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 FEBRUARY 28, 2001

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 March 28, 2001, the registrant had units outstanding as follows:

Heritage Propane Partners, L.P.	9,746,196	Common Units
	3,233,985	Subordinated Units

FORM 10-Q

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, except unit data)

	February 28, 2001 (unaudited)	August 31, 2000
ASSETS		
CURRENT ASSETS:		
Cash	$ 11,470	$ 4,845
Marketable securities	4,051	-
Accounts receivable, net of allowance for doubtful accounts of $2,385 and $0, respectively	96,001	31,855
Inventories	28,093	39,045
Assets from trading activities	490	4,133
Prepaid expenses and other	1,061	4,991
Total current assets	141,166	84,869
PROPERTY, PLANT AND EQUIPMENT, net	367,755	339,366
INVESTMENT IN AFFILIATES	6,872	5,795
INTANGIBLES AND OTHER ASSETS, net	202,782	185,749
Total assets	$ 718,575	$ 615,779
LIABILITIES AND PARTNERS' CAPITAL		
CURRENT LIABILITIES:		
Working capital facility	$ 12,000	$ 24,200
Accounts payable	63,571	43,244
Accounts payable to related companies	7,436	3,814
Accrued and other current liabilities	40,594	24,682
Liabilities from trading activities	702	3,684
Current maturities of long-term debt	3,096	2,588
Total current liabilities	127,399	102,212
LONG-TERM DEBT, less current maturities	408,372	361,990
MINORITY INTEREST	5,496	4,821
COMMITMENTS AND CONTINGENCIES		
Total liabilities	541,267	469,023
PARTNERS' CAPITAL:		
Common unitholders (9,746,196 and 9,674,146 units issued and outstanding at February 28, 2001 and August 31, 2000, respectively)	128,903	106,221
Subordinated unitholders (1,851,471 units issued and outstanding at February 28, 2001 and August 31, 2000, respectively)	27,439	23,130
Class B subordinated unitholders (1,382,514 units issued and outstanding at February 28, 2001 and August 31, 2000, respectively)	19,681	16,464
General partner	1,121	941
Accumulated other comprehensive income	164	-
Total partners' capital	177,308	146,756
Total liabilities and partners' capital	$ 718,575	$ 615,779

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 February 28, 2001	Three Months Ended March 31, 2000	Three Months Ended February 29, 2000	Six Months Ended February 28, 2001	Six Months Ended March 31, 2000	Six Months Ended February 29, 2000
		Peoples Gas	Predecessor Heritage		Peoples Gas	Predecessor Heritage
REVENUES:						
Retail fuel	$ 211,229	$ 14,377	$ 83,001	$ 298,981	$ 24,510	$ 119,519
Wholesale fuel	26,168	-	11,911	42,749	-	19,728
Trading activities	77,763	-	-	126,083	-	-
Other	11,600	-	7,248	24,792	-	14,803
Total revenues	326,760	14,377	102,160	492,605	24,510	154,050
COSTS AND EXPENSES:						
Cost of products sold	138,706	7,880	57,260	208,645	13,078	86,681
Trading activities	76,456	-	-	124,246	-	-
Operating expenses	41,517	3,276	16,994	67,106	6,877	30,597
Depreciation and amortization	10,262	808	4,714	19,824	1,587	8,736
Selling, general and administrative	7,189	-	1,939	9,581	-	3,353
Total costs and expenses	274,130	11,964	80,907	429,402	21,542	129,367
OPERATING INCOME	52,630	2,413	21,253	63,203	2,968	24,683
OTHER INCOME (EXPENSE):						
Interest expense	(8,915)	-	(4,825)	(17,666)	-	(9,223)
Equity in earnings of affiliates	984	-	597	1,201	-	643
Gain on disposal of assets	(18)	-	90	203	-	375
Other	(25)	(115)	222	(163)	(97)	152
INCOME BEFORE MINORITY INTEREST AND INCOME TAXES	44,656	2,298	17,337	46,778	2,871	16,630
Minority interest	(1,326)	-	(366)	(1,485)	-	(467)
INCOME BEFORE INCOME TAXES	43,330	2,298	16,971	45,293	2,871	16,163
Income taxes	-	841	-	-	1,130	-
NET INCOME	43,330	1,457	16,971	45,293	1,741	16,163
GENERAL PARTNER'S INTEREST IN NET INCOME	433	15	169	453	16	161
LIMITED PARTNERS' INTEREST IN NET INCOME	$ 42,897	$ 1,442	$ 16,802	$ 44,840	$ 1,725	$ 16,002
BASIC NET INCOME PER LIMITED PARTNER UNIT	$ 3.30	$ .83	$ 1.70	$ 3.45	$ 1.00	$ 1.69
BASIC WEIGHTED AVERAGE NUMBER OF UNITS OUTSTANDING	12,980,181	1,734,524	9,883,217	12,980,181	1,733,371	9,482,412
DILUTED NET INCOME PER LIMITED PARTNER UNIT	$ 3.30	$ .83	$ 1.69	$ 3.45	$ 1.00	$ 1.67
DILUTED WEIGHTED AVERAGE NUMBER OF UNITS OUTSTANDING	13,014,231	1,734,524	9,957,517	13,009,540	1,733,371	9,557,108

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 February 28, 2001	Three Months Ended March 31, 2000	Three Months Ended February 29, 2000	Six Months Ended February 28, 2001	Six Months Ended March 31, 2000	Six Months Ended February 29, 2000
		Peoples Gas	Predecessor Heritage		Peoples Gas	Predecessor Heritage
Net income	$ 43,330	$ 1,457	$ 16,971	$ 45,293	$ 1,741	$ 16,163
Other comprehensive income						
Unrealized gain (loss) on derivative instruments	967	-	-	(1,585)	-	-
Unrealized loss on available-for-sale securities	(214)	-	-	(385)	-	-
Comprehensive income	$ 44,083	$ 1,457	$ 16,971	$ 43,323	$ 1,741	$ 16,163
RECONCILIATION OF ACCUMULATED OTHER COMPREHENSIVE INCOME						
Balance, beginning of period	$ 1,842	$ -	$ -	$ -	$ -	$ -
Cumulative effect of the adoption of SFAS 133		-	-	5,429	-	-
Current period reclassification to earnings	(2,431)	-	-	(3,295)	-	-
Current period change	753	-	-	(1,970)	-	-
Balance, end of period	$ 164	$ -	$ -	$ 164	$ -	$ -

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	Subordinated	Class B Subordinated	Common	Subordinated
BALANCE, AUGUST 31, 2000	9,674,146	1,851,471	1,382,514	$ 106,221	$ 23,130
Unit distribution	-	-	-	(11,330)	(2,152)
Issuance of Common Units pursuant to the vesting rights of the Restricted Unit Plan	72,050	-	-	-	-
Other	-	-	-	344	65
Cumulative effect of the adoption of SFAS 133	-	-	-	-	-
Net change in accumulated other comprehensive income per accompanying statements	-	-	-	-	-
Net income	-	-	-	33,668	6,396
BALANCE, FEBRUARY 28, 2001	9,746,196	1,851,471	1,382,514	$ 128,903	$ 27,439

	Class B Subordinated	General Partner	Accumulated Other Comprehensive Income	Total
BALANCE, AUGUST 31, 2000	$ 16,464	$ 941	$ -	$ 146,756
Unit distribution	(1,607)	(278)	-	(15,367)
Issuance of Common Units pursuant to the vesting rights of the Restricted Unit Plan	-	-	-	-
Other	48	5	-	462
Cumulative effect of the adoption of SFAS 133	-	-	5,429	5,429
Net change in accumulated other comprehensive income per accompanying statements	-	-	(5,265)	(5,265)
Net income	4,776	453	-	45,293
BALANCE, FEBRUARY 28, 2001	$ 19,681	$ 1,121	$ 164	$ 177,308

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)

	Six Months Ended February 28, 2001	Six Months Ended March 31, 2000	Six Months Ended February 29, 2000
		Peoples Gas	Predecessor Heritage
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 45,293	$ 1,741	$ 16,163
Reconciliation of net income to net cash provided by operating activities-			
Depreciation and amortization	19,824	1,587	8,736
Provision for loss on accounts receivable	2,385	-	122
Gain on disposal of assets	(203)	-	(375)
Deferred compensation on restricted units	462	-	217
Undistributed earnings of affiliates	(1,078)	-	(643)
Minority interest	653	-	250
Deferred income taxes	-	501	-
Unrealized gain on trading securities	-	-	(300)
Changes in assets and liabilities, net of effect of acquisitions:			
Accounts receivable	(63,425)	(2,036)	(21,595)
Trading asset	3,643	-	-
Marketable securities	-	-	(2,545)
Inventories	12,357	(670)	3,825
Prepaid expenses	774	(33)	159
Intangibles and other assets	(451)	-	(188)
Accounts payable to related parties	3,621	-	-
Accounts payable	23,120	2,051	9,532
Trading liability	(2,983)	-	-
Accrued and other current liabilities	5,231	(3,103)	793
Net cash provided by operating activities	49,223	38	14,151
CASH FLOWS FROM INVESTING ACTIVITIES:			
Cash paid for acquisitions, net of cash acquired	(44,538)	-	(43,602)
Capital expenditures	(12,094)	(4,756)	(8,761)
Other	(3,444)	-	587
Net cash used in investing activities	(60,076)	(4,756)	(51,776)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from borrowings	149,892	-	87,350
Principal payments on debt	(117,047)	-	(61,207)
Net proceeds from issuance of common units	-	-	24,054
Unit distribution	(15,367)	-	(10,524)
Dividends paid	-	(136)	-
Advances from parent	-	4,700	-
Capital contribution from General Partner	-	-	265
Net cash provided by financing activities	17,478	4,564	39,938
INCREASE (DECREASE) IN CASH	6,625	(154)	2,313
CASH, beginning of period	4,845	(392)	1,679
CASH, end of period	$ 11,470	$ (546)	$ 3,992
NONCASH FINANCING ACTIVITIES:			
Notes payable incurred on noncompete agreements	$ 2,097	$ -	$ 2,985
Issuance of restricted common units	$ -	$ -	$ 2,789
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid during the period for interest	$ 17,349	$ -	$ 8,231
Cash paid to parent for income taxes under tax sharing agreement, net	$ -	$ 175	$ -

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

HERITAGE PROPANE PARTNERS, L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollar amounts in thousands, except unit and per unit data)
(unaudited)

1. OPERATIONS AND ORGANIZATION:

The accompanying financial statements should be read in conjunction with the Partnership's consolidated financial statements as of August 31, 2000, 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, 2000. 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.

In August 2000, TECO Energy, Inc., Atmos Energy Corporation, Piedmont Natural Gas Co., Inc., and AGL Resources, Inc. contributed each company's propane operations, Peoples Gas Company ("Peoples Gas"), United Cities Propane Gas, Inc. ("United Cities"), Piedmont Propane Company ("Piedmont") and AGL Propane, Inc., ("AGL") respectively, to U.S. Propane L.P., ("U.S. Propane") in exchange for equity interests in U.S. Propane. The merger was accounted for as an acquisition using the purchase method of accounting with Peoples Gas being the acquirer. Accordingly, Peoples Gas' assets and liabilities were recorded at historical cost and the assets and liabilities of United Cities, Piedmont and AGL were recorded at fair market value, as determined based on a valuation and appraisal. The purchase allocations were as follows:

Purchase price of Piedmont, AGL and United Cities	$ 112,338
Net book value of Piedmont, AGL and United Cities	82,765
Step-up of net book value, allocated to property, plant and equipment	$ 29,573

In August 2000, U.S. Propane acquired all of the outstanding common stock of Heritage Holdings, Inc., ("General Partner"), the General Partner of Heritage Propane Partners, L.P., for $120,000. By virtue of Heritage Holdings, Inc.'s general partner and limited partner interests in Heritage Propane Partners, L.P., U.S. Propane gained control of Heritage Propane Partners, L.P. Simultaneously, U.S. Propane transferred its propane operations, consisting of its interest in four separate limited liability companies, AGL Propane, L.L.C., Peoples Gas Company, L.L.C., United Cities Propane Gas, L.L.C. and Retail Propane Company, L.L.C. (former Piedmont operations), (collectively, the "Propane LLCs"), to Heritage Propane Partners, L.P. for $181,395 plus working capital. The $181,395 was payable $139,552 in cash, $31,843 of assumed debt, and the issuance of 372,392 Common Units of Heritage Propane Partners, L.P. valued at $7,348 and a 1.0101 percent limited partnership interest in Heritage Propane Partners, L.P.'s operating partnership, Heritage Operating, L.P., valued at $2,652. The purchase price and the exchange price for the Common Units were approved by an independent committee of the Board of Directors of Heritage Holdings, Inc. The exchange price for the Common Units was $19.73125 per unit under a formula based on the average closing price of Heritage Propane Partners L.P.'s Common Units on the New York Stock Exchange for the twenty (20) day period beginning ten (10) days prior to the public announcement of the transaction on June 15, 2000 (the "Formula Price"). An additional payment of $5,000 was accrued at August 31, 2000 for the working capital adjustment and was paid in March 2001. An additional $6,500 was recorded at February 28, 2001 and recorded as additional goodwill. The final working capital adjustment is anticipated to be settled in April 2001. To the extent the final payment is more than the remaining amount of $6,500, goodwill recorded in the transaction will be adjusted.

Concurrent with the acquisition, Heritage Propane Partners, L.P. borrowed $180,000 from several institutional investors and sold 1,161,814 Common Units and 1,382,514 Class B Subordinated Units in a private placement to the former shareholders of Heritage Holdings, Inc. based on the Formula Price resulting in net proceeds of $50,203. The total of these proceeds was utilized to finance the transaction and retire a portion of existing debt.

The merger was accounted for as a reverse acquisition in accordance with Accounting Principles Board Opinion No. 16. The propane operations of Heritage Propane Partners, L.P. prior to the series of transactions with U.S. Propane are referred to as Predecessor Heritage. Although Predecessor Heritage is the surviving entity for legal purposes, U.S. Propane's propane operations is the acquirer for accounting purposes. The assets and liabilities of Predecessor

Heritage have been recorded at fair value to the extent acquired by U.S. Propane's propane operations, approximately 36 percent, in accordance with Emerging Issues Task Force Issue No. 90-13, "Accounting for Simultaneous Common Control Mergers." The assets and liabilities of U.S. Propane have been recorded at historical cost, as recorded in the U.S. Propane transaction described above. The combined operations of Predecessor Heritage and U.S. Propane are referred to herein as "Heritage." Although the equity accounts of Peoples Gas survive the merger, Predecessor Heritage's partnership structure and partnership units survive. Accordingly, the equity accounts of Peoples Gas have been restated based on the general partner interest and common units received by Peoples Gas in the merger.

The excess purchase price over Predecessor Heritage's cost was determined as follows:

Net book value of Predecessor Heritage at August 9, 2000	$ 35,716
Equity investment	50,203
	85,919
Percent of Predecessor Heritage acquired by U.S. Propane	36%
Equity interest acquired	$ 30,931
Purchase price	$ 120,000
Equity interest acquired	30,931
Excess purchase price over Predecessor Heritage cost	$ 89,069

The excess purchase price over Predecessor Heritage cost was allocated as follows:

Property, plant and equipment (25 year life)	$ 11,180
Customer lists (15 year life)	5,935
Goodwill (30 year life)	71,954
	$ 89,069

The accompanying financial statements for the three-month and six-month periods ended February 28, 2001 include the results of operations of Heritage. The financial statements of Peoples Gas are the prior period financial statements of the registrant as Peoples Gas was the acquirer in the transaction in which U.S. Propane was formed. The accompanying financial statements for the three month and six month periods ended March 31, 2000 have been presented on a carve-out basis and reflect the historical results of operations, financial position and cash flows of Peoples Gas. Certain expenses in the financial statements include allocations from TECO Energy, Inc. ("TECO") and other wholly-owned subsidiaries of TECO. Management believes that the allocations were made on a reasonable basis; however, the allocations of costs and expenses do not necessarily indicate the costs that would have been incurred by Peoples Gas on a stand-alone basis. Also, the financial statements may not necessarily reflect what the financial position, results of operations and cash flows of Peoples Gas would have been if Peoples Gas had been a separate, stand-alone company during the periods presented. Peoples Gas had a fiscal year-end of December 31, however, Heritage will continue to have Predecessor Heritage's August 31 year-end.

The following unaudited pro forma consolidated results of operations are presented as if the series of transactions with U.S. Propane and Predecessor Heritage had been made at the beginning of the period presented.

	Three months Ended March 31, 2000	Six months Ended March 31, 2000
Total revenues	$ 147,977	$ 241,440
Net income	$ 20,265	$ 21,191
Basic and diluted earnings per common unit	$ 1.57	$ 1.67

The pro forma consolidated results of operations include adjustments to give effect to amortization of goodwill, interest expense on acquisition and assumed debt and certain other adjustments, including the elimination of income taxes. The unaudited pro forma information is not necessarily indicative of the results of operations that would have occurred had the transactions been made at the beginning of the periods presented or the future results of the combined operations.

In order to simplify Heritage's obligation under the laws of several jurisdictions in which Heritage conducts business, Heritage's activities are conducted through a subsidiary operating partnership, Heritage Operating, L.P. (the "Operating Partnership"). Heritage holds a 97.9798 percent limited partner interest in the Operating Partnership. In addition, the General Partner and U.S. Propane each hold a 1.0101 percent limited partner interest in the Operating Partnership.

The Operating Partnership sells propane and propane-related products to more than 500,000 retail customers in 28 states throughout the United States. Heritage is also a wholesale propane supplier in the southwestern and southeastern 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 Heritage owns a 60 percent interest. Heritage grants credit to its customers for the purchase of propane and propane-related products.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BALANCE SHEET DETAIL:

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements of Heritage include the accounts of its subsidiaries, including Heritage Operating, L.P. ("Operating Partnership"), M-P Energy Partnership, Heritage Energy Resources, L.L.C. ("Resources") and the Propane LLCs. Heritage 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 limited partner interest and U.S. Propane's 1.0101 percent limited partner interest in the Operating Partnership are accounted for in the consolidated financial statements as minority interests.

REVENUE RECOGNITION

Sales of propane, propane appliances, parts and fittings are recognized at the later of the time of delivery of the product to the customer or the time of sale or installation. Revenue from service labor is recognized upon completion of the service, and tank rent is recognized ratably over the period it is earned.

INVENTORIES

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

	February 28, 2001	August 31, 2000
Fuel	$ 19,668	$ 30,882
Appliances, parts and fittings	8,425	8,163
	$ 28,093	$ 39,045

INCOME TAXES

For the three months and six months ended March 31, 2000, Peoples Gas followed the liability method of accounting for income taxes in accordance with Statement of Financial Accounting Standards ("SFAS") No. 109, "Accounting for Income Taxes" ("SFAS 109"). Under SFAS 109, deferred income taxes are recorded based upon differences between the financial reporting and tax basis of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the underlying assets are received and liabilities are settled. TECO retained all tax liabilities related to Peoples Gas that may have existed as of August 9, 2000.

Heritage is a limited partnership. As a result, Heritage's earnings or loss for federal income tax purposes is included in the tax returns of the individual partners. Accordingly, because of the merger, no recognition has been given to income taxes in the accompanying financial statements of Heritage for the three months and six months ended February 28, 2001. Net earnings for financial statement purposes may differ significantly from taxable income reportable to unit holders as a result of differences between the tax basis and financial reporting basis of assets and liabilities and the taxable income allocation requirements under the partnership agreement.

INCOME PER LIMITED PARTNER UNIT

Basic net income per limited partner unit is computed by dividing net income, after considering the General Partner's one percent interest, by the weighted average number of Common and Subordinated Units outstanding. Diluted net income per limited partner unit is computed by dividing net income, 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. A reconciliation of net income and weighted average units used in computing basic and diluted earnings per unit is as follows:

	Three Months Ended February 28, 2001	Three Months Ended March 31, 2000 (Peoples Gas)	Six Months Ended February 28, 2001	Three Months Ended March 31, 2000 (Peoples Gas)	Three Months Ended February 29, 2000 (Predecessor)	Six Months Ended February 29, 2000 (Predecessor)
BASIC NET INCOME PER LIMITED PARTNER UNIT:						
Limited Partners' interest in net income	$ 42,897	$ 1,442	$ 44,840	$ 1,725	$ 16,802	$ 16,002
Weighted average limited partner units	12,980,181	1,734,524	12,980,181	1,733,371	9,883,217	9,482,412
Basic net income per limited partner unit	$ 3.30	$ .83	$ 3.45	$ 1.00	$ 1.70	$ 1.69
DILUTED NET INCOME PER LIMITED PARTNER UNIT:						
Limited partners' interest in net income	$ 42,897	$ 1,442	$ 44,840	$ 1,725	$ 16,802	$ 16,002
Weighted average limited partner units	12,980,181	1,734,524	12,980,181	1,733,371	9,883,217	9,482,412
Dilutive effect of Phantom Units	34,050	-	29,359	-	74,300	74,696
Weighted average limited partner units, assuming dilutive effect of Phantom Units	13,014,231	1,734,524	13,009,540	1,733,371	9,957,517	9,557,108
Diluted net income per limited partner unit	$ 3.30	$ .83	$ 3.45	$ 1.00	$ 1.69	$ 1.67

CASH DISTRIBUTIONS

Heritage is expected to make quarterly cash distributions of Available Cash, generally defined as consolidated cash receipts less consolidated operating expenses, debt service payments, maintenance capital expenditures and net changes in reserves established by the General Partner for future requirements. These reserves are retained to provide for the proper conduct of Heritage business, or to provide funds for distributions with respect to any one or more of the next four fiscal quarters.

Distributions by Heritage in an amount equal to 100 percent of Available Cash will generally be made 97 percent to the Common, Subordinated and Class B Subordinated Unitholders, 1.0101 percent to U.S. Propane for its limited partner interest in the Operating Partnership and 1.9899 percent to the General Partner, subject to the payment of incentive distributions to the holders of Incentive Distribution Rights to the extent that certain target levels of cash distributions are achieved.

On October 16, 2000, a quarterly distribution of $.575 per Common and Subordinated Unit, was paid to Unitholders of record at the close of business on October 9, 2000 and to the General Partner for its General Partner interest in the Partnership, its Minority Interest and its Incentive Distribution Rights and to U.S. Propane for its limited partner interest. On January 15, 2001, a quarterly distribution of $.5875 per Common and Subordinated Unit, was paid to

Unitholders of record at the close of business on January 4, 2001 and to the General Partner for its General Partner interest in the Partnership, its Minority Interest and its Incentive Distribution Rights and to U.S. Propane for its limited partner interest. On March 22, 2001 the Partnership declared a cash distribution for the second quarter ended February 28, 2001 of $.60 per unit payable on April 16, 2001 to Unitholders of record at the close of business on April 2, 2001. This was the third increase to the distribution level this fiscal year.

SFAS 133 ACCOUNTING FOR CERTAIN DERIVATIVE INSTRUMENTS AND CERTAIN HEDGING ACTIVITIES

SFAS 133 establishes accounting and reporting standards requiring that every derivative instrument, including certain derivative instruments embedded in other contracts, and for hedging activities, be recorded on the balance sheet as either an asset or liability measured at its fair value. The statement 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 and requires that a company must formally document, designate and assess the effectiveness of transactions that receive hedge accounting. Heritage adopted the provisions of SFAS 133 effective September 1, 2000. The cumulative effect of adopting SFAS 133 was an adjustment to beginning other comprehensive income of $5,429.

Heritage had certain financial swap instruments outstanding at February 28, 2001 that have been designated as cash flow hedging instruments in accordance with SFAS 133. A financial swap is 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. Heritage entered into these instruments to hedge the forecasted propane volumes to be purchased during the one-month period ending March 31, 2001 and each of the one-month periods ending October 2001 through March 2002. Heritage utilizes hedging transactions to provide price protection against significant fluctuations in propane prices. These instruments had a fair value of $571 as of February 28, 2001, which was recorded as other assets on the balance sheet through other comprehensive income, exclusive of $22 of minority interest. During the three months and six months ended February 28, 2001, Heritage reclassified into earnings a gain of $2,431 and $3,295, respectively, that was reported in accumulated other comprehensive income.

MARKETABLE SECURITIES

Heritage's marketable securities are classified as available for sale securities as defined by SFAS No. 115 and are reflected as a current asset on the balance sheet at their fair value. Unrealized holding losses of $214 and $385 for the three months and six months ended February 28, 2001, respectively, were recorded through accumulated other comprehensive income based on the market value of the securities at February 28, 2001.

3. WORKING CAPITAL FACILITY AND LONG-TERM DEBT:

Effective December 28, 2000 Heritage entered into the Fourth Amendment to First Amended and Restated Credit Agreement, with various financial institutions, which amended the Senior Revolving Working Capital Facility to increase it to $65,000. The terms of the Agreement as amended are as follows:

A $65,000 Senior Revolving Working Capital Facility, expiring June 30, 2002, with $12,000 outstanding at February 28, 2001. 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 8.496 percent for the amount outstanding at February 28, 2001. 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, 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 8.496 percent on the $47,800 amount outstanding at February 28, 2001. The maximum commitment fee payable on the unused portion of the facility is .375 percent

4. REPORTABLE SEGMENTS:

Heritage's financial statements reflect four reportable segments: the domestic retail operations of Heritage, the domestic wholesale operations of Heritage, the foreign wholesale operations of M-P Energy Partnership, and the trading activities of Resources. Heritage's reportable domestic and wholesale fuel 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. Resources is a trading company that buys and sells financial instruments for their own account. Heritage manages these segments separately as each segment involves different distribution, sale and marketing strategies. Heritage evaluates the performance of its operating segments based on operating income. The operating income below does not reflect selling, general, and administrative expenses of $7,189, $0, and $1,939 for the three months ended February 28, 2001, March 31, 2000 and February 28, 2000, respectively or the selling, general, and administrative expenses of $9,581, $0, and $3,353 for the six months ended February 28, 2001, March 31, 2000 and February 29, 2000. The following table presents the unaudited financial information by segment for the following periods:

	For the Three Months ended February 28, 2001	For the Three Months ended March 31, 2000 (Peoples Gas)	For the Three Months ended February 29, 2000 (Predecessor)	For the Six Months ended February 28, 2001	For the Six Months ended March 31, 2000 (Peoples Gas)	For the Six Months ended February 29, 2000 (Predecessor)
Gallons:						
Domestic retail fuel	140,096	8,864	77,352	214,171	16,906	116,227
Domestic wholesale fuel	6,701	-	2,746	9,847	-	4,473
Foreign wholesale fuel						
Affiliated	29,585	-	25,964	47,610	-	40,470
Unaffiliated	34,864	-	25,069	57,247	-	44,495
Elimination	(29,585)	-	(25,964)	(47,610)	-	(40,470)
Total	181,661	8,864	105,167	281,265	16,906	165,195
Revenues:						
Domestic retail fuel	$ 211,229	$ 14,377	$ 83,001	$ 298,981	$ 24,510	$ 119,519
Domestic wholesale fuel	5,158		1,667	7,665	-	2,613
Foreign wholesale fuel						
Affiliated	22,284	-	11,261	33,324	-	16,799
Unaffiliated	21,010	-	10,244	35,084	-	17,115
Elimination	(22,284)	-	(11,261)	(33,324)	-	(16,799)
Trading activities	77,763	-	-	126,083	-	-
Other domestic revenues	11,600	-	7,248	24,792	-	14,803
Total	$ 326,760	$ 14,377	$ 102,160	$ 492,605	$ 24,510	$ 154,050
Operating Income:						
Domestic retail	$ 57,571	$ 2,413	$ 22,300	$ 69,644	$ 2,968	$ 26,729
Domestic wholesale fuel	200	-	226	147	-	226
Foreign wholesale fuel						
Affiliated	255	-	220	433	-	365
Unaffiliated	1,359	-	666	1,851	-	1,081
Elimination	(255)	-	(220)	(433)	-	(365)
Trading activities	689	-	-	1,142	-	-
Total	$ 59,819	$ 2,413	$ 23,192	$ 72,784	$ 2,968	$ 28,036

	As of February 28, 2001	As of August 31, 2000
Total Assets:		
Domestic retail	$ 577,797	$ 473,725
Domestic wholesale	6,529	12,790
Foreign wholesale	12,327	7,918
Trading	15,968	7,747
Corporate	105,954	113,599
Total	$ 718,575	$ 615,779

	For the Three Months ended February 28, 2001	For the Three Months ended March 31, 2000 (Peoples Gas)	For the Six Months ended February 28, 2001	For the Six Months ended March 31, 2000 (Peoples Gas)	For the Three Months ended February 29, 2000 (Predecessor)	For the Six Months ended February 29, 2000 (Predecessor)
Depreciation and amortization:						
Domestic retail	$ 10,235	$ 808	$ 19,770	$ 1,587	$ 4,704	$ 8,714
Domestic wholesale	23	-	46	-	8	18
Foreign wholesale	4	-	8	-	2	4
Total	$ 10,262	$ 808	$ 19,824	$ 1,587	$ 4,714	$ 8,736

5. 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, 2000. 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
2.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BALANCE SHEET DETAIL
4.	INCOME TAXES
5.	WORKING CAPITAL FACILITY AND LONG-TERM DEBT
6.	COMMITMENTS AND CONTINGENCIES
7.	PARTNERS' CAPITAL
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

FORWARD-LOOKING STATEMENTS

CERTAIN MATTERS DISCUSSED IN THIS REPORT, EXCLUDING HISTORICAL INFORMATION, AS WELL AS SOME STATEMENTS BY HERITAGE IN PERIODIC PRESS RELEASES, INCLUDE CERTAIN "FORWARD-LOOKING" STATEMENTS. ALTHOUGH HERITAGE BELIEVES SUCH FORWARD-LOOKING STATEMENTS ARE BASED ON REASONABLE ASSUMPTIONS AND CURRENT EXPECTATIONS AND PROJECTIONS ABOUT FUTURE EVENTS, 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, HERITAGE HEREBY IDENTIFIES THE FOLLOWING IMPORTANT FACTORS THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM ANY RESULTS PROJECTED, FORECASTED OR ESTIMATED BY HERITAGE IN FORWARD-LOOKING STATEMENTS.

THESE RISKS AND UNCERTAINTIES INCLUDE, AMONG OTHER THINGS:

- CHANGES IN GENERAL ECONOMIC CONDITIONS IN THE UNITED STATES AS WELL AS CHANGES IN GENERAL ECONOMIC CONDITIONS AND CURRENCIES IN FOREIGN COUNTRIES;

- WEATHER CONDITIONS THAT VARY SIGNIFICANTLY FROM HISTORICALLY NORMAL CONDITIONS;

- THE GENERAL LEVEL OF PETROLEUM PRODUCT DEMAND, AND THE AVAILABILITY OF PROPANE SUPPLIES;

- ENERGY PRICES GENERALLY AND SPECIFICALLY, THE PRICE OF PROPANE TO THE CONSUMER COMPARED TO THE PRICE OF ALTERNATIVE AND COMPETING FUELS;

- COMPETITION FROM OTHER PROPANE DISTRIBUTORS AND ALTERNATE FUELS;

- THE AVAILABILITY AND COST OF CAPITAL;

- CHANGES IN LAWS AND REGULATIONS TO WHICH HERITAGE IS SUBJECT, INCLUDING TAX, ENVIRONMENTAL AND EMPLOYMENT REGULATIONS;

- THE COSTS AND EFFECTS OF LEGAL AND ADMINISTRATIVE PROCEEDINGS AGAINST HERITAGE OR WHICH MAY BE BROUGHT AGAINST HERITAGE;

- THE ABILITY OF HERITAGE TO SUSTAIN ITS HISTORICAL LEVELS OF INTERNAL GROWTH; AND

- THE ABILITY OF HERITAGE TO CONTINUE TO LOCATE AND ACQUIRE OTHER PROPANE COMPANIES AT PURCHASE PRICES THAT ARE ACCRETIVE TO ITS FINANCIAL RESULTS.

WEATHER AND SEASONALITY

Heritage's propane distribution business is seasonal and dependent upon weather conditions in its service areas. Propane sales to residential and commercial customers are affected by winter heating season requirements, which generally results in higher operating revenues and net income during the period from October through March of each year and lower operating revenues and either net losses or lower net income during the period from April through September of each year. Sales to industrial and agricultural customers are much less weather sensitive. 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. Heritage therefore uses information derived from periods of 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 generally assumes that normal weather will prevail in each of the regions in which it operates.

Gross profit margins are not only affected by weather patterns but also by changes in customer mix. For example, sales to residential customers ordinarily generate higher margins than sales to other customer groups, such as commercial or agricultural customers. In addition, gross profit margins vary by geographic region. Accordingly, gross profit margins could vary significantly from year to year in a period of identical sales volumes.

GENERAL

Peoples Gas engaged in the sale, distribution and marketing of propane and other related products. Revenues were derived primarily from the retail propane marketing business. Peoples Gas believes that prior to the series of transactions with Atmos, AGL, Piedmont and Predecessor Heritage, it was among the top 25 retail propane marketers nationally and was the largest independent propane distributor in Florida. At the time of the transactions, Peoples Gas was serving more than 70,000 residential, commercial and industrial customers located in the Florida peninsula.

In August 2000, TECO Energy, Inc., Atmos Energy Corporation, Piedmont Natural Gas Company, Inc. and AGL Resources, Inc. contributed each company's propane operations, Peoples Gas Company ("Peoples Gas"), United Cities Propane Gas, Inc. ("United Cities"), Piedmont Propane Company ("Piedmont"), and AGL Propane, Inc. ("AGL"), respectively, to U.S. Propane, L.P. ("U.S. Propane") in exchange for equity interests in U.S. Propane. The merger was accounted for as an acquisition using the purchase method of accounting with Peoples Gas being the accounting acquirer.

Predecessor Heritage engaged in the sale, distribution and marketing of propane and other related products. Predecessor Heritage derived its revenues primarily from the retail propane marketing business. The General Partner believes that Predecessor Heritage was the seventh largest retail marketer of propane in the United States, based on retail gallons sold prior to the series of transactions with U.S. Propane, serving almost 286,000 residential, industrial/commercial and agricultural customers in 27 states through over 170 retail outlets. The General Partner believes that following the U.S. Propane transactions, Heritage is the fourth largest retail marketer of propane in the

United States, based on retail gallons sold. Heritage now serves nearly 500,000 residential, industrial/commercial and agricultural customers in 28 states through over 250 retail outlets.

Since its formation in 1989, Predecessor Heritage grew primarily through acquisitions of retail propane operations and, to a lesser extent, through internal growth. Through August 9, 2000, Predecessor Heritage completed 70 acquisitions for an aggregate purchase price of approximately $297 million. Predecessor Heritage completed 42 of these acquisitions since its initial public offering on June 25, 1996. During the period between August 9, 2000 and February 28, 2001, Heritage completed 8 additional acquisitions.

The retail propane business of Heritage consists principally of transporting propane purchased in the contract and spot markets, primarily from major fuel suppliers, 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 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 Heritage 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 gross profits. In the past, Predecessor Heritage generally attempted to reduce price risk by purchasing propane on a short-term basis. Predecessor Heritage had 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.

The formation of U.S. Propane and the merger with Predecessor Heritage affect the comparability of the three and six month periods ended February 28, 2001 and March 31, 2000, because the volumes and results of operations for the three and six months ended February 28, 2001 include the volumes and results of operations of Heritage. The increases in the line items discussed below are a result of these transactions and the effects of slightly colder than normal weather experienced during the quarter and six months ended February 28, 2001. Amounts discussed below reflect 100 percent of the results of M-P Energy Partnership during the three and six months ended February 28, 2001. M-P Energy Partnership is a general partnership in which Heritage owns a 60 percent interest. Because M-P Energy Partnership is primarily engaged in lower-margin wholesale distribution, its contribution to Heritage's net income is not significant and the minority interest of this partnership is excluded from the EBITDA calculation.

THREE MONTHS ENDED FEBRUARY 28, 2001 COMPARED TO THE THREE MONTHS ENDED MARCH 31, 2000

Volume. Total retail gallons sold in the three months ended February 28, 2001 were 140.1 million, an increase of 131.2 million over the 8.9 million gallons sold in the three months ended March 31, 2000. As a comparison, Predecessor Heritage sold 77.4 million retail gallons in the three months ended February 29, 2000.

Revenues. Total revenues for the three months ended February 28, 2001 were $326.8 million, an increase of $312.4 million as compared to $14.4 million in the three months ended March 31, 2000 and an increase of $224.6 million over Predecessor Heritage's revenues for the three months ended February 29, 2000. The trading activity conducted through Heritage Energy Resources represented $77.8 million of the increases described above and the remainder related to increased volumes related to the transactions referred to above and increased volumes related to colder temperatures in 2001 along with higher selling prices.

Cost of Products Sold. Total cost of products sold and trading activities increased to $215.2 million for the three months ended February 28, 2001 as compared to $7.9 million for the three months ended March 31, 2000. Of this increase, $76.5 million is the result of trading activity during the three months ended February 28, 2001. Predecessor Heritage had cost of sales of $57.3 million for the three months ended February 29, 2000. Fuel cost of sales increased due to the increases in volumes described above and due to the wholesale cost of propane for the three months ended February 28, 2001 being significantly higher as compared to the same time period last year.

Gross Profit. Total gross profit for the three months ended February 28, 2001 was $111.6 million as compared to $6.5 million for the three months ended March 31, 2000 due to the aforementioned increases in retail volumes and revenues, offset by the increase in product costs. For the three months ended February 28, 2001, retail fuel gross profit was $100.1 million, U.S. wholesale was $.4 million, and other gross profit was $8.4 million. Foreign wholesale gross profit was $1.4 million, and trading gross profit was $1.3 million for the period ended February 28, 2001. As a comparison, for the three months ended February 29, 2000, Predecessor Heritage recorded retail fuel gross profit of $39.2 million, wholesale fuel gross profit of $.3 million, foreign gross profit of $.6 million and other of $4.8 million, for a total gross profit of $44.9 million.

Operating Expenses. Operating expenses were $41.5 million for the three months ended February 28, 2001 as compared to $3.3 million for the three months ended March 31, 2000. The increase of $38.2 million is the result of the additional operating expense related to the merger. Predecessor Heritage had operating expenses of $17.0 million in the three months ended February 29, 2000.

Selling, General and Administrative. Selling, general and administrative expenses were $7.2 million for the three months ended February 28, 2001. Peoples Gas did not classify any of their operating expenses as selling, general and administrative, so as a comparison Predecessor Heritage had selling, general and administrative expenses of $1.9 million for the three months ended February 29, 2000. The increase of $5.3 million is primarily due to the formation of U.S. Propane and the merger with Predecessor Heritage.

Depreciation and Amortization. Depreciation and amortization was $10.3 million in the three months ended February 28, 2001 as compared to $.8 million in the three months ended March 31, 2000 and $4.7 million for Predecessor Heritage for the three months ended February 29, 2000. The increase is primarily attributable to the addition of property, plant and equipment, and intangible assets from the transactions referred to above.

Operating Income. For the three months ended February 28, 2001 Heritage had operating income of $52.6 million as compared to operating income of $2.4 million for the three months ended March 31, 2000. Predecessor Heritage reported operating income of $21.3 million in the three months ended February 29, 2000.

Net Income. For the three-month period ended February 28, 2001, Heritage had net income of $43.3 million, an increase of $41.8 million as compared to net income for the three months ended March 31, 2000 of $1.5 million. As a comparison, Heritage's current quarter net income of $43.3 million, represents an increase of $26.3 million over Predecessor Heritage's reported net income of $17.0 million for the three months ended February 29, 2000.

EBITDA. Earnings before interest, taxes, depreciation and amortization increased $60.8 million to $63.9 million for the three months ended February 28, 2001, as compared to the EBITDA of $3.1 million for the period ended March 31, 2000. The EBITDA for Predecessor Heritage for the three months ended February 29, 2000 was $27.0 million. Heritage'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 Heritage's ability to make the Minimum Quarterly Distribution.

SIX MONTHS ENDED FEBRUARY 28, 2001 COMPARED TO THE SIX MONTHS ENDED MARCH 31, 2000

Volume. Total retail gallons sold in the six months ended February 28, 2001 were 214.2 million, an increase of 197.3 million over the 16.9 million gallons sold in the six months ended March 31, 2000. As a comparison, Predecessor Heritage sold 116.2 million retail gallons in the six months ended February 28, 2000.

Revenues. Total revenues for the six months ended February 28, 2001 were $492.6 million, an increase of $468.1 million as compared to $24.5 million in the six months ended March 31, 2000 and an increase of $338.6 million over Predecessor Heritage's revenues for the six months ended February 29. 2000. The trading activity conducted through Heritage Energy Resources represented $126.1 million of the increases described above and the remainder related to increased volumes related to the transactions referred to above and increased volumes related to colder temperatures in the current heating season along with higher selling prices.

Cost of Products Sold. Total cost of products sold and trading activities increased to $332.8 million for the six months ended February 28, 2001 as compared to $13.1 million for the six months ended March 31, 2000. Of this increase, $124.3 million is the result of trading activity during the six months ended February 28, 2001. Predecessor Heritage had cost of sales of $86.6 million for the six months ended February 29, 2000. Fuel cost of sales increased due to the increases in volumes described above and due to the wholesale cost of propane for the six months ended February 28, 2001 being significantly higher as compared to the same time period last year.

Gross Profit. Total gross profit for the six months ended February 28, 2001 was $159.7 million as compared to $11.4 million for the six months ended February 28, 2001 due to the aforementioned increases in retail volumes and revenues, offset by the increase in product costs. For the six months ended February 28, 2001, retail fuel gross profit was $137.3 million, U.S. wholesale was $.6 million, and other gross profit was $18.1 million. Foreign wholesale gross profit and trading gross profit were both $1.9 million for the period ended February 28, 2001. As a comparison, for the six months ended February 29, 2000, Predecessor Heritage recorded retail fuel gross profit of $56.5 million, wholesale fuel gross profit of $.4 million, foreign gross profit of $1.1 million and other of $9.4 million, for a total gross profit of $67.4 million.

Operating Expenses. Operating expenses were $67.1 million for the six months ended February 28, 2001 as compared to $6.9 million for the six months ended March 31, 2000. The increase of $60.2 million primarily is the result of the additional operating expense related to the merger and to a lesser extent, increased volumes due to cold weather and increased fuel costs which, affect the vehicle fuel costs. Predecessor Heritage had operating expenses of $30.6 million in the six months ended February 29, 2000.

Selling, General and Administrative. Selling, general and administrative expenses were $9.6 million for the six months ended February 28, 2001. Peoples Gas did not classify any of their operating expenses as selling, general and administrative, so as a comparison Predecessor Heritage had selling, general and administrative expenses of $3.3 million for the six months ended February 29, 2000. The increase of $6.3 million is primarily due to the transactions with U.S. Propane.

Depreciation and Amortization. Depreciation and amortization was $19.8 million in the six months ended February 28, 2001 as compared to $1.6 million in the six months ended March 31, 2000 and $8.7 million for Predecessor Heritage for the six months ended February 29, 2000. The increase is primarily attributable to the addition of property, plant and equipment, and intangible assets from the transactions referred to above.

Operating Income. For the six months ended February 28, 2001 Heritage had operating income of $63.2 million as compared to operating income of $3.0 million for the six months ended March 31, 2000. Predecessor Heritage reported operating income of $24.7 million in the six months ended February 29, 2000.

Net Income. For the six-month period ended February 28, 2001, Heritage had net income of $45.3 million, an increase of $43.6 million as compared to net income for the six months ended March 31, 2000 of $1.7 million. As a comparison, Heritage's net income of $45.3 million for the six months ended February 28, 2001, represents an increase of $29.1 million over Predecessor Heritage's reported net income of $16.2 million for the six months ended February 29, 2000.

EBITDA. Earnings before interest, taxes, depreciation and amortization increased $80.1 million to $84.5 million for the six months ended February 28, 2001, as compared to the EBITDA of $4.4 million for the period ended March 31, 2000. The EBITDA for Predecessor Heritage for the six months ended February 29, 2000 was $34.7 million. Heritage'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 Heritage's ability to make the Minimum Quarterly Distribution.

LIQUIDITY AND CAPITAL RESOURCES

The ability of Heritage 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 requirements of Heritage are expected to be provided by cash flows from operating activities. To the extent future capital requirements exceed cash flows from operating activities:

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

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

c) acquisition capital expenditures will be financed by the revolving acquisition bank line of credit; other lines of credit, long term debt, issues of additional Common Units or a combination thereof.

Operating Activities. Cash provided by operating activities during the six months ended February 28, 2001, was $49.2 million. The net cash provided from operations for the six months ended February 28, 2001 consisted of net income of $45.3 million and noncash charges of $22.0 million, principally depreciation and amortization offset by the impact of working capital used of $18.1 million. Accounts receivable have increased significantly as compared to the prior year as a result of the net effect of the increase in propane costs and increased volume due to colder temperatures which in part was passed on to the customers. A larger customer base due to the transactions with U.S. Propane also contributed to the increase in accounts receivable. Accounts payable has also increased due to the same related reasons of the increased cost of propane and the merger.

Investing Activities. Heritage completed eight acquisitions during the six months ended February 28, 2001 spending $44.5 million, net of cash received, to purchase propane companies. This capital expenditure amount is reflected in the cash used in investing activities of $60.1 million along with a net $11.1 million invested for maintenance needed to sustain operations at current levels and customer tanks to support growth of operations. Other investing activities include $4.5 million of cash paid for marketable securities.

Financing Activities. Cash provided by financing activities during the six months ended February 28, 2001 of $17.5 million resulted mainly from a net decrease in the working capital facility of $12.2 million and a net increase in the Acquisition Facility of $45.9 million used to acquire other propane businesses. These increases were offset by cash distributions to unitholders of $15.4 million and payments on other long-term debt of $.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 $65.0 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 February 28, 2001, the Acquisition Facility had $2.2 million available to fund future acquisitions and the Working Capital Facility had $53.0 million available for borrowings.

Heritage 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 $44.5 million for the six months ended February 28, 2001. In addition to this, Heritage issued $2.1 million for notes payable on non-compete agreements in connection with certain acquisitions.

Under its Partnership Agreement, Heritage 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 Heritage, all cash on hand at the end of such quarter less the amount of cash reserves that are necessary or appropriate in the reasonable discretion of the General Partner to (i) provide for the proper conduct of the Heritage's business, (ii) comply with applicable law or any Heritage debt instrument or other agreement, or (iii) provide funds for distributions to Unitholders and the General Partner in respect of any one or more of the next four quarters. Available Cash is more fully defined in the Amended and Restated Agreement of Limited Partnership of Heritage Propane Partners, L.P. previously filed as an exhibit. Distributions of Available Cash to the holders of the Subordinated Units and the Class B Subordinated Units are subject to the prior rights of the holders of the Common Units to receive the Minimum Quarterly Distributions of $.50 per unit for each quarter during the subordination period, and to receive any arrearages in the distribution of Minimum Quarterly Distributions on the Common Units for prior quarters during the subordination period. The subordination period will not end earlier than June 1, 2001 ("Subordination Period"). Heritage's commitment to its unitholders is to distribute the increase in its cash flow while maintaining prudent reserves for operations. Heritage raised the quarterly distribution paid on October 16, 2000 for the fourth quarter ended August 31, 2000, to $.575 per unit (or $2.30 annually) from the quarterly distribution of $.5625 (or $2.25 annually) and again for the distribution paid on January 15, 2001, to $.5875 per unit (or $2.35 annually). On March 22, 2001, Heritage declared their third increased quarterly distribution this fiscal year of $.60 per unit (or $2.40 annually) for the second quarter ended February 28, 2001, to Unitholders of record as of April 2, 2001 and payable April 16, 2001. In the case of each quarterly distribution increase, the decision resulted from a review of Predecessor Heritage's and Heritage's past financial performance, and current projections for available cash based on the first quarter's performance and future expectations for Heritage. The current distribution level includes incentive distributions payable to the General Partner to the extent the quarterly distribution exceeds $.55 per unit ($2.20 annually).

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Heritage has very little cash flow exposure due to rate changes for long-term debt obligations. Predecessor Heritage primarily entered into debt obligations to support general corporate purposes including capital expenditures and working capital needs. Predecessor Heritage's long-term debt instruments were typically issued at fixed interest rates. When these debt obligations mature, Heritage 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 Heritage 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 Heritage will have no control. In the past, price changes have generally been passed along to Predecessor Heritage's customers to maintain gross margins, mitigating the commodity price risk. In order to help ensure adequate supply sources are available to Heritage during periods of high demand, Predecessor Heritage in the past 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. Heritage also attempts to minimize the effects of market price fluctuations for its propane supply through its trading activities and by entering into certain financial contracts. Heritage's trading activities include both purchases and sales of product supply. Trading activity is recorded at fair value on Heritage's balance sheet, with the changes in fair value included in earnings.

The financial contracts entered into by Heritage are often referred to as swap instruments. The swap instruments 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 fixed price bid by the buyer and a floating price determination for the seller based on certain indices at the end of the relevant trading period. Heritage enters into these swap instruments to hedge the projected propane volumes to be purchased during each of the one-month periods during the projected heating season.

At February 28, 2001, Heritage had outstanding propane hedges ("swap agreements") for a total of 55 million gallons of propane at a weighted average price of $.5547 per gallon. The fair value of the swap agreement is the amount at which they could be settled, based on quoted market prices. These instruments had a fair value of $571 as of February 28, 2001, which was recorded as other assets on the balance sheet through other comprehensive income, exclusive of $22 of minority interest. Heritage continues to monitor propane prices and may enter into additional propane hedges in the future. Inherent in the portfolio from the trading and hedging activities is certain business risks, including market risk and credit risk. Market risk is the risk that the value of the portfolio will change, either favorably or unfavorably, in response to changing market conditions. Credit risk is the risk of loss from nonperformance by suppliers, customers, or financial counterparties to a contract. Heritage takes an active role in managing and controlling market and credit risk and has established control procedures, which are reviewed on an ongoing basis. Heritage monitors market risk through a variety of techniques, including routine reporting to senior management. Heritage attempts to minimize credit risk exposure through credit policies and periodic monitoring procedures.

TRADING ACTIVITIES

Heritage trades financial instruments for its own account through Heritage Energy Resources ("Resources"). Financial instruments utilized in connection with trading activities are accounted for using the mark-to-market method. Under the mark-to-market method of accounting, forwards, swaps, options and storage contracts are reflected at fair value, and are shown in the consolidated balance sheet as assets and liabilities from trading activities. Unrealized gains and losses from the financial contracts and the impact of price movements are recognized in the income statement as other income (expense). Changes in the assets and liabilities from trading activity result primarily from changes in the market prices, newly originated transactions and the timing of settlement. Resources attempts to balance its contractual portfolio in terms of notional amounts and timing of performance and delivery obligations. However, net unbalanced positions can exist or are established based on an assessment of anticipated market movements.

Notional Amounts and Terms -

The notional amounts and terms of these financial instruments as of February 28, 2001 include fixed price payor for 425,000 barrels of propane and butane, and fixed price receiver of 559,200 barrels of propane and butane. Notional amounts reflect the volume of the transactions, but do not represent the amounts exchanged by the parties to the financial instruments. Accordingly, notional amounts do not accurately measure Heritage's exposure to market or credit risks.

Fair Value -

The fair value of the financial instruments related to trading activities as of February 28, 2001, were assets of $490 and liabilities of $702. The unrealized gain/(loss) related to trading activities for the three months and six months ended February 28, 2001, was $(40) and $150, respectively.

Market and Credit Risk -

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

The market prices used to value these transactions reflect management's best estimate considering various factors including closing average spot prices for the current and outer months plus a differential to consider time value and storage costs.

PART II - OTHER INFORMATION

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.
(10)	3.1.1	Amendment No. 1 to Amended and Restated Agreement of Limited Partnership of Heritage Propane Partners, L.P.

	Exhibit Number	Description
(1)	3.2	Agreement of Limited Partnership of Heritage Operating, L.P.
(12)	3.2.1	Amendment No. 1 to Amended and Restated Agreement of Limited Partnership of Heritage Operating, 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
(9)	10.1.2	Second Amendment to First Amended and Restated Credit Agreement dated as of May 31, 2000
(10)	10.1.3	Third Amendment dated as of August 10, 2000 to First Amended and Restated Credit Agreement
(*)	10.1.4	Fourth Amendment to First Amended and Restated Credit Agreement dated effective as of December 28, 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, 1996) 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
(11)	10.2.5	Third Amendment Agreement dated May 31, 2000 to June 25, 1996 Note Purchase Agreement and November 19, 1997 Note Purchase Agreement
(10)	10.2.6	Fourth Amendment Agreement dated August 10, 2000 to June 25, 1996 Note Purchase Agreement and November 19, 1997 Note Purchase Agreement
(*)	10.2.7	Fifth Amendment Agreement dated as of December 28, 2000 to June 25, 1996 Note Purchase Agreement, November 19, 1997 Note Purchase Agreement and August 10, 2000 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
(12)	10.6.2	Amended and Restated Restricted Unit Plan dated as of August 10, 2000
(12)	10.7	Employment Agreement for James E. Bertelsmeyer dated as of August 10, 2000
(12)	10.8	Employment Agreement for R. C. Mills dated as of August 10, 2000
(12)	10.9	Employment Agreement for Larry J. Dagley dated as of August 10, 2000

	Exhibit Number	Description
(12)	10.10	Employment Agreement for H. Michael Krimbill dated as of August 10, 2000
(12)	10.11	Employment Agreement for Bradley K. Atkinson dated as of August 10, 2000
(7)	10.12	First Amended and Restated Revolving Credit Agreement between Heritage Service Corp. and Banks Dated May 31, 1999
(12)	10.13	Employment Agreement for Mark A. Darr dated as of August 10, 2000
(12)	10.14	Employment Agreement for Thomas H. Rose dated as of August 10, 2000
(12)	10.15	Employment Agreement for Curtis L. Weishahn dated as of August 10, 2000
(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
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(10)	10.17	Contribution Agreement dated June 15, 2000 among U.S. Propane, L.P., Heritage Operating, L.P. and Heritage Propane Partners, L.P.
(10)	10.17.1	Amendment dated August 10, 2000 to June 15, 2000 Contribution Agreement
(10)	10.18	Subscription Agreement dated June 15, 2000 between Heritage Propane Partners, L.P. and individual investors
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(10)	10.19	Note Purchase Agreement dated as of August 10, 2000
(**)	10.19.1	Fifth Amendment Agreement dated as of December 28, 2000 to June 25, 1996 Note Purchase Agreement, November 19, 1997 Note Purchase Agreement and August 10, 2000 Note Purchase Agreement
(12)	21.1	List of Subsidiaries
(12)	99.1	Balance Sheet of Heritage Holdings, Inc. as of August 31, 2000

(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.

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(10) Incorporated by reference to the same numbered Exhibit to the Registrant's Form 8-K dated August 10, 2000.

(11) Filed as Exhibit 10.16.3.

(12) Incorporated by reference to the same numbered Exhibit to the Registrant's Form 10-K for the year ended August 31, 2000.

(*) Filed herewith

(**) Filed herewith as Exhibit 10.2.7.

(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: April 6, 2001

By: /s/ Larry J. Dagley

Larry J. Dagley
(Vice President, Chief Financial Officer and officer duly authorized to sign on behalf of the registrant)

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(18) Filed as Exhibit 10.16.3.

(19) Incorporated by reference to the same numbered Exhibit to the Registrant's Form 10-K for the year ended August 31, 2000.

(*) Filed herewith

(**) Filed herewith as Exhibit 10.2.7.

EXHIBIT 10.1.4

FOURTH AMENDMENT TO

FIRST AMENDED AND RESTATED CREDIT AGREEMENT

THIS FOURTH AMENDMENT TO FIRST AMENDED AND RESTATED CREDIT AGREEMENT, dated effective as of December 28, 2000 (the "Fourth 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"), LOCAL OKLAHOMA BANK, N. A. ("Local") and HARRIS TRUST AND SAVINGS BANK ("Harris") (BOk, Firstar, Local and Harris, 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 that certain First Amended and Restated Credit Agreement dated as of May 31, 1999 (the "Restated Credit Agreement"), as subsequently amended by that certain First Amendment to First Amended and Restated Credit Agreement dated as of October 15, 1999 (the "First Amendment"), by that certain Second Amendment to First Amended and Restated Credit Agreement dated as of May 31, 2000 (the "Second Amendment"), and by that certain Third Amendment thereto dated as of August 10, 2000 (the "Third Amendment") (the Restated Credit Agreement, together with the First Amendment, the Second Amendment and the Third Amendment, and all such other and further amendments now or hereafter entered into, including without limitation, this Fourth Amendment, are collectively referred to as the "Credit Agreement"); and

WHEREAS, the Restated Credit Agreement, as amended and modified by the First Amendment, the Second Amendment and the Third Amendment, is sometimes referred to herein as the "Existing Credit Agreement"; and

WHEREAS, the Borrower has requested the Banks, the Administrative Agent and the Co-Agent to (i) increase the maximum outstanding amount of the Working Capital Loan pursuant to the Working Capital Facility from $50,000,000.00 to $65,000,000.00 and (ii) reallocate each of the Banks' respective portion of the (x) increased Maximum Working Capital Facility and (y) Maximum Acquisition Loan Facility, as each is specified in paragraph 1G (Section 10.1 of the Credit Agreement) hereof below.

NOW THEREFORE, the parties hereto agree as follows:

1. Amendments. The Credit Agreement shall be amended as set forth below:

A. Section 1.1 of the Credit Agreement is amended by deleting the definition of "Existing Credit Agreement" and inserting in lieu thereof the following definition in the appropriate alphabetical position:

"Existing Credit Agreement" means the Credit Agreement dated as of June 25, 1996, as amended by the First Amendment to Credit Agreement dated as of July 25, 1996, the Second Amendment to Credit Agreement dated as of February 28, 1997, the Third Amendment to Credit Agreement dated as of September 30, 1997, the Fourth Amendment to Credit Agreement dated as of November 18, 1997, and the Fifth Amendment to Credit Agreement dated as of November 13, 1998, between and among Borrower, BOk, Firstar and BankBoston, N.A., and BankBoston, N.A., as Administrative Agent, and BOk, as Documentation Agent, as replaced and restated by the First Amended and Restated Credit Agreement dated as of May 31, 1999, between and among Borrower, BOk, Firstar and Local, and BOk, as Administrative Agent, and Firstar, as Co-Agent, as amended by the First Amendment to First Amended and Restated Credit Agreement dated as of October 31, 1999, between and among Borrower, BOK, Firstar and Local, and BOk, as Administrative Agent and Mercantile, as Co-Agent, as amended by the Second Amendment to First Amended and Restated Credit Agreement dated as of May 31, 2000, between and among Borrower, BOk, Firstar and Local, and BOk, as Administrative Agent, and Firstar, as Co-Agent, and as amended by the Third Amendment to First Amended and Restated Credit Agreement dated as of August 10, 2000, between and among Borrower, BOK, Firstar, Local and Harris, and Bok, as Administrative Agent and Firstar, as Co-Agent.

B. The form of Exhibit 2.1.4 (Acquisition Notes) annexed to the Existing Credit Agreement is replaced with the form of Exhibit 2.1.4 annexed to this Fourth Amendment.

C. Section 2.2.2 of the Existing Credit Agreement is amended by deleting "$50,000,000" and inserting in lieu thereof "$65,000,000." The form of Exhibits 2.2.3 (Working Capital Borrowing Request) and 2.2.4 (Working Capital Notes) annexed to the Existing Credit Agreement are replaced with the form of Exhibits 2.2.3 and 2.2.4 annexed to this Fourth Amendment.

D. Section 3.1 of the Existing Credit Agreement is amended by deleting "July 31, 2000" and inserting in lieu thereof "December 31, 2000."

E. Section 6.1(vii) of the Existing Credit Agreement is deleted in its entirety and replaced by the following:

(vii) Opinions of Borrower's Counsel. The Agents shall have received from Borrower's counsel, Doerner, Saunders, Daniel & Anderson, L.L.P., a favorable written closing opinion addressed to the Agents and the Banks with respect to the Credit Agreement, as amended by this Fourth Amendment, satisfactory in form and substance to the Administrative Agent's legal counsel including, without limitation, an opinion that all notices to or consents of the

Collateral Agent or the Note Purchasers as required by the amendments, modifications and transactions contemplated by this Fourth Amendment have been duly obtained and are in full force and effect.

F. Section 7B.2(ii) of the Existing Credit Agreement is amended by deleting "$50,000,000" and inserting in lieu thereof "$65,000,000."

G. Section 10.1 of the Existing Credit Agreement is deleted in its entirety and replaced by the following:

10.1 Interests in Loans/Commitments. The percentage interest of each Bank in the Loans and Letters of Credit, and the Commitments, shall be computed based on the maximum principal amount for each Bank as follows:

Bank	Maximum Acquisition Loan Facility	Maximum Working Capital Facility	Maximum Commitments' Amount	Percentage Interest
Bok	$21,739,130.00	$ 28,260,870.00	$ 50,000,000.00	43.4783%
Firstar	$13,043,478.00	$ 16,956,522.00	$ 30,000,000.00	26.0870%
Local	$ 6,521,739.00	$ 8,478,261.00	$ 15,000,000.00	13.0435%
Harris	$ 8,695,653.00	$ 11,304,347.00	$ 20,000,000.00	17.3912%
Total	$50,000,000.00	$ 65,000,000.00	$115,000,000.00	100.0000%

The foregoing percentage interests, as from time to time in effect and reflected in the Register, are referred to as the "Percentage Interests" with respect to all or any portion of the Loans and Letters of Credit, and the Commitments.

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

3. Intercreditor Agreement/Security Agreement. The Borrower confirms that it has reviewed and approved the terms of the Intercreditor Agreement, including without limitation, the setoff sharing provisions set forth in Section 13(c) thereof. The Borrower agrees that any setoff shared under the terms of the Intercreditor Agreement with the Purchasers of the Private Placement Notes, to the extent of the portions so shared, will not be deemed to pay down the Loan. The Borrower further confirms and represents to the Banks, the Administrative Agent and the Co-Agent that (i) the additional $15,000,000.00 available under the Commitments ($15,000,000.00 under the Working Capital Facility) are secured by the Security Agreement and (ii) any amendments to or modifications of the Security Agreement or the Intercreditor

Agreement and any notice to or consent of the Collateral Agent required by virtue of the increased Commitments or other transactions contemplated by this Fourth Amendment have been duly and validly consummated, given or obtained, as the case may be, and that such amendments, modifications or consents remain in full force and effect.

4. Working Capital Loan Commitment Fee. Borrower shall pay to the Administrative Agent, for the pro rata benefit of those Banks increasing their aggregate Commitments under this Fourth Amendment (all Banks except for Local), concurrent with the closing of this Fourth Amendment a facility commitment fee equal to one half of one percentage point (0.50%) of the aggregate $15,000,000 increase in the Working Capital Loan Commitment.

5. Further Assurances. The Borrower will, upon the request of the 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 Agents deem necessary or advisable to carry out the intent and purposes of this Fourth Amendment and the Existing Credit Agreement.

6. General. The Existing Credit Agreement and all of the other Loan Documents are each confirmed as being in full force and effect. This Fourth Amendment, the Existing 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 Fourth Amendment are for convenience of reference only and shall not alter, limit or otherwise affect the meaning hereof. This Fourth Amendment 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(s). This Fourth Amendment shall be governed by and construed in accordance with the laws (other than the conflict of law rules) of the State of Oklahoma.

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

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

(b) the Borrower shall have executed and delivered to the Administrative Agent its four (4) replacement (i) Working Capital Notes payable to the order of each of the Banks in the respective principal face amounts as set forth in the "Maximum Working Capital Facility" column of Section 10.1 of the Credit Agreement and (ii) Acquisition Notes payable to the order of each of the Banks in the respective principal face amounts as set forth in the "Maximum Acquisition Loan Facility" column of Section 10.1 of the Credit Agreement;

(c) Borrower's corporate general partner shall have delivered to the Administrative Agent its closing and incumbency certificate with corporate resolution attached in form and content acceptable to the Administrative Agent and its legal counsel; and

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

IN WITNESS WHEREOF, the parties hereto have caused this Fourth Amendment to First Amended and Restated Credit Agreement to be duly executed and delivered in multiple counterparts in Tulsa, Oklahoma, effective as of the 28th day of December, 2000, by the undersigned duly authorized respective 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 and Chief Executive Officer

"Banks"

BANK OF OKLAHOMA, NATIONAL
ASSOCIATION

By_______________________________________
Denise L. Maltby
Senior Vice President

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

By_______________________________________
John Billings
Its:_________________________________

LOCAL OKLAHOMA BANK, N.A.

By______________________________________
Elisabeth F. Blue
Senior Vice President

HARRIS TRUST AND SAVINGS BANK

By_______________________________________
Timothy E. Broccolo
Managing Director

"Administrative Agent"

BANK OF OKLAHOMA, NATIONAL
ASSOCIATION

By______________________________________
Denise L. Maltby
Senior Vice President

"Co-Agent"

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

By_______________________________________
John Billings
Its:_________________________________

EXHIBIT 10.2.7

HERITAGE OPERATING, L.P.

FIFTH AMENDMENT AGREEMENT

Re: Note Purchase Agreement dated as of June 25, 1996
Note Purchase Agreement dated as of November 19, 1997
Note Purchase Agreement dated as of August 10, 2000

Dated as of
December 28, 2000

To each of the Holders named
in Schedule 1 to this Fifth
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 letter agreement (the "Letter Agreement") dated July 25, 1996, a First Amendment Agreement (the "First Amendment Agreement") dated as of October 15, 1998, a Second Amendment Agreement (the "Second Amendment Agreement") dated as of September 1, 1999, a Third Amendment Agreement (the "Third Amendment Agreement") dated as of May 31, 2000 and a Fourth Amendment Agreement dated as of August 10, 2000 (the "Fourth Amendment Agreement") (said Original 1996 Agreement, as amended by the Letter Agreement, the First Amendment Agreement, the Second Amendment Agreement, the Third Amendment Agreement and the Fourth 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 "Original 1997 Agreement"), among the Company and the Purchasers named in the Initial Purchaser Schedule attached thereto, as amended by the First Amendment Agreement dated as of October 15, 1998, a Second Amendment Agreement (the "Second Amendment Agreement") dated as of September 1, 1999, a Third Amendment Agreement (the "Third Amendment Agreement") dated as of May 31, 2000 and a Fourth Amendment Agreement dated August 10, 2000 (the "Fourth Amendment Agreement") (said Original 1997 Agreement, as so amended by the First Amendment Agreement, the Second Amendment Agreement, the Third Amendment Agreement and the Fourth Amendment

Agreement, being hereinafter referred to as the "Amended Original 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 to its 6.67% Series E Senior Secured Notes due March 13, 2013 (the "Series E Notes") (the Amended Original 1997 Agreement as supplemented by the First Supplemental Agreement is hereinafter sometimes referred to as the "Outstanding 1997 Agreement"); and

(iii) the Note Purchase Agreement dated as of August 10, 2000 (the "Outstanding 2000 Agreement"), among the Company and the Purchasers named in the Initial Purchaser Schedule attached thereto, under and pursuant to which the Company issued, and there are presently outstanding, (a) $16,000,000 aggregate principal amount of its 8.47% Series A Senior Secured Notes due August 15, 2007 (the "2000 Series A Notes"), (b) $32,000,000 aggregate principal amount of its 8.55% Series B Senior Secured Notes due August 15, 2010 (the "2000 Series B Notes"), (c) $27,000,000 aggregate principal amount of its 8.59% Series C Senior Secured Notes due August 15, 2010 (the "2000 Series C Notes"), (d) $58,000,000 aggregate principal amount of its 8.67% Series D Senior Secured Notes due August 15, 2012 (the "2000 Series D Notes"), (e) $7,000,000 aggregate principal amount of its 8.75% Series E Senior Secured Notes due August 15, 2015 (the "2000 Series E Notes") and (f) $40,000,000 aggregate principal amount of its 8.87% Series F Senior Secured Notes due August 15, 2020 (the "2000 Series F Notes").

The Outstanding 1996 Agreement, the Outstanding 1997 Agreement and the Outstanding 2000 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, Series E Notes, 2000 Series A Notes, 2000 Series B Notes, 2000 Series C Notes, 2000 Series D Notes, 2000 Series E Notes and 2000 Series F 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.

The Company now desires to amend certain provisions of the Outstanding Agreements. 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 amendments 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 6B(ii) of each of the Outstanding Agreements is hereby amended by deleting the reference in clause (x) of each such Section to "$50,000,000" and inserting in lieu thereof a reference to "$65,000,000".

I-B. Section 10B of each of the Outstanding Agreements is hereby amended by deleting the definition of "Revolving Working Capital Facility," contained therein and inserting in lieu thereof the following definition in the appropriate alphabetical position:

> ""Revolving Working Capital Facility" shall mean the $65,000,000 revolving credit facility of the Company provided for in the Credit Agreement for working capital and other general partnership purposes not to exceed $65,000,000 aggregate principal amount at any time outstanding."

ARTICLE II
CONDITIONS OF EFFECTIVENESS

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

> (a) the Required Holders under each of the Outstanding Agreements shall have consented to this Fifth Amendment Agreement as evidenced by their execution thereof; and
>
> (b) the requisite percentage of lenders under the Credit Agreement (the "Lenders") shall have agreed to all amendments to the Credit Agreement necessary to effect this Fifth Amendment Agreement 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 the financial or negative covenants or events of default that 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.

ARTICLE III
REPRESENTATIONS, WARRANTIES AND COVENANTS

In order to induce the holders of the Notes to enter into this Fifth Amendment Agreement, the Company represents and warrants that (a) no Default or Event of Default has occurred and is continuing; and (b) after giving effect to this Fifth Amendment Agreement, no Event of Default shall have occurred.

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 this Fifth Amendment Agreement shall be deemed to have been given and the Outstanding Agreements shall be amended as set forth above.

IV-B. This Fifth 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 Fifth 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 Fifth 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 referenced to such Outstanding Agreement as amended hereby.

[signature pages follow]

Very truly yours,

HERITAGE OPERATING, L.P.

By: Heritage Holdings, Inc., General Partner

By: _______________________________________

Its: ______________________________________

The foregoing Fifth Amendment Agreement and the amendments referred to therein are hereby accepted and agreed to as of December 28, 2000, and the undersigned hereby confirms that on December 28, 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: ___________________________________

The foregoing Fifth Amendment Agreement and the amendments referred to therein are hereby accepted and agreed to as of December 28, 2000, and the undersigned hereby confirms that on December 28, 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.

MELLON BANK, N.A., solely in its capacity as
Trustee for the Bell Atlantic Master Trust
(as directed by John Hancock Financial Services,
Inc.), and not in its individual capacity

By: ____________________________________

Its: ___________________________________

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

By: ____________________________________

Its: ___________________________________

The foregoing Fifth Amendment Agreement and the amendments referred to therein are hereby accepted and agreed to as of December 28, 2000, and the undersigned hereby confirms that on December 28, 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.

THE NORTHERN TRUST COMPANY, solely in
its capacity as Trustee of the Lucent Technologies Inc.
Master Pension Trust, and not in its individual capacity

By: John Hancock Life Insurance Company,
as Investment Manager

By: ____________________________________

Its: ___________________________________

The foregoing Fifth Amendment Agreement and the amendments referred to therein are hereby accepted and agreed to as of December 28, 2000, and the undersigned hereby confirms that on December 28, 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: David L. Babson & Company, Inc.
its Investment Advisor

By: ___________________________________

Its: __________________________________

The foregoing Fifth Amendment Agreement and the amendments referred to therein are hereby accepted and agreed to as of December 28, 2000, and the undersigned hereby confirms that on December 28, 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
(fka Principal Mutual Life Insurance Company)

By: Principal Capital Management, LLC,
its authorized signatory

By: ___________________________________

Its: __________________________________

By: ___________________________________

Its: __________________________________

The foregoing Fifth Amendment Agreement and the amendments referred to therein are hereby accepted and agreed to as of December 28, 2000, and the undersigned hereby confirms that on December 28, 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 Investment Management,
its Investment Manager

By: ____________________________________

Its: ___________________________________

The foregoing Fifth Amendment Agreement and the amendments referred to therein are hereby accepted and agreed to as of December 28, 2000, and the undersigned hereby confirms that on December 28, 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 Fifth Amendment Agreement and the amendments referred to therein are hereby accepted and agreed to as of December 28, 2000, and the undersigned hereby confirms that on December 28, 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 Fifth Amendment Agreement and the amendments referred to therein are hereby accepted and agreed to as of December 28, 2000, and the undersigned hereby confirms that on December 28, 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 Fifth Amendment Agreement and the amendments referred to therein are hereby accepted and agreed to as of December 28, 2000, and the undersigned hereby confirms that on December 28, 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 Fifth Amendment Agreement and the amendments referred to therein are hereby accepted and agreed to as of December 28 2000, and the undersigned hereby confirms that on December 28, 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 Fifth Amendment Agreement and the amendments referred to therein are hereby accepted and agreed to as of December 28. 2000, and the undersigned hereby confirms that on December 28, 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: ___________________________________

RELIASTAR LIFE INSURANCE COMPANY OF NEW YORK

By: ____________________________________

Its: ___________________________________

The foregoing Fifth Amendment Agreement and the amendments referred to therein are hereby accepted and agreed to as of December 28, 2000, and the undersigned hereby confirms that on December 28 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
(f/k/a Wisconsin National Life Insurance Company)

By: ____________________________________

Its: ___________________________________

The foregoing Fifth Amendment Agreement and the amendments referred to therein are hereby accepted and agreed to as of December 28, 2000, and the undersigned hereby confirms that on December 28, 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: ___________________________________

By: ____________________________________

Its: ___________________________________

The foregoing Fifth Amendment Agreement and the amendments referred to therein are hereby accepted and agreed to as of December 28, 2000, and the undersigned hereby confirms that on December 28, 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: ____________________________________

Its: ___________________________________

By: ____________________________________

Its: ___________________________________

The foregoing Fifth Amendment Agreement and the amendments referred to therein are hereby accepted and agreed to as of December 28, 2000, and the undersigned hereby confirms that on December 28, 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: ___________________________________

The foregoing Fifth Amendment Agreement and the amendments referred to therein are hereby accepted and agreed to as of December 28, 2000, and the undersigned hereby confirms that on December 28, 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.

CONNECTICUT GENERAL LIFE INSURANCE COMPANY
By: CIGNA Investments, Inc. (authorized agent)

By: ____________________________________

Its: ___________________________________

The foregoing Fifth Amendment Agreement and the amendments referred to therein are hereby accepted and agreed to as of December 28, 2000, and the undersigned hereby confirms that on December 28, 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.

LIFE INSURANCE COMPANY OF NORTH AMERICA
By: CIGNA Investments, Inc. (authorized agent)

By: ____________________________________

Its: ___________________________________

The foregoing Fifth Amendment Agreement and the amendments referred to therein are hereby accepted and agreed to as of December 28, 2000, and the undersigned hereby confirms that on December 28, 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.

CLARICA LIFE INSURANCE COMPANY-U.S.

By: ____________________________________

Its: ___________________________________

By: ____________________________________

Its: ___________________________________

The foregoing Fifth Amendment Agreement and the amendments referred to therein are hereby accepted and agreed to as of December 28, 2000, and the undersigned hereby confirms that on December 28, 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.

GE EDISON LIFE INSURANCE COMPANY

By: ____________________________________

Its: ___________________________________

The foregoing Fifth Amendment Agreement and the amendments referred to therein are hereby accepted and agreed to as of December 28, 2000, and the undersigned hereby confirms that on December 28 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.

THE GUARDIAN LIFE INSURANCE COMPANY OF AMERICA

By: ____________________________________

Its: ___________________________________

The foregoing Fifth Amendment Agreement and the amendments referred to therein are hereby accepted and agreed to as of December 28, 2000, and the undersigned hereby confirms that on December 28, 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.

METROPOLITAN LIFE INSURANCE COMPANY

By: ____________________________________

Its: ___________________________________

The foregoing Fifth Amendment Agreement and the amendments referred to therein are hereby accepted and agreed to as of December 28, 2000, and the undersigned hereby confirms that on December 28, 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.

NATIONWIDE LIFE INSURANCE COMPANY

By: ____________________________________

Its: ___________________________________

NATIONWIDE LIFE AND ANNUITY INSURANCE COMPANY

By: ____________________________________

Its: ___________________________________

NATIONWIDE MUTUAL FIRE INSURANCE COMPANY

By: ____________________________________

Its: ___________________________________

NATIONWIDE MUTUAL INSURANCE COMPANY

By: ____________________________________

Its: ___________________________________

The foregoing Fifth Amendment Agreement and the amendments referred to therein are hereby accepted and agreed to as of December 28, 2000, and the undersigned hereby confirms that on December 28, 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
By: Principal Capital Management, LLC,
a Delaware limited liability company,
its authorized signatory

By: ____________________________________

Its: ___________________________________

By: ____________________________________

Its: ___________________________________

The foregoing Fifth Amendment Agreement and the amendments referred to therein are hereby accepted and agreed to as of December 28, 2000, and the undersigned hereby confirms that on December 28, 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.

COMMERCIAL UNION LIFE INSURANCE COMPANY OF AMERICA,
a Delaware corporation

By: Principal Capital Management, LLC,
a Delaware limited liability company,
its attorney-in-fact

By: ____________________________________

Its: ___________________________________

By: ____________________________________

Its: ___________________________________

The foregoing Fifth Amendment Agreement and the amendments referred to therein are hereby accepted and agreed to as of December 28, 2000, and the undersigned hereby confirms that on December 28, 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.

NORTHERN LIFE INSURANCE COMPANY

By: ____________________________________

Its: ___________________________________

The foregoing Fifth Amendment Agreement and the amendments referred to therein are hereby accepted and agreed to as of December 28 2000, and the undersigned hereby confirms that on December 28, 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.

SUN LIFE ASSURANCE COMPANY OF CANADA (U.S.)

By: ____________________________________

Its: ___________________________________

By: ____________________________________

Its: ___________________________________

SUN LIFE INSURANCE AND ANNUITY COMPANY OF NEW YORK

By: ____________________________________

Its: ___________________________________

By: ____________________________________

Its: ___________________________________

SUN LIFE ASSURANCE COMPANY OF CANADA (U.S.)

By: ____________________________________

Its: ___________________________________

By: ____________________________________

Its: ___________________________________

SCHEDULE 1

NAME OF HOLDER OF OUTSTANDING NOTES	PRINCIPAL AMOUNT AND SERIES OF OUTSTANDING NOTES HELD AS OF DECEMBER 28, 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 for the Long-Term Investment Trust (as directed by John Hancock Life Insurance Company)	$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	$15,000,0000 1996 Notes
Principal Life Insurance Company (f/k/a Principal Mutual 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	$10,000,0000 1996 Notes
J. Romeo & Co.	$3,500,0000 1996 Notes
J. Romeo & Co.	$4,000,0000 1996 Notes
Pacific Life Insurance Company (f/k/a 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

NAME OF HOLDER OF OUTSTANDING NOTES	PRINCIPAL AMOUNT AND SERIES OF OUTSTANDING NOTES HELD AS OF DECEMBER 28, 2000
Allstate Life Insurance Company	$2,000,000 1996 Notes
Protective Life Insurance Company (f/k/a Wisconsin National 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
Clarica Life Insurance Company-U.S.	$3,000,000 Series 2000 A Notes
Nationwide Life Insurance Company	$5,000,000 Series 2000 A Notes
Nationwide Life and Annuity Insurance Company	$1,000,000 Series 2000 A Notes
Nationwide Mutual Fire Insurance Company	$2,000,000 Series 2000 A Notes
Nationwide Mutual Insurance Company	$2,000,000 Series 2000 A Notes
Sun Life Assurance Company of Canada	$1,250,000 Series 2000 A Notes
Sun Life Insurance and Annuity Company of New York	$250,000 Series 2000 A Notes
CIG & Co. (on behalf of Connecticut General Life Insurance Company)	$1,000,000 Series 2000 B Notes
CIG & Co. (on behalf of Connecticut General Life Insurance Company)	$500,000 Series 2000 B Notes
CIG & Co. (on behalf of Connecticut General Life Insurance Company)	$3,500,000 Series 2000 B Notes
CUDD & Co.. (on behalf of The Guardian Life Insurance Company of America)	$7,000,000 Series 2000 B Notes
MAC & Co. (on behalf of Pacific Life Insurance Company)	$15,000,000 Series 2000 B Notes

NAME OF HOLDER OF OUTSTANDING NOTES	PRINCIPAL AMOUNT AND SERIES OF OUTSTANDING NOTES HELD AS OF DECEMBER 28, 2000
Reliastar Life Insurance Company	$2,000,000 Series 2000 B Notes
Northern Life Insurance Company	$3,000,000 Series 2000 B Notes
SALKELD & Co.(on behalf of GE Edison Life Insurance Company)	$27,000,000 Series 2000 C Notes
CIG & Co. (on behalf of Connecticut General Life Insurance Company)	$3,300,000 Series 2000 D Notes
CIG & Co. (on behalf of Connecticut General Life Insurance Company)	$3,000,000 Series 2000 D Notes
CIG & Co. (on behalf of Life Insurance Company of North America)	$3,200,000 Series 2000 D Notes
CUDD & Co. (on behalf of The Guardian Life Insurance Company of America)	$7,500,000 Series 2000 D Notes
Metropolitan Life Insurance Company	$30,000,000 Series 2000 D Notes
Commercial Union Life Insurance Company of America	$2,000,000 Series 2000 D Notes
Principal Life Insurance Company	$5,000,000 Series 2000 D Notes
ReliaStar Life Insurance Company of New York	$2,000,000 Series 2000 D Notes
Northern Life Insurance Company	$2,000,000 Series 2000 D Notes
Principal Life Insurance Company	$7,000,000 Series 2000 E Notes
John Hancock Life Insurance Company	$25,000,000 Series 2000 F Notes
John Hancock Life Insurance Company	$3,000,000 Series 2000 F Notes
John Hancock Variable Life Insurance Company	$1,000,000 Series 2000 F Notes
Mellon Bank, N.A., Trustee for the Bell Atlantic Master Trust	$2,000,000 Series 2000 F Notes
Mellon Bank, N.A. Trustee under the Long-Term Investment Trust dated October 1, 1996	$2,000,000 Series 2000 F Notes
Sun Life Assurance Company of Canada (U.S.)	$5,000,000 Series 2000 F Notes
Sun Life Assurance Company of Canada	$2,000,000 Series 2000 F Notes