STAR GAS PARTNERS LP
Form 424B5
August 14, 2003
Table of Contents

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Registration No. 333-100976

PROSPECTUS SUPPLEMENT

(To the prospectus dated November 13, 2002)

1,700,000 Common Units

Star Gas Partners, L.P.

Representing Limited Partner Interests

We are offering 1,700,000 common units representing limited partner interests with this prospectus supplement and the accompanying base prospectus.

Our common units are traded on the New York Stock Exchange under the symbol SGU. On August 13, 2003, the last reported sale price of our common units on the New York Stock Exchange was $21.35 per common unit.

Before buying any of the common units offered herein, you should read the discussion of material risks of investing in our common units in Risk factors beginning on page S-8 of this prospectus supplement and page 3 of the accompanying base prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying base prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Common Unit	Total

Public offering price	$ 21.3500	$ 36,295,000
Underwriting discounts and commissions	$ 1.0675	$ 1,814,750
Proceeds, before expenses, to Star Gas Partners, L.P.	$ 20.2825	$ 34,480,250

The underwriters may also purchase up to an additional 255,000 common units from us to cover any over-allotments. The underwriters can exercise this right at any time within thirty days after this offering. The underwriters expect to deliver the common units to purchasers on or about August 18, 2003.

UBS Investment Bank **A.G. Edwards & Sons, Inc.**

RBC Capital Markets

The date of this prospectus supplement is August 13, 2003.

The information in this prospectus supplement is not complete. You should review carefully all of the detailed information appearing in this prospectus supplement, the accompanying base prospectus and the documents we have incorporated by reference before making any investment decision. You should not assume that the information provided by this prospectus supplement or the accompanying base prospectus, as well as information we previously filed with the Securities and Exchange Commission that is incorporated by reference herein, is accurate as of any date other than its respective date. Certain capitalized terms used but not defined in this prospectus supplement have the meanings assigned to them in the accompanying base prospectus. Throughout this prospectus supplement and the accompanying base prospectus, we refer to ourselves, Star Gas Partners, L.P., as we or us or Star Gas Partners.

TABLE OF CONTENTS

Prospectus supplement

Base prospectus

Table of Contents

Prospectus supplement summary

This document is in two parts. The first part is the prospectus supplement, which describes our business and the specific terms of this common unit offering. The second part, the base prospectus, gives more general information, some of which may not apply to this offering. Generally, when we refer to the prospectus, we are referring to both parts combined. If the description of the offering varies between the prospectus supplement and the base prospectus, you should rely on the information in the prospectus supplement.

STAR GAS PARTNERS, L.P.

We are the largest retail distributor of home heating oil and one of the largest retail distributors of propane in the United States, based on volume as reported by the National Oilheat Research Alliance Organization, March 2003, and by LP/Gas magazine, February 2003. Our home heating oil operations serve customers in the Northeast and Mid-Atlantic regions, and our propane operations serve customers in the Midwest and Northeast regions, Florida and Georgia. We are also an independent reseller of natural gas and electricity to residential customers in deregulated energy markets, primarily in the Northeast and Mid-Atlantic regions. For the twelve months ended June 30, 2003, we sold 563.0 million gallons of heating oil and 164.7 million gallons of propane. For the twelve months ended June 30, 2003, we generated total sales of $1.43 billion.

Recent developments

Results for the three months ended June 30, 2003. For the fiscal 2003 third quarter ended June 30, 2003, our sales rose 25% to a record $235.2 million, versus $188.7 million in the third quarter of fiscal 2002. This significant rise resulted from higher energy prices, as well as a 6% volume increase. This volume increase was the result of both the impact of colder weather during the early part of the quarter as well as the contribution from 14 acquisitions made since April 1, 2002.

Our fiscal third quarter is a non-heating period, and the operating loss rose from $20.7 million in 2002 to $26.4 million in 2003 primarily due to (a) the expensing of $4.4 million tied to the value of previously granted equity-based compensation and (b) $2.0 million of reorganization expenses associated with our heating oil division s previously announced Business Process Redesign Improvement Program.

The third quarter seasonal net loss increased to $37.9 million as a result of the aforementioned operating loss and increased interest expense largely due to financing the higher levels of working capital required by our increased sales.

Recent and pending acquisitions. Since April 1, 2003, we have acquired seven heating oil and propane distribution operations with total annual sales of approximately 90 million gallons of heating oil and propane to approximately 106,000 customers. The aggregate acquisition purchase price was $73.4 million. The largest acquisition was the Vermont-based Ultramar New England Home Energy business, a unit of Valero Energy Corporation. The other six acquisitions were SICO Heating Oil Company of Mount Joy, Pennsylvania; Summit Gas Co., Coventry, Rhode Island; DiFeo Oil & Gas, Brentwood, New Hampshire; Palmyra Service Co., Palmyra, Maine; Carlos Leffler, Inc., Richland, Pennsylvania; and Humphrey Oil Company, Inc., Providence, Rhode Island.

Table of Contents

Prospectus supplement summary

As part of our ongoing acquisition program, we evaluate potential propane and heating oil acquisition opportunities as they become available. Where appropriate, we conduct due diligence and, if our due diligence is favorable, we enter into negotiations.

Amendments to Partnership Agreement. On July 25, 2003, the holders of our units approved a proposal to amend Star Gas Partners partnership agreement to permit Star Gas Partners to issue:

- an unlimited number of common units, or units ranking on a parity with common units, to repay our long term indebtedness including indebtedness of our subsidiaries;
- an unlimited number of common units, or units ranking on a parity with common units, to acquire capital assets in a transaction approved by our general partner s independent directors; and
- up to 3,000,000 additional common units, or units ranking on a parity with common units, for general partnership purposes.

OUR BUSINESS

Home heating oil operations

Through our subsidiary, Petro Holdings, Inc. or Petro, we are engaged in delivering heating oil and providing heating equipment repair and maintenance services to approximately 525,000 home heating oil customers in eight states and the District of Columbia as of June 30, 2003. Our heating oil operations are concentrated in the Northeast and Mid-Atlantic.

Heating oil is almost exclusively used for space heating by residential and commercial customers. We believe that the sale of heating oil is a stable business due to three factors. First, home heating oil is an essential, non-discretionary product, and sales are typically not impacted by general economic conditions. Second, the majority of our customers automatically receive deliveries without making affirmative purchase decisions. We enhance customer loyalty with our responsive at-home heating equipment repair and maintenance service, which we make available 24 hours per day, 7 days a week. Third, because we sell heating oil with a pass-through pricing mechanism and maintain relatively low levels of inventory, we are not generally affected by changes in the level of oil prices.

As the largest retail distributor of home heating oil, Petro benefits from economies of scale and customer service capabilities that are not available to most of our competitors. We also utilize sophisticated information and communications technology systems to enhance our customer response time and overall service quality that are not affordable by most of our smaller, local competitors.

For the twelve months ended June 30, 2003, approximately 76% of total sales from our heating oil operations were from sales of home heating oil, approximately 15% were from the installation and repair of heating and air conditioning equipment and approximately 9% were from the sale of other petroleum products, including diesel fuel and gasoline, primarily to commercial customers for fleet fuel service. During this period, our home heating oil operations generated total sales of $1.08 billion.

Propane operations

Through our subsidiary, Star Gas Propane, L.P., or Star Gas Propane, we are primarily engaged in the retail distribution of propane and related supplies and equipment to residential, commercial, industrial, agricultural and motor fuel customers. As of June 30, 2003, we served over 310,000 propane customers in seventeen states from 115 branch locations and 65 satellite storage facilities in the Midwest and the Northeast regions, Florida and Georgia. In addition to our retail business, we also serve wholesale customers from our 21 million gallon storage facility in southern Indiana.

Table of Contents

Prospectus supplement summary

Star Gas Propane sells propane to residential customers to meet their space heating and cooking needs and to smaller commercial customers for general space heating purposes. For the twelve months ended June 30, 2003, approximately 72% of our retail propane sales were to residential customers. This provides us with a high level of customer stability and a relatively price insensitive customer base. In addition, because fire safety laws in the states in which we operate do not permit propane tanks to be filled by other distributors, our customer stability is further enhanced by our ownership of approximately 95% of the propane tanks located at our customers homes. Similar to our heating oil operations, we sell propane with a pass-through pricing mechanism and maintain relatively low levels of inventory, making our operations generally unaffected by changes in underlying commodity prices.

For the twelve months ended June 30, 2003, approximately 93% of the total sales from our propane operations were to retail customers and approximately 7% were to wholesale customers. Our retail sales have historically had a greater profit margin, more stable customer base and less price sensitivity than our wholesale business. During this period, our propane operations generated total sales of $264.3 million.

Electricity and natural gas operations

Through our subsidiary, Total Gas & Electric, Inc., or Total Gas & Electric, we are an independent reseller of natural gas and electricity to approximately 51,000 natural gas and 14,000 electricity customers in deregulated energy markets primarily in New York, New Jersey, Florida and Maryland as of June 30, 2003. In deregulated energy markets, customers have a choice in selecting energy suppliers to power and/or heat their homes. Competitors range from independent resellers, similar to Total Gas & Electric, to large public utilities. Similar to our heating oil and propane operations, natural gas and electricity are sold to customers using a pass-through pricing mechanism.

For the twelve months ended June 30, 2003, Total Gas & Electric generated total sales of $78.6 million. Total Gas & Electric has experienced losses primarily from its prior management s customer solicitation and credit policies that resulted in lower than expected customer collections. During the fiscal year ended September 30, 2002, we appointed a new management team at Total Gas & Electric who instituted new credit policies and information systems that were completed by the spring of 2002. As a result of these actions, we have reduced our customer base by over 60,000 customers to approximately 65,000 by eliminating customers with poor credit history. We now focus our customer marketing efforts in geographic markets where the local utility guarantees payment of at least 98% of our receivables.

Competitive strengths

High Percentage of Sales to Stable, Higher Margin Residential Customers. Our heating oil and propane operations concentrate on sales to residential customers who generate higher margins and who are generally more stable purchasers than commercial or industrial customers. Residential demand is typically not affected by the general economy because space heating is considered a nondiscretionary item. For the twelve months ended June 30, 2003, sales to residential customers represented 83% of our heating oil volume and 59% of our propane volume.

Limited Exposure to Commodity Price Changes. We price our products either on a pass-through basis, based upon market prices at the time of sale, or on a maximum or fixed price basis that is set at the beginning of the heating season. On average, we purchase heating oil and propane 10 days in advance of sale to the consumer at market prices. For our maximum or fixed price customers, we enter into forward contracts or market hedges to maintain our margins and minimize our exposure to commodity price fluctuations.

S-3

Table of Contents

Prospectus supplement summary

Significant Economies of Scale and Operating Efficiencies. Petro is now over 200 times the size of its average competitor (using data compiled from information reported in the Fuel Oil News Magazine, December 2002) and Star Gas Propane is one of the ten largest retail propane distributors in the nation, in each case based on volume. The size and the geographic scope of our operations permit us to achieve economies of scale in purchasing, operations, accounting, credit, collections, marketing and the use of information technology that are not generally available to our smaller competitors. In addition, our size allows us to provide higher levels of customer service for significantly lower cost per customer than our competitors and employ product branding to enhance customer retention. For example, in our heating oil operations, we are utilizing customer call center operations and technology-based service vehicle dispatch in order to maximize customer responsiveness while reducing overall operating costs.

High Barriers to Entry. The heating oil and propane industries incorporate a number of characteristics which provide us with a competitive advantage over smaller competitors and new entrants. The labor-intensive nature of the business, which consists of a large number of small transactions, favors larger companies with economies of scale that are able to generate operating efficiencies and effectively manage distribution routes. Customer turnover is generally low and typically occurs as a result of a triggering event such as a home sale or a service failure by a competitor. A highly fragmented industry with few large operators makes achieving size and scale challenging for new market entrants. Our use of technology to improve our product delivery and customer service is not easily affordable by our smaller heating oil competitors. In addition, because fire safety laws in the states in which we operate do not permit propane tanks to be filled by other distributors, our ownership of approximately 95% of the propane tanks located at our customers homes further enhances our profitability and customer stability.

Strong Track Record of Disciplined Acquisition and Integration. The heating oil and propane distribution industries are highly fragmented with approximately 5,200 market establishments in heating oil and approximately 6,300 market establishments in propane as reported by the U.S. Census Bureau s Statistics of U.S. Businesses, 2000 U.S. Heating Oil Dealers report. These industries are characterized by a large number of relatively small, independently owned and operated local distributors. We have generally purchased family-owned or entrepreneurial operations where existing owners are seeking an exit strategy. We have been successful in purchasing customer lists at attractive multiples and integrating the acquired operations into our infrastructure. Historically, we have financed these acquisitions using a combination of approximately 50% equity and 50% debt.

Experienced Management Team. We have an experienced and talented management team, representing a balance of diversified experiences and skills. Most of our senior managers have more than 25 years of experience in the heating oil industry, and our Chairman and CEO, Irik Sevin, participated in the acquisition of Petro in 1979. In addition to seasoned industry professionals, we have added new talent from diversified functional and industrial areas to broaden our talents and business perspectives. Our success in attracting, motivating and retaining key management is the result of a performance and profit-based incentive plan and an entrepreneurial work environment.

Business strategy

Our business strategy is to increase operating profits and cash flow by enhancing our position as a leading retail distributor of propane and home heating oil. The key elements of this strategy include the following:

Continue Focus on Operating Efficiencies. We will continue to reduce operating costs and streamline our operations primarily through the elimination of redundant systems and further reductions in overhead. As the largest retail distributor of home heating oil and a leading retail distributor of propane

S-4

in the United States, we can realize further economies of scale in operations, marketing and information technology. By spreading costs over a larger customer base that we believe is difficult for most of our competitors to replicate, we believe that we will continue to generate strong financial results and maintain our industry leadership position.

Further Improvement on Cash Flow Stability. Along with our initiatives to improve operating efficiencies, we have weather insurance to protect our heating oil business against weather conditions that are adverse to our business if temperatures are warmer than certain pre-established benchmarks. This strategy has proven beneficial for fiscal year 2002, generating $6.4 million in net weather insurance recoveries. For fiscal years 2003 and 2004, we have $20 million per year in weather insurance coverage from Swiss Re Financial Products Corporation and Hess Energy Trading Company, LLC, and for each of fiscal years 2005 to 2007, we have $12.5 million per year in weather insurance coverage from Swiss Re Financial Products Corporation.

Enhance Public Awareness of Our Heating Oil Brands. As part of our business strategy for the heating oil division, we have recently implemented a plan to pursue a branding and marketing initiative to distribute our heating oil products under our two leading brands, Petro and Meenan Oil. We believe that this strategy will allow our heating oil division to develop brand recognition and improve customer loyalty.

Improve Customer Penetration and Retention. We have begun to sell related and complementary products and services, such as air conditioning systems and water treatment products, to leverage our organizational structure and improve our sales penetration with our existing customer base. We continue to increase the quality of our service offerings to our customers through the use of technology and by leveraging the scale of our operations. We believe that these combined actions will further enhance our position with existing and potential customers and allow us to maintain or improve our customer retention.

Pursue Selective Acquisitions. Our senior management team has developed expertise in identifying acquisition opportunities and integrating acquired customer lists into our operations. Our position as a leading industry consolidator in the heating oil and propane industries provides us with a competitive advantage in evaluating acquisition opportunities. Through our acquisitions, we have been able to consolidate and increase our presence in certain geographic markets, while selectively expanding into new markets, particularly for propane, while maintaining or improving our financial results. Our acquisition strategy has enabled us to achieve our current market position, offers us the ability to continue to achieve operating efficiencies and provides us with economies of scale.

Structure

Star Gas Propane is our operating subsidiary and, together with its direct and indirect subsidiaries, including Petro, accounts for substantially all of our assets, sales and earnings. Both Star Gas Partners and Star Gas Propane are Delaware limited partnerships that were formed in October 1995 in connection with our initial public offering. Star Gas Partners is the sole limited partner of Star Gas Propane with a 99% limited partnership interest.

Our propane operations are conducted through Star Gas Propane and its subsidiaries. Our heating oil operations are conducted through Petro and its direct and indirect subsidiaries. Petro is a Minnesota corporation that is a wholly-owned indirect subsidiary of Star Gas Propane. Our electricity and natural gas operations are conducted through Total Gas & Electric, a Florida corporation, that is a wholly-owned indirect subsidiary of Petro.

Table of Contents

Prospectus supplement summary

Our general partner, Star Gas LLC, performs all management functions for us and our subsidiaries. Star Gas LLC owns an approximate 1% general partner interest in us and also owns an approximate 1% general partner interest in Star Gas Propane.

Star Gas Finance Company is a Delaware corporation that is wholly-owned by Star Gas Partners. Star Gas Finance Company has no material assets and was formed in January 2003 for the sole purpose of being a corporate co-issuer of some of Star Gas Partners indebtedness.

Our common units (SGU) and senior subordinated units (SGH) are traded on the New York Stock Exchange.

Offices

Our principal executive offices are located at 2187 Atlantic Street, Stamford, CT 06912-0011, and our phone number at this address is (203) 328-7300.

Prospectus supplement summary

THE OFFERING

Common units we are offering	1,700,000 (excluding up to 255,000 additional common units that may be issued upon exercise of the over-allotment option)
Common units outstanding after the offering	30,670,528 (excluding over-allotment option)
Distributions of available cash (See page 14 of the accompanying base prospectus)	We intend to distribute, to the extent there is available cash, at least a minimum quarterly distribution of $0.575 per unit, or $2.30 per unit on a yearly basis. Available cash for any quarter consists generally of all cash on hand at the end of that quarter, as adjusted for reserves. The general partner has broad discretion in establishing reserves. In general, available cash will be distributed per quarter based on the following priorities: Ø First, to the common units until each has received $0.575, plus any arrearages from prior quarters. Ø Second, to the senior subordinated units until each has received $0.575. Ø Third, to the junior subordinated units and general partner units until each has received $0.575. Ø Finally, after each unit has received $0.575, available cash will be distributed proportionately to all units until target levels are met. If distributions of available cash exceed target levels greater than $0.604, the senior subordinated units, junior subordinated units and general partner units will receive incentive distributions.
Timing of distributions (See page 15 of the accompanying base prospectus)	We make distributions to unitholders approximately 45 days after March 31, June 30, September 30 and December 31 on the applicable record date. Investors in the common units we are offering will not be entitled to receive the distribution payable on August 14, 2003 to holders of record on August 11, 2003, in respect of the quarter ended June 30, 2003.
Subordination period (See page 15 of the accompanying base prospectus)	The subordination period will end once we meet the financial tests in the partnership agreement, but it generally cannot end before March 31, 2006. However, if the general partner is removed under some circumstances, the subordination period will end. When the subordination period ends, all senior subordinated units and junior subordinated units will convert into Class B common units on a one-for-one basis, and each common unit will be redesignated as a Class A common unit. The main difference between the Class A common units and Class B common units is that the Class B common units will continue to have the right to receive incentive distributions and additional units.
Incentive distributions (See page 16 of the accompanying base prospectus)	If quarterly distributions of available cash exceed target levels, the senior subordinated units, junior subordinated units and general partner units will receive an increased percentage of distributions, resulting in their receiving a greater amount on a per unit basis than the common units.

Table of Contents

Risk factors

You should read carefully the discussion of the material risks relating to an investment in the common units offered by Star Gas Partners under the caption Risk Factors beginning on page 3 of the accompanying base prospectus. You should also read carefully the following additional risk factors.

Total Gas & Electric has experienced significant customer credit deficiencies that have adversely affected its operations.

Since our acquisition of Total Gas & Electric in April 2000, Total Gas & Electric has experienced significant customer credit deficiencies and problems collecting its receivables that we believe were primarily due to the customer solicitation and credit approval policies adopted by prior management. As a result, during the fiscal year ended September 30, 2001, Total Gas & Electric increased its reserve for bad debts by $6.4 million, of which $5.7 million related to terminated accounts. An additional $6.1 million of reserve was provided during the fiscal year ended September 30, 2002, of which $5.8 million was for those terminated accounts, leaving an unreserved accounts receivable balance for the terminated accounts of approximately $0.4 million as of September 30, 2002. While we believe that Total Gas & Electric s delinquency and bad debt levels will improve and will ultimately approximate those at our home heating oil and propane segments as a result of our institution of new credit policies and information systems, we cannot assure you that these new initiatives will be successful.

The risk of terrorism and political unrest in the Middle East may adversely affect the economy and the price and availability of home heating oil and propane.

Terrorist attacks, such as the attacks that occurred in New York, Pennsylvania and Washington, D.C. on September 11, 2001, and political unrest in the Middle East may adversely impact the price and availability of home heating oil and propane, our results of operations, our ability to raise capital and our future growth. The impact that the foregoing may have on our industry in general, and on us in particular, is not known at this time. An act of terror could result in disruptions of crude oil or natural gas supplies and markets, the sources of home heating oil and propane, and our facilities could be direct or indirect targets. Terrorist activity may also hinder our ability to transport propane if our means of transportation become damaged as a result of an attack. Instability in the financial markets as a result of terrorism could also affect our ability to raise capital. Terrorist activity could likely lead to increased volatility in prices for home heating oil and propane. Insurance carriers are routinely excluding coverage for terrorist activities from their normal policies, but are required to offer such coverage as a result of new federal legislation. We have opted to purchase this coverage with respect to our property and casualty insurance programs. This additional coverage has resulted in additional insurance premiums.

Our substantial indebtedness and other financial obligations could have important consequences to you.

We have substantial indebtedness and other financial obligations. As of June 30, 2003, we had total indebtedness of $514.0 million, including $200 million from the senior notes offering which we completed in February 2003 and excluding working capital borrowings of $23.0 million.

Subject to the restrictions governing Petro s and Star Gas Propane s indebtedness and other financial obligations and the indenture governing our senior notes, we may incur significant additional indebtedness and other financial obligations.

For example, our indebtedness could:

- reduce cash available to make distributions on the common units and partnership securities;
- make it more difficult for us to satisfy our obligations with respect to our debt securities;
- impair our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions, general corporate purposes or other purposes;
- result in higher interest expense in the event of increases in interest rates, since some of our debt is, and will continue to be, at variable rates of interest;
- have a material adverse effect on us if we fail to comply with financial and restrictive covenants in our debt agreements and an event of default occurs as a result of that failure that is not cured or waived;
- require us to dedicate a substantial portion of our cash flow from Petro and Star Gas Propane to payments on our indebtedness and other financial obligations, thereby reducing the availability of our cash flow to fund working capital, capital expenditures and other partnership requirements;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate; and
- place us at a competitive disadvantage compared to our competitors that have proportionately less debt.

If we or Petro or Star Gas Propane are unable to meet our debt service obligations and other financial obligations, we could be forced to restructure or refinance our indebtedness and other financial transactions, seek additional equity capital or sell our assets. We may then be unable to obtain such financing or capital or sell our assets on satisfactory terms, if at all.

The terms of our debt instruments, including the guarantee of Petro s credit facility and its senior secured notes, may limit our ability to distribute cash to our unitholders. We are dependent on cash distributions from Petro and Star Gas Propane and their subsidiaries to service our debt obligations and to make distributions to the holders of our common units and other partnership securities. However, our debt instruments restrict Petro from making distributions to Star Gas Propane and restrict Star Gas Propane from making distributions to Star Gas Partners under certain circumstances and unless certain financial tests are met. In addition, our debt instruments permit quarterly distributions only so long as no default exists or would result from such distribution.

Recently enacted legislation may make investments in corporations more attractive than they used to be when compared to investments in the common units.

The President has signed into law the Jobs and Growth Tax Relief Reconciliation Act of 2003, which generally will reduce the maximum tax rate on dividends paid by corporations to individuals to 15% in 2003 and, for taxpayers in the 10% and 15% ordinary income tax brackets, to 5% in 2003 through 2007 and to zero in 2008. This legislation may cause some investments in corporations to be more attractive to individual investors than they used to be when compared to an investment in the common units, thereby exerting downward pressure on the market price of the common units.

Table of Contents

Use of proceeds

We will receive net proceeds from the sale of the common units, assuming no exercise of the over-allotment option, of approximately $34.2 million after deducting estimated underwriting discount and commissions and the estimated expenses of this offering. We will use approximately: (i) $17.0 million of the net proceeds to repay a portion of the outstanding indebtedness ($44.0 million at August 5, 2003) under our home heating oil operations revolving acquisition line of credit, which fully matures on June 30, 2006 and bears interest at a floating rate that, as of June 30, 2003, was equal to 2.80% per year; and (ii) $17.2 million of the net proceeds to repay a portion of the outstanding indebtedness ($29.5 million at August 5, 2003) under our propane operations revolving acquisition line of credit and parity debt facility, which fully mature on September 30, 2005 and bear interest at a floating rate that, as of June 30, 2003, was equal to 3.30% per year.

Table of Contents

Price range of common units and cash distributions

The common units are listed and traded on the New York Stock Exchange under the symbol SGU. The common units began trading on December 20, 1995 on the Nasdaq National Market System under the symbol SGASZ, at an initial public offering price of $22.00 per common unit. The following table shows the high and low closing prices for the common units on the NYSE and the cash distribution paid per common unit for the quarterly periods indicated.

	Price range per common unit		
	High	Low	Cash distributions(1)
Fiscal 2001			
December 31,	$ 17.81	$ 15.50	$0.575
March 31,	19.00	16.94	0.575
June 30,	21.68	18.70	0.575
September 30,	21.45	18.20	0.575
Fiscal 2002			
December 31,	$ 21.99	$ 19.41	$0.575
March 31,	21.53	17.94	0.575
June 30,	19.95	18.38	0.575
September 30,	18.42	14.85	0.575
Fiscal 2003			
December 31,	$ 18.81	$ 16.65	$0.575
March 31,	20.75	18.75	0.575
June 30,	22.79	19.00	0.575
September 30,	22.97(2)	20.97(2)	

(1) Distributions are shown in the quarter they were paid.
(2) Through August 13, 2003.

The last reported sales price of common units on the NYSE on August 13, 2003 was $21.35 per common unit. As of August 12, 2003, there were approximately 870 holders of record of Star Gas Partners common units.

On July 29, 2003 we announced that we would pay a $0.575 per unit distribution on our common units, senior subordinated units and junior subordinated units, which will be paid on August 14, 2003 to holders of record on August 11, 2003. Investors in the common units we are offering will not be entitled to receive that distribution. The senior subordinated units are listed and traded on the New York Stock Exchange under the symbol SGH.

Table of Contents

Tax considerations

We estimate that a holder who acquires common units in the offering and owns those common units through June 30, 2006 will be allocated, on a cumulative basis, an amount of federal taxable income for that period that will be less than approximately 20% of the cash distributed for that period. Star Gas Partners further estimates that for periods after June 30, 2006, the taxable income allocable to a unitholder may constitute an increasing percentage of cash distributed to him. These estimates are based upon many assumptions regarding our business and operations, including other assumptions regarding capital expenditures, cash flow and anticipated cash distributions. These estimates and assumptions are subject to, among other things, numerous business, economic, regulatory, competitive and political uncertainties beyond our control. Further, these estimates are based on current tax law and tax reporting positions that we have adopted or intend to adopt and with which the IRS could disagree. Accordingly, we cannot assure you that these estimates will prove to be correct. The actual taxable income that will be allocated, as a percentage of distributions, could be higher or lower, and any differences could be material and could materially affect the value of the common units. See Federal Income Tax Considerations beginning on page 40 in the base prospectus accompanying this prospectus supplement.

The tax consequences to you of an investment in common units will depend in part on your own tax circumstances. For example, ownership of common units by tax-exempt entities, regulated investment companies and foreign investors raises issues unique to such persons. For a discussion of the principal federal income tax considerations associated with our operations and the purchase, ownership and disposition of common units, see Federal Income Tax Considerations in the base prospectus accompanying this prospectus supplement. You are urged to consult your own tax advisor about the federal, state and local tax consequences peculiar to your circumstances.

Under recently enacted legislation, the top marginal income tax rate for individuals for 2003 was lowered to 35%. In addition, as a result of this change under current rules applicable to publicly-traded partnerships, we will be required to withhold as taxes 35% of any cash distributions made to foreign unitholders during 2003. In general, for 2003, net capital gains of an individual are subject to a maximum 15% tax rate if the asset was disposed of after May 5, 2003 and was held for more than 12 months at the time of disposition.

In addition, because of widespread state budget deficits, several states are evaluating ways to subject partnerships to entity-level taxation through the imposition of state income, franchise or other forms of taxation. If any state were to impose a tax upon us as an entity, the cash available for distribution would be reduced.

Table of Contents

Underwriting

We are selling our common units to the underwriters named in the table below pursuant to an underwriting agreement dated the date of this prospectus supplement. We have agreed to sell to each of the underwriters, and each of the underwriters has severally agreed to purchase, the number of common units set forth opposite that underwriter s name in the table below:

Underwriter	Number of common units
UBS Securities LLC	680,000
A.G. Edwards & Sons, Inc.	680,000
RBC Dain Rauscher Inc.	340,000
Total	1,700,000

If the underwriters sell more common units than the total number set forth in the table above, the underwriters have a 30-day option to buy up to an additional 255,000 common units from us at the offering price set forth on the cover of this prospectus supplement less the underwriting discounts and commissions. If any common units are purchased under this option, the underwriters will severally purchase common units in approximately the same proportion as set forth in the table above. The underwriters are obligated to purchase all the common units (other than those covered by the over-allotment option) if they purchase any of the common units. The following table shows the per unit and total underwriting discounts and commissions we will pay to the underwriters. These amounts are shown assuming both no exercise and full exercise of the underwriters over-allotment option.

	Per common unit	No exercise	Full exercise
Underwriting discounts and commissions	$ 1.0675	$ 1,814,750	$ 2,086,963
Proceeds, before expenses, to us	20.2825	34,480,250	39,652,288

We estimate that the total expenses of this offering payable by us, excluding underwriting discounts and commissions, will be approximately $300,000. This estimate includes expenses relating to printing, accounting and legal fees, among other expenses.

Common units sold by the underwriters to the public will initially be offered at the offering price set forth on the cover of this prospectus supplement. Any common units sold by the underwriters to securities dealers may be sold at a discount of up to $0.62 per common unit from the offering price. Any of these securities dealers may resell any common units purchased from the underwriters to other brokers or dealers at a discount of up to $0.10 per common unit from the offering price. If all the common units are not sold at the public offering price, the underwriters may change the offering price and the other selling terms.

We and several of our affiliates and executives and other persons have agreed with the underwriters, for a period of 90 days from the date of this prospectus supplement, not to, without the prior written consent of UBS Securities LLC, acting as book-running manager, transfer, dispose of or hedge any of our common units or any securities convertible into or exchangeable for common units. The foregoing restrictions shall not apply to:

- the issuance of common units upon the exercise of unit options currently outstanding under an existing employee benefit plan;

Table of Contents

Underwriting

- pledges of common units or securities convertible into or exchangeable for common units to secure existing loans;
- the transfer or disposition of common units in connection with a lender exercising its remedies as a secured party;
- the transfer or disposition of common units to a family member or wholly-owned subsidiary; or
- the issuance of common units as required by lenders to whom they are pledged.

UBS Securities LLC, in its sole discretion, may release any of the securities subject to these lock-up agreements at any time without any notice.

The common units are listed on the New York Stock Exchange under the symbol SGU.

To facilitate this offering of common units, the underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of the common units. Specifically, the underwriters may over-allot in connection with this offering, thus creating a short position in the common units for their own accounts. In addition, to cover over-allotments or to stabilize the price of the common units, the underwriters may bid for, and purchase, the common units in the open market. Finally, the underwriters may reclaim selling concessions allowed to a particular underwriter or dealer for distributing the common units in this offering if the underwriter or dealer repurchases previously distributed common units in transactions to cover short positions, in stabilization transactions or otherwise. Any of these activities may stabilize or maintain the market price of the common units above independent market levels. The underwriters are not required to engage in these activities and may end any of these activities at any time. These transactions may be effected in the over-the-counter market or otherwise.

We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act, and contribute to payments that the underwriter may be required to make in respect thereof.

Some of the underwriters have from time to time performed various investment and commercial banking and financial advisory services, participated in the underwriting of debt and equity securities offerings and served as lender or agent under credit facilities for us and our affiliates for which the underwriters have received customary fees and reimbursement of their out-of-pocket expenses. The underwriters may, from time to time in the future, engage in transactions with and perform services for us and our affiliates in the ordinary course of business.

Because the National Association of Securities Dealers, Inc. views the units offered hereby as interests in a direct participation program, the offering is being made in compliance with Rule 2810 of the NASD s Conduct Rules.

Table of Contents

Experts

The consolidated financial statements and the related financial statement schedule of Star Gas Partners, L.P. and subsidiaries as of September 30, 2001 and 2002, and for each of the years in the three-year period ended September 30, 2002, incorporated in this prospectus supplement and the accompanying base prospectus by reference to our Annual Report on Form 10-K/A for the year ended September 30, 2002, have been audited by KPMG LLP, independent certified public accountants, as stated in their report, which is incorporated herein by reference, and has been so incorporated in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

The balance sheets of Star Gas LLC as of September 30, 2001 and 2002, incorporated in this prospectus supplement and the accompanying base prospectus by reference to our Current Report on Form 8-K filed on March 17, 2003, have been audited by KPMG LLP, independent certified public accountants, as stated in their report, which is incorporated herein by reference, and has been so incorporated in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

The consolidated financial statements of Meenan Oil Co., L.P. as of June 30, 2001 and 2000, and for each of the years in the three-year period ended June 30, 2001, incorporated in this prospectus supplement and the accompanying base prospectus by reference to our Current Report on Form 8-K filed on March 17, 2003, have been audited by KPMG LLP, independent certified public accountants, as stated in their report, which is incorporated herein by reference, and has been so incorporated in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

Validity of common units

The validity of the common units and certain tax matters will be passed upon for Star Gas Partners by Phillips Nizer LLP, New York, New York. Certain legal matters regarding the common units will be passed upon for the underwriters by Vinson & Elkins L.L.P., New York, New York.

Table of Contents

PROSPECTUS

Star Gas Partners, L.P.

$200,000,000