner

By: --------------------------------
H. Michael Krimbill
President

"Banks"

BANK OF OKLAHOMA, NATIONAL ASSOCIATION

By: ----------------------------------

Its: ---------------------------------

FIRSTAR BANK N.A. (formerly known as
Mercantile Bank National Association)

By:

Its:

LOCAL OKLAHOMA BANK, N.A.

By:

Its:

"Administrative Agent"

BANK OF OKLAHOMA, NATIONAL ASSOCIATION

By:

Its:

"Co-Agent"

FIRSTAR BANK N.A. (formerly known as
Mercantile Bank National Association)

By:

Its:

EXHIBIT 10.16.3

HERITAGE OPERATING, L.P.

THIRD AMENDMENT AGREEMENT

Re: Note Purchase Agreement dated as of June 25, 1996
Note Purchase Agreement dated as of November 19, 1997

Dated as of
May 31, 2000

To each of the Holders named
in Schedule 1 to this Consent and
Third Amendment Agreement

Ladies and Gentlemen:

Reference is made to

(i) the Note Purchase Agreement dated as of June 25, 1996 (the "Original 1996 Agreement"), among Heritage Operating, L.P., a Delaware limited partnership (the "Company") and the Purchasers named in the Purchaser Schedule attached thereto, as amended by a First Amendment Agreement (the "First Amendment Agreement") dated as of October 15, 1998 and a Second Amendment Agreement (the "Second Amendment Agreement") dated as of September 1, 1999 (said Original 1996 Agreement, as amended by the First Amendment Agreement and the Second Amendment Agreement, being hereinafter referred to as the "Outstanding 1996 Agreement") under and pursuant to which the Company issued, and there are presently outstanding, $120,000,000 aggregate principal amount of its 8.55% Senior Secured Notes due 2011 (the "1996 Notes"); and

(ii) the Note Purchase Agreement dated as of November 19, 1997 (the "Basic 1997 Agreement"), among the Company and the Purchasers named in the Initial Purchaser Schedule attached thereto, as amended by the First Amendment Agreement and the Second Amendment Agreement (said Basic 1997 Agreement, as so amended, being hereinafter referred to as the "Amended Basic 1997 Agreement"), under and pursuant to which the Company issued, and there are presently outstanding, $12,000,000 aggregate principal amount of its 7.17% Series A Senior Secured Notes due November 19, 2009 (the "Series A Notes") and $20,000,000 aggregate principal amount of its 7.26% Series B Senior Secured Notes due November 19, 2012 (the "Series B Notes"), as supplemented by the First Supplemental Note Purchase Agreement dated as of March 13, 1998 the "First Supplemental Agreement" among the Company and the Purchasers named in the Supplemental Purchaser Schedule attached thereto, under and pursuant to which (a) the Company issued $5,000,000 aggregate principal amount of its 6.50% Series C

Senior Secured Notes due March 13, 2007 (the "Series C Notes"), $4,285,714.29 of which are presently outstanding, and (b) the Company issued, and there are presently outstanding, (x) $5,000,000 aggregate principal amount of its 6.59% Series D Senior Secured Notes due March 13, 2010 (the "Series D Notes") and (y) $5,000,000 aggregate principal amount of its 6.67% Series E Senior Secured Notes due March 13, 2013 (the "Series E Notes").

The Amended Basic 1997 Agreement, as supplemented by the First Supplemental Agreement is hereinafter sometimes referred to as the "Outstanding 1997 Agreement". The Outstanding 1996 Agreement and the Outstanding 1997 Agreement are hereinafter sometimes collectively referred to as the "Outstanding Agreements". The 1996 Notes, Series A Notes, Series B Notes, Series C Notes, Series D Notes and Series E Notes are hereinafter sometimes collectively referred to as the "Outstanding Notes." Capitalized terms used herein without definition shall have the respective meanings assigned to such terms in the Outstanding Agreements.

Exhibit A hereto contains letters of the Company dated May 11, 2000 and May 19, 2000 (collectively, the "Transaction Description"), describing certain acquisitions by the Company, a proposed change in the ownership of the General Partner, a proposed change in ownership of Common Units of the Master Partnership and other matters set forth therein (collectively, the "Proposed Reorganization").

The Company now seeks your agreement to an amendment with respect to the each of the Outstanding Agreements necessary in order to effect the Proposed Reorganization. You are the owner and holder of the Outstanding Notes set forth opposite your name on Schedule 1 hereto. The Company hereby requests that from and after the satisfaction of each of the Conditions to Effectiveness set forth in Article II below, said amendment shall be deemed to have been given and said Outstanding Agreements shall be amended in the respects, but only in the respects, hereinafter set forth.

ARTICLE I
AMENDMENTS TO OUTSTANDING AGREEMENTS

I-A. Section 6A of each of the Outstanding Agreements shall be amended by (x) changing the period at the end of clause (ii) to a semicolon, (y) adding the word "or" after such semicolon, and (z) adding the following new clause (iii):

> "(iii) Ratio of Adjusted Consolidated Funded Indebtedness to Adjusted Consolidated EBITDA. The ratio as at the end of any fiscal quarter of Adjusted Consolidated Funded Indebtedness to Adjusted Consolidated EBITDA to exceed 6.25 to 1.00."

I-B. Section 7A(xv) of each of the Outstanding Agreements shall be amended by (i) adding before clause (a) the phrase "any of the events described in clauses (a), (b), (c) or (d) shall occur:", (ii) adding before clause (b) the word "or" and (iii) deleting clause (c) and inserting in lieu thereof the following new clauses (c) and (d):

"(c) the Specified Entities shall own, directly or indirectly through Wholly-Owned Subsidiaries, in the aggregate less than 51% of the Capital Stock of the General Partner, or (d) either Designated Current Manager shall, at any time during the Lock-up Period applicable to such Designated Current Manager, own, directly or indirectly, less than 50% of the Common Units of the Master Partnership owned, directly or indirectly, by such Designated Current Manager immediately after giving effect to the Proposed Reorganization; or"

I-C. Section 10B of each of the Outstanding Agreements shall be amended by adding thereto, at the appropriate alphabetical position, the following additional defined terms

"`Adjusted Consolidated EBITDA' shall mean, as of any date of determination for any applicable period, Consolidated EBITDA calculated

(x) with respect to the consolidated group comprised of the General Partner, the Master Partnership and the Company and its Subsidiaries (rather than with respect to the consolidated group comprised of the Company and its Subsidiaries), and

(y) as if the terms `Consolidated Non-Cash Charges', `Consolidated Net Income', `Consolidated Interest Expense', `Consolidated Income Tax Expense', `Asset Sale', and `Asset Acquisition', were calculated with respect to the consolidated group comprised of the General Partner, the Master Partnership and the Company and its Subsidiaries (rather than with respect to the consolidated group comprised of the Company and its Subsidiaries)."

"`Adjusted Consolidated Funded Indebtedness' shall mean Consolidated Funded Indebtedness calculated with respect to the consolidated group comprised of the General Partner, the Master Partnership and the Company and its Subsidiaries (rather than with respect to the consolidated group comprised of the Company and its Subsidiaries).

"`Designated Current Managers' shall mean R. C. Mills and H. Michael Krimbill, current executive officers of the General Partner, together with, in the case of either such executive officer, the heirs of, and trusts for the benefit of family members controlled by, such executive officer."

"`Lock-Up Period' shall mean, with respect to any Designated Current Manager, the period from the date of the closing of the Proposed Reorganization to the earlier to occur of (x) the third anniversary of such closing, and (y) the first date on which such Designated Current Manager shall cease to be employed by the General Partner, the Master Partnership or any of their respective Affiliates."

"`Proposed Reorganization' shall have the meaning set forth in the introductory portion of the Third Amendment Agreement, dated as of May 31, 2000, with respect to this Agreement."

"`Specified Entities' shall mean any one or more of the following entities: (i) Atmos Energy Corporation, a Texas and Virginia corporation, (ii) Piedmont Natural Gas Company, Inc., a North Carolina corporation, (iii) AGL Resources, Inc., a Georgia corporation, and (iv) TECO Energy, Inc., a Florida corporation, or a Successor to any entity referred to in clause (i), (ii), (iii) or (iv) of this definition."

"`Successor' shall mean, with respect to a Specified Entity, any entity in which the holders of the Capital Stock of such Specified Entity outstanding immediately prior to a consolidation, acquisition or merger involving such Specified Entity hold, directly or indirectly through Wholly-Owned Subsidiaries, at least a majority of the Capital Stock immediately after such consolidation, acquisition or merger."

ARTICLE II
CONDITIONS OF EFFECTIVENESS

The effectiveness of this Third Amendment Agreement is subject to the satisfaction of the following conditions:

(a) the Required Holders under each of the of Outstanding Agreements shall have consented to this Third Amendment Agreement as evidenced by their execution thereof;

(b) the requisite percentage of lenders under the Credit Agreement (the "Lenders") shall have agreed to all amendments necessary to effect the Proposed Reorganization and a copy thereof shall have been provided to the holders of the Outstanding Notes. In the event the Company agrees that the Lenders or holders of any of the Outstanding Notes shall be granted any additional or more restrictive financial or negative covenants or events of default than are imposed on the Company under the Outstanding Agreements, as amended hereby, the Company agrees that the holders of all other Outstanding Notes shall also be granted such more restrictive covenants or events of defaults;

(c) each of the holders of the Outstanding Notes shall have received an amendment fee from the Company in an amount equal to .10% of the aggregate principal amount of the Outstanding Notes held by such holder (the "Amendment Fee") and a Responsible Officer of the Company shall have certified to each such holder (the truth and accuracy of which certification shall constitute a Condition of Effectiveness) that the Lenders have received no amendment fees or other consideration (including increase in coupon) greater than the Amendment Fee;

(d) the Holders of the Outstanding Notes shall have received evidence that (i) the Master Partnership shall have transferred to the Company an equity contribution in the amount of at least $45,000,000 (the "Equity Contribution"), and (ii) the entire amount of such Equity Contribution shall have been applied to the payment of outstanding Indebtedness of the Company;

(e) all counsel to the holders of the Outstanding Notes shall have been paid fees and expenses incurred in connection with this Third Amendment Agreement;

(f) materials reasonably satisfactory to the holders of the Outstanding Notes shall have been delivered evidencing that the Proposed Reorganization has become effective; and

(g) each of the Designated Current Managers shall have entered into an employment agreement to act as an executive manager of the General Partner for a period of at least three years, all as contemplated in the Proposed Reorganization.

ARTICLE III

REPRESENTATIONS AND WARRANTIES

In order to induce the holders of the Notes to enter into this Third Amendment, the Company represents and warrants that, (a) no Event of Default has occurred and is continuing; (b) after giving effect to the Proposed Reorganization, no Event of Default shall have occurred; and (c) the information set forth in the Transaction Description does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein, in light of the circumstances under which they were made, not misleading.

ARTICLE IV

MISCELLANEOUS

IV-A. If the foregoing is acceptable to you, kindly note your acceptance in the space provided below and upon satisfaction of the Conditions to Effectiveness set forth in Article II above, your consent to the Proposed Reorganization shall be deemed to have been given and the Outstanding Agreements shall be amended as set forth above.

IV-B. This Third Amendment Agreement may be executed by the parties hereto individually, or in any combination of the parties hereto in several counterparts, all of which taken together shall constitute one and the same Third Amendment Agreement.

IV-C. Except as amended hereby, all of the representations, warranties, provisions, covenants, terms and conditions of the Outstanding Agreements shall remain unaltered and in full force and effect and the Outstanding Agreements, as amended hereby, are in all respects agreed to, ratified and confirmed by the Company. The Company acknowledges and agrees that the granting of amendments herein shall not be construed as establishing a course of conduct on the part of the holders of the Outstanding Notes upon which the Company may rely at any time in the future.

IV-D. Upon the effectiveness of this Third Amendment Agreement, each reference in each Outstanding Agreement and in other documents describing or referencing such Outstanding Agreement to "this Agreement," "hereunder," "hereof," "herein," or words of like import referring to such Outstanding Agreement, shall mean and be a reference to such Outstanding Agreement, as amended hereby.

Very truly yours,

HERITAGE OPERATING, L.P.

By Heritage Holdings, Inc., General Partner

By

Its

The foregoing Third Amendment Agreement and the amendments referred to therein are hereby accepted and agreed to as of May 31, 2000, and the undersigned hereby confirms that on May 31, 2000 it held the aggregate principal amount of Outstanding Notes of the Company set forth on Schedule 1 hereto and that on the date of execution hereof it continues to hold such Outstanding Notes.

JOHN HANCOCK LIFE INSURANCE COMPANY

By ----------------------------------
Its

JOHN HANCOCK VARIABLE LIFE INSURANCE COMPANY

By ----------------------------------
Its

MELLON BANK, N.A., solely in its capacity as Trustee for the Long-Term Investment Trust (as directed by John Hancock Life Insurance Company), and not in its individual capacity

By ----------------------------------
Its

THE NORTHERN TRUST COMPANY, as Trustee of the Lucent Technologies Inc. Master Pension Trust

By: John Hancock Life Insurance Company,
As Investment Manager

By ----------------------------
Its

The foregoing Third Amendment Agreement and the amendments referred to therein are hereby accepted and agreed to as of May 31, 2000, and the undersigned hereby confirms that on May 31, 2000 it held the aggregate principal amount of Outstanding Notes of the Company set forth on Schedule 1 hereto and that on the date of execution hereof it continues to hold such Outstanding Notes.

MASSACHUSETTS MUTUAL LIFE INSURANCE
COMPANY

By

Its

The foregoing Third Amendment Agreement and the amendments referred to therein are hereby accepted and agreed to as of May 31, 2000, and the undersigned hereby confirms that on May 31, 2000 it held the aggregate principal amount of Outstanding Notes of the Company set forth on Schedule 1 hereto and that on the date of execution hereof it continues to hold such Outstanding Notes.

PRINCIPAL LIFE INSURANCE COMPANY
(f/k/a Principal Mutual Life Insurance Company)

By

Its

By

Its

The foregoing Third Amendment Agreement and the amendments referred to therein are hereby accepted and agreed to as of May 31, 2000, and the undersigned hereby confirms that on May 31, 2000 it held the aggregate principal amount of Outstanding Notes of the Company set forth on Schedule 1 hereto and that on the date of execution hereof it continues to hold such Outstanding Notes.

NEW YORK LIFE INSURANCE COMPANY

By

Its

NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION

By: New York Life Asset Management Operating Company, LLC, its Investment Manager

By

Its

The foregoing Third Amendment Agreement and the amendments referred to therein are hereby accepted and agreed to as of May 31, 2000, and the undersigned hereby confirms that on May 31, 2000 it held the aggregate principal amount of Outstanding Notes of the Company set forth on Schedule 1 hereto and that on the date of execution hereof it continues to hold such Outstanding Notes.

TEACHERS INSURANCE AND ANNUITY
ASSOCIATION OF AMERICA

By

Its

The foregoing Third Amendment Agreement and the amendments referred to therein are hereby accepted and agreed to as of May 31, 2000, and the undersigned hereby confirms that on May 31, 2000 it held the aggregate principal amount of Outstanding Notes of the Company set forth on Schedule 1 hereto and that on the date of execution hereof it continues to hold such Outstanding Notes.

KEYPORT LIFE INSURANCE COMPANY

By Stein Roe & Farnham Incorporated, as agent

By

Its

The foregoing Third Amendment Agreement and the amendments referred to therein are hereby accepted and agreed to as of May 31, 2000, and the undersigned hereby confirms that on May 31, 2000 it held the aggregate principal amount of Outstanding Notes of the Company set forth on Schedule 1 hereto and that on the date of execution hereof it continues to hold such Outstanding Notes.

J. ROMEO & CO.

By

Its

The foregoing Third Amendment Agreement and the amendments referred to therein are hereby accepted and agreed to as of May 31, 2000, and the undersigned hereby confirms that on May 31, 2000 it held the aggregate principal amount of Outstanding Notes of the Company set forth on Schedule 1 hereto and that on the date of execution hereof it continues to hold such Outstanding Notes.

PACIFIC LIFE INSURANCE COMPANY
(formerly Pacific Mutual Life Insurance Company)

By

Its

By

Its

PACIFIC LIFE INSURANCE COMPANY

By

Its

By

Its

The foregoing Third Amendment Agreement and the amendments referred to therein are hereby accepted and agreed to as of May 31, 2000, and the undersigned hereby confirms that on May 31, 2000 it held the aggregate principal amount of Outstanding Notes of the Company set forth on Schedule 1 hereto and that on the date of execution hereof it continues to hold such Outstanding Notes.

PHOENIX HOME LIFE MUTUAL INSURANCE COMPANY

By

Its

The foregoing Third Amendment Agreement and the amendments referred to therein are hereby accepted and agreed to as of May 31, 2000, and the undersigned hereby confirms that on May 31, 2000 it held the aggregate principal amount of Outstanding Notes of the Company set forth on Schedule 1 hereto and that on the date of execution hereof it continues to hold such Outstanding Notes.

RELIASTAR LIFE INSURANCE COMPANY

By

Its

The foregoing Third Amendment Agreement and the amendments referred to therein are hereby accepted and agreed to as of May 31, 2000, and the undersigned hereby confirms that on May 31, 2000 it held the aggregate principal amount of Outstanding Notes of the Company set forth on Schedule 1 hereto and that on the date of execution hereof it continues to hold such Outstanding Notes.

COLUMBIA UNIVERSAL LIFE INSURANCE COMPANY

By

Its

The foregoing Third Amendment Agreement and the amendments referred to therein are hereby accepted and agreed to as of May 31, 2000, and the undersigned hereby confirms that on May 31, 2000 it held the aggregate principal amount of Outstanding Notes of the Company set forth on Schedule 1 hereto and that on the date of execution hereof it continues to hold such Outstanding Notes.

PROTECTIVE LIFE INSURANCE COMPANY

By

Its

By

Its

The foregoing Third Amendment Agreement and the amendments referred to therein are hereby accepted and agreed to as of May 31, 2000, and the undersigned hereby confirms that on May 31, 2000 it held the aggregate principal amount of Outstanding Notes of the Company set forth on Schedule 1 hereto and that on the date of execution hereof it continues to hold such Outstanding Notes.

ALLSTATE LIFE INSURANCE COMPANY

By

Name:

By

Name:
Authorized Signatories

The foregoing Third Amendment Agreement and the amendments referred to therein are hereby accepted and agreed to as of May 31, 2000, and the undersigned hereby confirms that on May 31, 2000 it held the aggregate principal amount of Outstanding Notes of the Company set forth on Schedule 1 hereto and that on the date of execution hereof it continues to hold such Outstanding Notes.

JEFFERSON PILOT FINANCIAL INSURANCE COMPANY

(FKA Chubb Life Insurance Company of America)

By

Its

SCHEDULE 1

NAME OF HOLDER OF OUTSTANDING NOTES	PRINCIPAL AMOUNT AND SERIES OF OUTSTANDING NOTES HELD AS OF MAY 31, 2000
John Hancock Life Insurance Company	$13,000,000 1996 Notes
John Hancock Life Insurance Company	$ 8,000,000 1996 Notes
John Hancock Variable Life Insurance Company	$ 1,000,000 1996 Notes
Mellon Bank, N.A., Trustee under the Long-Term Investment Trust dated October 1, 1996	$ 960,000 1996 Notes
The Northern Trust Company, as Trustee of the Lucent Technologies Inc. Master Pension Trust	$ 2,040,000 1996 Notes
Massachusetts Mutual Life Insurance Company	$15,000,000 1996 Notes
Principal Life Insurance Company	$15,000,000 1996 Notes
New York Life Insurance Company	$12,500,000 1996 Notes
Teachers Insurance and Annuity Association of America	$12,500,000 1996 Notes
Keyport Life Insurance Company	$10,000,000 1996 Notes
J. Romeo & Co.	$ 3,500,000 1996 Notes
J. Romeo & Co.	$ 4,000,000 1996 Notes
Pacific Mutual Life Insurance Company	$ 5,500,000 1996 Notes
Phoenix Home Life Mutual Insurance Company	$ 5,000,000 1996 Notes
ReliaStar Life Insurance Company	$ 5,000,000 1996 Notes
Columbia Universal Life Insurance Company	$ 2,000,000 1996 Notes

Allstate Life Insurance Company	$ 2,000,000 1996 Notes
Protective Life Insurance Company	$ 3,000,000 1996 Notes
Pacific Life Insurance Company	$12,000,000 Series A Notes
Pacific Life Insurance Company	$ 8,000,000 Series B Notes
New York Life Insurance Company	$ 5,000,000 Series B Notes
New York Life Insurance and Annuity Corporation	$ 7,000,000 Series B Notes
Allstate Life Insurance Company	$ 4,285,714.29 Series C Notes
Chubb Life Insurance Company of America	$ 5,000,000 Series D Notes
J. Romeo & Co.	$ 5,000,000 Series E Notes

3-MOS	9-MOS
AUG-31-2000	AUG-31-2000
MAR-01-2000	SEP-01-1999
MAY-31-2000	MAY-31-2000
4,206	4,206
2,697	2,697
19,855	19,855
366	366
17,857	17,857
45,857	45,857
241,930	241,930
51,751	51,751
334,566	334,566
60,702	60,702
225,149	225,149
0	0
0	0
0	0
48,715	48,715
334,566	334,566
57,224	211,274
57,224	211,274
32,896	119,577
47,988	165,266
0	0
0	0
4,871	14,094
(2,131)	14,499
0	0
(2,198)	13,965
0	0
0	0
0	0
(2,198)	13,965
(.22)	1.43
(.22)	1.42